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Proposal for a

COUNCIL REGULATION

laying down the multiannual financial framework for the years 2028 to 2034

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Article 312 of the Treaty on the Functioning of the European Union ('TFEU') stipulates that a Council regulation, adopted unanimously by the Council after obtaining the consent of the European Parliament, shall lay down a Multiannual Financial Framework for a period of at least five years. The Multiannual Financial Framework ('MFF') 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 shall '*lay down any other provisions required for the annual budgetary procedure to run smoothly'*.

The Multiannual Financial Framework currently in force for the years 2021 to 2027 (Council Regulation (EU, Euratom) 2020/2093) was adopted on 17 December 2020[1]. On 16 December 2020, 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, as well as on new own resources, including a roadmap towards the introduction of new own resources[2].

The MFF Regulation was revised twice since its adoption in 2020. In December 2022[3], following Russia's unprovoked and unjustified war of aggression against Ukraine, the MFF Regulation was amended to enable structural support to Ukraine, making possible the provision of EUR 18 billion in the form of loans to the country in 2023 and 2024. In June 2023, the Commission presented of a mid-term review of the functioning of the MFF in its first years of implementation, including an assessment of the sustainability of the expenditure ceilings[4], accompanied by a proposal for the revision of the MFF Regulation[5] to enable the Union budget to provide the policy responses to emerging challenges and to meet legal obligations which could not be accommodated within existing ceilings nor by quasi-exhausted flexibility provisions and special instruments. The revision of the MFF Regulation was adopted on 29 February 2024[6], with retroactive application as of 1 January 2024.

In line with the requirements of Article 312 TFEU, this document contains the proposal for the Council Regulation establishing the multiannual financial framework applicable as of 1 January 2028. The explanatory memorandum also contains information in relation to the proposal for a new Interinstitutional Agreement between the European Parliament, the

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[1] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I, 22.12.2020, p. 11.

[2] Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources, OJ L 433I, 22.12.2020, p. 28.

[3] Council Regulation (EU, Euratom) 2022/2496 of 15 December 2022 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 325, 20.12.2022, p. 11.

[4] 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, Mid-term revision of the Multiannual Financial Framework 2021 – 2027, COM(2023)336 final, 20.06.2023.

[5] Proposal for a Council Regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027, COM(2023)337 final, 20.06.2023.

[6] Council Regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027, OJ L, 2024/765, 29.2.2024, ELI: http://data.europa.eu/eli/reg/2024/765/oj.

Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management[7] ('IIA'), which aims to replace the Interinstitutional Agreement of 16 December 2020.

2. A DYNAMIC UNION BUDGET FOR THE PRIORITIES OF THE FUTURE

2.1. Main political guidelines

The proposals for a new MFF Regulation ('draft MFF Regulation') and a new IIA ('draft IIA') follow the principles and main political objectives outlined in the Commission Communication "XXXXXXXXX" adopted on 16 July 2025[8] (the 'MFF Communication'), in particular with regard to the MFF's duration, its structure reflecting political priorities, the need for increased flexibility, and the amounts foreseen for the MFF itself.

2.2. MFF structure and MFF ceilings

The proposed 2028-2034 MFF will be structured around three headings corresponding to the Union's major sectors of activity supported by the Union budget and focused on delivering on shared policy priorities. A fourth heading covers expenditure for European public administration The detail of the structure and policies covered under each heading is described in the MFF Communication.

To support the Union's priorities in the period of 1 January 2028 to 31 december 2034 whilst meeting its repayment obligations under NextGenerationEU, the Commission is proposing for the MFF 2028-2034 a ceiling for commitments of EUR 1 763.1 billion in constant prices of 2025 equal to 1.26 % of EU GNI and a corresponding payment ceiling of EUR 1 761 billion in constant prices of 2025 equal to 1.26% of EU GNI.

The Commission is proposing together with this proposal a revised proposal for a Council Decision on the system of own resources of the European Union[9].

2.3. Flexibility

In a rapidly evolving global landscape, the Union must have the capacity to act – and react – when circumstances change. That is why the Commission is proposing more flexibility across the long-term budget, while preserving the predictability that makes the EU budget a powerful driver of investment.

A number of parameters, such as the length of the period covered by the MFF, the number and design of expenditure headings, the share of EU spending pre-allocated to Member States or pre-determined in sectoral spending programme 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 MFF, the Commission has taken those elements into account.

The major elements of flexibility for the period 2028-2034 are a simpler architecture of the MFF and, within this architecture, fewer programmes, a higher share of unprogrammed

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7 COM(2025)572, 16.07.2025.

8 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 « XXXXXXXX », COM(2025)570, 16.07.2025.

9 COM(2025)574, 16.07.2025.

amounts, as well as mechanisms and in-built reserves allowing for a better, faster and less disruptive response to evolving needs.

The next MFF needs to find a better balance between investment predictability and flexibility to adjust spending focus and to respond to unexpected needs and crises.

Indicative financial envelopes for spending programmes and instruments should remain the main reference for the multiannual financial programming, but the budgetary authority should be able to adjust spending focus in the annual budgetary procedure.

The special instruments allowing to enter appropriations over and above the ceilings will be rationalised, with the Single Margin Instrument enabling pooling past unused margins below the ceilings of the MFF headings and allowing them to be used across all policy areas, and the Flexibility Instrument providing support to new or unexpected needs. The Flexibility Instrument will, in addition to a fixed yearly amount, include amounts equivalent to decommitments made in the previous year as well as to net fines entered in the budget in the previous year.

The proposed streamlined flexibility toolbox set out in the draft MFF Regulation therefore includes one thematic special instrument dedicated to financing support to Ukraine (the ‘Ukraine Reserve’), and two non thematic special instruments, building on the mechanisms existing and reinforced in the 2021-2027 MFF: the Single Margin Instrument and the Flexibility Instrument.

•3. LEGAL ELEMENTS OF THE PROPOSAL

• Legal basis

Article 312 of the TFEU and Article 106a of the Treaty establishing the European Atomic Energy Community constitute the legal bases for the adoption of the MFF.

• Subsidiarity

The initiative falls under a policy area where the EU has exclusive powers (under Article 312 TFEU). Therefore, the subsidiarity principle does not apply.

• Proportionality

The proposal complies with the proportionality principle in that it does not go beyond the minimum required to achieve the stated objectives at the European level and which is necessary for that purpose.

4. DETAILED EXPLANATION OF THE SPECIFIC PROVISIONS OF THE PROPOSAL

4.1. Multiannual Financial Framework Regulation

The provisions of the draft MFF Regulation are structured in four Chapters.

Chapter 1 – General Provisions

Article 1 – Multiannual Financial Framework

The wording of Article 1 specifies the duration of the MFF which is set for seven years, from 1 January 2028 to 31 December 2034.

Article 2 – Compliance with the ceilings of the MFF

This Article is based on Article 2 of Regulation (EU, Euratom) 2020/2093, which is reproduced but also simplified, streamlined and adapted to recent developments concerning Ukraine.

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 TFEU.The references to specific policy areas is deleted.

The second paragraph introduces the special instruments which are further defined in Chapter 3 (Articles 6 to 8), with the principle that these instruments are not included in the MFF and that their financing in specific circumstances is provided over and above the ceilings of the MFF, both for commitment and corresponding payment appropriations.

In continuity with the provisions of previous MFFs, the third paragraph provides that the budgetary coverage of financial assistance to the Member States in the form of loans as well as financial assistance in the form of loans to Ukraine is excluded from the MFF.

Accordingly, if the Union has to honour repayment obligations from resources of the Union's budget - in the case a beneficiary state (a Member State or Ukraine) fails to provide the due payment on time – the necessary amounts would be mobilised over and above the MFF ceilings up to the limits of the own resources ceiling (from the so called 'headroom').

Article 3 – Respect of own resources ceiling

This Article reproduces the text of Article 3 of Regulation (EU, Euratom) 2020/2093. 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 MFF have to be amended by way of a revision of the MFF (Article 9).

Chapter 2 – Adjustments to the MFF and specific provisions

Article 4 – Technical adjustment

This Article is based on the text of Article 4 of Regulation (EU, Euratom) 2020/2093. The financial framework is presented in constant 2025 prices. The first paragraph is simplified and adapted to reflect the evolutions related to special instruments.

The second paragraph provides for a new method for the conversion of the amounts of the expenditure ceilings and other amounts set out in the MFF from constant 2025 prices to current prices. This new method aims to adress difficulties related to a volatile inflation environment. The annual adjustment remains based on a fixed but adjustable deflator. In practical terms, the annual price adjustment will be equal to 2% whenever EU inflation is between 1% and 3%, and equal to the actual inflation forecast rate whenever actual inflation forecast is lower than 1% or higher than 3%. The inflation rate of reference will be the EU-27 GDP deflator.

The rest of the provision, including the procedure, remains the same as in the current Regulation.

Article 5 – Provisions related to measures linked to a general regime of conditionality for the protection of the Union budget.

This article introduces specific provisions to ensure the availability of commitment appropriations during the allowed time of the suspension when measures concerning the suspension of budgetary commitments are adopted in accordance with Article 5(1)(b), point (i) and (ii) of Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the

Union budget[10]. In such cases, the commitment appropriations of the financial year concerned will be carried over to the following financial years.

The carry-over is limited to a period of two years, in compliance with the time limit set out in Article 7(3) of Regulation (EU, Euratom) 2020/2092, after which the carried over commitment appropriations will lapse if a Council implementing decision lifting the suspension has not been adopted.

Chapter 3 – Special instruments

The chapter on special instruments has been simplified and streamlined. The proposed streamlined flexibility toolbox set out in the proposed MFF Regulation therefore includes only one thematic special instrument dedicated to financing support to Ukraine, and two non thematic special instruments, building on the mechanisms existing and reinforced in the 2021-2027 MFF: the Single Margin Instrument and the Flexibility Instrument. These two non-thematic special instruments are the only tools providing the possibility to address unpredictable events or new and emerging priorities across all the budget lines.

Article 6 –Ukraine Reserve

A new thematic special instrument is created to allow the Union to keep supporting Ukraine as long as it takes, and to firmly help Ukraine on its path to accession to the Union. This special instrument is linked to Regulation (EU) [XXX][11]of the European Parliament and of the Council [Global Europe]. The appropriations for the part of the support to Ukraine under [Global Europe] provided in the form of non-repayable support and provisioning of budgetary guarantees, will be provided through this thematic special instrument. The commitment appropriations and corresponding payment appropriations will be mobilised annually in the framework of the budgetary procedure set out in Article 314 TFEU, over and above the ceilings of the MFF.

Article 7 – Single Margin Instrument

This Article corresponds to Article 11 of Regulation 2020/2093and has been simplified. As it is the case under Regulation (EU, Euratom) 2020/2093, the Single Margin Instrument allows for the use of available commitment and/or payment margins from the past to finance additional expenditure above the ceilings.

The mechanism covered by Article 11(1)(a) of Regulation (EU, Euratom) 2020/2093 is maintained and renamed the Global Margin for Commitments. The mechanism covered by Article 11(1)(b) of Regulation (EU, Euratom) 2020/2093 is maintained and renamed the Global Margin for Payments. Both will apply as of 2029. The mechanism covered by Article 11(1)(c) of Regulation (EU, Euratom) 2020/2093 is renamed the Contingency Margin. It remains a last resort measure that can be resorted to only if the Global Margin for Commitments and the Global Margin for Payments remain insufficient. As in Regulation (EU, Euratom) 2020/2093, the Global Margin for Commitments and the Contingency Margin may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU. The Contingency Margin will be capped for a given year at 0,04 % of the gross national income of the Union. The adjustment for the Global Margin for Payment will be carried out by the Commission, starting in 2029, as part of the technical adjustment referred to in Article 4.

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[10] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1, ELI: http://data.europa.eu/eli/reg/2020/2092/oj).

[11] COM(2025)551, 16.07.2025.

Article 8 – Flexibility Instrument

This Article corresponds to Article 12 of Regulation (EU, Euratom) 2020/2093. The annual fixed amount of the Flexibility Instrument will be increased to EUR 2 billion (in 2025 prices) .

In addition, and in continuity with mechanisms existing in the current MFF (EURI instrument and programme-specific adjustment), the Flexibility Instrument will be reinforced each year with:

– an amount equivalent to decommitments of appropriations, other than external assigned revenue, made in the year n-2, with the exclusion of the amounts of decommitments made available again in accordance with Article 15 of Regulation (EU, Euratom) 2024/2509 and with the provisions of Regulation [(EU) XXXX/XX] [National and Regional Partnership Fund], as well as

– an amount equivalent to net fines, other penalties, sanctions and any accrued interest or other income generated by them imposed by Union institutions[12] which is entered in the budget of the year n-2 in accordance with Article 107 of the Financial 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 4. The Flexibility Instrument may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU. Any unused amount under the Flexibility Instrument can be carried over throughout the whole MFF period.

Chapter 4 Revision of the MFF

Without prejudice to the Commission's right of initiative, the provisions under this Chapter refer to cases where a revision of the MFF is considered necessary and should therefore be specifically identified in the MFF Regulation.

Article 9– Revision of the MFF to ensure compliance with the own resources ceiling

This Article refers to the requirement to revise the MFF ceilings downwards if necessary to ensure compliance with the own resources ceiling (Article 3(2)).

Article 10 – Revision of the MFF in case of a revision of the Treaties

This Article reproduces the text of Article 15 of Regulation (EU, Euratom) 2020/2093.

Article 11 – Revision of the MFF in the event of accession of new Member States to the Union

This Article covers the case of accession of new Member States to the Union.

Article 12 – Revision of the MFF in the event of the reunification of Cyprus

This Article reproduces the text of Article 17 of Regulation (EU, Euratom) 2020/2093.

Chapter 5 – Final provisions

Article 13 - Transition towards the next financial framework

The wording of this Article corresponds to Article 21 of Regulation (EU, Euratom) 2020/2093. It lays down the obligation for the Commission to present a proposal for a new MFF by 1 July 2033.

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[12] The Commission will propose in due time an amendment of the Financial Regulation prolonging the treatment of negative revenue set out in its Article 48(2) beyond 2027.

Article 14 - Entry into force and application

The final Article sets the date of entry into force and the date of applicability of the MFF.

The IIA should enter into force on the same day, as the two legal texts complement each other.

4.2. Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management

The draft new interinstitutional agreement builds on the cooperation arrangements set out in previous MFFs with a view to strengthening interinstitutional cooperation on budgetary matters and to improve the functioning of the annual budgetary procedure. Principles which were initially set out in the IIA have been incorporated in the recast of the Financial Regulation in 2024. Such principles therefore no longer need to feature in the draft IIA.

Introduction – Points 1 to 6 of the draft IIA

The introductory part of the draft IIA introduces a reference to Article 295 TFEU, highlights the binding nature of the agreement, its coherence with other legal acts linked to the MFF and the budgetary procedure, describes the structure of the draft IIA, and stipulates the date of its entry into force (the same date as the MFF).

Part I – Interinstitutional cooperation in relation to the MFF

A. Provisions related to interinstitutional cooperation throughout the procedure leading to the adoption of the MFF

Point 7 corresponds to point 15 of the current IIA. It provides for cooperation measures between the European Parliament, the Council and the Commission (‘Institutions’) during the negotiations of the MFF Regulation or any revision thereof as set out in Article 312(5)TFEU, in order to facilitate the adoption of the MFF Regulation in accordance with the special legislative procedure referred to in Article 312(2) TFEU.

B. Provisions related to special instruments

Points 8 and 9 define the procedures applicable for the mobilisation of the following special instruments which are set out in the MFF Regulation: the Flexibility Instrument and the Contingency Margin.

Part II - Improvement of interinstitutional cooperation in budgetary matters

A. Interinstitutional collaboration procedure

Points 10 and 11 refer to the incorporation of financial provisions in legally binding Union acts concerning multiannual programmes or instruments and to the indicative financial programming.

Point 11 provides the details of the information to be contained in the financial programming, duly identifying multiannual programmes, legal acts establishing or entrusting tasks to decentralised agencies, and annual actions. The indicative financial programming should also show transparently unallocated reserves and ‘cushions’ within multiannual programmes.

B. Decentralised Agencies and European schools.

The long-standing arrangements and procedure on interinstitutional cooperation on the financing of new decentralised agencies or new legislation containing amendments of tasks of existing decentralised agencies are maintained (points 12 to 14). They are unchanged from the current IIA.

C. Budgetary scrutiny procedure for new proposals based on Article 122 TFEU with potential appreciable implications for the Union budget

Points 15 and 16 incorporate into the draft IIA the procedure for budgetary scrutiny of new proposals based on Article 122 TFEU with potential appreciable implications for the Union budget which was initially agreed on 16 December 2020 in the form of a joint declaration [13].

Part III – Interinsitutional cooperation in the annual budgetary procedure

This part of the draft IIA, as well as the Annex, provide for principles as well as detailed arrangements for the cooperation between the Institutions in the annual budgetary procedure.

Point 17 sets out the principles of cooperation between the Institutions in order to facilitate the annual budgetary procedure, including the organisation of budgetary trilogues, which were previously set out in Article 19 of the MFF Regulation. The detailed procedures are, as before, described in the Annex to the draft IIA.

Point 18 concerns the margins beneath the ceilings and the principle of sound financial management in the annual budget procedure which is featured in point 7 of the current IIA. The MFF Regulation establishes annual expenditure ceilings for all headings, which have to be respected during each annual budgetary procedure as required by the Treaties. 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.

A. Budget implementation, payments and reste à liquider (RAL)

In addition to budgetary trilogues organised at key moments of the annual budgetary procedure, the practice of dedicated interinstitutional meetings on specific issues has proved a valuable tool of mutual information and exchanges of views between the Institutions. It is proposed to continue these arrangements as described in point 19 of the draft IIA, whereas such meetings were previously provided for in the Annex to the IIA.

In addition to the issues of payment forecasts and monitoring of the evolution of outstanding commitments (RAL), these meetings could be an occasion for the presentation and exchanges of views on specific reports provided for in the Financial Regulation which are relevant for the budgetary authority, such as the a long-term forecast of future inflows and outflows and the annual evaluation on the Union’s finances based on the results achieved (article 253(1)(c) and (e) of the Financial Regulation) or the annual report on contingent liabilities arising from budgetary guarantees and financial assistance and the sustainability of those contingent liabilities (Article 256 of the Financial Regulation).

B. Expenditure related to Fisheries Agreements

In points 20 and 21, the arrangements of the current IIA related to cooperation and information on budgetary matters in relation to fisheries agreements are maintained, with clarifications as to the amounts which are to be entered in the budget respectively on the operational budget line or in reserve. It is proposed that amounts for new fisheries agreements or for the renewal of fisheries agreements which are expected to enter into force or to be applied provisionally by 1 January of the financial year concerned shall be included in the main operational budget line.

[13] Joint declaration of the European Parliament, the Council and the Commission on budgetary scrutiny of new proposals based on Article 122 TFEU with potential appreciable implications for the Union budget (2020/C 444 I/05), OJ C 444I, 22.12.2020, p. 5.

C. Financing of the Common Foreign and Security policy

Point 22 reproduces the text of point 22 of the current IIA.

Point 23 largely reproduces point 23 of the current IIA.

Point 24 is unchanged from the curent IIA.

Annex – Interinstitutional cooperation during the budgetary procedure

The provisions included in the Annex are largely unchanged from the current IIA, as they have proved to be a sound basis for the cooperation between institutions.

However, modifications are introduced in points 2 and 5 to specify that:

– in the first trilogue of the year, the Institutions will discuss the funding priorities for the budget of the coming financial year, taking into account the Union’s policy priorities identified by the Institutions in relevant documents. The discussions will aim to inform the budgetary procedure and explore how the priorities can best be reflected in the next budget.

– the Commission proposal for the draft budget should present the Union's actual financing requirements in line with the Union’s policy priorities.

Proposal for a

COUNCIL REGULATION

laying down the multiannual financial framework for the years 2028 to 2034

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,

After transmission of the draft legislative act to the national parliaments,

Having regard to the consent of the European Parliament[14],

After consulting the European Economic and Social Committee,

After consulting the Committee of the Regions,

Acting in accordance with a special legislative procedure,

Whereas:

(1) Taking into account the need for an adequate level of predictability to prepare and implement long-term investments, the duration of the multiannual financial framework (‘the MFF’) should be set at seven years starting on 1 January 2028.

(2) In accordance with Article 312(1), third subparagraph, of the Treaty on the Functioning of the European Union (TFEU), the annual budget of the Union (‘the budget’) should comply with the multiannual financial framework.

(3) The MFF should not take account of budget expenditure items financed by assigned revenue within the meaning of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council[15] (the ‘Financial Regulation’).

(4) The MFF should be laid down in 2025 prices. The rules for annual technical adjustments to the MFF to recalculate the ceilings for commitment appropriations, the ceiling for payment appropriations and other amounts set out in this regulation should also be laid down. The adjustment to current prices should take into account the most recent data and forecasts on the gross domestic product deflator for the Union, as provided by the Commission, which are available when the annual technical adjustment is made.

[14] OJ C, p. .

[15] Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.09.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

(5) The annual ceilings for commitment appropriations by category of expenditure and the annual ceilings for payment appropriations established by this Regulation should respect the applicable ceilings for own resources, which are set in accordance with the Council decision on the system of own resources of the European Union in force that has been adopted in accordance with Article 311, third paragraph, TFEU (the 'Own Resources Decision').

(6) Where it is necessary to mobilise the guarantees given under the budget for financial assistance to Member States or to Ukraine in accordance with Article 223(1) of the Financial Regulation, the necessary amount should be mobilised over and above the ceilings for commitment and payment appropriations of the MFF, while respecting the own resources ceiling.

(7) Specific provisions should be laid down to provide the availability of commitment appropriations during the suspension period when measures concerning the suspension of budgetary commitments concerning Union funds are adopted in accordance with Article 5(1), point (b) (i) and (ii) of Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council on a general regime of conditionality for the protection of the Union budget[16]. Such provisions should respect the time limit of n+2 set out that Regulation.

(8) The Union should have both the specific and the maximum possible flexibility to fulfil its obligations in compliance with Article 323 TFEU. It is appropriate to establish special instruments allowing appropriations to be entered over and above the MFF ceilings as part of the provisions required for the annual budgetary procedure to run smoothly.

(9) Specific provisions should 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.

(10) The Union will keep supporting Ukraine for as long as it takes, and firmly help Ukraine on its path to accession to the Union. The scale of damage caused to Ukraine by Russia's war of aggression requires significant and flexible support to Ukraine to maintain functions of its government, provide public services, as well as to support the recovery, reconstruction and modernisation of the country. To that end, Regulation (EU) [XXX] [17] of the European Parliament and of the Council [Global Europe] sets out a specific framework for assistance, fast recovery, reconstruction and modernisation of the country, to mobilise investments and enhance access to finance, as well as to facilitate Ukraine's alignment with Union standards and values on its path to accession to the Union.

(11) Support to Ukraine under Regulation (EU)[XXX] [Global Europe] should be flexible, so as to provide the adequate form and level of support. Support should be provided in particular in the form of loans, non-repayable support and provisioning for budgetary guarantees. For the part of the support to Ukraine under that Regulation provided in the form of loans, it should be possible to mobilise the necessary appropriations in the budget over and above the ceilings of the MFF for financial assistance to Ukraine

[16] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1, ELI: http://data.europa.eu/eli/reg/2020/2092/oj).

[17] Regulation (EU) [XXX] of the European Parliament and of the Council [Global Europe] of [XXX] (OJ XXX, ELI…).

available until the end of 2034. For the part of the support to Ukraine under Global Europe provided in the form of non-repayable support and provisioning of budgetary guarantees, the appropriations should be provided through a thematic special instrument, the 'Ukraine Reserve'. The commitment appropriations and corresponding payment appropriations should be mobilised annually in the framework of the budgetary procedure set out in Article 314 TFEU, over and above the ceilings for commitment and payment appropriations of the MFF.

(12) For the predictability of the support to Ukraine under Regulation (EU) [XXX] [Global Europe] and the orderly development of expenditure, it is appropriate to set out maximum amounts that may be made available annually for the Ukraine Reserve throughout the duration of the MFF.

(13) Non-thematic special instruments are necessary to provide flexibility in favour of any MFF heading according to needs, and to facilitate the budgetary procedure. The Single Margin Instrument should enable shifting margins available below the ceilings for commitment and payment appropriations, respectively, between financial years and, for commitment appropriations, between MFF headings, without exceeding the total amounts of the MFF ceilings for commitment and payment appropriations for the entire period of the MFF. In line with sound financial management and prudent budgeting, the mobilisation of amounts of margins from the current and future financial years should be a last resort.

(14) The Flexibility Instrument should be available to allow the financing of specific unforeseen expenditure for a given financial year. The Flexibility Instrument should be constituted of a fixed amount, as well as of amounts equivalent to revenue collected pursuant to the implementation of Union policies, such as fines, other penalties, sanctions and any accrued interest or other income generated by them imposed by Union institutions, and amounts equivalent to decommitments of appropriations, other than external assigned revenue, with the exclusion of amounts made available again in accordance with specific rules on making appropriations corresponding to decommitments available again.

(15) Enlargement of the Union is a strategic investment in peace, security, stability and prosperity in Europe and allows the Union to be better positioned to address global challenges. It is necessary to provide for a revision of the MFF in the event of accession of new Member Sates to the Union.

(16) It is also necessary to provide for a revision of the MFF in the event of a revision of the Treaties with budgetary implications, in the event of the reunification of Cyprus, as well as, should circumstances so require, to ensure compliance of the MFF with the own resources ceilings.

(17) The Commission should present a proposal for a new multiannual financial framework by 1 July 2033, to enable the institutions to adopt it sufficiently in advance of the start of the subsequent multiannual financial framework,

HAS ADOPTED THIS REGULATION:

Chapter 1
General provisions

Article 1
Multiannual Financial Framework

This Regulation lays down the multiannual financial framework for the years 2028 to 2034 (‘the MFF’).

Article 2
Compliance with the ceilings of the MFF

1. The European Parliament, the Council and the Commission (the ‘Institutions’) shall, during each budgetary procedure and when implementing the annual budget of the Union (‘the budget’) for the year concerned, comply with the annual expenditure ceilings set out in the Annex (the ‘MFF ceilings’).

2. Where it is necessary to use the resources from the special instruments provided for in Articles 6 and 8, commitment and corresponding payment appropriations shall be entered in the budget over and above the relevant MFF ceilings.

   Where it is necessary to use the resources from the Single Margin Instrument as laid down in Article 7, commitment and corresponding payment appropriations shall be entered in the budget over and above the relevant MFF ceilings for a given year.

3. Where it is necessary to mobilise a guarantee for financial assistance to Member States authorised in accordance with Article 223(1) of the Financial Regulation, the necessary amount shall be mobilised over and above the MFF ceilings.

   Where it is necessary to mobilise a guarantee for financial assistance to Ukraine authorised in accordance with Article 223(1) of the Financial Regulation, the necessary amount shall be mobilised over and above the MFF ceilings.

Article 3
Respect of the own resources ceiling

1. 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 Article 2(2) and (3), shall not be such as to produce a call-in rate for own resources that exceeds the own resources ceiling set out in the Council decision on the system of own resources of the European Union in force that has been adopted in accordance with Article 311, third paragraph, TFEU (the ‘Own Resources Decision’).

2. Where necessary, the MFF ceilings shall be lowered in order to ensure compliance with the own resources ceiling set out in the Own Resources Decision.

Chapter 2
Adjustments to the MFF and specific provisions

Article 4
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) a revaluation, at year n+1 prices, of the ceilings and of the overall figures for appropriations for commitments and appropriations for payments;

   (b) a calculation of the margin available under the own resources ceiling set out in the Own Resources Decision;

   (c) a calculation of the Global Margin for Commitments as referred to in Article 7(1), point (a);

   (d) a calculation of the adjustment of the ceiling for payment appropriations under the Global Margin for Payments as referred to in Article 7(1), point (b);

   (e) a calculation of the maximum amount for the Contingency Margin referred to in Article 7(1), point (c);

   (f) a calculation of the amounts to be made available to the Flexibility Instrument under Article 8(2), first subparagraph, points (a) and (b).

2. The Commission shall make the technical adjustments referred to in paragraph 1 as follows, in line with the evolution of the gross domestic product (GDP) and prices and based on the most recent economic data and forecasts available:

   (a) if inflation in year n+1 is forecast to be equal or above 1 % and equal or below 3 %, the technical adjustments shall be made on the basis of a fixed deflator of 2 % per year;

   (b) if inflation in year n+1 is forecast to be below 1 % or above 3 %, the technical adjustments shall be made on the basis of forecast inflation.

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 to the Council.

4. Without prejudice to Articles 9 to 12, 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 5
Provisions related to measures linked to a general regime of conditionality for the protection of the Union budget

1. In the case of the adoption of measures concerning the suspension of budgetary commitments concerning Union funds in accordance with Article 5(1) point (b) (i) and (ii) of Regulation (EU, Euratom) 2020/2092, the suspended commitment appropriations shall be automatically carried over to the budget of the following years.

2. Appropriations of financial year n may not be carried over in the budget beyond year n+2.

Chapter 3
Special Instruments

Article 6
Ukraine Reserve

1. The Ukraine Reserve may be mobilised for the sole purpose of financing expenditure for Ukraine under [Regulation (EU) XXXX/XX] [Global Europe].

2. The Ukraine Reserve shall not exceed an amount of EUR 88.9 billion in 2025 prices for the period 2028 to 2034. The annual amount mobilised under the Ukraine Reserve in a given year shall not exceed EUR 13.5 billion in 2025 prices. The unused portion of the annual amount in a given year may be used in the following years, until 2034.

3. The Ukraine Reserve may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU.

Article 7
Single Margin Instrument

1. The Single Margin Instrument shall comprise:

   (a) as of 2029, amounts corresponding to margins left available below the MFF ceilings for commitment appropriations of year n-1, to be made available over and above the MFF ceilings for commitment appropriations for the years 2029 to 2034 (the ‘Global Margin for Commitments’);

   (b) as of 2029, amounts equivalent to the difference between the executed payments and the MFF payment ceiling of year n-1 to adjust upwards the payment ceiling for the years 2029 to 2034 (the ‘Global Margin for Payments’);

   (c) as a last resort instrument, additional amounts which may be made available over and above the MFF ceilings in a given year for commitment or payment appropriations, or both, as the case may be, provided that they are fully offset against the margins in one or more MFF headings for the current or future financial years as regards commitment appropriations and are fully offset against the margins under the payment ceiling for future financial years as regards payment appropriations (the ‘Contingency Margin’).

2. The Global Margin for Commitments may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU.

3. The upward adjustments under the Global Margin for Payments shall be carried out by the Commission, starting in 2029, as part of the technical adjustment referred to in Article 4.

   Any upward adjustment under the Global Margin for Payments shall be fully offset by a corresponding reduction of the payment ceiling for year n-1.

4. The Contingency Margin may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU as a last resort instrument to react to unforeseen circumstances.

Amounts may only be mobilised under the Contingency Margin if the amounts available pursuant to paragraph 1, points (a) and (b), as applicable, are insufficient.

The Contingency Margin shall not exceed, in any given year, 0,04 % of the gross national income of the Union, as calculated in the annual technical adjustment referred to in Article 4.

The amounts offset shall not be further mobilised in the context of the MFF.

5. Recourse to the Single Margin Instrument in any given year shall be consistent with the own resources ceilings set out in the Own Resources Decision.

Article 8
Flexibility Instrument

1. The Flexibility Instrument may be used for the financing, for a given financial year, of specific unforeseen expenditure in commitment appropriations and corresponding payment appropriations that cannot be financed within the limits of the ceilings available for one or more MFF heading.

2. The Flexibility Instrument shall be made available over and above the ceilings established in the MFF for the years 2028 to 2034 and shall comprise an annual amount of EUR 2 000 million in 2025 prices and, as of 2029, the following additional amounts:

   (a) an amount equivalent to the revenue from fines, other penalties, sanctions and any accrued interest or other income generated by them imposed by Union institutions as referred to in Article 107(2) of the Financial Regulation, entered in the budget for the year n-2, after deduction of the amount for the year n-2 referred to in Article 141(1) of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community;

   (b) an amount equivalent to decommitments of appropriations, other than external assigned revenue, made in the year n-2, with the exclusion of the amounts of decommitments made available again in accordance with specific rules on making appropriations available as referred to in Article 15 of Regulation (EU, Euratom) 2024/2509 and Regulation [(EU) XXXX/XX] [National and Regional Partnership Fund].

The Commission shall calculate each year, as part of technical adjustments referred to in Article 4, the amounts available on the basis of the first subparagraph, points (a) and (b) of this paragraph.

3. The Flexibility Instrument may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU.

The unused portion of the amount available in a given year may be mobilised in the following years, until 2034.

Chapter 4
Revision of the MFF

Article 9

Revision of the MFF to ensure compliance with the own resources ceiling

1. Without prejudice to Articles 10, 11 and 12, where necessary in accordance with Article 3(2), the MFF shall be revised to ensure compliance with the own resources ceilings set out in the Own Resources Decision.

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 revision of the MFF in accordance with paragraph 1 shall maintain an appropriate relationship between commitment and payment appropriations.

Article 10

Revision in the event of a revision of the Treaties

In the event of a revision of the Treaties with budgetary implications, the MFF shall be revised accordingly.

Article 11

Revision in the event of accession of new Member States to the Union

In the event of new Member States acceding to the Union, the MFF shall be revised accordingly pursuant to the relevant Accession Treaties, to take account of the expenditure requirements resulting from such accession to the Union.

Article 12

Revision 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
Final provisions

Article 13

Transition towards the next multiannual financial framework

By 1 July 2033, the Commission shall present a proposal for a new multiannual financial framework.

Article 14

Entry into force and application

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 2028.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President