

First-ever revision of the EU's long-term budget

Agreement between Parliament and Council

SUMMARY

For the first time ever, the European Parliament and the Council have agreed to revise the ceilings of the EU's multiannual financial framework. The agreement affects the remaining years of the current financial period: 2024 to 2027. The European Parliament had demanded a revision to enable the EU to rise to its challenges effectively. At the special European Council meeting on 1 February 2024, the EU Heads of State or Government reached a highly anticipated decision on the revision following the deadlock of their December meeting. This opened the way for the final negotiations with Parliament and, on 6 February, the negotiators reached a political agreement. Parliament is expected to vote on giving its consent during its 26-29 February plenary session.

The core element of the political agreement is the decision to establish predictable and stable financial support for Ukraine, totalling €50 billion from 2024 to 2027. The funds will be provided through a new framework, the Ukraine Facility, endowed with €33 billion in loans, guaranteed by the EU budget, and €17 billion in grants, financed by the EU budget through a special instrument.

In addition to the financial support for Ukraine, the EU budget will provide €14.6 billion to cope with migration needs, support key technologies and enhance the EU budget's flexibility, of which €10.6 billion originates from a redeployment of funds. The overall reinforcement of the EU budget amounts to €31.6 billion in grants for current priorities, with €21 billion in 'fresh money' from the Member States. This includes the €17 billion that will go to the Ukraine Facility.

As requested by the European Parliament, a mechanism will be introduced over and above the budget's ceilings to cover over-runs in the borrowing costs of the EU's recovery fund, Next Generation EU. In negotiations with the Council, Parliament also secured the smooth implementation of the EU4Health programme.



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Introduction

The current multiannual financial framework (MFF) sets out the structure for EU spending from 2021 until the end of 2027, while the Next Generation EU (NGEU) recovery instrument, established to help Member States come out of the pandemic stronger, significantly reinforced resources for the years 2021 to 2023. From the start of the current programming period, multiple challenges – such as Russia's war on Ukraine, the ensuing energy and migration crisis, and high inflation and rising interest rates – have led to a significant increase in financial needs. The funds initially set aside have been extensively [used up](#). A revision of the EU's budget is [necessary](#) to enable the EU to confront its budgetary and political challenges. Furthermore, wider reform of the EU's financing system is required on the revenue side, in line with the agreed [roadmap](#) towards the introduction of new own resources, as demanded by the [European Parliament](#).

Commission proposal for a revision of the 2021-2027 MFF

Table 1 – Overview of the Commission proposal for the 2021-2027 MFF revision

REINFORCEMENTS 2024 to 2027 (Commitment appropriations, € billion, current prices)			% of the total increase
MFF headings and special instruments	Strategic Technologies for Europe Platform (STEP)	10.0	15.2 %
	Invest EU	3.0	4.6 %
	Horizon Europe	0.5	0.8 %
	Innovation Fund	5.0	7.6 %
	European Defence Fund	1.5	2.3 %
	Migration and external challenges	15.0	22.8 %
	Migration	2.0	3.0 %
	External action	10.5	16.0 %
	Solidarity and Emergency Aid Reserve	2.5	3.8 %
	Inflation and borrowing cost	20.8	31.6 %
Administration	1.9	2.9 %	
EURI	18.9	28.7 %	
Flexibility Instrument	3.0	4.6 %	
Ukraine Facility (grants)	17.0	25.8 %	
Total EU budget	65.8	100 %	
Guaranteed by the EU budget	Ukraine Facility (loans)	33.0	

The Commission's overall package originally [proposed](#) a budgetary reinforcement in commitment appropriations of €65.8 billion in grants and €33 billion in loans in current prices (Table 1).¹ This included:

- an **increase in the MFF ceilings for six budget headings** totalling €24.4 billion. €10.5 billion was proposed for Heading 6 'Neighbourhood and the world' and €2 billion for Heading 4 'Migration', to face the migration challenges. The reinforcement of Headings 1, 3 and 5 (€10 billion in total) concerned the additional funds proposed for a Strategic Technologies for Europe Platform ([STEP](#)) and €1.9 billion to cover increased expenditure arising from inflation (Heading 7);
- an **increase in two of the existing special instruments**, which stand over and above the MFF ceilings: the Flexibility Instrument, by €3 billion, and the Solidarity and Emergency Aid Reserve (SEAR) by €2.5 billion;
- a proposal for **two new thematic special instruments**, over and above the MFF ceilings, with very specific objectives:
 - a **Ukraine Reserve** to provide for the grants component of the 'Ukraine Facility'. The Commission envisaged €17 billion in grants, plus €33 billion in loans, with the EU's budget headroom providing the guarantee. This would bring the overall capacity to €50 billion. The details on the architecture of the Ukraine Facility were presented in a specific [legislative proposal](#);
 - the European Union Recovery Instrument (**EURI**) to finance over-runs in NGEU borrowing costs, above the amounts already included in the financial programming. The Commission was envisaging an over-run of between €17 billion and €27 billion from 2024 to 2027.

European Parliament's position

Parliament assessed the Commission's proposal and set out its position on 3 October 2023. In its [resolution](#), Parliament estimated that the EU's long-term budget would need to be increased to enable the EU to face the challenges and to equip the EU budget with enough flexibility to deal with any additional unexpected financing needs. It proposed an additional €5 billion in current prices to be added to the ceilings of the different headings proposed by the Commission:

- **Heading 1:** increase of the ceiling by €2 billion
- **Heading 4:** increase of the ceiling by €1 billion (to be applied from 2024)
- **Heading 5:** increase of the ceiling by €1 billion
- **Heading 6:** increase of the ceiling by €1 billion.

For the special instruments, Parliament proposed a further €5 billion in addition to the amounts proposed by the Commission:

- **Flexibility Instrument:** increase by €3 billion
- **Solidarity and Emergency Aid Reserve (SEAR):** increase by €2 billion.

Reiterating the EU's firm commitment to stand by [Ukraine](#), Parliament underlined the importance of the support provided by the EU budget, stating that any longer-term funding plan for Ukraine would have to be 'anchored' in the EU budget. It stressed the importance of the rule of law and of preserving the Union's financial interests. With regard to the migration challenges, it supported a further increase in the relevant headings, the Solidarity and Emergency Aid Reserve and the Flexibility Instrument, allowing these extensively used instruments to face other emerging needs.

On the **over-runs in NGEU borrowing costs**, Parliament supported the creation of a special instrument over and above the MFF ceilings but insisted that it should cover all EURI repayment costs, not just those above the amounts currently programmed. Parliament insisted that this instrument should be mobilised by the Parliament and Council in the framework of the budgetary procedure. On the Ukraine Reserve, Parliament insisted that it too should be mobilised in the

framework of the budgetary procedure, as provided for in Article 314 of the Treaty on the Functioning of the European Union (TFEU).

Finally, Parliament supported the **STEP initiative** proposal and its reinforcement by €3 billion. It also reiterated its longstanding position that new priorities should be financed by additional fresh funds.

European Council's position

Revision of the MFF requires the unanimous support of all Member States and the European Parliament's [consent](#). After a period of deadlock, the European Council eventually agreed on a position supported by all Member States, at its special meeting on [1 February 2024](#).

Ukraine Facility

At its 1 February special meeting, the European Council agreed to establish the [Ukraine Facility](#) for the years 2024 to 2027. Support for Ukraine will total €50 billion, of which €33 billion in the form of a highly concessional loan guaranteed by the EU's budget headroom, and €17 billion in the form of grants. The grants will be financed by a new thematic special instrument, the [Ukraine Reserve](#), to be set up over and above the MFF ceilings. In line with the principle of the rule of law, payments to Ukraine are conditional upon effective democratic mechanisms in the country and appropriate measures being taken to protect the financial interests of the Union. The Facility would allow the use of revenues derived from frozen Russian assets.

Migration and external challenges

For Heading 4 'Migration', to cope with migration issues inside the EU, Member States agreed on a reinforcement of €2 billion – as proposed by the European Commission – but lowered the proposed amount for Heading 6 'Neighbourhood and the World', dealing with external challenges relating to migration, to €7.6 billion. Member States set the total amount allocated to migration under these two headings at €9.6 billion – as opposed to the €12.5 billion proposed by the Commission and €14.5 billion proposed by Parliament. Three programmes should benefit from a reinforcement under Heading 4: the Asylum, Migration and Integration Fund, the Border Management and Visa Instrument, and the European Union Asylum Agency.

Member States agreed to reinforce the MFF ceiling for Heading 6 'Neighbourhood and the World' by €3.1 billion, given the context of extraordinary geopolitical tensions. A further €4.5 billion of redeployments will be used to strengthen priorities. This reinforcement will help maintain effective cooperation with third countries in the area of migration, including with partnerships and funding for the migration routes. More specifically, €3.6 billion of additional funding will be allocated to support Syrian refugees in Türkiye and the broader region (Syria, Jordan and Lebanon), €2 billion to support the southern neighbourhood and Africa, and €2 billion to the Western Balkans. The latter is designed to finance the grant component of the new [Reform and Growth Facility for the Western Balkans](#) proposed by the Commission in November 2023, which proposes an additional €4 billion in loans under the new [Growth Plan](#) for the Western Balkans.

All this represents a 5.1 % overall reinforcement of the Heading 6 ceiling. The Commission had estimated needs at €10.5 billion and the European Parliament at €11.5 billion. While €3.1 billion of the agreed additional funding will come from 'fresh money', €4.5 billion is to be redeployed from other programmes within the same heading: €2.6 billion will be generated by reusing [decommitments](#) within the Neighbourhood Development and Cooperation Instrument (NDICI) and the Instrument for Pre-accession Assistance (IPA), and €1.9 billion is to be released from the NDICI, since the cost of interest rate subsidies and European Investment Bank guarantees to Ukraine will be included in the Ukraine Facility from now on.

Table 2 – MFF revision for 2024 to 2027 by political priority

	MFF REVISION (€ billion, current prices)		
	COM 6/23	EP 10/23	Eur Council 02/24
Ukraine Facility – grants	17	17	17
Strategic Technologies for Europe Platform (STEP)	10.0	13.0	1.5
H 1 - InvestEU	3.0	4.2	0.0
H 1 - Horizon Europe	0.5	1.3	0.0
H 3 - Innovation Fund	5.0	5.0	0.0
H 5 - European Defence Fund	1.5	2.5	1.5
Migration and external challenges	15.0	19.0	9.6
H 4 - Migration	2.0	3.0	2.0
H 6 - External action	10.5	11.5	7.6
Solidarity and Emergency Aid Reserve (SEAR) *	2.5	4.5	0.0
Inflation and borrowing cost	20.8	20.8	0.0
H 7 - Administration	1.9	1.9	0.0
EU Recovery Instrument (EURI)	18.9	18.9	0.0**
Flexibility Instrument	3.0	6.0	2.0
Solidarity and Emergency Aid Reserve (SEAR) *	0.0	0.0	1.5
INCREASES	65.8	75.8	31.6
Horizon Europe			-2.1
EU4Health			-1.0
Cohesion/CAP centrally managed programmes			-1.1
Heading 6			-4.5
Brexit Adjustment Reserve			-0.6
European Globalisation Adjustment Fund			-1.3
DECREASES			-10.6
TOTAL EU budget (incl. Ukraine Facility - grants)	65.8	75.8	21.0
Ukraine Facility - loans	33.0	33.0	33.0

* The European Commission and the European Parliament suggested an increase of SEAR to cover needs related to migration and external challenges, while the European Council does not specify its use.

** Cascade mechanism.

Strategic Technologies for Europe Platform (STEP)

For STEP, Member States retained additional amount of €1.5 billion for the European Defence Fund under Heading 5, as opposed to the €10 billion reinforcement proposed by the Commission.

Next Generation EU interest payments

The European Council set out a new, three-step, funding mechanism – 'cascade mechanism' – to cover over-runs in interest payments on the EU's €800 billion recovery instrument – NGEU. Once the amounts already set aside under Heading 2b have been used (step 1), the European Council suggests first using margins, funds from existing programmes depending on progress on their implementation, and the two non-thematic special instruments (the Flexibility Instrument and the Single Margin Instrument) for about 50 % of the over-runs (step 2). This exercise will take place in the context of the budgetary procedure. If necessary, the new instrument would then be mobilised (step 3), over and above the MFF ceilings. This instrument would first use decommitments from previous years, and then contributions from Member States as the final backstop.

Parliament had called for a comprehensive and sustainable solution to be found for the repayment costs, placing them over and above the MFF ceilings. When the three institutions – Parliament, Commission and Council – agreed on the current MFF, they issued a [joint declaration](#) stating that NGEU financing costs would not lead to cuts in existing EU programmes or funds. As Parliament and the Council are on equal footing regarding decisions in the annual budgetary procedure, they will need to agree on the amounts covered under each step of this new mechanism. In the same joint

declaration, the institutions agreed to introduce new own resources to cover expenditure relating to NGEU. In its latest conclusions, the European Council states that the Union will continue its work on the introduction of new own resources and that proceeds relating to new own resources introduced after 2023 should be used for early repayment of NGEU borrowing.

Member States did not agree on any increase in funding for Heading 7 'Administration', which has been significantly impacted by the higher than expected inflation rates.

Special instruments

Additional funding for the Solidarity and Emergency Aid Reserve (SEAR) was set at €1.5 billion, as opposed to the €2.5 billion proposed by the Commission. The Flexibility Instrument was increased by €2 billion.

Redeployment of funds

Member States agreed on redeployments or reductions worth €10.6 billion to reduce the impact on national budgets (Table 2). The funds concerned are:

- the Neighbourhood Development and Cooperation Instrument (NDICI) and Instrument for Pre-accession Assistance (IPA): €4.5 billion, from a combination of the reuse of decommitments under these two programmes (€2.6 billion) and funds freed under the NDICI (€1.9 billion) from the transfer of interest rate subsidies for Ukraine to the Ukraine Facility;²
- Horizon Europe: -€2.1 billion;
- direct management components under the common agricultural policy: -€0.7 billion;
- direct management components under the cohesion funds: -€0.4 billion;
- the EU4Health programme: -€1 billion;
- the European Globalisation Adjustment Fund for displaced workers: -€1.3 billion;
- the Brexit Adjustment Reserve: -€0.6 billion.

Taking into account the above redeployments and reductions, the proposed net increase to the EU budget from 2024 to 2027 totals €21 billion, corresponding to an increase of 2.8 % compared with the current MFF. This includes the €17 billion in grants for Ukraine, to be mobilised through the Ukraine Reserve. Ukraine will also receive a loan of €33 billion, with the EU's budget headroom serving as guarantee (see Table 3).

Table 3– Revision of the MFF for 2024 to 2027: Commission proposal, Parliament position and European Council conclusions

Commitments, € billion, current prices		Current MFF for 2024-2027	Revision	■ Commission proposal ■ EP position ■ European Council conclusions	Net % change to current MFF
MFF headings	Heading 1: Single market, innovation and digital	86.8	3.5 5.5 -2.1		+4.0 % +6.3 % -2.4 %
	Heading 2: Cohesion and values	285.1	0.0 0.0 -1.4		+0.0 % +0.0 % -0.5 %
	Heading 3: Natural resources and environment	229.9	5.0 5.0 -0.7		+2.2 % +2.2 % -0.3 %
	Heading 4: Migration and border management	17.2	2.0 3.0 2.0		+11.6 % +17.5 % +11.6 %
	Heading 5: Security and defence	9.4	1.5 2.5 1.5		+16.0 % +26.6 % +16.0 %
	Heading 6: Neighbourhood and the world	61.2	10.5 11.5 7.6	Redeployments (4.5)	+17.2 % +18.8 % +5.1 %
	Heading 7: European public administration	49.4	1.9 1.9 0.0		+3.8 % +3.8 % +0.0 %
Total commitment appropriations		738.9	24.4 29.4 11.1	Cuts and redeployments (8.7)	+3.3 % +4.0 % +0.3 %
Special instruments	Solidarity and Emergency Aid Reserve	5.6	2.5 4.5 1.5		+44.9 % +80.8 % +26.9 %
	European Globalisation Adjustment Fund for Displaced Workers and Brexit Adjustment Reserve	2.0	0.0 0.0 -1.9		+0.0 % +0.0 % -95.0 %
	Flexibility Instrument	4.2	3.0 6.0 2.0		+70.7 % +141.3 % +47.1 %
	EU Recovery Instrument		18.9 18.9 0.0	Cascade mechanism	NEW NEW NEW
	Ukraine Reserve grants		17.0 17.0 17.0		NEW NEW NEW
	Total special instruments	11.8	41.4 46.4 20.5	Cuts (1.9)	+350.4 % +392.7 % +157.4 %
TOTAL EU budget		750.8	65.8 75.8 31.6	Cuts and redeployments (10.6)	+8.8 % +10.1 % +2.8 %
Loans	Ukraine Reserve loans		33.0 33.0 33.0		

Graphic by Giulio Sabbati, EPRS.

Political agreement and further steps

The MFF is adopted under the form of a regulation. According to [Article 312 TFEU](#), the Council acts unanimously, but only after obtaining the consent of the European Parliament, which must be given by a majority of its component members (absolute majority). As for previous [negotiations on the MFF](#), interinstitutional negotiations took place between Parliament, the Council and the Commission to facilitate the adoption of the revised regulation, in accordance with Article 312(5) TFEU and [point 15](#) of the Interinstitutional agreement on budgetary matters.

The Council and Parliament reached a [political agreement](#) on 6 February. The agreement secures crucial financial resources for Ukraine, enhances funding for migration-related challenges and provides for additional budget flexibility.

As requested by Parliament, a new mechanism, over and above the MFF ceilings, will offer a structural solution for over-runs on NGEU repayments. The introduction of this mechanism should preserve other EU programmes from cuts, since it will use unspent money. This is in line with Parliament's long-standing demand that unspent money, that would otherwise be lost, should remain in the EU budget. As a last resort, the mechanism envisages additional contributions from the Member States.

Parliament was also successful in mitigating the impact of the cuts to Horizon Europe and EU4Health, by increasing the amount that will be re-used from decommitments under research policy (Article 15(3) of the Financial Regulation). This will benefit Horizon Europe and secure a smoother spending profile for EU4Health.

Given the urgency of the financing needs, in particular for Ukraine, Parliament is expected to vote on giving its consent during its plenary session in the last week of February 2024.

MAIN REFERENCES

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European Parliament [resolution](#) of 15 December 2022 on upscaling the 2021-2027 multiannual financial framework: a resilient EU budget fit for new challenges.

European Parliament [resolution](#) of 10 May 2023 on the impact on the 2024 EU budget of increasing European Union Recovery Instrument borrowing costs.

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Peters T., [Financing Ukraine's recovery](#), EPRS, European Parliament, June 2023.

Peters T., [The future of EU financing for Ukraine: Options ahead of the 1 February European Council meeting](#), EPRS, European Parliament, January 2024.

ENDNOTES

¹ All amounts, unless otherwise specified, are in current prices.

² According to the European Commission's [proposal](#) on establishing the Ukraine Facility, the facility will replace the bilateral support currently provided by the EU under the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI) and the macrofinancial assistance (MFA) programmes for Ukraine.

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