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INST 269
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NOTE

From: Budget Committee
To: Permanent Representatives Committee
Subject: Draft general budget of the European Union for the financial year 2023:
Council position

I. INTRODUCTION

The draft general budget of the European Union for 2023 (**DB 2023**) as proposed by the European Commission amounts¹ to:

- EUR 185 591 million in **commitment** appropriations²;
- EUR 166 268 million in **payment** appropriations².

Compared to the budget 2022³, these amounts represent a +2,05 % increase in commitment appropriations and a –2,54 % decrease in payment appropriations.

¹ These amounts include appropriations foreseen for special instruments outside the multiannual financial framework (MFF).

² Of which EUR 1 657 million programme-specific adjustments stemming from Article 5 MFF Regulation.

³ Draft amending budgets Nos 2/2022 and 4/2022 not included.

II. APPROACH TAKEN BY THE BUDGET COMMITTEE

The Commission presented the DB 2023 on 7 June 2022. The Budget Committee examined the DB 2023 during the months of June and July 2022 on basis of the principles established in the Council conclusions on the budget guidelines for 2023⁴, in particular: prudent and realistic budgeting, adequate resources to support clearly set priorities and sufficient margins under the ceilings to address unforeseen circumstances.

The work of the Budget Committee was complicated by the fact that the Commission presented a budget proposal which left out provisions to face the needs related to Russia's military aggression against Ukraine and its potential economic, social and humanitarian impact, compounded by other factors, such as high inflation (and related development of increasing interest rates). In view of these uncertainties the Budget Committee considered that it was necessary to increase the margins in the budget in a significant manner to cater for sufficient budgetary flexibility.

Against this backdrop the Budget Committee undertook a detailed analysis of the commitment appropriations for each programme and action by budget line, in order to ensure:

- sufficient margins to cover the financial needs to be detailed in the coming months and addressed by the amending letter expected in early Autumn, mainly regarding the Ukraine crisis;
- the rebalancing and stabilisation of the level of appropriations of expenditure programmes that are subject to top-ups by Article 5 of the Multiannual Financial Framework (MFF) Regulation⁵ and benefit from significant additional appropriations from NGEU/assigned revenue;
- an appropriate acceleration of the implementation of programmes by avoiding excessive increases compared to 2022.

⁴ Doc. 7218/22.

⁵ 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).

In addition, and for the same reason, it is proposed not to use Article 15(3) of the Financial Regulation in 2023 but to back-load the proposed amount to the second part of the MFF period.

The result of the Budget Committee's assessment is reflected in the proposal to adjust downwards the commitment appropriations by EUR 1 641.4 million.

Concerning the payment appropriations, most of the reductions are made on lines with non-differentiated appropriations and related to the cuts in the corresponding commitment appropriations.

The result of the Budget Committee's assessment is reflected in the proposal to adjust downwards the payment appropriations by EUR 530 million.

As regards administrative expenditure, it is recalled that it is necessary to fully comply with Article 2 of the MFF Regulation and to respect the annual expenditure ceilings of the MFF. To this end it is important that the institutions, including the Council and the European Parliament, contain the expenditure within these limits, and comply with the target of stabilizing the staffing levels.

On this basis, the Budget Committee has made the necessary adjustments to avoid the use of the Flexibility Instrument under heading 7. This has been achieved by applying a horizontal approach with an increase of the standard abatement rate in every institution, except for the European Parliament, in line with the Gentlemen's Agreement.

The 1970 Gentlemen's Agreement is based on mutual trust and only applies in so far as the estimate of expenditure of the European Parliament does not conflict with "Community provisions". It is recalled that already in 2022 EU budget, the European Parliament requested and obtained 142 additional posts to its establishment plan, as well as 180 external staff.

In that regard it shall be stressed that, taking into account the highly inflationary context where respect for the ceiling of heading 7 in 2023 is put in jeopardy, the European Parliament's request to add 52 posts to its establishment plan as well as 116 external staff while not contributing to all other institutions' effort to reduce administrative expenditure is hardly compatible with the European Parliament's obligations under Article 2 of the MFF Regulation and with points 129 and 130 of European Council Conclusions of 17 to 21 July 2020 on a stable level of staffing in the institutions.

Moreover, the European Parliament's request further amplifies a divergent trajectory over the years in the European Parliament's administrative expenses if compared to the ones of the Council and of the other institutions. Such a divergence seriously risks undermining the principle of institutional balance especially in a year when the respect of EU budgetary provisions calls for a reduction in administrative expenditure for all institutions.

It is therefore expected that, in the framework of the forthcoming negotiations for the establishment of the Union's annual budget 2023, the European Parliament will engage constructively on these issues with a view of ensuring the institutional balance and a fair sharing of the burden imposed by the current difficult circumstances, in full respect of the relevant EU budgetary provisions.

III. OUTCOME OF PROCEEDINGS OF THE BUDGET COMMITTEE^{6,7}

On the basis of the above approach, and following a thorough assessment, the Budget Committee managed to find an agreement on all the elements included in the present **Council's position on the DB 2023**, with the only exception of the Parliament's draft budget that is referred under section III.A.7 of this document.

The present **Council's position on the DB 2023**, at this stage, would amount⁸ to:

- EUR 183 949.66 million in **commitment** appropriations;
- EUR 165 738.29 million in **payment** appropriations.

The total amount of payment appropriations provided for in the Council's position on the DB 2023 corresponds to 1.01 % of the EU gross national income (GNI).⁹

In this respect, the following adjustments to the DB 2023 were made:

A. EXPENDITURE BY HEADING OF THE MFF 2021-2027

1. Single Market, Innovation and Digital (heading 1 of the MFF)¹⁰

- establish the level of commitment appropriations, targeting a total reduction of -EUR 1 234.6 million in the appropriations requested in the DB 2023 distributed on a number of specific budget lines, including operational and support expenditure, related to:
 - **01 - Research and Innovation** (-EUR 783.2 million, of which -EUR 663.2 million on *Horizon Europe* and -EUR 120 million on the *International Thermonuclear Experimental Reactor (ITER)*),

⁶ A summary table of the outcome of proceedings is set out in Annex 1 of Addendum 2 to this document.

⁷ The detailed results relating to the various policy areas are provided in Annexes 2 to 6 of Addendum 2 to this document.

⁸ These amounts include appropriations foreseen for special instruments outside the MFF.

⁹ Based on the May 2022 forecast of GNI.

¹⁰ The detailed changes in comparison with the DB 2023 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- **02 - European Strategic Investments** (-EUR 366.9 million, of which -EUR 177.6 million on the *InvestEU Fund*, -EUR 5 million on *CEF-Digital*, -EUR 180 million on the *Digital Europe Programme*, -EUR 1.3 million on *decentralised agencies*, namely on the *European Maritime Safety Agency (EMSA)* and the *Agency for Support for BEREC (BEREC Office)*, and -EUR 3 million on *Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission*),
 - **03 - Single Market** (-EUR 4.3 million, of which -EUR 1.5 million on the *Single Market Programme (incl. SMEs)* and -EUR 2.8 million on *decentralised agencies*, namely on the *European Chemicals Agency – Chemicals legislation*),
 - **04 – Space** (-EUR 80.2 million on the *Union Secure Connectivity*);
- set the level of payment appropriations, reducing the appropriations requested in the DB 2023 by a total amount of -EUR 378.15 million, as a consequence of the adjustments in commitment appropriations on a number of specific budget lines, related to:
- **01 - Research and Innovation** (-EUR 227.7 million, of which -EUR 222.7 million on *Horizon Europe*, and -EUR 5 million on the *International Thermonuclear Experimental Reactor (ITER)*),
 - **02 - European Strategic Investments** (-EUR 137.3 million, of which -EUR 35 million on the *InvestEU Fund*, -EUR 100 million on the *Digital Europe Programme*, -EUR 1.3 million on *decentralised agencies*, namely on the *European Maritime Safety Agency (EMSA)* and the *Agency for Support for BEREC (BEREC Office)*, and -EUR 1 million on *Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission*),

- **03 - Single Market** (-EUR 2.95 million, of which -EUR 0.15 million on the *Single Market Programme (incl. SMEs)*, and -EUR 2.8 million on *decentralised agencies, namely the European Chemicals Agency – Chemicals legislation*),
 - **04 – Space** (-EUR 10.2 million on the *Union Secure Connectivity*);
- for the other budget lines in this policy area, accept the level of both commitment and payments appropriations as proposed by the Commission;
 - the **margin available** under heading 1 would be EUR 1 394.03 million.

2. **Cohesion, Resilience and Values** (heading 2 of the MFF)¹¹

- a) **Economic, Social and Territorial Cohesion** (sub-heading 2a of the MFF)
 - accept the level of both commitment and payment appropriations as it stands (EUR 62 922.98 million and EUR 49 131.08 million, respectively) in the DB 2023 as proposed by the European Commission;
 - the **margin available** under sub-heading 2a would be EUR 16.02 million, as proposed by the European Commission.
- b) **Resilience and Values** (sub-heading 2b of the MFF)
 - set the level of commitment appropriations, targeting a total reduction of -EUR 237.6 million in the appropriations requested in the DB 2023 on a number of specific budget lines, including operational and support expenditure, related to:
 - **06 - Recovery and Resilience** (-EUR 197 million on the *EU4Health Programme*),

¹¹ The detailed changes in comparison with the DB 2023 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- **07 - Investing in People, Social Cohesion and Values**
(-EUR 40.6 million, of which -EUR 4 million on the *European Solidarity Corps (ESC)*, -EUR 9.1 million on *Creative Europe*, -EUR 0.8 million on *Justice*, -EUR 5.9 million on *Citizens, Equality, Rights and Values*, -EUR 0.8 million on *decentralised agencies*, namely on the *European Union Agency for Fundamental Rights (FRA)*, and -EUR 20 million on *Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission*);
- set the level of payment appropriations, reducing the appropriations requested in the DB 2023 by a total amount of -EUR 31.8 million distributed on a number of specific budget lines, related to:
- **06 - Recovery and Resilience** (-EUR 22 million on the *EU4Health Programme*),
 - **07 - Investing in People, Social Cohesion and Values**
(-EUR 9.8 million, of which -EUR 0.8 million on *decentralised agencies*, namely on the *European Union Agency for Fundamental Rights (FRA)* and -EUR 9 million on *Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission*);
- for the other budget lines in this policy area, accept the level of both commitment and payments appropriations as proposed by the Commission;
- the margin available under sub-heading 2b would be EUR 271.9 million.

3. **Natural Resources and Environment** (heading 3 of the MFF)^{12,13}

- set the level of commitment appropriations, targeting a total reduction of -EUR 45 million in the appropriations requested in the DB 2023, related to:
 - **09 - Environment and Climate Action** (-EUR 45 million on the *Programme for Environment and Climate Action (LIFE)*).
- set the level of payment appropriations, reducing the appropriations requested in the DB 2023 by a total amount of -EUR 6 million, related to:
 - **09 - Environment and Climate Action** (-EUR 6 million on the *Programme for Environment and Climate Action (LIFE)*).
- for the other budget lines in this policy area, accept the level of both commitment and payments appropriations as proposed by the Commission;
- the **margin available** under heading 3 would be EUR 117.44 million.

4. **Migration and Border Management** (heading 4 of the MFF)¹⁴

- set the level of commitment appropriations, targeting a total reduction of -EUR 50 million in the appropriations requested in the DB 2022, related to:
 - **11 - Border Management** (-EUR 50 million on *decentralised agencies*, namely on the *European Border and Coast Guard Agency (Frontex)*);

¹² A further examination of the proposal will take place in the context of the annual letter of amendment updating the estimated needs and appropriations for agricultural expenditure, as set out in the Council statement on payment appropriations recorded in Addendum 1 to this document.

¹³ The detailed changes in comparison with the DB 2023 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

¹⁴ The detailed changes in comparison with the DB 2023 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- set the level of payment appropriations, reducing the appropriations requested in the DB 2023 by a total amount of -EUR 50 million, related to:
 - **11 - Border Management** (-EUR 50 million on *decentralised agencies*, namely on the *European Border and Coast Guard Agency (Frontex)*);
- For the other budget lines in this policy area, accept the level of both commitment and payments appropriations as proposed by the Commission;
- the margin available under heading 4 would be EUR 136.69 million.

5. Security and Defence (heading 5 of the MFF)¹⁵

- establish the level of commitment appropriations, targeting a total reduction of of -EUR 11.7 million in the appropriations requested in the DB 2023, related to:
 - **12 - Security** (-EUR 11.7 million, of which -EUR 9.2 million on the *Internal Security Fund (ISF)*, -EUR 0.5 million on *decentralised agencies*, namely on the *European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)*, and -EUR 2 million on *Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission*);
- set the level of payment appropriations, reducing the appropriations requested in the DB 2023 by a total amount of -EUR 1.5 million as a consequence of the reductions in commitment appropriations, on:
 - **12 - Security** (-EUR 1.5 million, of which -EUR 0.5 million on *decentralised agencies*, namely on the *European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)* and -EUR 1 million on *Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission*);

¹⁵ The detailed changes in comparison with the DB 2023 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- for the other budget lines in this policy area, accept the level of both commitment and payments appropriations as proposed by the Commission;
- the **margin available** under heading 5 would be EUR 56.59 million.

6. Neighbourhood and the World (heading 6 of the MFF)¹⁶

- Accept the level of both commitment and payments appropriations as proposed by the Commission (EUR 16 781.88 million and EUR 13 773.94 million, respectively);
- no **margin available** would be under heading 6, as proposed by the European Commission.

7. European Public Administration (heading 7 of the MFF)^{17,18}

a) Section I - European Parliament

For the **European Parliament**, it is suggested not to modify the Commission's proposal and to foresee EUR 2 267.98 million.

b) Section II - European Council and Council

An overall amount of EUR 647.64 million is suggested for the **European Council and Council**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the **European Council and Council's** standard flat rate abatement on salaries by 1.8 percentage points (-EUR 6.70 million).

¹⁶ The detailed changes in comparison with the DB 2023 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

¹⁷ The amounts exclude the institutions' contributions to the European Schools (Type 2). The detailed changes in comparison with the DB 2023 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2.

¹⁸ See statement on the European Parliament's own section of the budget in Addendum 1 to this document.

c) **Section III - European Commission**

An overall amount of EUR 4 064.50 million is suggested for the **administrative expenditure of the European Commission** (including OP, OLAF, EPSO, PMO, OIB and OIL).

In line with the horizontal approach applied to the institutions, it is suggested to increase the Commission's headquarters and delegations' standard flat rate abatement on salaries by 1.8 percentage points (-EUR 36.80 million and – EUR 1.60 million respectively).

The overall amount of EUR 2 614.33 million for **European Schools and Pensions** is accepted as it stands in the DB 2023.

Publications Office (OP)

An overall amount of EUR 120.22 million is suggested for the **OP's** budget.

In line with the horizontal approach applied to the institutions, it is suggested to increase OP's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.99 million).

European Personnel Selection Office (EPSO)

An overall amount of EUR 27.96 million is suggested for **EPSO's** budget.

In line with the horizontal approach applied to the institutions, it is suggested to increase EPSO's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.17 million).

Office for Administration and Payment of Individual Entitlements (PMO)

An overall amount of EUR 51.51 million is suggested for **PMO's** budget.

In line with the horizontal approach applied to the institutions, it is suggested to increase PMO's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.31 million).

Office for Infrastructure and Logistics in Brussels (OIB)

An overall amount of EUR 90.5 million is suggested for **OIB**'s budget.

In line with the horizontal approach applied to the institutions, it is suggested to increase OIB's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.88 million).

Office for Infrastructure and Logistics in Luxembourg (OIL)

An overall amount of EUR 29.23 million is suggested for **OIL**'s budget.

In line with the horizontal approach applied to the institutions, it is suggested to increase OIL's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.2 million).

European Anti-Fraud Office (OLAF)

An overall amount of EUR 63.68 million is suggested for **OLAF**'s budget.

In line with the horizontal approach applied to the institutions, it is suggested to increase OLAF's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.60 million).

d) Section IV - Court of Justice of the European Union

An overall amount of EUR 486.38 million is suggested for the **Court of Justice of the European Union**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the Court of Justice of the European Union's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 4.86 million).

e) **Section V - European Court of Auditors**

An overall amount of EUR 174.91 million is suggested for the **European Court of Auditors**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the European Court of Auditors' standard flat rate abatement on salaries by 1.8 percentage points (-EUR 1.7 million).

f) **Section VI - European Economic and Social Committee**

An overall amount of EUR 158.56 million is suggested for the **European Economic and Social Committee**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the European Economic and Social Committee's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 1.54 million).

g) **Section VII - European Committee of the Regions**

An overall amount of EUR 116.1 million is suggested for the **European Committee of the Regions**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the European Committee of the Regions' standard flat rate abatement on salaries by 1.8 percentage points (-EUR 1.2 million).

h) Section VIII - European Ombudsman

An overall amount of EUR 12.93 million is suggested for the **European Ombudsman**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the European Ombudsman's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.17 million).

i) Section IX - European Data Protection Supervisor

An overall amount of EUR 21.99 million is suggested for the **European Data Protection Supervisor**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the European Data Protection Supervisor's standard flat rate abatement on salaries by 1.8 percentage points (-EUR 0.18 million).

j) Section X - European External Action Service

An overall amount of EUR 820.98 million is suggested for the **European External Action Service**.

In line with the horizontal approach applied to the institutions, it is suggested to increase the European External Action Service's headquarters and delegations' standard flat rate abatement on salaries by 1.8 percentage points (-EUR 4.60 million).

The **margin available** under heading 7 would be EUR 32.7 million.

B. SPECIAL INSTRUMENTS

It is suggested to maintain the appropriations entered in the DB 2023 for the Solidarity and Emergency Aid Reserve and for the European Globalisation Adjustment Fund. As far as the Flexibility Instrument is concerned, the use of EUR 62.5 million for Heading 7 is not accepted.

C. REVENUE

As regards revenue, it is suggested to accept the DB 2023 after the technical adjustments arising from the changes made to expenditure in the Council's position.

D. OTHER GENERAL ASPECTS

1. Budget remarks

It is suggested to align the budget remarks contained in the DB 2023 with the changes made to expenditure in the Council's position and in particular the Union contributions to the financing of the different EU bodies.

It is suggested to modify the budget remark *Article 30 02 02 — Differentiated appropriations* to include in the breakdown (c/a, p/a) also:

- *Article 01 02 02 42 Cluster "Digital, Industry and Space" - Chips Joint Undertaking* (EUR 108 million in c/a and EUR 60 million in p/a);
- *Article 01 02 03 01 European Innovation Council* (EUR 75 million in c/a and EUR 45 million in p/a);
- *Article 02 04 06 11 Semiconductors - Chips Joint Undertaking* (EUR 100 million in c/a and EUR 50 million in p/a);
- *Article 04 01 02 Support expenditure for the Union Secure Connectivity programme* (EUR 0.2 million in c/a and in p/a).

2. Nomenclature

As regards nomenclature, it is suggested to accept the DB 2023.

3. Legal bases

Special care is taken to comply with the provisions of the Interinstitutional Agreement as regards legal bases.

IV. CONCLUSION

In view of the above, the Permanent Representatives Committee is invited:

- to confirm its agreement on:
 - the outcome of proceedings as set out in point III above, including the position on the Heading 7, as referred under section III.A.7 of this document,
 - mandating the Presidency to forward the Council's position together with the explanatory memorandum to the European Parliament, in accordance with Article 314(3) TFEU, and to approve the draft letter set out in the ANNEX to that effect,
 - proposing that the Council enter in its minutes the statements recorded in Addendum 1 to this document,
 - having the Council's position published in the *Official Journal of the European Union* as set out in document 11076/22;
- decide by unanimity, in accordance with the first subparagraph of Article 12(1) of the Council's Rules of Procedure, that the Council uses the written procedure for its adoption.

DRAFT LETTER

from : President of the Council

to : President of the European Parliament

Madam,

Please find under separate cover the Council's position on the draft general budget of the European Union for the financial year 2023 as adopted by the Council.

(Complimentary close)
