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## COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	3 July 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2023) 406 final
Subject:	Draft amending budget No 3 to the general budget for 2023: Update of revenue (own resources) and other technical adjustments including the set-up and financing for 2023 of the new Defence Industrial Reinforcement Instrument and of the European Chips Act

Delegations will find attached document COM(2023) 406 final.

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EUROPEAN  
COMMISSION

Brussels, 3.7.2023  
COM(2023) 406 final

2023/0240 (BUD)

**DRAFT AMENDING BUDGET No 3  
TO THE GENERAL BUDGET 2023**

**Update of revenue (own resources) and other technical adjustments including the set-up  
and financing for 2023 of the new Defence Industrial Reinforcement Instrument and of  
the European Chips Act**

Having regard to:

- the Treaty on the Functioning of the European Union, and in particular Article 314 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,
- Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union<sup>1</sup>, entered into force on 1 June 2021,
- Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (...)<sup>2</sup>, and in particular Article 44 thereof,
- the general budget of the European Union for the financial year 2023, as adopted on 23 November 2022<sup>3</sup>,
- amending budget No 1/2023<sup>4</sup>, adopted on 13 June 2023,
- draft amending budget No 2/2023<sup>5</sup>, adopted on 12 April 2023,

The European Commission hereby presents to the European Parliament and to the Council  
Draft Amending Budget No 3 to the 2023 budget.

## **CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION**

The changes to the general statement of revenue and to the individual section III are available on EUR-Lex (<https://eur-lex.europa.eu/budget/www/index-en.htm>).

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<sup>1</sup> Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, 15.12.2020.

<sup>2</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193, 30.7.2018.

<sup>3</sup> OJ L 58, 23.2.2023.

<sup>4</sup> OJ X XX, 13.6.2023.

<sup>5</sup> COM(2023) 250 final, 12.4.2023.

## **EXPLANATORY MEMORANDUM**

### **1. INTRODUCTION**

The main purpose of Draft Amending Budget (DAB) No 3 for the year 2023 is to update the revenue side of the budget to take account of the latest developments as regards:

- the updated own resources forecasts for the 2023 budget agreed by the Advisory Committee on Own Resources (ACOR) on 25 May 2023. This update is typically presented shortly after the ACOR forecast meeting, in line with the Member States' expectations that the ACOR updates are budgeted as soon as possible;
- to update other revenues such as the United Kingdom contribution, fines and other.

Additionally, DAB 3/2023 includes the following specific elements related to expenditure:

- adjustments with respect to the set-up and financing for 2023 of the new Defence Industrial Reinforcement Instrument established by the Act in Support of Ammunition Production (ASAP);
- adjustments with respect to the financing of the European Chips Act<sup>6</sup> for 2023 following the political agreement reached between the European Parliament and the Council on 18 April 2023;
- cancellation of appropriations from the reserve line for the Sustainable Fisheries Partnership Agreements (SFPA), due to delays in the negotiations with three third countries (namely Morocco, Liberia and Solomon Islands);
- reinforcement of the budget of the European Data Protection Supervisor (EDPS) to cover additional costs in relation to the rent to be paid to the European Parliament.

Overall, the net impact of DAB 3/2023 on expenditure amounts to an increase of EUR 54,8 million in commitment appropriations and a decrease of EUR 190,9 million in payment appropriations.

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<sup>6</sup> COM(2022) 46, 8.2.2022.

## 2. UPDATE OF REVENUE

### 2.1 Overall impact of DAB 3/2023 on the distribution of total own resources payments between Member States

The revised forecasts for 2023 were agreed in the 188th ACOR meeting on 25 May 2023. The adjustments of the revenue side of the budget are required to update the estimates for Traditional Own Resources (TOR) as well as for the own resources based on the Value Added Tax (VAT), the non-recycled Plastic Packaging Waste (PPW) and Gross National Income (GNI), taking into account the Spring economic forecasts (see section 2.2).

Moreover, the amount of other revenues is updated to take into account the revised United Kingdom contribution and definitely cashed fines and penalty payments until June 2023 (see sections 2.3 and 2.4, respectively).

The overall impact of the revenue adjustments of this DAB is shown in the summary table below. This table also shows the distribution of total own resources payments between Member States as budgeted in the initial 2023 budget, as included in DAB 2/2023<sup>7</sup>, and finally as included in this DAB 3/2023.

**Distribution of total own resources payments by Member States (in million EUR)**

	Budget 2023	DAB 2/2023	DAB 3/2023
	(1)	(2)	(3)
<b>BE</b>	6 894,7	6 807,6	6 808,1
<b>BG</b>	858,5	846,2	944,6
<b>CZ</b>	2 789,8	2 746,8	2 864,0
<b>DK</b>	3 251,7	3 193,3	3 172,5
<b>DE</b>	36 585,2	35 946,9	34 945,9
<b>EE</b>	371,8	366,5	393,2
<b>IE</b>	3 625,3	3 568,1	3 690,0
<b>EL</b>	2 034,3	2 002,0	2 122,8
<b>ES</b>	13 901,1	13 687,4	13 991,3
<b>FR</b>	27 185,1	26 753,6	26 567,0
<b>HR</b>	615,9	606,1	670,8
<b>IT</b>	19 932,2	19 624,8	19 515,2
<b>CY</b>	250,2	246,3	259,5
<b>LV</b>	399,0	393,2	420,6
<b>LT</b>	666,0	656,5	746,0
<b>LU</b>	552,6	543,3	470,2
<b>HU</b>	1 850,4	1 824,6	1 932,7
<b>MT</b>	159,0	156,6	166,4
<b>NL</b>	9 312,6	9 163,5	9 721,1

<sup>7</sup> COM(2023) 250 final, 12.4.2023.

<b>AT</b>	3 629,6	3 559,3	3 617,8
<b>PL</b>	7 624,3	7 520,6	7 552,2
<b>PT</b>	2 425,4	2 388,5	2 480,9
<b>RO</b>	2 759,6	2 715,2	2 928,1
<b>SI</b>	662,8	653,6	768,2
<b>SK</b>	1 123,8	1 106,0	1 087,0
<b>FI</b>	2 526,6	2 483,3	2 428,1
<b>SE</b>	4 585,2	4 493,9	4 031,4
<b>EU</b>	<b>156 572,7</b>	<b>154 053,7</b>	<b>154 295,4</b>

## 2.2 Revision of the forecasts of TOR, VAT, PPW and GNI bases

In line with Article 44(1), point (b) of the Financial Regulation<sup>8</sup>, the Commission proposes to revise the financing of the budget on the basis of updated economic forecasts. According to the established practice, the revised revenue forecasts are agreed with the Member States in the ACOR forecast procedure.

The revision concerns the forecast of TOR to be paid to the budget in 2023 as well as the forecast of the 2023 VAT, PPW and GNI bases. The forecast included in the 2023 budget was agreed in the 185th ACOR meeting held on 23 May 2022. The revision in the present DAB 3/2023 takes into account the agreed forecasts of the 188th ACOR meeting held on 25 May 2023. The use of an updated forecast of own resources improves the accuracy of the revenue forecasts and hence of the payments that Member States are asked to make to the EU budget during the budgetary year.

The Commission's revenue projections are based on the Commission 2023 Spring economic forecast<sup>9</sup>, which gives a slightly better outlook for the economy amid persistent challenges. The EU economy is set for moderate growth this year and next year. Despite a challenging global context, the European economy has avoided recession and continues to show resilience. This outcome owes much to the policies put in place by the EU and its Member States. Diversification of energy sources and infrastructural investment to address gas supply bottlenecks and boost renewable energy, which are also supported by the Recovery and Resilience Facility, have paid off. Lower energy prices, abating supply constraints and a strong labour market supported moderate growth in the first quarter of 2023. This better-than-expected start to the year lifts the growth outlook for the EU economy slightly to 1,0 % in 2023 (from 0,8 % expected in the Winter 2023 Forecast). Upward revisions for the euro area are of a similar magnitude, with GDP growth now expected at 1,1 % in 2023. On the back of persisting core price pressures, headline inflation has also been revised upwards compared to the winter, to 5,8 % in 2023 in the euro area. Markedly lower energy prices are working their way through the economy, reducing firms' production costs. Consumers are also seeing their energy bills fall, although private consumption is set to remain subdued as wage growth lags inflation. While the outlook in the central scenario of the Commission spring forecast has not changed much since last winter, downside risks to the economic outlook have increased. Persistence of core inflation has emerged as a key risk. Risks related to the EU's external environment remain elevated, with new uncertainties following the

<sup>8</sup> Regulation (EU, Euratom) 2018/1046/EU of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ L 193, 30.7.2018, p. 1-222).

<sup>9</sup> European Commission, 2023, European Economic Forecast Spring 2023, European Economy, Institutional Paper 200.

banking sector turbulence or related to wider geopolitical tensions. Finally, there is persistent uncertainty stemming from Russia's ongoing war of aggression against Ukraine.

The economic scenario underlying the 2023 budget is broadly confirmed by the latest estimates:

- Total customs duties to be collected in 2023, net of 25 % collection costs, are forecast at EUR 23 730,1 million, which represents an increase of 9,9 % compared with the forecast of EUR 21 590,36 million included in the 2023 budget. The Commission compared the results of the traditional ACOR forecast method (based on the forecast growth rates of extra-EU imports) with the results of the extrapolation method (based on the latest outturn data for collected customs duties, i.e. January – April 2023). As in the past years the Commission takes a conservative approach ensuring sound financial management of the EU budget in a context of economic and financial uncertainties as stipulated in the Spring economic forecast. Therefore, it is proposed to use the outcome of the traditional forecast method for the revision of the 2023 TOR forecast, which is lower than the outcome of the extrapolation method, but still results in higher revenues of EUR 2,1 billion in comparison with DAB 2/2023.
- The total 2023 EU uncapped VAT base is now forecast at EUR 7 522 260,0 million, which represents an increase of 8,6 % compared to the May 2022 forecast of EUR 6 925 198,0 million. The total 2023 EU capped VAT base<sup>10</sup> is forecast at EUR 7 486 175,5 million, which represents an increase of 8,4 % compared to the May 2022 forecast of EUR 6 906 555,6 million. The updated forecast takes into account the simplified definition of the VAT base as provided by the Own Resources Decision<sup>11</sup>.
- The forecast of non-recycled PPW in the EU amounts to 9 891 423,2 tonnes in 2023, which is an increase of 11,6 % compared to the May 2022 forecast of 8 859 902,5 tonnes. The corresponding Member States contributions from the PPW is presented in Table 3 of the accompanying budgetary annex.
- The total 2023 EU GNI base is forecast at EUR 16 883 807,9 million, which is an increase of 3,6 % compared to the May 2022 forecast of EUR 16 299 159,8 million.

The exchange rates of 30 December 2022 have been used for converting the forecast VAT and GNI bases in national currencies into EUR, for the seven Member States that are not members of the euro area. This avoids distortions, since these rates are used to convert budgeted own resources payments from EUR into national currencies when the amounts are called in, as stipulated in Article 10a(1) of Council Regulation 609/2014<sup>12</sup>.

The revised forecasts of TOR, uncapped VAT bases, PPW bases and GNI bases for 2023, as adopted at the 188th ACOR meeting, are set out in the following table:

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<sup>10</sup> Article 2(1), point (b) of ORD 2020 stipulates that for each Member State the VAT base shall not exceed 50 % of GNI. For DAB 3/2023, Croatia, Cyprus, Luxembourg, Malta, Poland and Slovenia will have their VAT base capped at 50 % of GNI.

<sup>11</sup> Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, 15.12.2020, p. 1–10.

<sup>12</sup> Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements (OJ L 168, 7.6.2014, p. 39), as last amended by Council Regulation (EU, Euratom) 2022/615 of 5 April 2022 (OJ L 115, 13.4.2022, p. 51).

### Revised forecasts of TOR, VAT, PPW and GNI bases for 2023

	Customs (75 %)	Uncapped VAT bases	PPW bases	GNI bases	Capped VAT bases <sup>13</sup>
	EUR million		tonnes	EUR million	
BE	2 164,1	234 226,9	211 801,8	582 813,2	234 226,9
BG	170,3	45 587,5	76 347,6	92 469,7	45 587,5
CZ	449,7	127 090,5	152 087,5	300 318,9	127 090,5
DK	444,6	159 467,0	177 087,3	389 766,4	159 467,0
DE	4 796,1	1 768 749,9	1 779 081,4	4 242 782,1	1 768 749,9
EE	65,8	18 840,9	30 978,0	38 647,3	18 840,9
IE	521,8	123 760,2	236 120,6	402 989,5	123 760,2
EL	338,7	91 466,2	129 529,9	222 359,9	91 466,2
ES	2 101,5	682 563,3	1 035 520,7	1 414 706,7	682 563,3
FR	2 191,9	1 384 191,9	1 955 262,6	2 883 038,3	1 384 191,9
HR	60,5	43 375,6	46 773,8	73 494,0	36 747,0
IT	2 645,6	906 266,0	1 299 206,4	2 054 378,6	906 266,0
CY	40,6	19 319,9	10 508,3	26 781,6	13 390,8
LV	66,7	20 026,9	29 282,8	42 711,2	20 026,9
LT	159,0	32 237,5	40 921,3	72 087,2	32 237,5
LU	15,9	41 204,9	15 441,9	55 437,8	27 718,9
HU	248,9	82 359,1	346 302,1	183 824,4	82 359,1
MT	22,3	9 745,1	14 479,8	16 806,3	8 403,2
NL	3 723,3	469 784,1	291 519,0	999 460,3	469 784,1
AT	288,2	226 119,4	213 901,9	479 248,1	226 119,4
PL	1 417,8	359 995,6	811 444,9	702 760,4	351 380,2
PT	266,1	125 040,9	282 309,5	254 201,2	125 040,9
RO	324,8	114 973,4	346 971,1	315 334,2	114 973,4
SI	244,3	31 842,2	29 817,2	63 517,5	31 758,8
SK	126,6	53 809,2	56 745,4	119 060,6	53 809,2
FI	212,0	108 626,1	111 172,9	278 328,0	108 626,1
SE	623,0	241 589,8	160 807,5	576 484,5	241 589,8
<b>EU</b>	<b>23 730,1</b>	<b>7 522 260,0</b>	<b>9 891 423,2</b>	<b>16 883 807,9</b>	<b>7 486 175,5</b>

<sup>13</sup> The amounts highlighted in grey result from the capped VAT bases, as explained in footnote 10 above.



## 2.3 United Kingdom contribution

The United Kingdom contribution is to be paid in accordance with Article 148 of the Agreement on the withdrawal of the United Kingdom from the European Union (the 'Withdrawal Agreement')<sup>14</sup> and covers in particular the United Kingdom's share in the outstanding commitments prior to 2021 to be paid in 2023 as well as the United Kingdom's share in the Union's liabilities (such as pensions) and the contingent financial liabilities. The overall contribution of the United Kingdom also includes the amounts due to the United Kingdom related to own resources corrections and adjustments for financial years until 2021.

The United Kingdom contribution is based on the United Kingdom's share<sup>15</sup>, which is calculated as the ratio between the own resources made available by the United Kingdom in the years 2014 to 2020 and the own resources made available during that period by all Member States including the United Kingdom. The United Kingdom's share was adjusted in 2022 in accordance with Article 139 of the Withdrawal Agreement. The definitive share of the United Kingdom has been set at 12,431681219587700 %.

The table below presents the elements of the United Kingdom contribution that were already included in the April invoice as well as the estimates for elements to be included in the September invoice that are known at this stage. The revised amount of the United Kingdom contribution included in DAB 3/2023 is calculated taking into account the payment modalities set out in Article 148 of the Withdrawal Agreement.

It is therefore proposed to update the estimate introduced in the 2023 budget accordingly.

### Updated United Kingdom contribution in 2023 (in EUR)

	Reference to the Article of the Withdrawal agreement	2023
<b>Total United Kingdom contribution in 2023, of which:</b>		<b>9 062 246 065</b>
<b>1. RAL prior 2021 (including net financial corrections) - due for payment in 2023</b>	Art. 140	8 563 340 885
<b>2. Union's liabilities/pensions*</b>	Art.142	288 251 050
<b>3. Own resources corrections and adjustments, of which:</b>		699 026 182
3.1 Surplus/deficit of 2020	Art.136(3)(a)	n/a
3.2 UK correction updates (2018-2019)	Art.136	11 333 962
3.3. VAT&GNI	Art.136	1 037 501 234
3.4. TOR**	Art.136, Art. 140(4)	-349 809 013
<b>4. Fines</b>	Art.141	-98 560 248
<b>5. Contingent liabilities, of which:</b>		-347 873 388
5.1 ELM, EFSI, EFSD, loans (Guarantee funds)	Art.143	-312 568 840
5.2 Financial Instruments	Art.144	-53 678 624
5.3 Legal cases (incl. fines)	Art.147	18 374 076
<b>6. ECSC net assets</b>	Art.145	-36 874 795
<b>7. EIF investment</b>	Art.146	-6 648 463
<b>8. Access to networks/systems/data bases***</b>	Art.34(2), Art. 50 and 53, Art.	1 584 841

<sup>14</sup> Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, OJ L 29, 31.01.2020, p. 7.

<sup>15</sup> Referred to in Article 136(3), points (a) and (c), and in Articles 140 to 147 of the Withdrawal Agreement.

	Reference to the Article of the Withdrawal agreement	2023
	62(2), Art. 63(1)(e), Art. 63(2), Art.99(3),Art. 100(2)	
<p><i>* - the amount of EUR 259 million will be entered in the EU budget as assigned revenues</i></p> <p><i>** - this amount includes the share referred to in Article 139 of the Withdrawal Agreement received by the UK for its payments following the Court judgement C-213/19 (the so-called undervaluation case)</i></p> <p><i>*** - to be entered in the EU budget as assigned revenues</i></p>		

## 2.4 Fines and penalty payments

Considering the fines and penalty payments cashed from 1 January to 31 May 2023, it is proposed to enter the following amounts in the 2023 budget:

- a) EUR 37,5 million of competition fines.
- b) EUR 148,4 million of penalty payments and lump sums imposed on Member States, which did not comply with judgments of the Court of Justice of the European Union on their failure to fulfil an obligation under the Treaties.
- c) EUR 0,6 million of interest connected with fines and penalty payments.
- d) EUR 504,0 million of other non-assigned fines and penalty payments mainly for excess emissions premia.

According to the provisions of Articles 141 of the Withdrawal Agreement, the United Kingdom is entitled to receive its share on an amount of EUR 43 million, included in the above list under items a), c) and d).

It is therefore proposed to increase the initial forecasts introduced in the 2023 budget of EUR 101 million by EUR 589,5 million to EUR 690,5 million.

The detail by line is shown in the table below.

<i>EUR</i>				
Revenue line	Name	Budget 2023	DAB 3/2023	New amount
4 2 0	Fines in connection with the implementation of the rules on competition	100 000 000	-62 524 059	37 475 941
4 2 1	Penalty payments and lump sums imposed on a Member State	p.m.	148 411 968	148 411 968
4 2 4	Interest connected with fines and penalty payments	1 000 000	-423 740	576 260
4 2 9	Other non-assigned fines and penalty payments	p.m.	503 991 500	503 991 500
<b>Total</b>		<b>101 000 000</b>	<b>589 455 669</b>	<b>690 455 669</b>

## 2.5 Impact on the GNI-based own resource contribution for 2023

Taking into account the revised forecasts for TOR, for the simplified VAT base and for the own resource based on non-recycled PPW, the amount of own resources other than GNI has increased by EUR 4 703 876 260. Together with the decrease of other revenues by EUR 432 605 402, this decreases the GNI contribution by EUR 4 462 154 001 compared to DAB 2/2023.

In order to respect the principle of equilibrium applicable to the budget of the European Union enshrined in Article 310(1) TFEU, the uniform rate to be applied to the sum of all Member States' GNI has to be recalculated taking into account all the other revenue.

The recalculated uniform rate for the GNI-based own resource is fixed as follows:

Uniform rate to be applied on 1 % of GNI = (total expenditure – other revenue – total net amount of TOR – VAT-based own resource – non-recycled PPW-based own resource contributions) / 1 % of GNI

Uniform rate:

$= (168\,457\,786\,822 - 14\,162\,379\,985 - 23\,730\,100\,000 - 22\,458\,526\,500 - 7\,201\,885\,360) / 168\,838\,079\,000$

$= 0,597642993657847$

The revised GNI-based own resources contributions considering the new uniform rate are set out in the following table:

**Budgetary year 2023 (in EUR)**

Member State	1 % of GNI base used for DAB 2/2023	Uniform rate of GNI-based own resource (in %) according to DAB 2/2023	1 % of GNI base (Agreed ACOR forecast)	Uniform rate of GNI-based own resource (in %) according to DAB 3/2023	Difference in the GNI
	(1)	(2)	(3)	(4)	(5) = (3 x 4) - (1 x 2)
BE	5 630 560 000	0,6464569	5 828 132 000	0,5976430	- 156 772 308
BG	795 786 000		924 697 000		38 197 304
CZ	2 781 434 000		3 003 189 000		- 3 242 436
DK	3 774 175 000		3 897 664 000		- 110 430 024
DE	41 301 252 000		42 427 821 000		-1 342 790 844
EE	342 901 000		386 473 000		9 302 151
IE	3 703 703 000		4 029 895 000		14 154 020
EL	2 093 970 000		2 223 599 000		- 24 743 067
ES	13 828 586 000		14 147 067 000		- 484 689 857
FR	27 919 613 000		28 830 383 000		- 818 551 060
HR	635 913 000		734 940 000		28 141 373
IT	19 889 147 000		20 543 786 000		- 579 627 256
CY	252 190 000		267 816 000		- 2 971 619
LV	376 700 000		427 112 000		11 740 166
LT	615 572 000		720 872 000		32 883 311
LU	604 113 000		554 378 000		- 59 212 911
HU	1 670 483 000		1 838 244 000		18 718 326
MT	155 608 000		168 063 000		- 152 197
NL	9 648 131 000		9 994 603 000		- 263 896 744
AT	4 549 330 000		4 792 481 000		- 76 753 239
PL	6 708 365 000		7 027 604 000		- 136 670 788
PT	2 384 950 000		2 542 012 000		- 22 551 807
RO	2 869 778 000		3 153 342 000		29 384 861
SI	592 192 000		635 175 000		- 3 218 738

Member State	1 % of GNI base used for DAB 2/2023	Uniform rate of GNI-based own resource (in %) according to DAB 2/2023	1 % of GNI base (Agreed ACOR forecast)	Uniform rate of GNI-based own resource (in %) according to DAB 3/2023	Difference in the GNI
	(1)	(2)	(3)	(4)	(5) = (3 x 4) - (1 x 2)
SK	1 153 958 000		1 190 606 000		- 34 426 819
FI	2 801 598 000		2 783 280 000		- 147 704 667
SE	5 911 590 000		5 764 845 000		- 376 269 132
<b>Total</b>	<b>162 991 598 000</b>		<b>168 838 079 000</b>		<b>-4 462 154 001</b>

### 3. UPDATE OF EXPENDITURE

#### 3.1 Defence Industrial Reinforcement Instrument established by the Act in Support of Ammunition Production (ASAP)

The Russian war against Ukraine reinforces the importance of defence, as reflected in the Commission's proposal to create the act in support of ammunition production (ASAP)<sup>16</sup>. ASAP establishes a new instrument to support the ramp up of manufacturing capacities of the European defence industry and secure supply chains, with the aim of enabling the timely availability and supply of relevant defence products in the Union via a series of specific and targeted measures to speed up the industry adjustment to structural changes. ASAP is planned to have financial impact from 2023 to 2024 for commitment appropriations and from 2023 to 2028 for payment appropriations.

The Commission therefore proposes to make the necessary additional adjustments to the budget nomenclature, budget remarks and level of appropriations in this DAB for the year 2023.

This includes creating two new budget lines, initially with a token entry ('p.m.'), for which the corresponding budget remarks are set out in the budgetary annex.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
13 01 05	Support expenditure for the Defence Industrial Reinforcement Instrument	p.m.	p.m.
13 07 01	Defence Industrial Reinforcement Instrument	p.m.	p.m.
<b>Total</b>		<b>p.m.</b>	<b>p.m.</b>

Given the absence of unallocated margins under heading 5 (Security and Defence), the 2023 financing of the new ASAP defence initiative is proposed to be financed entirely through redeployments of amounts initially earmarked for the European Defence Industry Reinforcement through common Procurement Act (EDIRPA) as per the legislative financial statement (LFS) accompanying ASAP. The corresponding amounts are proposed to be entered into the reserve (the 'provisions' title) until the basic act is adopted by the co-legislators. Should the co-legislators decide differently, the Commission will propose the necessary changes. Additionally, given the observed delay in the EDIRPA legislative process compared to the initial assumptions, it is proposed to return the corresponding amount in payment appropriations of EUR 71 million.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
30 02 02	Differentiated appropriations (Reserve for budget article 13 06 01)	- 1 000 000	- 1 000 000
30 02 01	Non-differentiated appropriations (Reserve for budget article 13 01 05)	+ 1 000 000	+ 1 000 000
30 02 02	Differentiated appropriations (Reserve for budget article 13 06 01)	- 156 027 699	- 71 000 000
30 02 02	Differentiated appropriations (Reserve for budget article 13 07 01)	+ 156 027 699	0
<b>Total</b>		<b>0</b>	<b>- 71 000 000</b>

<sup>16</sup> COM(2023) 237, 3.5.2023.

### 3.2 Financing of the European Chips Act for 2023

The Commission proposes to include in DAB 3/2023 the necessary adjustments in relation to the financing of the European Chips Act for 2023, on which a political agreement between the co-legislators was reached on 18 April 2023.

The total contribution of Horizon Europe to the European Chips Act until 2027 will amount to EUR 1 725 million, of which EUR 1 425 million will be implemented by the Chips joint undertaking and EUR 300 million by the European Innovation Council (EIC). With respect to the year 2023, the agreed financing solution for the Chips Act deviates from the elements included in the 2023 budget in the following aspects: (i) a reinforcement in commitment appropriations of the Digital Europe Programme 6th objective dedicated to semiconductors of EUR 100 million, taken from the unallocated margin under the expenditure ceiling of heading 1 (Single Market, Innovation and Digital) and (ii) the return to Horizon Europe Cluster 4 “Digital, Industry and Space” of an amount of EUR 80 million in commitment appropriations, which was initially proposed to be redeployed from Horizon Europe to the Digital Europe Programme.

Additionally, the Commission proposes a more balanced contribution to the European Chips Act amongst clusters of Horizon Europe. Compared to the initial Commission proposal, the 2023 envelope of the Chips Joint Undertaking is proposed to be slightly backloaded to 2026-2027. Accordingly, an amount of EUR 15,2 million is proposed to be returned from the Chips Joint Undertaking to Horizon Europe Cluster 3 “Civil Security for Society” in this DAB.

The current level of payment appropriations in the 2023 budget is considered sufficient to cover this year’s payment needs under both Horizon Europe and the Digital Europe programme, therefore the corresponding amount in payment appropriations (EUR 80 million) is proposed to be cancelled.

The overall impact on expenditure is therefore as follows:

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
01 02 02 30	Cluster ‘Civil Security for Society’	+ 15 200 000	0
01 02 02 42	Cluster ‘Digital, Industry and Space’ — Chips Joint Undertaking	- 15 200 000	- 15 200 000
02 04 06 11	Semiconductors – Chips Joint Undertaking	+ 100 000 000	0
02 04 06 11	Semiconductors – Chips Joint Undertaking	- 80 000 000	- 80 000 000
01 02 02 40	Cluster ‘Digital, Industry and Space’	+ 80 000 000	0
<b>Total</b>		<b>100 000 000</b>	<b>- 95 200 000</b>

### 3.3 Sustainable Fisheries Partnership Agreements (SFPAs) reserve line

The SFPAs reserve line currently amounts to EUR 48,7 million in commitment appropriations and EUR 28,2 million in payment appropriations. This corresponds to the amount entered into the reserve to cover for the agreements and protocols with regard to fisheries between the Union and the governments of specific third countries that are not yet adopted, in line with Article 49 of the Financial Regulation and with point 20 of 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<sup>17</sup>.

<sup>17</sup> OJ L 433I, 22.12.2020, p. 28–46.

Considering the status of the negotiations on the future protocols, it is clear that none of the protocols with Morocco, Liberia and Solomon Islands will start or be concluded in 2023. In particular:

- the future of the protocol with Morocco remains uncertain and depends on the forthcoming judgment of the Court of Justice in the pending case C-798/21 P, *Council v Front Polisario*, which is now not expected before early 2024;
- the negotiations with Liberia depend on the development and eventual closure of the open dialogue between the Commission and the Liberian authorities in the framework of the fight against illegal, unreported and unregulated fishing (IUU). Upon positive conclusion of the IUU dialogue, negotiations would not start before 2024;
- the negotiation process for a new protocol with Solomon Islands has been delayed.

Finally, given that the quantity for capelin fish related to the current protocol with Greenland has been agreed and established, the amount on the main line is sufficient and the corresponding reserve is no longer needed.

The Commission therefore proposes to cancel the amounts that will not be needed in 2023. This corresponds to respectively EUR 45,3 million in commitment appropriations and EUR 24,8 million in payment appropriations, as follows:

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
30 02 02	Differentiated appropriations (Reserve for budget article 08 05 01)	- 45 265 000	- 24 765 000
<b>Total</b>		<b>- 45 265 000</b>	<b>- 24 765 000</b>

### 3.4 EUROPEAN DATA PROTECTION SUPERVISOR (EDPS)

A reinforcement of the EDPS budget by EUR 81 857 is proposed to cover the rent, charges and other expenditure for the EDPS building facilities, which are hosted by the European Parliament. Now that the European Parliament has confirmed the actual costs for 2023, i.e. an increase of 10,63 % due to high inflation, the level of appropriations available is no longer sufficient to cover contractual obligations. Therefore, it is proposed to increase the level of commitment and payment appropriations by EUR 81 857 as shown in the table below, to be taken from the margin under heading 7 (European Public Administration):

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section IX – European Data Protection Supervisor</i>			
2 0 0	Rents, charges and buildings expenditure	81 857	81 857
<b>Total</b>		<b>81 857</b>	<b>81 857</b>



#### **4. FINANCING**

Overall, the net impact of DAB 3/2023 on expenditure amounts to an increase of EUR 54,8 million in commitment appropriations and a decrease of EUR 190,9 million in payment appropriations. The revenue side of the budget is proposed to be adjusted as set out in this DAB 3/2023.

## 5. SUMMARY TABLE BY MFF HEADING

	Budget 2023 (incl. AB1/2023 and DAB 2/2023)		Draft Amending Budget 3/2023		Budget 2023 (incl. AB 1/2023 and DABs 2-3/2023)	
	CA	PA	CA	PA	CA	PA
<b>1. Single Market, Innovation and Digital</b>	<b>21 595 056 589</b>	<b>20 898 092 074</b>	<b>100 000 000</b>	<b>-95 200 000</b>	<b>21 695 056 589</b>	<b>20 802 892 074</b>
<i>Of which under Flexibility Instrument</i>						
<i>Ceiling</i>	21 727 000 000				21 727 000 000	
<i>Margin</i>	131 943 411		-100 000 000		31 943 411	
<b>2. Cohesion, Resilience and Values</b>	<b>70 586 704 063</b>	<b>58 058 661 399</b>			<b>70 586 704 063</b>	<b>58 058 661 399</b>
<i>Of which under Flexibility Instrument</i>	182 220 073				182 220 073	
<i>Of which under Single Margin Instrument 11(1)(a)</i>	280 000 000				280 000 000	
<i>Ceiling</i>	70 137 000 000				70 137 000 000	
<i>Margin</i>	12 516 010				12 516 010	
<b>2a. Economic, social and territorial cohesion</b>	<b>62 926 483 990</b>	<b>50 874 959 229</b>			<b>62 926 483 990</b>	<b>50 874 959 229</b>
<i>Of which under Flexibility Instrument</i>						
<i>Ceiling</i>	62 939 000 000				62 939 000 000	
<i>Margin</i>	12 516 010				12 516 010	
<b>2b. Resilience and values</b>	<b>7 660 220 073</b>	<b>7 183 702 170</b>			<b>7 660 220 073</b>	<b>7 183 702 170</b>
<i>Of which under Flexibility Instrument</i>	182 220 073				182 220 073	
<i>Of which under Single Margin Instrument 11(1)(a)</i>	280 000 000				280 000 000	
<i>Ceiling</i>	7 198 000 000				7 198 000 000	
<i>Margin</i>						
<b>3. Natural Resources and Environment</b>	<b>57 263 408 225</b>	<b>57 457 310 265</b>	<b>-45 265 000</b>	<b>-24 765 000</b>	<b>57 218 143 225</b>	<b>57 432 545 265</b>
<i>Of which under Flexibility Instrument</i>						
<i>Ceiling</i>	57 295 000 000				57 295 000 000	
<i>Margin</i>	31 591 775		45 265 000		76 856 775	
<b>Of which: Market related expenditure and direct payments</b>	<b>40 692 211</b>	<b>40 698 181 356</b>			<b>40 692 211</b>	<b>40 698 181 356</b>
<i>EAGF sub-ceiling</i>	41 518 000 000				41 518 000 000	
<i>Rounding difference excluded for calculating the sub-margin</i>	800 000				800 000	
<i>Net transfers between EAGF and EAFRD</i>	-825 800 000				-825 800 000	
<i>Net balance available for EAGF expenditure (sub-ceiling corrected by transfers between EAGF and EAFRD)</i>	40 693 000 000				40 693 000 000	
<i>EAGF sub-margin</i>	789 000				789 000	
<b>4. Migration and Border Management</b>	<b>3 727 311 518</b>	<b>3 038 380 252</b>			<b>3 727 311 518</b>	<b>3 038 380 252</b>
<i>Of which under Flexibility Instrument</i>						
<i>Ceiling</i>	3 814 000 000				3 814 000 000	
<i>Margin</i>	86 688 482				86 688 482	
<b>5. Security and Defence</b>	<b>2 116 636 829</b>	<b>1 208 374 612</b>		<b>-71 000 000</b>	<b>2 116 636 829</b>	<b>1 137 374 612</b>
<i>Of which under Flexibility Instrument</i>	170 636 829				170 636 829	
<i>Ceiling</i>	1 946 000 000				1 946 000 000	
<i>Margin</i>						
<b>6. Neighbourhood and the World</b>	<b>17 211 879 478</b>	<b>13 994 937 845</b>			<b>17 211 879 478</b>	<b>13 994 937 845</b>
<i>Of which under Flexibility Instrument</i>	882 879 478				882 879 478	

	<i>Ceiling</i>	16 329 000 000				16 329 000 000	
	<i>Margin</i>						
<b>7. European Public Administration</b>		<b>11 313 119 518</b>	<b>11 313 119 518</b>	<b>81 857</b>	<b>81 857</b>	<b>11 313 201 375</b>	<b>11 313 201 375</b>
	<i>Of which under Flexibility Instrument</i>						
	<i>Ceiling</i>	11 419 000 000				11 419 000 000	
	<i>Margin</i>	105 880 482		-81 857		105 798 625	
<b>of which: Administrative expenditure of the institutions</b>		<b>8 745 600 042</b>	<b>8 745 600 042</b>	<b>81 857</b>	<b>81 857</b>	<b>8 745 681 899</b>	<b>8 745 681 899</b>
	<i>Sub-ceiling</i>	8 772 000 000				8 772 000 000	
	<i>Sub-margin</i>	26 399 958		-81 857		26 318 101	
<b>Appropriations for headings</b>		<b>183 814 116 220</b>	<b>165 968 875 965</b>	<b>54 816 857</b>	<b>-190 883 143</b>	<b>183 868 933 077</b>	<b>165 777 992 822</b>
	<i>Ceiling</i>	182 667 000 000	168 575 000 000			182 667 000 000	168 575 000 000
	<i>Of which under Flexibility Instrument</i>	1 235 736 380	948 114 733			1 235 736 380	948 114 733
	<i>Of which under Single Margin Instrument II(1)(a)</i>	280 000 000				280 000 000	
	<i>Margin</i>	368 620 160	3 554 238 768	-54 816 857	190 883 143	313 803 303	3 745 121 911
<b>Thematic special instruments</b>		<b>2 855 153 029</b>	<b>2 679 794 000</b>			<b>2 855 153 029</b>	<b>2 679 794 000</b>
<b>Total appropriations</b>		<b>186 669 269 249</b>	<b>168 648 669 965</b>	<b>54 816 857</b>	<b>-190 883 143</b>	<b>186 724 086 106</b>	<b>168 457 786 822</b>