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WORKING DOCUMENT

on the Draft Budget 2023 (Section III)

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The purpose of this working document is to present an initial assessment of the Commission Draft Budget 2023 as part of the preparations for Parliament's position, with a focus on Section III (Commission).

I. Overview

On 7 June 2022, the Commission adopted its statement of estimates for the year 2023, which Commissioner Hahn presented to the Committee on Budgets on the same day. The formal adoption of the consolidated 2023 draft budget (DB 2023) took place on 1 July.

The next budgetary trilogue takes place on 14 July. There will be an exchange of views on the Council's reading (approved by COREPER on 13 July) and Parliament's resolution of 5 April 2022 on general guidelines for the preparation of the 2023 budget, Section III – Commission[1].

Parliament will adopt its reading in the autumn, thereby triggering the opening of the conciliation period.

Draft budget 2023

Total appropriations in the draft budget, including the thematic special instruments, are EUR 185 591.1 million in commitment appropriations (CA) and EUR 166 268.2 million in payment appropriations (PA).

For the headings, there are:

- EUR 182 735.9 million in CA, including EUR 515.4 million under the Flexibility Instrument[2]. The EU Recovery Instrument (EURI) - or Next Generation EU - makes an additional contribution of EUR 113 920.8 million in the form of external assigned revenue. Loans made under the Recovery and Resilience Facility are estimated at EUR 225 639.7 million, although they are not part of the EU budget.

- EUR 163 588.4 million in PA (including EUR 527.1 million under the Flexibility Instrument and EUR 1 376 million under compartments (a) and (b) of the Single Margin Instrument[3]). This represents a -2.7 % decrease compared to PA in the 2022 budget, on account of a decrease in the payments on outstanding commitments for the 2014-2020 Cohesion programmes, following high amounts of payments in recent years.

For the thematic special instruments[4], there are EUR 2 855.2 million in CA and EUR 2 679.8 million in PA. These appropriations are entered over and above the MFF ceilings.

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[1] Texts adopted, P9_TA(2022)0106.

[2] EUR 452.9 million for heading 6 and EUR 62.5 million for heading 7.

[3] The SMI allows mobilisation of: margins left available for CA of year n-1 (compartment (a) - the former Global Margin for Commitments); the difference between executed PA and the payment ceiling (compartment (b) - the former Global Margin for Payments); additional amounts above the MFF ceilings fully offset either against margins in current or future financial years (for CA) or against margins under the payment ceilings for future financial years (compartment (c) - the former Contingency Margin).

[4] The European Globalisation Adjustment Fund for Displaced Workers, the Solidarity and Emergency Aid Reserve and the Brexit Adjustment Reserve.

The overall available margin under the commitments ceiling is EUR 446.4 million (EUR 1 222.9 million in DB 2022). Under the payments ceiling, the margin is EUR 5 513.7 million in PA (EUR 1369.0 million in DB 2022).

For the Flexibility Instrument[5], the unused amount for 2022 (at the time of writing) is EUR 830.6 million, which would be carried over to 2023. The 2023 amount is EUR 1 010.2 million. As noted above, the Commission has proposed to use EUR 515.4 million under the Instrument, which would leave EUR 495 million for 2023, and will very likely propose to use the Instrument further in the autumn amending letter.

For compartment (a) of the Single Margin Instrument, the amount of the remaining margin from 2021 available for 2022 corresponds to EUR 641.5 million in current prices in 2022. Should it not be used in 2022, the amount available in 2023 would, taking into account the 2% deflator, be equal to EUR 654.4 million (in current prices in 2023).

For the Solidarity and Emergency Aid Reserve (SEAR), the unused amount for 2022 (at the time of writing) is EUR 1 093.5 million[6]. Any unused amounts may be used up to year n+1. The amount for 2023[7] is EUR 1 324.9 million at current prices for 2023.

The proposed level of expenditure for 2023 broadly reflects the indicative financial programming, as technically updated in February 2022, with the following main exceptions:

- The integration of reinforcements based on Article 5 MFFR for a total of EUR 1 657 million in current prices in the support (including executive agencies) and operational lines of Horizon Europe, InvestEU, EU4Health, Erasmus+, Creative Europe, Rights and Values (i.e. the Citizens, Equality, Rights and Values programme), and the Integrated Border Management Fund – Instrument for border management and visa.

- The impact of the latest available information on purchasing power, the cost of living and the reintegration (in 2022) of the ‘suspended’ salary update from 2020, and subsequent upward revision of salary expenditure. With respect to salary expenditure under the operational headings 1-6, the Commission has also had to make offsetting adjustments between the support expenditure and the operational expenditure of the spending programmes. High inflation has also made necessary a limited reinforcement of the EU contribution to decentralised agencies, with the exception of Frontex and EUSPA. There are various other adjustments to decentralised agencies.

- Changes resulting from the proposals for a Union Secure Connectivity programme and the European Chips Act, which entail redeployments from other programmes and - in the case of the latter - internal redeployments within the Digital Europe Programme. Also in relation to the Chips Act, the Commission has proposed to make use of EUR 400 million in decommitments as referred to in Article 15(3) of the Financial

[5] The Flexibility Instrument may be used for the financing of specific unforeseen expenditure, in commitment and corresponding payment appropriations, which cannot be financed within the limits of the ceilings available for one or more headings.

[6] The Commission has proposed, by way of DEC 15, to transfer EUR 30 million from the SEAR to the UCPM. On adoption thereof, the unused amount of SEAR would be EUR 1 063.5 million.

[7] Until 1 September 2023, it is necessary to respect the 50-35-15 proportions for the EU Solidarity Fund, external and internal components. 25% of the 2023 allocation must be kept available until 1 October 2023.

Regulation[8], in addition to the amount included in the Joint Declaration agreed during the MFF negotiations.

- The creation, as of 2023, of a new budget line for the Carbon Border Adjustment Mechanism, to finance its implementation costs.
- The proposed frontloading of the Union Civil Protection Mechanism in 2023 to ensure the availability of RescEU assets, and specifically the development of an EU fleet of aerial firefighting capacities, financed by savings within heading 2b and so budget neutral in 2023.
- For the Instrument for Pre-accession Assistance III (IPA III), an increase of EUR 560 million in 2023 to finance the 2023 component of the Syrian refugees' package announced in July 2021, focusing on transitional support to refugees based in Turkey. The amount comes from the heading 6 margin (EUR 106.6 million), the Flexibility Instrument (EUR 452.9 million) and other savings in the heading (EUR 0,5 million).

The Union provides financial support through the budget to address the consequences of Russia's invasion of Ukraine for immediate relief in the EU and its neighbourhood. However, more support will be needed[9]. The Commission will therefore issue an amending letter in the autumn once the scale and nature of the support required are clearer. The high payments margin is intended to leave some room for manoeuvre to finance possible additional measures in response to the crisis in Ukraine, which would be included in the amending letter. This amending letter will have a major impact on the budget negotiations and will come after the Council position and too late to be reflected in Parliament's position.

The 2023 draft budget is summarised and compared to the 2022 budget in the following table:

EUR million, current prices

	DB 2023 (1)		**Budget 2022 (2)**		**1 - 2**		**1 / 2**	
	CA	**PA**	**CA**	**PA**	**CA**	**PA**	**CA**	**PA**
1. Single Market, Innovation and Digital	21 567.6	20 901.1	21 775.1	21 473.5	-207.5	-572.4	-1.0 %	-2.7 %
2. Cohesion, Resilience and Values	70 086.7	55 840.5	67 644.4	62 052.8	2 442.3	-6 212.3	3.6 %	-10.0 %
3. Natural Resources and Environment	57 222.6	57 445.4	56 681.1	56 601.8	541.4	843.6	1.0 %	1.5 %
4. Migration and Border Management	3 727.3	3 067.4	3 360.0	3 254.3	367.3	-186.9	10.9 %	-5.7 %
5. Security and Defence	1 901.1	1 111.4	1 812.3	1 237.9	88.8	-126.5	4.9 %	-10.2 %
6. Neighbourhood and the World	16 781.9	13 773.9	17 170.4	12 916.1	-388.6	857.9	-2.3 %	6.6 %
7. European Public Administration	11 448.8	11 448.8	10 620.1	10 620.2	828.7	828.6	7.8 %	7.8 %
MFF Headings	182 735.9	163 588.4	179 063.5	168 156.5	3 672.4	-4 568.0	2.1 %	-2.7 %

[8] 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.
[9] Support will also be needed for the longer-term reconstruction framework, though this may be outside the scope of the 2023 procedure.

Thematic special instruments	2 855.2	2 679.8	2 799.2	2 622.8	56.0	57.0	2.0 %	2.2 %
TOTAL	185 591.1	166 268.2	181 862.6	170 779.3	3 728.4	-4 511.1	2.1 %	-2.6 %

II. Analysis by heading

Heading 1 - Single market, innovation and digital

The Commission proposes EUR 21 567.6 million in CA and EUR 20 901,1 million in PA for Heading 1, which receives an additional EURI contribution (EUR 4 299.3 million in CA and EUR 2 983.1 million in PA). The Commission also proposes to make available again EUR 158.8 million of Article 15(3) decommitments.

Broadly speaking, the Commission has followed the long-term financial programming. The main programme in the heading is Horizon Europe (HE), which remains oversubscribed (in 2021, two thirds of eligible proposals were above the quality threshold but budgetary constraints led to a success rate of 14.9%). The Connecting Europe Facility is also oversubscribed (more than three times for the transport strand) and is very relevant in the current context (e.g. security of energy supply).

The Commission proposes a series of changes to accommodate its proposals for a Chips Act and a Secure Connectivity Programme. These include:

- redeployments *between* programmes (including from HE to the Digital Europe Programme (DEP) for Chips or from the DEP to Secure Connectivity). The Commission proposes to compensate for the redeployment from HE to the DEP by mobilising an equivalent amount of Article 15(3) decommitments;
- redeployments *within* the DEP to make room for a new "semiconductors" objective; and
- earmarking within programmes (for example within HE for both Chips and Secure Connectivity and within the DEP and the Space Programme for Secure Connectivity)

The Commission's proposal for decentralised agencies is broadly aligned with agency requests, to which the Commission added the salary update linked to high inflation. An exception is the request from the EU Agency for Cybersecurity (ENISA), where the Commission stuck to the financial programming. There are some deviations from the financial programming, namely:

- the establishment of the Anti-Money Laundering Authority with EUR 1,1 million and 8 temporary posts;
- an increase of EUR 0.2 million (+additional 1 post) for ACER;
- a redeployment of EUR 2 million from the Space programme to increase EUSPA in relation to the Union Secure Connectivity proposal (10 posts).

Heading 1 programmes are broadly on track to reach the climate-related expenditure targets set out in their respective basic acts. Heading 1 also makes a minor contribution to the biodiversity objective, with the two programmes concerned being Horizon Europe (7.40%) and the Space Programme (6.46%).

This heading is likely not to be significantly impacted by the amending letter scheduled for the autumn, which will include amongst other things adjustments in relation to the war in Ukraine.

The available margin for the heading is EUR 159.4 million.

Heading 2 - Cohesion, Resilience and Values

Heading 2 is the biggest of the seven headings in the MFF for the 2021-2027 period in terms of budget. About 87 % of the heading falls under shared management between the European Commission and Member States, and is almost entirely pre-allocated to the Member States. In 2023, the Commission proposes EUR 70 086.7 million in CA (+3.6% compared to 2021) and EUR 55 840.5 million in PA (-10%).

These appropriations are significantly reinforced by EURI (by EUR 104 149.3 million in CA and EUR 125 108.8 in PA). The Recovery and Resilience Facility (RRF) is the largest spending programme, exclusively financed by EURI contributions, set at EUR 103 451 million in 2023.

Heading 2 is divided into two subheadings, 2a for economic, social and territorial cohesion and subheading 2b for resilience and values. Amounts under the two subheadings are ring-fenced, and appropriations and margins under one cannot be used for expenditure in another.

Sub-heading 2a Economic, social and territorial cohesion

The adoption process of the 2021-2027 Cohesion Fund programmes has been slower than expected. Consequently, the whole 2021 allocation (EUR 34.9 billion) is to be reprogrammed in four equal tranches for the years 2022-2025. NGEU grants and loans under the RRF are expected to have an impact on the implementation of the 2021-2027 cohesion programmes.

The draft budget of the European Social Fund Plus (ESF+) is EUR 14.4 million below the financial programming owing to an adjustment to the amount budgeted for technical assistance. The ESF+ has had implementation difficulties in 2021, owing to competition with other financing provided, e.g. RRF, REACT-EU, CRII.

Absent overall budgetary flexibility, cohesion policy has been serving as a crisis- response tool following Covid-19 and the war in Ukraine (CRII, CRII+, REACT-EU, CARE, REPowerEU). It was not conceived for that purpose and has its own long-term policy objectives.

The margin in heading 2a is very limited, standing at EUR 16 million.

Sub-heading 2b Resilience and values

In the main, the Commission follows the financial programming, with some exceptions:

- To further increase Member State preparedness in fighting forest fires, UCPM is frontloaded by EUR 45 million, to be offset in the period 2024-2027;
- EaSI is EUR 13.1 million below the financial programming on account of the late adoption of the legal act and the COVID-19 pandemic. The amount will be back-loaded to later years.

Other issues of note include:

- CA for EU4Health are down 13.2% compared to 2022, because the programme returns to the level of the financial programming, after the frontloading in 2022;
- DB for Erasmus+ is in line with the financial programming (with the Article 5 top-up in addition). The Commission states that frontloading of Erasmus+ may be included in the amending letter, in particular to support pupils, students and teachers fleeing Ukraine. In any case, given the budgetary profile of the programme (steep increases in the later years for a programme with broadly stable demand and the likelihood of Article

5 top-ups being concentrated at the end of the MFF as well), frontloading would probably be welcome from an implementation perspective;

- The DB for Creative Europe is in line with the financial programming (with the Article 5 top-up in addition). The programme was subject to frontloading in 2021 and 2022 since the cultural and creative sector was one of the hardest hit by Covid-19 restrictions. The year-on-year drop between 2022 and 2023 reflects the end of this frontloading.

Financial and human resource levels for decentralised agencies are broadly aligned with the financial programming. The Commission has made available recovered surpluses from the previous year to reduce the EU contribution in 2023. At the same time, all agencies in Cluster 7 see an increase to account for high inflation. It is worth noting that:

- The Commission does not support the Fundamental Rights Agency's request for an additional 12 establishment plan posts, though it does accept two additional contract agent posts;
- The budget for the ELA is in line with the agency's request but below the financial programming. The Commission notes that this is due to the fact that the agency adjusted its request to real needs and also applied the correction coefficient in Bratislava;
- The increase in financial and human resources for Eurojust compared to the agency request and financial programming stems from various legislative proposals;
- The DB for the EPPO is below the agency's request but in line with financial programming. Establishment plan posts (171) remain stable, despite the agency's request to convert 28 contract agent positions into temporary agent roles.

In Heading 2b, the primary brake on using the budget for political priorities is the fact that the line dedicated to the EURI financing costs is likely to be needed in full. Indeed, needs may well exceed the budgeted amount, and if so, the Commission would need to address this in the autumn amending letter, probably by triggering the Flexibility Instrument or the Single Margin Instrument. Even if financing costs do not exceed the budgeted amount, the absence of meaningful margins in Heading 2b (EUR 34.3 million) would limit the margin of manoeuvre of the budgetary authority.

Heading 3 - Natural resources and environment

The Commission proposes EUR 57 222.6 million in CA, an increase of 1.0% compared to B2022, and EUR 57 445.4 million in PA (+1.5%). Overall, the total available for Programmes under Heading 3 is EUR 62 694.7 million in CA and 60 042 million in PA, on account of the additional EURI contribution set at EUR 5 472.2 million in CA and 2 596.7 million in PA.

This heading presents a certain number of specific characteristics:

- A sub-ceiling for the EAGF (European Agricultural Guarantee Fund), which is fine-tuned every year to take account of the net transfers resulting from the Member States' shifting of parts of their national allocations between the first pillar (direct payments) and the second pillar (rural development) of the CAP. The sub-ceiling for 2023 is set at EUR 41 518.0 million and the sub-margin amounts to 0.8 million (de facto no margin);
- Regular availability of assigned revenue from clearance of accounts exercises and recoveries from irregularities. An amending letter will be presented in autumn before the opening of the conciliation period to update and regularise the situation;

- ➢ The policies under the main cluster, CAP and maritime, are starting with a delay. The year 2023 is therefore the de facto starting point of the new programming period, including some changes in the nomenclature.

The Environment and Climate Action cluster includes LIFE and the Just Transition Fund (JTF). The Just Transition Fund is part of the cohesion policy but is not subsumed under Heading 2, because its purpose and legal basis are linked to climate objectives. The JTF also receives an NGEU top-up in 2023, set at EUR 5.5 billion, This title 09 also contains the lines for the environmental and chemicals agencies. The Public Sector Loan Facility also features in the same cluster and title, however, with EUR 50 million (it can also be financed from reflows/assigned revenues).

The financial programming of the European Environment Agency is increased in total by EUR 2.2 million in order to manage the Industrial Emissions Portal and the European Chemicals Agency is reinforced by EUR 2.5 million to help with tasks related to the Chemical Management System.

The available margin for the heading is EUR 72.4 million.

Heading 4 - Migration and Border Management

Overall, heading 4 sees a 10.9% increase in CA and a -5.7% fall in PA compared to the 2022 budget, respectively proposed at EUR 3 727.3 and 3 067.4 million. The heading does not receive any EURI contribution.

In the areas of migration and border management, support in the context of the Ukraine crisis has been provided in 2022 through:

- ➢ emergency assistance through redeployment under the AMIF (EUR 124 million) and BMVI (EUR 124 million) Thematic Facilities and through reinforcement from the margins/SEAR (AMIF + EUR 152 million) - see DAB 3/2022 and DEC 11/2022;
- ➢ extended implementation for the 2014-2020 Home Affairs Funds;
- ➢ possibility for AMIF to be topped up with external assigned revenue.

The European Union Asylum Agency (EUAA) began its new, expanded mandate on 1 January 2022 as the successor to EASO. The agency’s financial resources are in line with the financial programming. The agency is granted a temporary (until end of 2023) increase in contract agents (extension of the 58 FTEs due to end in December 2022 plus 32 additional FTEs) to deal with the increased workload stemming from the Ukraine war. At the same time, the DB is not in line with the agency’s request for establishment plan posts (-37), which the EUAA says it needs as a result of the mandate expansion. It should be noted that budgetary needs were not re-assessed following the political agreement on the new mandate.

The BMVI benefits from a top-up under Article 5 of the MFF Regulation. It is to be noted that the BMVI envelope has been reduced by 24 million EUR in the 2023 draft budget to provide appropriations for Europol’s extended mandate.

The draft budget and establishment plan for Frontex is in line with financial programming and the agency’s request, although there has been a temporary (and budget-neutral) agreement between Frontex and EU-Lisa to transfer 21 CA posts (and therefore 1 million EUR per year) for the period 2022-2024 to deal with ETIAS development. It is to be noted that the budget for Frontex rises substantially by nearly EUR 150 million between 2022 and 2023 in line with the

2019 Regulation. Establishment plan numbers remain stable to allow the agency to improve its occupancy rate.

The draft budget for eu-LISA is in line with financial programming (+ EUR 1 million as above), though it is EUR 6.5 million below the agency's request. The Commission does not support the agency's staffing request for 34 additional posts (+20 establishment plan, 13 contract agents and 1 SNE).

The primary question within heading 4 relates to the duration and intensity of financing needs in relation to the refugee situation, with the Commission acknowledging that further support may be necessary. This would be done via the autumn amending letter. Both the BMVI and AMIF can provide support, as can Frontex and the EUAA. Nevertheless, with a margin of only EUR 87 million in 2023, the scope for mobilising additional funds without recourse to the special instruments is exceedingly limited. It may well be that the Commission intends for Cohesion Funds to continue to complement support provided AMIF.

Heading 5 - Security and Defence

Total appropriations in heading 5 are EUR 1 901.1 million in CA and EUR 1 111.4 million in PA. There is no EURI contribution.

The overall level of appropriations in this heading is broadly in line with the financial programming for all co-decided programmes. However, the margin is reduced by EUR 30 million to the benefit of the Secure Connectivity Programme. Over the rest of the MFF period, the Commission has proposed to redeploy EUR 100 million from the margin and EUR 400 million from the European Defence Fund (EDF) for that new programme.

Europol is the largest agency in the heading and its capacity has been strengthened notably in the context of digital transformation. The proposed EU contribution therefore includes an increase of EUR 11.5 million, on top of the 2% indexation, compared to 2022. The Commission proposal also entails an increase of 30 establishment plan posts for the agency compared to 2022 (716 establishment plan posts compared to 686 in 2022). The updated financial programming for Europol re-programmes EUR 4 million from 2021, and reinforces its funding by EUR 2.9 million on the period 2024-2027.

The EU 2023 subsidy to the Drugs Agency amounts to EUR 17 641 938 (this includes surpluses of EUR 113 655) and is EUR 1.2 million lower than their request. The new proposed EU Centre to prevent and counter child sexual abuse is incorporated in the financial programming. The Commission proposals to offset its budget by a compensatory reduction in the programmed spending for the Internal Security Fund.

The Commission will make a proposal for a short-term joint procurement instrument to reinforce European defence industrial capacities. The Commission has said that the budget of EUR 500 million (2022-2024) will come from the margins and special instruments. The impact on the 2023 budget is be in included the autumn amending letter. The proposal could absorb the EUR 44.9 million margin for 2023, together with the margins for 2022 and 2024, with the remainder coming from special instruments.

Heading 6 - Neighbourhood and the World

The draft budget for heading 6 is broadly in line with the Commission's financial programming. Compared to the 2022 budget, it has decreased slightly by 2.3 % in CA, with PA increasing by 6.6%. There is one significant deviation from the financial programming, namely an additional

EUR 560 million for IPA III in order to finance the 2023 component of the Syrian refugees' package. This includes using the full amount of EUR 106 million from the margin and EUR 452.9 million from the Flexibility Instrument.

NDICI-GE is largely in line with the financial programming, with CA decreasing by 5.9% compared to last year's budget, with the main drivers being the geographical programmes, followed by the "emerging challenges and priorities" cushion and the rapid response pillar. PA increase by 12.1%, reflecting the fact that implementation is picking up speed.

The Commission has announced that it will address the consequences of the war on Ukraine in an autumn amending letter, which could lead to adjustments of some heading 6 budget lines (e.g. NDICI-GE, in particular the Eastern Neighbourhood line and the emerging challenges and priorities cushion, the humanitarian aid line, the provisioning of the Common Provisioning Fund, the Macro-Financial Assistance line). In addition, action will be needed on food security and multiple other humanitarian crises around the globe (Afghanistan, Syria, Yemen etc.).

The financial implications of the Council's decision to grant candidate status to Ukraine and Moldova remain unclear at present, in particular whether both countries will continue receiving funding from the Eastern Neighbourhood Line or become eligible for IPA III funding. The latter could require an amendment to the IPA III regulation and have an impact on the heading.

Given that there is no margin left in the heading, it will be necessary to mobilise special instruments. Other possibilities include carry-overs from the NDICI-GE and IPA III instrument and the NDICI-GE emerging challenges and priorities cushion (the Commission has indicated its intention to fund the interest payments for the proposed MFA emergency loans to Ukraine from the NDICI cushion, which could further restrict availabilities).

Parliament has repeatedly stressed that the margin 6 is insufficient to enable the EU to meet its commitments. The current situation leaves no doubt that it is necessary to increase the ceiling of heading 6, to allow the Union to cope with the scale of international crises.

Heading 7- European Public Administration

Heading 7 covers the administrative expenditure of all institutions, pensions and European schools. In the DB 2023, CA and PA stand at EUR 11 448.8 million, an increase of 7.8% over 2022, mainly due to the high levels of inflation and the rising energy prices, which have a direct impact on the costs of administration. The margin under the sub-ceiling for administrative expenditure of the institutions is fully depleted, and recourse to special instruments for an amount of EUR 62.5 million is necessary in order to respect all legal obligations.

The Commission's administrative expenditure (excluding pensions and European schools) shows an increase of 6,2 %, with expenditure for staff remuneration increasing by 7.6 % and non-salary-related expenditure increasing by 2.0 %.

The Commission indicates that it has followed the "stable staffing policy" principle. This is a principle that the Commission decided unilaterally to follow when planning expenditure under Heading 7, and which does not represent a legal obligation nor a binding principle as there was no such agreement by the Council and the European Parliament in the MFF negotiations.

In the Commission, there is a decrease of 57 FTE (-0.18 %), with a net reduction of 75 establishment plan posts (-0.32 %) and a limited increase of 18 FTE (0.21 %) of external personnel. The proposed number of staff in the executive agencies increases to 3 227 FTE in 2023 (+ 76) compared to 2022, of which 36 temporary agents and 40 contract agents), including establishment plan posts financed outside the EU budget (+ 26 temporary agent posts compared to 2022). As regards EURI, the temporary reinforcement of several programmes through external assigned revenues will partially be used to finance expenditure for administrative and technical assistance related to the implementation of these programmes, including external staff. The impact in 2023 is approximately 191 FTEs and corresponding appropriations.

Mainstreaming

The Interinstitutional Agreement of 16 December 2020[10] (IIA) sets out various mainstreaming objectives:

- The Commission has presented an updated methodology for climate mainstreaming based on EU climate coefficients, which are effect-based (rather than intention-based as before) and a climate adjustment mechanism to address possible gaps in the achievement of climate spending targets of individual programmes. The Commission estimates that the total climate financing in the EU budget (including EURI spending) will reach EUR 93 382 million (32% - aligned with the objectives set out in the IIA).
- The Commission estimate for biodiversity spending in 2023 is EUR 16 225.57 million (5.5% - no objective set out in the IIA for 2023). The Commission's figures are based on a partial update of the biodiversity methodology, which uses the Rio markers. The figures will be subject to an update once the tracking methodology for the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development has been fully revised.
- The Commission has developed a methodology to track gender equality related expenditure in the 2021-2027 MFF, which looks at policy design and resource allocation. It is applying the new methodology across all EU funding programmes in a pilot phase in the context of the 2023 draft budget (as set out in the IIA). According to the methodology, five programmes have gender equality as a principal objective, six as a significant objective, thirty are likely to have an impact on gender equality while seven have no significant impact on gender equality.
- The Commission has developed a methodology for tracking the implementation of the UN Sustainable Development Goals (SDGs) in all relevant Union programmes of the MFF 2021-2027, highlighting that 85% of the programmes contribute to multiple SDGs.

Pursuant to Directive (EU) 2016/2284 on the reduction of national emissions of certain atmospheric pollutants, the Commission also tracks EU funding contributing to clean air. The Commission estimates that EUR 24 284 million will be spent on clean air in 2023.

III. Assessment in the light of Parliament's guidelines

The 2023 draft budget presented by the Commission broadly reflects the baseline provided by the MFF agreement reached at the end of 2020. There are some exceptions, including the impact of the Commission's proposals for a European Chips Act and a Secure Connectivity

[10] Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council and the 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 433 I, 22.12.2020, p. 28.

Programme. It is Parliament's long-standing position that new policy priorities or tasks should be accompanied by fresh resources and should not come at the expense of existing programmes.

In addition, high inflation diminishes the budget's impact. Combined with high energy costs, it also has a significant effect on heading 7. The same applies to headings 1 to 6, where salary costs will require offsetting adjustments between operational expenditure and support expenditure lines, and to the decentralised agencies. With regard to decentralised agencies, the rapporteur considers that they should be properly staffed and adequately resourced, with new responsibilities being accompanied by fresh resources, and not redeployments or other earmarking from existing programmes.

Parliament set out its political priorities in its resolution on the guidelines for next year's budget, which it adopted on 5 April 2022. The following, non-exhaustive points do not prejudge Parliament's reading in autumn.

Keeping the recovery on track for all

- The Union's cohesion, common agricultural and fisheries policies (under Headings 2 and 3) have a pivotal role in supporting the recovery. The implementation of the Cohesion Funds under the current MFF is subject to significant delays. The rapporteur regrets that cohesion policy is being used as a crisis response tool, in the absence of a greater degree of budgetary flexibility. It is also essential to adopt the national CAP strategic plans as soon as possible. The RRF will continue to support the European economy in 2023, which is the last year for Member States to contract all the resources available. A successful implementation of RepowerEU will be crucial and will help the EU to reduce faster its dependency on Russian energy.

A stronger Health Union

- The pandemic is not yet over and it is necessary to maintain support for health systems and to improve their resilience and bolster preparedness. The rapporteur notes that the EU4Health programme is back at the level of the financial programming, after it was frontloaded to respond to the immediate health crisis. It is necessary to ensure an adequate level of appropriations for the proper functioning of this programme. In particular, Parliament should monitor the operation of HERA, with a view to ensuring that it collaborates closely with the relevant agencies and that it does not adversely impact existing policies and programmes.

Making a success of the green and digital transitions

- The 2023 draft budget will make a significant contribution to the green and digital transitions, including through Horizon Europe, the three strands of the CEF, the Digital Europe Programme, and the RRF. Reducing EU dependency on fossil fuels and increasing energy security are particularly important in the present context. The rapporteur is concerned about the budgetary architecture of the proposals for a Chips Act and the Secure Connectivity Programme, since the Commission proposes to finance them by redeploying funds away from, and earmarking funds under, existing programmes. This will have a negative impact on those programmes, which are often heavily oversubscribed. Moreover, the rapporteur believes that ambitious support for those EU programmes will contribute to reach the climate goals and targets set for this financial period.

- The rapporteur strongly regrets that the Commission has not made fully available again the unexpectedly high amount of research decommitments in 2021 (EUR 467 million for Horizon Europe) to bolster Union research and innovation efforts. However, in proposing to re-use EUR 400 million of Article 15(3) decommitments for the Chips Act, the Commission has, in effect, recognised that the Joint declaration on the re-use of decommitted funds in relation to the research programme is no longer fit for purpose. That is welcome. It is also important to recall that Article 15(3) of the Financial Regulation contains no time limitation. It would make eminent sense to re-use outstanding decommitments from 2020 (EUR 366 million).

Promoting the rule of law, EU values and fundamental rights and their application

- The rapporteur strongly believes that it is essential to use Union funds properly and to protect the Union's financial interests, and he sets great store by a proper implementation of the regulation on a general regime of conditionality for the protection of the Union budget. The rule of law protects the other fundamental values on which the Union is founded and is intrinsically linked to respect for democracy and fundamental rights. Several decentralised agencies play an important role in these areas, including the European Public Prosecutor's Office, in producing value for money by recovering EU money from fraud and corruption. The rapporteur will closely examine their requests with a view to ensuring that their resources match their tasks.

Greater opportunities for all and notably young people throughout the Union

- The draft budget for key programmes in this area, such as Erasmus+ and the European Solidarity Corps, is in line with the financial programming. Nevertheless, the rapporteur is worried about the impact inflation could have on the beneficiaries of these programmes. The rapporteur is concerned at the very narrow margin in the heading, which limits possibilities for strengthening these programmes. He notes that the Commission has indicated that it may need to increase the amount for EURI financing costs through the autumn amending letter, which is likely to limit the margin for manoeuvre even further. Parliament was not in favour of including the financing of EURI costs within the MFF ceilings, and it would be in the interest of all to find a structural solution to this problem.

A stronger Union for its people and in the world

- What is missing from the draft budget is the consequences of the war in Ukraine, which the Commission has indicated it will address in an amending letter to be issued in the autumn. That should include support for refugees in the EU as well as further emergency humanitarian assistance to Ukraine. Moreover, the Commission has stated that it will table a proposal for a short-term instrument for joint procurement in defence.

- The amending letter will therefore likely entail changes for headings 4, 5, and 6. Margins in those headings are either low or - in the case of heading 6 - non-existent. Indeed, the total margin under the commitments ceiling is EUR 446.4 million, which is just over one third of the total margin in the 2022 draft budget[11]. Scope for action within the margins is therefore very limited, whether to address the consequences of the war in Ukraine, to respond to other serious humanitarian crises around the world or to increase support for other political priorities. The rapporteur recalls that Parliament has argued for some time that the ceiling in heading 6 should be increased; the current situation demonstrates how urgent that is. Given the limited margins, it will be necessary to assess available flexibilities, including special instruments. In that connection, Parliament has also called for a revision of the SEAR to ensure that the needs of its component parts are met on a sustainable basis over the MFF period and that a swift revision of the current MFF is indispensable.

[11] According to the 2024-2027 financial programming given in the Statement of Estimates, the total margin is estimated at: EUR 271 million in 2024; EUR 277 million in 2025; EUR 284 million in 2026; and EUR 349 million in 2027.

IV. Annex - Draft calendar for the 2023 budgetary procedure

1 July	Formal adoption of the consolidated Draft Budget 2023
13 July	Adoption of Council’s position on DB in Coreper
14 July	Budgetary trilogue
31 August – 1 September	Presentation of WD on Council position in BUDG committee
1 September -12.00	Deadline for tabling budgetary amendments: - by individual members to BUDG - and by Committees and MEPS (36 signatures) to Plenary
8 September - 12.00	Deadline for tabling budgetary amendments by groups to Plenary
9 September	Formal adoption of Council’s position
14 September (tbc)	Presentation of Council’s position in EP Plenary
26-28 September (tbc)	BUDG vote on budgetary amendments
29 September (tbc)	Draft report on the budgetary resolution available
29 September - 12.00	Deadline for opinions from other committees to the draft budgetary resolution
30 September - 17.00	Deadline for tabling amendments to the draft budgetary resolution
10 October	Adoption of budgetary resolution (all sections) in BUDG committee
12 October	Budgetary trilogue
17-20 October	Adoption of Parliament's reading
25 October - 14 November	21-day conciliation period
21 - 24 November	(In case of agreement) Adoption of the 2023 budget