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DRAFT AMENDING BUDGET N° 6 TO THE GENERAL BUDGET 2011

GENERAL STATEMENT OF REVENUE

STATEMENT OF EXPENDITURE BY SECTION
Section III - Commission

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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,

– the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities[1], and in particular Article 37 thereof,

– the general budget of the European Union for the financial year 2011 adopted on 15 December 2010[2],

– the amending budget No 1/2011[3] adopted on 6 April 2011,

– the amending budget No 2/2011[4], adopted on 5 July 2011,

– the amending budget No 3/2011, adopted on 5 July 2011,

– the amending budget No 4/2011, adopted on 28 September 2011,

– the draft amending budget No 5/2011[5], adopted on 22 June 2011,

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 6 to the 2011 budget.

CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The changes to the statement of revenue and expenditure by section are available on EUR-Lex (http://eur-lex.europa.eu/budget/www/index-en.htm). An English version of the changes to this statement is attached for information as a budgetary annex.

1 OJ L 248, 16.9.2002, p. 1.
2 OJ L 68, 15.3.2011, p. 1.
3 OJ L 172, 30.6.2011, p. 1.
4 OJ L 213, 19.5.2011, p. 1.
5 COM (2011) 374 final.

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1. INTRODUCTION

Draft Amending Budget (DAB) No 6 for the year 2011 covers the following:

— the usual update in the forecast of revenue after the revision of the forecasts of own resources and other revenue;

— the creation of a new budget line: 11 09 05 — Programme to support the further development of an Integrated Maritime Policy (IMP), with commitment appropriations of EUR 23,14 million entered in reserve, pending adoption of the legal base. These commitment appropriations are reallocated from other lines withing Heading 2;

— the reallocation of EUR 60 million in commitment appropriations within Heading 4 EU as a Global Player, in favour of budget item 19 08 01 02 — European Neighbourhood and Partnership financial assistance to Palestine, the peace process and UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East). This amount is proposed as a front-loading of appropriations to cover expenditure in the year 2012;

— a reinforcement of budget article 04 02 20 European Social Fund - Operational technical assistance by EUR 3,25 million to provide specific expertise in support of the Administrative Reform Operational Programme in the field of tax administration in Greece. Payment appropriations of EUR 300 000 are also requested.

— an increase of payment appropriations of EUR 550 million to meet outstanding needs which remain after the "Global Transfer". EUR 142 million of this amount will be used to increase payments in Heading 1a Competitiveness for Growth and Employment, and the remaining EUR 408 million will be reallocated to Heading 1b Cohesion for Growth and Employment;

— a token ("p.m.") decrease of payment appropriations in 05 04 05 01 — Rural development programmes to take into account the possible difference between the payment forecasts from the Member States, as updated in September 2011, and the declaration of payments that will be submitted in November 2011. This is entered tentatively and, once declarations from Member States are received, may be revised to meet part of the needs in Heading 1b Cohesion for Growth and Employment.

To summarise, the net effect of this DAB No 6/2011 is an increase in commitment appropriations by EUR 3,25 million and an increase in payment appropriations by EUR 550,3 million in Headings 1a and 1b. However, due to the VAT and GNI balances of previous years to be cashed in according to Regulation (EC, EURATOM) No1150/2000 and to the increase in other revenue, namely EUR 435 million in fines, total revenue increases EUR 1 276,9 million leading to a decrease in the budgeted Member States' GNI-based contributions for 2011 of EUR 726,6 million.

2. REVENUE

2.1 Revision of Own Resources

In accordance with Article 16 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000[6], the Commission has revised the forecasts for own resources. This refers in particular to VAT (value added tax) and GNI (gross national income) balances and to traditional own resources.

[6] OJ L 130, 31.5.2000, p. 1.

As far as the VAT and GNI own resources balances of previous years are concerned, and on the basis of the available information, the Commission proposes to enter an amount of EUR 1 814,9 million. This increase relates to chapters 31[7] and 32[8] of the revenue side of the budget.

At this stage the calculations for Member States' balances are still provisional because of the on-going verification of VAT and GNI data. This may lead the Commission to revise the figures in the course of the procedure for this DAB.

The Commission also proposes to decrease Traditional Own Resources (TOR) by EUR 1 200 million in chapter 12[9] of revenue. If new data for the last quarter of the year implies significant changes to this estimation, the Commission will revise its figures in the course of the budgetary procedure.

2.2 Other Revenue

Taking into account the amounts that at this stage of the year are cashed or will probably be cashed, it is proposed to increase the initial forecasts by a net amount of EUR 662 million. The detail by line is shown in the table below.

Revenue lines	Budget 2011	DAB 6/2011	New amount
6 6 0 1 — Other non-assigned contributions and refunds	30 000 000	52 000 000	82 000 000
7 0 0 0 — Interest due on late payments into the accounts held with the treasuries of the Member States	5 000 000	170 000 000	175 000 000
7 0 1 — Interest on late payments and other interest on fines	15 000 000	5 000 000	20 000 000
7 1 0 — Fines, periodic penalty payments and other penalties	100 000 000	435 000 000	535 000 000
Total	150 000 000	662 000 000	812 000 000

3. INTEGRATED MARITIME POLICY

The Integrated Maritime Policy was first established in December 2007 following the endorsement by the European Council of a Commission Communication proposing a dedicated policy for the oceans, seas and coasts. For the first three years it was financed via pilot projects and preparatory actions. In September 2010, the Commission tabled a proposal for a Regulation so as to continue funding the policy until the end of the current financial framework. The proposed financing will enable the Commission, together with Member States and stakeholders, to continue exploratory work that has already been initiated through pilot projects and preparatory actions, and to further develop and concretise options for implementation of the Integrated Maritime Policy along the lines set out in the Progress Report of 15 October 2009 adopted by the Commission, endorsed by the Council on 16 November 2009.

The total amount initially proposed by the Commission was EUR 50 million, spread over three years (2011-2013), to be sourced from the margin of Heading 2. Following discussions between the European Parliament and the Council, a political consensus has emerged, on an envelope of EUR 40 million for the programme, and agreement has been reached on this at a trilogue on 4 October.

The agreement foresees that this envelope is to be composed of EUR 23,14 million drawn from the 2011 budget without calling on the available margin of Heading 2, an amount of EUR 16,66 million

[7] Balances and adjustment of balances based on VAT for the previous financial years resulting from application of article 10(4), (5) and (8) of Regulation (EC, EURATOM) No 1150/2000.

[8] Balances and adjustment of balances based on gross national income/product for the previous financial years as a result of the application of article 10(6) to (8) of Regulation (EC, EURATOM) No 1150/2000.

[9] Customs duties and other duties referred to in article 2(1)(a) of Decision 2007/436/EC.

entered in the Draft Budget and accepted by Council during its reading of the 2012 budget, and a further amount of EUR 200 000 for technical assistance to be entered in the 2013 budget. Therefore, this amending budget proposes to redeploy EUR 23,14 million of unused appropriations from 2011 to be made available from the area of Chapter 17 04 — Food and feed safety, animal health, animal welfare and plant health.

In this amending budget, the Commission also proposes the creation of a new budget line: 11 09 05 Programme to support the further development of an Integrated Maritime Policy (IMP), with EUR 23,14 million entered in reserve, pending adoption of the legal base. At the same time, the commitment appropriations available on the following budget items under Heading 2 will be reduced accordingly:

Budget Item	Amount (million EUR)	Explanation
17 04 01 01 Animal disease eradication and monitoring programmes and monitoring of the physical conditions of animals that could pose a public health risk linked to an external factor — New measures	-19,81	Lower than expected costs for bluetongue vaccination as a result of the considerable decline in the disease due to the successful vaccination campaigns and also due to the shift of some MS to voluntary, farmer financed programmes. Also, a decrease in the number of Bovine Spongiform Encephalopathy (BSE) cases. Therefore, unused appropriation can be made available.
17 04 02 01 Other measures in the veterinary, animal welfare and public health field — New measures	-3,33	The funds allocated for purchase of emergency vaccines in animal health will not be fully committed in 2011 as there were no new major outbreaks of animal disease. Therefore, unused appropriation can be made available.
Total	**23,14**	

4. GREECE: ESF - ADMINISTRATIVE REFORM OPERATIONAL PROGRAMME

Administrative reform in Greece is of key importance to support the successful implementation of Cohesion policy through the Structural Funds. The Administrative Reform Operational Programme (CCI : 2007GR05UPO003), part of the European Social Fund (ESF), aims to introduce reforms in the public administration that would improve specific significant operations of the Greek state and improve the functioning of public management and the efficiency of the civil service, with positive effects on the delivery of Cohesion policy, too. There are particularly urgent needs to address in the field of tax administration because of its importance for public finances.

The Commission proposes to use technical assistance to mobilise specific expertise in the field of tax administration in Greece through a dedicated contract with the International Monetary Fund and draw on the specific expertise of the IMF and EU member States for that purpose. The activities proposed are eligible for ESF Technical Assistance as they directly support the implementation of an ESF Operational Programme in the Member State and the action can best be undertaken urgently through this measure. The contract will still be signed in 2011 justifying the need for the commitment appropriations (EUR 3,25 million). Requested payment appropriations (EUR 300 000) will cover initial contractual requirements.

5. PALESTINE

Analysis of the needs for commitment appropriations until the end of the year has shown available for EUR 60,4 million in Heading 4 EU as a Global Player. It is proposed to reallocate this amount in favour of budget item 19 08 01 02 European Neighbourhood and Partnership financial assistance to

Palestine, the peace process and UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East).

The source of the EUR 60,4 million in commitments is as follows:

– EUR 51,4 million corresponding to the cancelled Macro Financial Assistance (MFA) operation in Kosovo. A key precondition for proposing the MFA operation was the respect of the provisions in Kosovo's 18-month Stand-By Arrangement (SBA) with the International Monetary Fund, approved by the IMF Executive Board on July 21, 2010. The programme supported by the SBA was built around (i) restraint on current spending, (ii) higher revenues and privatization receipts, and (iii) bolstering the government’s deposits with the central bank to build buffers for fiscal and financial contingencies. The 2011 budget adopted by the newly constituted assembly in spring 2011 deviated from the budget agreed in the context of the SBA, notably by including large public sector wage increases. As a result, the key precondition for the Macro Financial Assistance operation was thus not met.

– EUR 6,3 million can be made available following the unilateral cancellation of on-going calls for proposals by the USA and Canada leading to a surplus under budget line 15 02 03 Cooperation with third countries on education and vocational training.

– A number of smaller amounts of excess credits stemming from various other budget lines and caused, for instance, by EUR-USD exchange rate fluctuations, which had an impact on the EU contribution to international organisations and multilateral agreements; or by unforeseen delays in the approval of international commodity agreements.

The full list of movements proposed is shown below:

Budget Line	Commitments (EUR)
01 03 02 — Macroeconomic assistance	-51 400 000
05 06 01 — International agricultural agreements	-75 977
07 11 01 — Contribution to multilateral and international climate agreements	-174 118
14 03 03 — Membership of international organisations in the field of customs and tax	-129 471
15 02 03 — Cooperation with third countries on education and vocational training	-6 326 400
21 07 03 — Agreement with the Food and Agriculture Organisation (FAO) and other United Nations bodies	-305 000
21 07 04 — Commodities agreements	-2 027 164
19 08 01 02 — European Neighbourhood and Partnership financial assistance to Palestine, the peace process and UNRWA	+60 438 130

The Commission proposes to re-allocate these amounts to address the most immediate needs of the Palestinian Authority and UNRWA. While the additional funds will still be committed under the 2011 budget, they are intended to contribute to the EU assistance foreseen for 2012 and will be closely aligned with the Action Plans for 2012. By frontloading a sizeable share of the 2012 aid, the Commission aims at bringing the level of appropriations available in practice in 2012 under budget item 19 08 01 02 close to that originally available in 2011 (EUR 300 million). Furthermore, an early and timely reinforcement of funding could act as an incentive to other donors to make available at an earlier stage their pledged contributions.

Of the EUR 60,4 million proposed for reallocation, EUR 45 million should go to the PEGASE Mechanism, in order to sustain the Palestinian administration and services, especially in the education, health and social sectors. In 2011, the overall revenue of the Palestinian Authority has proven insufficient, partly due to a shortfall of international aid, thus jeopardising both state stability and the livelihoods of thousands of people. The request for frontloading the 2012 contribution is also framed by political efforts at high level to motivate other donors and to unblock the access of the Palestinian Authority to other legitimate sources of revenue such as customs clearance by promoting a policy (especially vis-à-vis Israel) of easing the closure in Gaza and restrictions (material into Gaza, West Bank trade and the like).

The remaining EUR 15,4 million is proposed for UNRWA. UNRWA’s budget is faced with multiple challenges (demographic growth, inflation, rising food and energy costs, rising staff costs as host countries are raising public sector salaries, and decreasing donor contribution due to the financial crisis). UNRWA anticipates a shortfall in its funds and may not be able to meet its obligations for the first quarter of 2012. This means that the Agency would not have the necessary funds to cover even its most basic services (schooling, health) in late 2011 and early 2012. A frontloaded donation of EUR 15,4 million, together with appropriations requested in the 2012 Draft Budget, will help to cover the shortfall of UNRWA's funds and to sustain the continuity of delivery of essential public services to the Palestinian refugees and will also be a political lever in the Agency's intensified resource mobilisation efforts towards other donors, especially Arab countries.

6. PAYMENT APPROPRIATIONS

In September, all services of the Commission were asked to update their forecasts of needs until the end of 2011, and submit their requests to adjust payment appropriations. The revised elements form the basis of the so-called Global Transfer (DEC 34/2011).

In preparing the Global Transfer for 2011, the Commission sought to match increased needs for payment appropriations on some budget lines, with amounts on other lines which would otherwise remain unused, with a view to achieving full implementation.

The proposal concerns an amount of EUR 719,2 million, corresponding to some 0,6 % of the total authorised payments in the 2011 budget. In total, 103 budget lines are concerned (57 for reinforcement and 46 for reductions), compared to 95 (51 for reinforcement and 44 for reductions) budget lines included in the Global Transfer presented at the end of 2010.

Nevertheless it has not been possible to meet all the requests for increased payments. The total amount outstanding is EUR 1 142 million across four budget lines, as follows:

Budget Line	Payments (million EUR)
04 02 17 — European Social Fund (ESF) – Convergence	700
04 02 19 — European Social Fund (ESF) – Regional Competitiveness	300
08 04 01 — Cooperation – Nanosciences, nanotechnolgies, , materials and new production technologies	82
09 04 01 01 — Support for research cooperation in the area of information and communication technologies (ICTs – Cooperation)	60
Total	**1 142**

At this point in time, an increase of EUR 550 million in payment appropriations is proposed to meet part of these additional needs. The Commission intends to exploit all budgetary means until the end of the year to cover the outstanding needs through transfers within the authorised budget to minimise the possible request for new appropriations.

Given the differences between forecasts and final declarations made by Member States observed in the past, the outstanding balance of EUR 592 million could be met through internal re-allocations. It is proposed to already enter a token amount ("p.m.") in this amending budget on budget line 05 04 05 01 Rural development programmes. The final requests from the Member States for payments under this line will only be known on 10 November, and the Commission will, on this basis confirm the final amount of payments to be redeployed in favour of the remaining needs for the European Social Fund (ESF) and ensure the best match between availabilities and needs.

The sections below provide justifications for the proposed amendments to the level of payment appropriations for the lines in question.

Increase: 04 02 17 European Social Fund – Convergence objective (+ EUR 204 million)

The higher than expected payment needs are due principally to the fact that certain payments originally foreseen in 2010 were made in 2011. These concerned mainly a series of operational programmes in Spain and Poland for which payments were interrupted in 2010 as a result of irregularities identified by auditors in the management and control systems. The implementation of action plans at the level of the regions involved has allowed the interruption to be lifted in 2011, with the subsequent reimbursement of significant amounts of expenditure. At the end of September, implementation exceeded 87 % of available appropriations and additional payments are required to cover needs before the year end.

Increase: 04 02 19 European Social Fund - Regional Competitiveness and employment objective (+ EUR 204 million)

The estimate of payment needs on this line has been revised upwards following the Commission's latest analysis of implementation concerning the European Social Fund. The analysis, based on the information provided individually by Member States, indicates that operational programmes are progressing at a rapid pace and that payment claims expected to be received from Member States before the year end substantially exceed the available appropriations. At the end of September, implementation already stood at almost 86 % of available appropriations. At the same time last year, implementation stood at only 35 % of the year-end outturn.

Increase: 08 04 01 Cooperation - Nanosciences, nanotechnologies, materials and new production technologies (+ EUR 82 million)

Several factors justify the request for increased payment appropriations:

1) During 2011, management has identified new priorities relating to the finalisation of contracts from the following calls for proposals 2011: EU-JAPAN, EU-Russia and PPP (Public Private Partnership). It should be noted that the contract calls for proposals from the EU-Japan and EU-Russia must start in 2011 to ensure parallelism with projects funded by these two countries. Regarding the call for proposals 2011-PPP, it is part of the economic stimulus package. It is therefore important that these contracts could begin still in 2011. That requires the payment of corresponding additional advances of about EUR 35 million.

2) The simplification of procedures and quality of applications for interim payments led to a very large acceleration in the consumption of payments, bringing the level of payment claims for the 7th Framework Programme (FP7) at full cruising speed during the last quarter of 2010. Because of a lack of payment appropriations at the end of 2010, some advance and interim payments were postponed until 2011 for a total of some EUR 80 million. This situation has continued during the year 2011, resulting in further needs of approximately EUR 25 million.

The overall result is that the budget line needs to be reinforced by EUR 138.3 million in payment appropriations. An increase of EUR 56.3 million is presented in the Global Transfer. The remaining balance, requested in the DAB 6/2011, is EUR 82 million.

Increase: 09 04 01 01 Support for research cooperation in the area of information and communication technologies (ICTs - Cooperation) (+ EUR 60 million)

The current progress in negotiations for FP7 ICT Cooperation projects will require more pre-financing payments than originally expected for projects scheduled to start between September and December 2011. In particular, it is expected to process 173 pre-financing payments related to Call 7 projects, and 289 cost claims related to projects selected in previous calls before the year-end. Following the current progress in Call 7 negotiations, the appropriations necessary to carry out these transactions are higher than the amount currently available in the budget. The increase presented in the framework of the Global Transfer is EUR 46 million, leaving an outstanding balance, requested in the DAB 6/2011, of EUR 60 million.

Decrease: 05 04 05 01 Rural development programmes (p.m.)

The final payments to be made on the 2011 budget under the Rural Development programmes relate to Member States' 3rd quarter expenditure declarations that are to be transmitted to the Commission by 10 November. Revised forecasts requested by the Commission from the Member States, and received at the beginning of September, indicate that payment appropriations available for Rural Development Programmes 2007-2013 should be fully utilised. However, it differences between these revised September forecasts and the amounts due to be reimbursed with regard to the final 3rd quarter expenditure declarations may still be possible. Indeed, over the past three years, forecasts have tended to exceed the declarations by a significant amount. Although current indications from Member States point to full use of available payment appropriations, the Commission, based on previous experience, assumes that it may be possible to reduce payment appropriations on the line. The Commission will be able to finalise the amount after Member States transmit their expenditure declarations by 10 November.

7. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2011 Financial framework		Budget 2011 (incl. AB 1-4 and DAB 5)		DAB 6/2011		Budget 2011 (incl. AB 1-4 and DAB 5-6/2011)	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	12 987 000 000		13 520 566 270	11 381 944 758		142 000 000	13 520 566 270	11 523 944 758
1b. Cohesion for growth and employment	50 987 000 000		50 980 593 784	41 652 094 626	3 250 000	408 300 000	50 983 843 784	42 060 394 626
Total	**63 974 000 000**		**64 501 160 054**	**53 034 039 384**	**3 250 000**	**550 300 000**	**64 504 410 054**	**53 584 339 384**
Margin[10]			*-27 160 054*				*-30 410 054*	
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	47 617 000 000		42 891 201 900	42 788 499 841	**-23 140 000**		42 868 061 900	42 788 499 841
Total	**59 688 000 000**		**58 659 248 389**	**56 378 918 184**			**58 659 248 389**	**56 378 918 184**
Margin			*1 028 751 611*				*1 028 751 611*	
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 206 000 000		1 180 030 263	857 199 845			1 180 030 263	857 199 845
3b. Citizenship	683 000 000		879 831 486	842 903 486			879 831 486	842 903 486
Total	**1 889 000 000**		**2 059 861 749**	**1 700 103 331**			**2 059 861 749**	**1 700 103 331**
Margin[11]			*26 072 737*				*26 072 737*	
4. EU AS A GLOBAL PLAYER[12]	**8 430 000 000**		**8 759 300 431**	**7 242 528 574**			**8 759 300 431**	**7 242 528 574**
Margin			*-70 439 377*				*-70 439 377*	
5. ADMINISTRATION[13]	**8 144 000 000**		**8 172 839 289**	**8 171 544 289**			**8 172 839 289**	**8 171 544 289**
Margin			*53 160 711*				*53 160 711*	
TOTAL	**142 125 000 000**	**133 440 000 000**	**142.152.409.912**	**126.527.133.762**	**3 250 000**	**550 300 000**	**142 155 659 912**	**127 077 433 762**
Margin			*1 115 385 628*	*7 094 866 238*			*1 112 135 628*	*6 544 566 238*

10 The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a (EUR 500 million). EUR 34 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

11 The European Union Solidarity Fund (EUSF) amount is entered over and above the relevant headings as foreseen by the IIA of 17 May 2006 (OJ C 139 of 14.6.2006)

12 The 2011 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 253,9 million). EUR 71 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

13 For calculating the margin under the ceiling for heading 5, account is taken of the footnote (1) of the financial framework 2007-2013 for an amount of EUR 82 million for the staff contributions to the pension scheme.