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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 11 February 2014

To: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European  
Union

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Subject: Draft amending budget No 1 to the general budget 2014: Statement of  
revenue by section - Statement of expenditure by section - Section III -  
Commission

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Delegations will find attached document COM(2014) 78 final.

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Encl.: COM(2014) 78 final



Brussels, 11.2.2014  
COM(2014) 78 final

**DRAFT AMENDING BUDGET N° 1  
TO THE GENERAL BUDGET 2014**

**STATEMENT OF REVENUE BY SECTION**

**STATEMENT OF EXPENDITURE BY SECTION**  
**Section III – Commission**

**DRAFT AMENDING BUDGET N° 1  
TO THE GENERAL BUDGET 2014**

**STATEMENT OF REVENUE BY SECTION**

**STATEMENT OF EXPENDITURE BY SECTION  
Section III – Commission**

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 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the Financial Regulation applicable to the general budget of the Union<sup>1</sup>, and in particular Article 41 thereof,
- the general budget of the European Union for the financial year 2014 adopted on 20 November 2013<sup>2</sup>,

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 1 to the 2014 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.

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<sup>1</sup> OJ L 298, 26.10.2012, p. 1.

<sup>2</sup> OJ L XX, 20.2.2014, p. 1.

## TABLE OF CONTENTS

<b><u>1.</u></b>	<b><u>INTRODUCTION</u></b> .....	<b>5</b>
<b><u>2.</u></b>	<b><u>EUROPEAN INVESTMENT FUND (EIF)</u></b> .....	<b>5</b>
<b><u>3.</u></b>	<b><u>HORIZON 2020</u></b> .....	<b>6</b>
<b><u>4.</u></b>	<b><u>SHIFT2RAIL</u></b> .....	<b>7</b>
<b><u>5.</u></b>	<b><u>OTHER TECHNICAL CHANGES</u></b> .....	<b>8</b>

## 1. INTRODUCTION

Draft Amending Budget (DAB) No 1 for the year 2014 concerns a number of technical adjustments to the budget structure and remarks, which are necessary to properly implement the 2014 budget in line with the latest legislative decisions and political orientations, including the immediate need to facilitate SMEs access to financing. The amending budget is budgetary neutral, with no change in the overall level of expenditure. The main elements included are the following:

- The adjustments needed to implement the proposed European Investment Fund (EIF) capital increase<sup>3</sup>;
- Changes arising from the legal base for Horizon 2020<sup>4</sup> adopted in December 2013, after the adoption of the 2014 budget;
- The creation of the budget structure for the proposed Shift2Rail joint undertaking<sup>5</sup>.

## 2. EUROPEAN INVESTMENT FUND (EIF)

Point 26 of the conclusions of the European Council 19/20 December 2013 calls for an increase in the credit enhancement capacity of the EIF, and in response, the EIF is expected to increase significantly its overall guarantee and venture capital exposure over the coming years, starting in 2014.

In November 2013, the EIF Board of Directors approved the rationale for an increase in the EIF subscribed capital by up to EUR 1.5 billion, of which 20 % will be paid-in. This would imply the subscription of 450 additional shares by the EU. The EU subscription to the new shares in the EIF would be made over a four-year period starting in 2014. The resources needed are estimated at approximately EUR 170 million, based on EIF's projections for the development of its share price during the subscription period 2014-2017, and the proposed use of EIF dividends received by the EU as assigned revenues. The Commission has presented separately a legislative proposal<sup>6</sup> for increasing the EIF capital. The changes proposed in this Draft Amending Budget are in line with the legislative proposal.

The Commission proposes to make use of appropriations envisaged for financial instruments under existing programmes within the MFF expenditure heading 1a (*Competitiveness for growth and jobs*), namely COSME and Horizon 2020, to enhance access to financing for SMEs.

The general objectives of the COSME programme include strengthening the competitiveness and sustainability of the Union's enterprises, particularly SMEs, and promoting the creation of and growth of SMEs. The EIF, through its guarantee and venture capital activity, pursues the objective of improving access to finance, particularly for SMEs. Moreover, the EIF pursues other objectives of the COSME Regulation, such as promoting entrepreneurship and entrepreneurial culture. EIF activity is also intended to improve access to markets, particularly inside the Union.

In the Horizon 2020 Regulation, financial instruments are referred to as the main source of funding for activities close to market that are supported under Horizon 2020. Particular attention shall be paid to

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<sup>3</sup> COM (2014) 66, 6.2.2014.

<sup>4</sup> Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC (OJ L347, 20.12.2013, p.104).

<sup>5</sup> COM(2013) 922 final, 16.12.2013.

<sup>6</sup> See footnote 3 above.

ensuring the adequate participation of, and research and innovation impact on, micro-, small- and medium-sized enterprises (SMEs) throughout the implementation of Horizon 2020. The priority "*Industrial leadership*" contains a specific objective called "*Access to risk finance*", in which the EIF plays an important role in the implementation of financial instruments funded from Horizon 2020<sup>7</sup>.

The strengthening of the EIF's capital base will contribute to ensuring that the EIF can deliver the envisaged support to the COSME and Horizon 2020 programmes. In the 2014 budget, this implies a transfer to the relevant EIF budget item of the corresponding amount foreseen for the first annual instalment (EUR 42.5 million).

The table below shows the changes proposed to the 2014 budget, which are neutral in their net effect on the overall level of expenditure.

(in million EUR, rounded figures at current prices)

Name	Budget 2014		Draft Amending Budget No 1/2014		Budget 2014 (incl. DAB1/2014)	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
01 04 01 01 – European Investment Fund – Provision of paid-up shares of subscribed capital	-	-	+42,500	+42,500	42,500	42,500
02 02 02 – Improving access to finance for small and middle-sized enterprises (SMEs) in the form of equity and debt	161,907	87,914	-21,250	-21,250	140,657	66,664
08 02 02 02 – Enhancing access to risk finance for investing in research and innovation	384,814	326,766	-21,250	-21,250	363,564	305,516
<b>Total</b>	<b>546,721</b>	<b>414,680</b>	<b>0,0</b>	<b>0,0</b>	<b>546,721</b>	<b>414,680</b>

The Commission also proposes to amend the budgetary remarks for budget article 850 *Dividends paid by the European Investment Fund* to accommodate the assigned revenue, thus aligning them with the proposed decision of the European Parliament and the Council related to the EIF capital increase .

### 3. HORIZON 2020

To align the budget structure to the Horizon 2020 legal base adopted in December 2013, after the adoption of the 2014 budget, a number of changes are needed to take account of the revised split of appropriations between the research indirect actions and direct actions. They include the creation of two new budget lines, to the alignment of the budgetary remarks of a number of budget lines and, for some budget lines, a revised labelling. Full details are provided in the budgetary annex to this amending budget. The adjustments are budgetary neutral, and are summarised in the table below:

(in million EUR, rounded figures at current prices)

Name	Budget 2014		Draft Amending Budget No 1/2014		Budget 2014 (incl. DAB1/2014)		Notes
	Commitments	Payments	Commitments	Payments	Commitments	Payments	
02 04 03 02 - Fostering secure European societies	138,347	10,866			138,347	10,866	Revised name
08 02 03 02 - Securing sufficient supplies of safe, healthy and high quality food and other bio-based products	204,042	22,468	-2,269		201,773	22,468	Revised name and source of appropriations for new lines
08 02 03 06 - Fostering inclusive,	193,408	17,626	-59,384		134,024	17,626	Revised name and

<sup>7</sup> These will, in particular, be the successor to the Risk-Sharing Instrument (RSI) providing loans to research and innovation (R&I) intensive SMEs, which are expected to require a Commission contribution from Horizon 2020 in excess of EUR 700 million and an EIF capital allocation of up to EUR 350 million, to leverage up to EUR 8 billion of lending. Furthermore, under the Horizon 2020 programme, the EIF will implement an early-stage equity facility with an EU budgetary allocation of approx. EUR 400-450 million and an appropriate level of co-investment from EIF resources.

(in million EUR, rounded figures at current prices)

Name	Budget 2014		Draft Amending Budget No 1/2014		Budget 2014 (incl. DAB1/2014)		Notes
	Commitments	Payments	Commitments	Payments	Commitments	Payments	
innovative and reflective European societies							source of appropriations for new lines
08 02 04 01 - Science with and for society	p.m.	p.m.			p.m.	p.m.	Revised name and nomenclature
08 02 04 02 - Spreading excellence and widening participation			66,906	5,253	66,906	5,253	New line
09 04 01 01 - Strengthening research in FET — Future and Emerging Technologies	246,003	10,301	-6,922		239,081	10,301	Source of appropriations for new lines
09 04 03 02 - Fostering inclusive, innovative and reflective European societies	77,973	0,505	-39,857		38,116	0,505	Source of appropriations for new lines
09 04 03 03 - Fostering secure European societies			46,779	p.m.	46,779	p.m.	New line
10 01 05 01 - Expenditure related to officials and temporary staff implementing Research and Innovation programmes — Horizon 2020	138,577	138,577	-1,877	-1,877	136,700	136,700	Source of appropriations for new lines
10 01 05 02 - External personnel implementing Research and Innovation programmes — Horizon 2020	32,731	32,731	-0,331	-0,331	32,400	32,400	Source of appropriations for new lines
10 01 05 03 - Other management expenditure for Research and Innovation programmes — Horizon 2020	59,870	59,870	-1,706	-1,706	58,164	58,164	Source of appropriations for new lines
10 01 05 04 - Other expenditure for new major research infrastructures — Horizon 2020	3,339	3,339	-1,339	-1,339	2,000	2,000	Source of appropriations for new lines
<b>Total</b>	<b>1,094,290</b>	<b>296,283</b>	<b>0,000</b>	<b>0,000</b>	<b>1,094,290</b>	<b>296,283</b>	

#### 4. SHIFT2RAIL

On 16 December 2013 the Commission adopted a proposal for a Council Regulation establishing the Shift2Rail Joint Undertaking<sup>8</sup> (S2R Joint Undertaking). S2R is to be set up for a period ending on 31 December 2024 under Article 187 of the Treaty on the Functioning of the European Union. It will share the standard provisions of the proposals for the five Joint Technology Initiative joint undertakings presented in July 2013.

In parallel, and as already done for the other joint undertakings, the Commission proposes the creation of the appropriate budget structure, including the relevant budget lines and the corresponding establishment plan. Two new budget lines are proposed: 06 03 07 33 – *Shift2Rail (S2R) Joint Undertaking – Support expenditure* and 06 03 07 34 – *Shift2Rail (S2R) Joint Undertaking*. These changes are in line with the draft Council Regulation proposed by the Commission last December.

The administrative expenditure linked to the Joint Undertaking (JU) staff to manage part of the operational appropriations under Horizon 2020 will be fully offset by a corresponding reduction of administrative support expenditure in other Horizon 2020 actions managed by the Commission, so as to keep total administrative expenditure under Horizon 2020 unchanged. Accordingly, it is proposed to redeploy EUR 480 000 contribution in commitment and payment appropriations to the support

<sup>8</sup> COM(2013) 922 final, 16.12.2013.



expenditure line 06 03 07 33 from existing administrative support expenditure budget lines of Horizon 2020.

As regards the operational expenditure in 2014, EUR 52 million will be committed under the H2020 Transport Work Programme 2014-2015, as indicated in the corresponding legislative financial statement, while awaiting the launch of the S2R Joint Undertaking. The management of these actions and the corresponding budget, as well as any amounts eventually not committed following the calls for proposals, will be taken over by S2R Joint Undertaking once it achieves the sufficient operational capacity. There are no payments foreseen in 2014 on the operational commitments. Therefore it is proposed to maintain a token entry ("*p.m.*") for both commitment and payment appropriations.

These changes are summarised in the table below.

(in million EUR, rounded figures at current prices)

Name	Budget 2014		Draft Amending Budget No 1/2014		Budget 2014 (incl. DAB1/2014)	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
06 03 07 33 - Shift2Rail (S2R) Joint Undertaking – Support expenditure	n.a	n.a	+0,480	+0,480	0,480	0,480
06 03 07 34 - Shift2Rail (S2R) Joint Undertaking.	n.a	n.a	p.m.	p.m.	p.m.	p.m.
06 01 05 03 - Other management expenditure for Research and Innovation programmes — Horizon 2020	0,892	0,892	-0,336	-0,336	0,556	0,556
08 01 05 03 - Other management expenditure for Research and Innovation programmes — Horizon 2020	37,629	37,629	-0,144	-0,144	37,485	37,485
<b>Total</b>	<b>38,521</b>	<b>38,521</b>	<b>0,000</b>	<b>0,000</b>	<b>38,521</b>	<b>38,521</b>

While the 2014 call for proposals has been launched by the Commission services, the new JU structure has to be made operational as soon as possible so that it can take over the management of projects once they are approved. Also, the new structure will have to prepare a work plan that can be used as a basis for future calls for proposals as early as 2015. Setting up the JU in time for this to be achieved will require a number of staff to put in place all the necessary administrative, legal and technical documents and procedures to ensure that the JU has the operational capacity to implement its own budget. In 2014, it is estimated that a minimum 6 staff members will be required, including the Executive Director, one Head of Unit (AD Grade Temporary Agents), as well as 4 Contract Agents who are foreseen to be recruited as from June 2014. Given that staff will be phased in later in the year, the requested appropriations to cover the related expenditure have been calculated on the basis of an average four-month presence in 2014.

## 5. OTHER TECHNICAL CHANGES

Following an amendment voted by the European Parliament, the Conciliation Committee on the Budget 2014 decided to increase the commitment appropriations on budget article 05 08 80 *Union participation at the World Exposition 2015 'Feeding the Planet – Energy for Life'* in Milan by EUR 1 million compared to the Draft Budget. This amendment was meant to provide funding for the preparatory and initial stages of a scientific programme for EXPO 2015 involving the compilation of baseline data for policy support purposes. In order to allow use of that additional amount for the intended purpose, it is proposed to amend the budgetary remarks accordingly.

Furthermore, there are three budget items concerning pilot projects and preparatory actions in Title 21 Development and Cooperation, which have been presented in the 2014 budget with a dash "—" for both commitment and payment appropriations. However, this must be corrected to replace the dashes with the token entry "*p.m.*", since in all three cases payments may still need to be made in 2014. The budget lines in question are as follows: Item 21 04 77 02 — *Pilot project — Civil Society Forum EU-*

*Russia; Item 21 04 77 03 — Pilot project — Funding for victims of torture; and Item 21 05 77 02 — Preparatory action — Emergency response to the financial and economic crisis in developing countries.*