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COVER NOTE

From:	Ms Kristalina GEORGIEVA, Vice-President of the European Commission
date of receipt:	9 November 2016
To:	Mr Peter KAZIMIR, President of the Council of the European Union
Subject:	Proposal for transfer of appropriations No DEC 32/2016 within Section III - Commission - of the general budget for 2016

Delegations will find attached Commission document DEC 32/2016.

Encl.: DEC 32/2016



BRUSSELS, 07/11/2016

GENERAL BUDGET - 2016
SECTION III - COMMISSION TITLES: 02, 26

TRANSFER OF APPROPRIATIONS N° DEC 32/2016

FROM

CHAPTER - 0201 Administrative expenditure of the `Internal market, industry, entrepreneurship and SMEs` policy area

ITEM - 02 01 04 01 Support expenditure for Competitiveness of enterprises and small and medium-sized enterprises (COSME) Non-Diff -600 000,00

ITEM - 02 01 06 01 Executive Agency for Small and Medium-sized Enterprises -- Contribution from Competitiveness of enterprises and small and medium-sized enterprises (COSME) Non-Diff -1 788 545,00

CHAPTER - 0203 Internal market for goods and services

ARTICLE - 02 03 03 European Chemicals Agency -- Chemicals legislation Commitments -14 269 655,00

CHAPTER - 2602 Multimedia production

ARTICLE - 26 02 01 Procedures for awarding and advertising public supply, works and service contracts Commitments -1 850 000,00

TO

CHAPTER - 0202 Competitiveness of enterprises and small and medium-sized enterprises (COSME)

ARTICLE - 02 02 01 Promoting entrepreneurship and improving the competitiveness and access to markets of Union enterprises Payments 2 388 545,00

ARTICLE - 02 02 02 Improving access to finance for small and middle-sized enterprises (SMEs) in the form of equity and debt Commitments 18 508 200,00

I. DECREASE

I.1

a) Heading

02 01 04 01 - Support expenditure for Competitiveness of enterprises and small and medium-sized enterprises (COSME)

b) Figure at 21/10/2016

	Non-Diff
1A Appropriation in budget (Initial Budget + AB)	3 363 000,00
1B Appropriation in budget (EFTA)	3 027,00
2 Transfers	0,00
3 Final appropriation for the year (1A+1B+2)	3 366 027,00
4 Utilisation of final appropriation	1 321 359,88
5 Amount not used/available (3-4)	2 044 667,12
6 Requirements up to year-end	1 444 667,12
7 Proposed decrease	600 000,00
8 Decrease as percentage of appropriation in budget (7/1A)	17,84 %
9 Decrease, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over from previous year)

	Non-Diff
1 Appropriations available at start of the year	0,00
2 Appropriations available on 21/10/2016	0,00
3 Rate of utilisation $[(1-2)/1]$	n/a

d) Detailed grounds for the transfer

This transfer is requested in order to achieve optimal use of the appropriations between COSME supportive administrative measures and COSME operational lines. More specifically, the recurrent "Open for business" campaign, initially financed by the administrative line, was requalified to operational expenses in 2016. This resulted in less consumption than foreseen on this budget line.

I.2

a) Heading

02 01 06 01 - Executive Agency for Small and Medium-sized Enterprises -- Contribution from Competitiveness of enterprises and small and medium-sized enterprises (COSME)

b) Figure at 21/10/2016

	Non-Diff
1A Appropriation in budget (Initial Budget + AB)	8 786 033,00
1B Appropriation in budget (EFTA)	7 907,00
2 Transfers	0,00
3 Final appropriation for the year (1A+1B+2)	8 793 940,00
4 Utilisation of final appropriation	7 005 395,00
5 Amount not used/available (3-4)	1 788 545,00
6 Requirements up to year-end	0,00
7 Proposed decrease	1 788 545,00
8 Decrease as percentage of appropriation in budget (7/1A)	20,36 %
9 Decrease, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over from previous year)

	Non-Diff
1 Appropriations available at start of the year	0,00
2 Appropriations available on 21/10/2016	0,00
3 Rate of utilisation $[(1-2)/1]$	n/a

d) Detailed grounds for the transfer

A surplus of EUR 1 788 545 has occurred following a downward revision of the administrative budget of the Executive Agency for Small and Medium-sized Enterprises (EASME) concerning the COSME part of the subsidy, mainly caused by the delayed recruitment of staff which has an impact on the staff expenditures. The surplus can be redeployed to the operational COSME budget where there is an outstanding need.

I.3

a) Heading

02 03 03 - European Chemicals Agency -- Chemicals legislation

b) Figure at 21/10/2016

	Commitments
1A Appropriation in budget (Initial Budget + AB)	72 805 000,00
1B Appropriation in budget (EFTA)	2 009 418,00
2 Transfers	0,00
3 Final appropriation for the year (1A+1B+2)	74 814 418,00
4 Utilisation of final appropriation	60 544 763,00
5 Amount not used/available (3-4)	14 269 655,00
6 Requirements up to year-end	0,00
7 Proposed decrease	14 269 655,00
8 Decrease as percentage of appropriation in budget (7/1A)	19,60 %
9 Decrease, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over from previous year)

	Commitments
1 Appropriations available at start of the year	0,00
2 Appropriations available on 21/10/2016	0,00
3 Rate of utilisation [(1-2)/1]	n/a

d) Detailed grounds for the transfer

Following a higher fee-income than expected, the European Chemicals Agency (ECHA) does not need to receive the full amount foreseen for the subsidy 2016. Therefore, it is proposed to redeploy the surplus in commitment appropriations to the COSME financial instruments where there is a significant need. The corresponding payment appropriations were redeployed as part of the Global Transfer exercise (DEC 23).

I.4

a) Heading

26 02 01 - Procedures for awarding and advertising public supply, works and service contracts

b) Figure at 21/10/2016

	Commitments
1A Appropriation in budget (Initial Budget + AB)	9 600 000,00
1B Appropriation in budget (EFTA)	0,00
2 Transfers	0,00
3 Final appropriation for the year (1A+1B+2)	9 600 000,00
4 Utilisation of final appropriation	5 804 597,80
5 Amount not used/available (3-4)	3 795 402,20
6 Requirements up to year-end	1 945 402,20
7 Proposed decrease	1 850 000,00
8 Decrease as percentage of appropriation in budget (7/1A)	19,27 %
9 Decrease, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over from previous year)

	Commitments
1 Appropriations available at start of the year	1 352,05
2 Appropriations available on 21/10/2016	0,00
3 Rate of utilisation $[(1-2)/1]$	100,00 %

d) Detailed grounds for the transfer

The surplus in commitment appropriations for this line is observed in two different areas: production and IT projects. The price of the production of notices from the European institutions has not increased as foreseen during the preparation of the Draft Budget 2016. At the same time, the number of notices has decreased throughout the year. These two elements together have caused a significant reduction in production costs. Moreover, some IT developments needed a longer phase of analysis and were postponed until 2017. The estimates have been updated and an amount of EUR 1 850 000 in commitment appropriations can be made available.

II. INCREASE

II.1

a) Heading

02 02 01 - Promoting entrepreneurship and improving the competitiveness and access to markets of Union enterprises

b) Figure at 21/10/2016

	Payments
1A Appropriation in budget (Initial Budget + AB)	47 905 000,00
1B Appropriation in budget (EFTA)	43 115,00
2 Transfers	3 639 972,00
3 Final appropriation for the year (1A+1B+2)	51 588 087,00
4 Utilisation of final appropriation	36 435 159,68
5 Amount not used/available (3-4)	15 152 927,32
6 Requirements up to year-end	17 541 472,32
7 Proposed increase	2 388 545,00
8 Increase as percentage of appropriation in budget (7/1A)	4,99 %
9 Increase, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over from previous year)

	Payments
1 Appropriations available at start of the year	0,00
2 Appropriations available on 21/10/2016	0,00
3 Rate of utilisation [(1-2)/1]	n/a

d) Detailed grounds for the transfer

The increase is needed in order to reinforce the EASME payment appropriations relating to the COSME actions of the year 2016. Higher appropriations than initially forecast are mainly needed to cover the pre-financing payments relating to the newly signed grant agreements in 2016, but initially forecast for the beginning of the year 2017.

II.2

a) Heading

02 02 02 - Improving access to finance for small and middle-sized enterprises (SMEs) in the form of equity and debt

b) Figure at 21/10/2016

	Commitments
1A Appropriation in budget (Initial Budget + AB)	172 842 972,00
1B Appropriation in budget (EFTA)	155 559,00
2 Transfers	0,00
3 Final appropriation for the year (1A+1B+2)	172 998 531,00
4 Utilisation of final appropriation	172 291 535,46
5 Amount not used/available (3-4)	706 995,54
6 Requirements up to year-end	19 215 195,54
7 Proposed increase	18 508 200,00
8 Increase as percentage of appropriation in budget (7/1A)	10,71 %
9 Increase, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over from previous year)

	Commitments
1 Appropriations available at start of the year	0,56
2 Appropriations available on 21/10/2016	0,56
3 Rate of utilisation [(1-2)/1]	0,00 %

d) Detailed grounds for the transfer

The financial instruments established under the COSME programme (the Loan Guarantee Facility and the Equity Facility for Growth) have been implemented with great success. Since launching the call for expression of interest in mid-2014 the European Investment Fund (EIF), as the entity implementing the financial instruments on behalf of the Commission, have seen a large number of applications from financial intermediaries across the participating countries with amounts applied for surpassing the available budget appropriations multiple times.

In comparison to the initial financial programming, allocations to COSME financial instruments have been reduced in order to ensure the EU participation to the EIF capital increase, which takes place from 2014 to 2017. As such, the total financial programming of the COSME programme is presently lower than the reference amount provisioned in the legal act.

In order to cope with the huge demand, which is a reflexion of the large market gaps for higher risk SME financing across Europe, the European Fund for Strategic Investment (EFSI) risk-bearing capacity was used to enable the EIF to temporarily sign more COSME guarantee contracts than what could be covered through available COSME budget appropriations. However, market demand does not seem to ease, but is in fact accelerating. The continued/accelerated market demand appears to be a consequence of the following facts:

- the success with which certain financial intermediaries are implementing the financial instruments has triggered interest from entities which otherwise would not have applied;
- the EIF is putting significant efforts in helping first time financial intermediaries (i.e. those which have little or no experience in implementing central EU financial instruments) with the structuring and implementation of the contracts;
- guarantee contracts signed with financial intermediaries allow them to include new SME lending into the portfolios over a period of 2 or 3 years; once a guarantee contract has been successfully implemented, financial intermediaries tend to apply to the EIF for a new (follow-on) guarantee contract which accelerates demand mid-way through the programme;
- more and more Member States joining the SME initiative under the European Structural and Investment Funds (at the start Spain and Malta, now Bulgaria, Romania, Finland and Italy are joining), which require budget contributions from central EU financial instruments such as COSME.

Therefore, additional budget appropriations are necessary to cope with the demand, which is also increasing under the Equity Facility for Growth.