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## COVER NOTE

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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2017) 485 final
Subject:	Draft Amending Budget No 5 to the General Budget 2017 - Providing the financing for the European Fund for Sustainable Development (EFSD) and increasing the Emergency Aid Reserve (EAR) further to the revision of the Multiannual Financial Framework regulation

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Delegations will find attached document COM(2017) 485 final.

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Encl.: COM(2017) 485 final



Brussels, 28.7.2017  
COM(2017) 485 final

**DRAFT AMENDING BUDGET No 5  
TO THE GENERAL BUDGET 2017**

**Providing the financing for the European Fund for Sustainable Development (EFSD)  
and increasing the Emergency Aid Reserve (EAR) further to the revision of the  
Multiannual Financial Framework regulation**

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,
- Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules 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 2017, as adopted on 1 December 2016<sup>2</sup>,
- the amending budget No 1/2017<sup>3</sup>, adopted on 5 April 2017,
- the amending budget No 2/2017<sup>4</sup>, adopted on 4 July 2017,
- the draft amending budget No 3/2017<sup>5</sup>, adopted on 30 May 2017,
- the draft amending budget No 4/2017<sup>6</sup>, adopted on 26 June 2017,

The European Commission hereby presents draft amending budget No 5 to the 2017 budget to the European Parliament and to the Council.

## **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 51, 28.2.2017.  
<sup>3</sup> OJ L 136, 24.5.2017.  
<sup>4</sup> OJ L XXX, XX.XX.XXXX.  
<sup>5</sup> COM(2017) 288, 30.5.2017.  
<sup>6</sup> COM(2017) 541, 26.6.2017.

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## 1. INTRODUCTION

The purpose of Draft Amending Budget (DAB) No 5 for the year 2017 is twofold:

- To provide the financing from the general budget 2017 for the European Fund for Sustainable Development (EFSD) further to the adoption of the related legal base by the European Parliament and the Council.
- To reflect in the general budget 2017 the outcome of the mid-term revision of the MFF regulation as regards the increase of the annual amount of the Emergency Aid Reserve (EAR), from EUR 280 million to EUR 300 million in 2011 prices.

Overall, this DAB increases the level of commitment appropriations by EUR 297,8 million whereas the level of payment appropriations remains unchanged.

## 2. EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT (EFSD)

### 2.1 Context

On 7 June 2016 the Commission issued a Communication<sup>7</sup> on establishing a new Partnership Framework with third countries under the European Agenda on Migration<sup>8</sup>. In the document, the Commission proposed a variety of measures to address the most urgent needs of refugees and to support host communities, while emphasizing the need for a long term strategy to address the root causes of migration. The European Council endorsed the Commission's proposal on 28 June 2016<sup>9</sup>, inviting the Commission to present a proposal for an ambitious External Investment Plan (EIP) by September 2016.

The Commission presented a Communication towards the new European External Investment Plan<sup>10</sup> to boost investments in Africa and the Neighbourhood.

The EIP follows the same logic as the European Fund for Strategic Investments (EFSI): use of public funding as a guarantee to attract public and private investment. As part of the broader efforts the EU is pursuing on the basis of the new Partnership Framework, the EIP would complement the Union's development aid, strengthen its partnerships, promote a new model of participation of the private sector and contribute to achieving the Sustainable Development Goals.

The EIP is based on three pillars: (i) the European Fund for Sustainable Development (EFSD), (ii) technical assistance and (iii) improving investment climate and overall policy environment. The EFSD constitutes the integrated financial package of the EIP, combining financing of blending facilities and an EFSD Guarantee (EUR 1 500 million), backed by an EFSD Guarantee Fund (EUR 750 million, of which EUR 350 million from the EU budget and EUR 400 million from the European Development Fund).

On 14 September 2016, the Commission submitted a Proposal for a Regulation establishing the EFSD, the EFSD Guarantee and the EFSD Guarantee Fund<sup>11</sup>.

On 17 October 2016, the Commission submitted the Amending Letter No 1 to the Draft General Budget 2017<sup>12</sup>, proposing to provision the EFSD Guarantee Fund with EUR 275 million in 2017.

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<sup>7</sup> COM(2016) 385, 7.6.2016.

<sup>8</sup> COM(2015) 240, 13.5.2015.

<sup>9</sup> EUCO 26/16.

<sup>10</sup> COM(2016) 581, 14.9.2016.

<sup>11</sup> COM(2016) 586, 14.9.2016

In their final agreement on the budget 2017<sup>13</sup>, the provisioning of the EFSD was not retained pending the adoption of the legal base but the European Parliament and the Council invited "*the Commission to request the necessary appropriations in an amending budget in 2017 in order to provide the financing of the EFSD from the EU budget as soon as the legal base is adopted.*"

A final compromise on the draft EFSD Regulation was found between the European Parliament, the Council and the Commission during their 5<sup>th</sup> trilogue on 26 June 2017. The agreed text was then endorsed by the Council (COREPER II) on 28 June 2017 and adopted by the European Parliament during its plenary session in Strasbourg on 6 July 2017. The final adoption of the EFSD Regulation by the Council will follow in September 2017.

The Commission is therefore requesting in the present DAB the necessary appropriations in order to provide for the contribution from the general budget to the EFSD Guarantee Fund in 2017 (EUR 275 million in commitment and payment appropriations). The remaining contribution of EUR 75 million from the general budget to the Fund is to be provided in 2018–2020.

## **2.2 Financing**

Given the absence of margin under the commitment ceiling of heading 4 *Global Europe* in the general budget 2017 and taking into account the redeployments already made in the adopted budget 2017, the Commission proposes to mobilise the flexibility instrument in order to cover in full the reinforcement in commitment and payment appropriations requested for the financing of the EFSD (EUR 275 million). The corresponding proposal to mobilise the flexibility instrument<sup>14</sup> accompanies this DAB.

As regards payment appropriations, the Commission expects under-implementation within the Asylum, Migration and Integration Fund (AMIF) under heading 3 *Security and Citizenship*. Some delays encountered in the start-up of the programmes caused by the late adoption of the legal bases, and therefore a delay in programming, and in the designation of national authorities, are the main cause of this situation. Moreover, the pace of implementation of the two relocation schemes under AMIF is slower than expected leading to a lower declaration of expenditure in the annual accounts of the Member States at the end of March 2017. The amount of payment appropriations available under heading 3 should therefore be reduced by the amount of EUR 275 million. At the moment of the establishment of the general budget 2017, it was not possible to take this into account.

## **3. INCREASE OF THE EMERGENCY AID RESERVE (EAR)**

On 20 June 2017, the Council adopted the revision<sup>15</sup> of the Council Regulation (EU, EURATOM) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020<sup>16</sup> (hereafter the "MFF regulation").

This revision includes, amongst others, the increase of the annual amount of the Emergency Aid Reserve (EAR) foreseen in Article 9 of the MFF regulation from EUR 280 million to

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<sup>12</sup> COM(2016) 679 final, 17.10.2016.

<sup>13</sup> European Parliament legislative resolution of 1 December 2016 on the joint text on the draft general budget of the European Union for the financial year 2017 approved by the Conciliation Committee under the budgetary procedure (14635/2016 – C8-0470/2016 – [2016/2047\(BUD\)](#)).

<sup>14</sup> COM(2017) 480, 28.7.2017.

<sup>15</sup> Council Regulation (EU, EURATOM) No 2017/1123 of 20 June 2017, OJ L 163, 24.6.2017, p. 1.

<sup>16</sup> OJ L 347, 20.12.2013, p. 884.

EUR 300 million (in 2011 prices). It is thus necessary to reflect this increase in the general budget 2017 by adding EUR 22,8 million (in current prices) to the EAR in commitment appropriations.

As regards payment appropriations, the Commission considers that the amount available in the general budget 2017 (EUR 315 million) will suffice to meet its estimated needs.

#### 4. SUMMARY TABLE BY MFF HEADING

Heading	Budget 2017 (incl. AB 1-2 & DAB 3-4/2017)		Draft Amending Budget 5/2017		Budget 2017 (incl. AB 1-2 & DAB 3-5/2017)	
	CA	PA	CA	PA	CA	PA
<b>1. Smart and inclusive growth</b>	<b>75 398 754 456</b>	<b>55 284 563 532</b>			<b>75 398 754 456</b>	<b>55 284 563 532</b>
<i>Of which under global margin for commitments</i>	<i>1 939 100 000</i>				<i>1 939 100 000</i>	
<i>    Ceiling</i>	<i>73 512 000 000</i>				<i>73 512 000 000</i>	
<i>    Margin</i>	<i>52 345 544</i>				<i>52 345 544</i>	
1a Competitiveness for growth and jobs	21 312 155 821	19 320 944 503			21 312 155 821	19 320 944 503
<i>Of which under global margin for commitments</i>	<i>1 439 100 000</i>				<i>1 439 100 000</i>	
<i>    Ceiling</i>	<i>19 925 000 000</i>				<i>19 925 000 000</i>	
<i>    Margin</i>	<i>51 944 179</i>				<i>51 944 179</i>	
1b Economic social and territorial cohesion	54 086 598 635	35 963 619 029			54 086 598 635	35 963 619 029
<i>Of which under global margin for commitments</i>	<i>500 000 000</i>				<i>500 000 000</i>	
<i>    Ceiling</i>	<i>53 587 000 000</i>				<i>53 587 000 000</i>	
<i>    Margin</i>	<i>401 365</i>				<i>401 365</i>	
<b>2. Sustainable growth: natural resources</b>	<b>58 584 443 884</b>	<b>54 913 969 537</b>			<b>58 584 443 884</b>	<b>54 913 969 537</b>
<i>    Ceiling</i>	<i>60 191 000 000</i>				<i>60 191 000 000</i>	
<i>Of which offset against Contingency margin</i>	<i>- 575 000 000</i>				<i>- 575 000 000</i>	
<i>    Margin</i>	<i>1 031 556 116</i>				<i>1 031 556 116</i>	
Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	42 612 572 079	42 562 967 974			42 612 572 079	42 562 967 974
<i>    Sub-ceiling</i>	<i>44 146 000 000</i>				<i>44 146 000 000</i>	
<i>    Net transfer between EAGF and EAFRD</i>	<i>318 000</i>				<i>318 000</i>	
<i>    EAGF Margin</i>	<i>1 533 109 921</i>				<i>1 533 109 921</i>	
<b>3. Security and citizenship</b>	<b>4 284 030 960</b>	<b>3 786 957 287</b>		<b>- 275 000 000</b>	<b>4 284 030 960</b>	<b>3 511 957 287</b>
<i>Of which under Flexibility Instrument</i>	<i>530 000 000</i>				<i>530 000 000</i>	
<i>Of which under Contingency margin</i>	<i>1 176 030 960</i>				<i>1 176 030 960</i>	
<i>    Ceiling</i>	<i>2 578 000 000</i>				<i>2 578 000 000</i>	
<i>    Margin</i>						
<b>4. Global Europe</b>	<b>10 162 120 000</b>	<b>9 483 081 178</b>	<b>275 000 000</b>	<b>275 000 000</b>	<b>10 437 120 000</b>	<b>9 758 081 178</b>
<i>Of which under Flexibility Instrument</i>			<i>275 000 000</i>		<i>275 000 000</i>	
<i>Of which under Contingency margin</i>	<i>730 120 000</i>				<i>730 120 000</i>	
<i>    Ceiling</i>	<i>9 432 000 000</i>				<i>9 432 000 000</i>	
<i>    Margin</i>						
<b>5. Administration</b>	<b>9 394 513 816</b>	<b>9 394 599 816</b>			<b>9 394 513 816</b>	<b>9 394 599 816</b>
<i>    Ceiling</i>	<i>9 918 000 000</i>				<i>9 918 000 000</i>	
<i>Of which offset against Contingency margin</i>	<i>- 507 268 804</i>				<i>- 507 268 804</i>	
<i>    Margin</i>	<i>16 217 380</i>				<i>16 217 380</i>	
Of which: Administrative expenditure of the institutions	7 418 902 660	7 418 988 660			7 418 902 660	7 418 988 660
<i>    Sub-ceiling</i>	<i>8 007 000 000</i>				<i>8 007 000 000</i>	
<i>Of which offset against Contingency margin</i>	<i>- 507 268 804</i>				<i>- 507 268 804</i>	
<i>    Margin</i>	<i>80 828 536</i>				<i>80 828 536</i>	
<b>Negative reserve</b>						
<b>Total</b>	<b>157 823 863 116</b>	<b>132 863 171 350</b>	<b>275 000 000</b>		<b>158 098 863 116</b>	<b>132 863 171 350</b>
<i>Of which under Flexibility Instrument</i>	<i>530 000 000</i>	<i>981 093 985</i>	<i>275 000 000</i>	<i>275 000 000</i>	<i>805 000 000</i>	<i>1 256 093 985</i>
<i>Of which under global margin for commitments</i>	<i>1 939 100 000</i>				<i>1 939 100 000</i>	
<i>Of which under Contingency margin</i>	<i>1 906 150 960</i>				<i>1 906 150 960</i>	
<i>    Ceiling</i>	<i>155 631 000 000</i>	<i>142 906 000 000</i>			<i>155 631 000 000</i>	<i>142 906 000 000</i>
<i>Of which offset against Contingency margin</i>	<i>-1 082 268 804</i>	<i>-2 818 233 715</i>			<i>-1 082 268 804</i>	<i>-2 818 233 715</i>
<i>    Margin</i>	<i>1 100 119 040</i>	<i>8 205 688 920</i>			<i>1 100 119 040</i>	<i>8 480 688 920</i>
<b>Other special Instruments</b>	<b>1 771 124 013</b>	<b>1 627 200 013</b>	<b>22 800 000</b>		<b>1 793 924 013</b>	<b>1 627 200 013</b>
<b>Grand Total</b>	<b>159 594 987 129</b>	<b>134 490 371 363</b>	<b>297 800 000</b>		<b>159 892 787 129</b>	<b>134 490 371 363</b>