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# AMENDING LETTER No 1 TO THE DRAFT GENERAL BUDGET 2018

## Updating the estimated needs for agricultural expenditure and other adjustments (reserve for the European Union Solidarity Fund, agencies and administrative expenditure)

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[1], and in particular Article 39 thereof,

– the draft general budget of the European Union for the financial year 2018, as adopted by the Commission on 18 July 2017[2],

The European Commission hereby presents to the European Parliament and to the Council the Amending Letter No 1 to the draft general budget of the European Union for the financial year 2018 for the reasons set out in the explanatory memorandum.

## 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 298, 26.10.2012, p. 1.
[2] COM(2017) 400, 29.6.2017.

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## 1. INTRODUCTION

This Amending Letter No 1 to the draft budget for the year 2018 (AL 1/2018) covers the following:

— The updating of the estimated needs, assigned revenue and appropriations for agricultural expenditure. In addition to changing market factors, AL 1/2018 also incorporates the impact of decisions in the agricultural sector since the DB 2018 was presented in May 2017, as well as other proposals expected to have a significant effect during the budget year. Overall, the impact on the European Agriculture and Guarantee Fund (EAGF) is relatively limited with a decrease of commitment and payment appropriations by EUR 53,9 million.

— The decrease of the appropriations entered in reserve for the European Union Solidarity Fund (EUSF) to take account of the frontloading recently decided by the European Parliament and the Council in the EUSF mobilisation decision for Italy following series of earthquakes that took place between August 2016 and January 2017 in the regions of Abruzzo, Lazio, Marche and Umbria.

— The updating of the levels of appropriations and establishment plans of the European Securities and Markets Authority (ESMA) further to the latest proposal tabled by the Commission.

— The adjustment of the establishment plan of the European foundation for the improvement of living and working conditions (EUROFOUND).

— The creation of the budget structure for the operating costs that the Education, Audiovisual and Culture Executive Agency (EACEA) will incur in implementing the proposed European Solidarity Corps.

— The adjustment of some administrative expenditure.

## 2. EUROPEAN AGRICULTURE GUARANTEE FUND (EAGF)

The Commission proposes to update the expenditure estimates for agriculture by -EUR 53,9 million compared to DB 2018. It is proposed to budget appropriations for agricultural expenditure financed under the European Agriculture Guarantee Fund (EAGF) in AL 1/2018 at EUR 43 464,4 million, which is below the 2018 net balance available for EAGF expenditure ('net sub-ceiling') of EUR 44 162,4 million[3]. Despite a net increase of the EAGF needs by EUR 188,1 million, EAGF appropriations compared to DB 2018 can be reduced as this increase is more than compensated by the additional revenue assigned to the EAGF (+EUR 242,0 million).

Thus, overall commitment appropriations requested for heading 2 in DB 2018 including AL 1/2018 are estimated at EUR 59 499,6 million. This leaves a margin of EUR 767,4 million in commitment appropriations below the corresponding MFF ceiling. Heading 2 payment appropriations amount to EUR 56 305,9 after being being decreased by the same amount (-EUR 53,9 million) as commitment appropriations compared to DB 2018.

### 2.1 Overview

The purpose of AL 1/2018 is to update estimates for agricultural expenditure based on the most up-to-date economic data and legislative framework. By late September 2017, the Commission has at its disposal a first indication of the level of production for 2017 and outlook for the agricultural markets, which are the basis for the updated estimates of the budgetary needs for 2018.

[3] Under the 2014-2020 MFF, the initial EAGF sub-ceiling for 2018 amounted to EUR 44 889 million. After taking into account a net amount of EUR 726,7 million to be transferred to Rural Development, the 2018 net balance available for EAGF expenditure (‘net sub-ceiling’) amounts to EUR 44 162,4 million. The EAGF needs for 2018 are assessed against this EAGF ‘net sub-ceiling’.

Apart from taking into account market factors, this AL 1/2018 also incorporates the impact of legislative decisions in the agricultural sector since the DB 2018 was drawn up in May 2017, as well as for some that are still under preparation, but to be adopted soon.

Overall, **2018 EAGF needs** (after taking into account EAGF provisions related to 'financial discipline') are now estimated at EUR 44 710,4 million[4], which is an increase by EUR 188,1 million compared to the DB 2018. This increase is mostly due to additional expenditure for exceptional support measures in the fruit and vegetables sector, and the pigmeat and poultry sectors as well as to interest payments related to a Court of Justice ruling on the former sugar production levies. There are, in addition, some small variations for mainstream market measures and for expenditure related to accounting and conformity clearance decisions under chapter 05 07 *Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)*, which are also incorporated into AL 1/2018. The needs for chapter 05 03 *Direct payments aimed at contributing to farm incomes, limiting farm incomes variability and meeting environment and climate objectives* remain almost unchanged compared to DB 2018.

The amount of **assigned revenue** expected to be available in 2018 increases from EUR 1 004 million in DB 2018 to EUR 1 246 million (+EUR 242 million), fully compensating the additional needs. The update of estimates concerns the amounts originating from clearance of accounts decisions (+EUR 104,9 million) and irregularities (-EUR 13 million). Furthermore, AL 1/2018 incorporates an expected carry-over of assigned revenue from 2017 to 2018 for an amount of EUR 400,1 million (expected EAGF 'surplus')[5], of which an amount of EUR 250 million was already included in DB 2018. The estimated surplus does not include unused appropriations (EUR 450,5 million) of the 2017 agricultural crisis reserve, which will not be called on. These unused appropriations will be carried over for reimbursement to farmers subject to the financial discipline in 2018.

As a result of these updates, commitment appropriations of EUR 43 464,4 million, which includes EUR 459,5 million for the *Reserve for crises in the agricultural sector*, are required to cover EAGF needs for 2018. This overall amount remains below the EAGF net sub-ceiling of EUR 44 162,4 million. This means that the financial discipline mechanism will only be applied to establish the agricultural crisis reserve for budget year 2018[6].

## 2.2 Detailed comments

### 05 02 — Improving competitiveness of the agricultural sector through interventions in agricultural markets *(appropriations +EUR 81,8 million)*

*(in million EUR, rounded figures at current prices)*

| Interventions in agricultural markets | Draft Budget 2018 | Amending Letter No 1/2018 | Draft Budget 2018 (incl. AL 1/2018) |
|---|---|---|---|
| Needs | 2 676,3 | +81,8 | 2 758,1 |
| -Estimated assigned revenue available in 2017 | 400,0 | +0,0 | 400,0 |
| **Appropriations requested** | **2 276,3** | **+81,8** | **2 358,1** |

Overall, the needs for intervention measures on agricultural markets increase by EUR 81,8 million compared to the DB 2018. The appropriations requested in AL 1/2018 increase by the same amount, because the assigned revenue expected to be available for chapter 05 02 (amounting to EUR 400,0 million) remains unchanged compared to the DB 2018.

4 The needs amount corresponds to EUR 43 464,4 million fresh appropriations plus EUR 1 246,0 million assigned revenue.

5 This estimate is based on the declarations of actual expenditure received from Member States up to the month of August 2017, complemented by forecasts for the period 01.09.2017 to 15.10.2017. Full information on the actual expenditure for this remaining period will become available at the end of October/beginning of November 2017.

6 The adjustment rate for direct payments related to the financial discipline mechanism in respect of the calendar year 2017 is set in Commission Implementing Regulation (EU) 2017/1236. In view of the minor modifications for direct payments proposed in this AL 1/2018, the adaptation of the rate already fixed is not required.

For **fruit and vegetables**, the proposed increase by EUR 12,8 million reflects the additional expenditure estimated for the recent amendment to the exceptional withdrawal measures as regards peaches and nectarines.[7]

Appropriations for the **wine sector** on budget item 05 02 09 08 financing the national support programmes are proposed to be increased by EUR 7,0 million, reflecting the most recent implementation figures.

Appropriations for the **dairy sector** (budget article 05 02 12) increase by EUR 2,0 million due to updated estimates for storage costs related to skimmed milk powder for which larger than initially estimated quantities are still in public intervention stocks.

The largest modification proposed in AL 1/2018 for market measures concerns the **pigmeat and poultry sectors** (budget article 05 02 15) with an increase of EUR 60,0 million, relating to specific exceptional measures to farmers following outbreaks of African swine fever[8] and avian influenza.

**05 03 — Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives *(appropriations - EUR 244,5 million)***

*(in million EUR, rounded figures at current prices)*

| Direct payments | Draft Budget 2018 | Amending Letter No 1/2018 | Draft Budget 2018 (incl. AL 1/2018) |
|---|---|---|---|
| ***After financial discipline (including credits for the 'Reserve for crises in the agricultural sector')*** | | | |
| Needs | 41 747,1 | -2,5 | 41 744,6 |
| - Estimated assigned revenue available in 2017 | 604,0 | +242,0 | 846,0 |
| **Appropriations requested** | **41 143,1** | **-244,5** | **40 898,6** |

Compared to DB 2018, appropriations requested for chapter 05 03 are revised downwards by EUR 244,5 million. This change is mostly due to the higher amount of revenue assigned (+EUR 242,0 million) to item 05 03 01 10 *Basic payment scheme (BPS*). Overall, based on the most recent data on implementation, only a minor change of needs (-EUR 2,5 million) for direct payments is proposed. There are some variations between budget items for direct payments, reflecting updated information on implementation choices made by Member States. The most important of these in the AL 1/2018 concerns the 'greening' payment (+EUR 95,0 million on item 05 03 01 11), the payment for young farmers (+EUR 34,0 million on item 05 03 01 13), the redistributive payment (+EUR 14,0 million on item 05 03 01 07) and the small farmers scheme (-EUR 110,0 million on item 05 03 02 61).

**Other agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF) *(appropriations +EUR 108,8 million)***

Appropriations for budget items 05 07 01 06 *Financial corrections in favour of Member States following accounting clearance decisions* and 05 07 01 07 *Financial corrections in favour of Member States following conformity clearance decisions* need to be increased by respectively EUR 1,4 million and EUR 5,2 million reflecting the financial impact of Commission Decisions amending the financial corrections for previous years. Appropriations for budget article 05 07 02 *Settlement of disputes* need to be increased by EUR 102,2 million as a consequence of a further Court of Justice ruling on the former sugar production levies.

[7] Commission Delegated Regulation (EU) 2017/1533 of 8 September 2017 amending Delegated Regulation (EU) 2017/1165 as regards the temporary exceptional support measures for producers of peaches and nectarines in Greece, Spain and Italy.

[8] Commission Implementing Regulation (EU) 2017/1536 of 11 September 2017 on an emergency measure in the form of aid to holdings with no more than 50 animals of the porcine species located in certain areas of Poland when ceasing pigmeat production due to new requirements in relation to African swine fever.

The amount relates to the estimated cost of interest payments resulting from the ruling on the Tirlemontoise case (C-585/15) concerning the sugar marketing years 1999/2000 and 2000/2001[9].

## 2.3 Combined effect on DB 2018

*(in EUR)*

| Budget line | Name | Commitment appropriations | Payment appropriations |
|---|---|---|---|
| *Section III – European Commission* | | | |
| 05 02 08 03 | Operational funds for producer organisations | 12 000 000 | 12 000 000 |
| 05 02 08 99 | Other measures (fruit and vegetables) | 800 000 | 800 000 |
| 05 02 09 08 | National support programmes for the wine sector | 7 000 000 | 7 000 000 |
| 05 02 12 02 | Storage measures for skimmed-milk powder | 2 000 000 | 2 000 000 |
| 05 02 15 99 | Other measures (pigmeat, poultry, eggs, bee-keeping, other animal products) | 60 000 000 | 60 000 000 |
| 05 03 01 02 | Single area payment scheme (SAPS) | 2 000 000 | 2 000 000 |
| 05 03 01 07 | Redistributive payment | 14 000 000 | 14 000 000 |
| 05 03 01 10 | Basic payment scheme (BPS) | -275 000 000 | -275 000 000 |
| 05 03 01 11 | Payment for agricultural practices beneficial for the climate and the environment | 95 000 000 | 95 000 000 |
| 05 03 01 13 | Payment for young farmers | 34 000 000 | 34 000 000 |
| 05 03 01 99 | Other (decoupled direct payments) | 500 000 | 500 000 |
| 05 03 02 40 | Crop-specific payment for cotton | -4 000 000 | -4 000 000 |
| 05 03 02 44 | Specific support (Article 68 of Regulation (EC) No 73/2009) — Coupled direct payments | -3 000 000 | -3 000 000 |
| 05 03 02 60 | Voluntary coupled support scheme | 4 000 000 | 4 000 000 |
| 05 03 02 61 | Small farmers scheme | -110 000 000 | -110 000 000 |
| 05 03 02 99 | Other (direct payments) | -2 000 000 | -2 000 000 |
| 05 07 01 06 | Expenditure for financial corrections in favour of Member States following decisions on accounting clearance of previous years' accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF | 1 400 000 | 1 400 000 |
| 05 07 01 07 | Expenditure for financial corrections in favour of Member States following decisions on conformity clearance of previous years' accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF | 5 200 000 | 5 200 000 |
| 05 07 02 | Settlement of disputes | 102 200 000 | 102 200 000 |
| **Total** | | **-53 900 000** | **-53 900 000** |

9 A specific Commission Communication to the Council, accompanied by a proposal fixing the new production levies and the coefficient for calculating the additional levy in the sugar sector for these 2 marketing years 1999/2000 and 2000/2001, is currently under preparation. It will be similar to the earlier Communication of the Commission to the Council (COM(2013) 526 final) of 17.7.2013 following the Court's ruling on the so-called 'Jülich and others' case in 2012.

## 3. EUROPEAN UNION SOLIDARITY FUND (EUSF)

On 26 June 2017[10], the Commission proposed to mobilise the European Union Solidarity Fund (EUSF) for an amount of EUR 1 196,8 million to provide assistance to Italy following a series of earthquakes that took place between August 2016 and January 2017 in the regions of Abruzzo, Lazio, Marche and Umbria. This mobilisation was accompanied by Draft Amending Budget (DAB) No 4/2017[11] that proposes to enter the necessary appropriations in the general budget 2017, both in commitments and payments, after having deducted the advance already paid in 2016.

The amount that could be mobilised at that stage of the year 2017 was EUR 902,8 million, corresponding to the total amount available for the mobilisation of the EUSF at the beginning of 2017 (EUR 1 115,1 million), minus the previous mobilisation[12] (EUR 71,5 million), minus the retained amount of EUR 140,8 million in order to respect the obligation of keeping aside 25 % of the 2017 annual allocation until 1 October 2017 as stipulated by Article 10(1) of the MFF regulation[13].

This amount was thus not sufficient to cover the full mobilisation of the EUSF for Italy. However, the Commission considered that the conditions under Article 10(2) of the MFF regulation were fulfilled and proposed to cover the difference of EUR 294,0 million from the annual amount available in 2018.

Both the mobilisation decision and DAB No°4/2017 were definitively adopted by the European Parliament on 13 September 2017.

Because of this exceptional frontloading in 2017, it is necessary to decrease accordingly the amount entered as a reserve in DB 2018, in both commitment and payment appropriations. The purpose of this reserve is to allow for the EUSF mobilisation via transfers simultaneously with the mobilisation decision of the European Parliament and the Council. As such an approach would reduce the need for amending budgets, it would thus accelerate the EUSF mobilisation process.

*(in EUR)*

| Budget line | Name | Commitment appropriations | Payment appropriations |
|---|---|---|---|
| *Section III – European Commission* | | | |
| 40 02 44 | Reserve for the European Union Solidarity Fund | -293 628 245 | -112 000 000 |
| **Total** | | **-293 628 245** | **-112 000 000** |

## 4. AGENCIES

### 4.1 European Securities and Markets Authority (ESMA)

On 13 June 2017, the Commission adopted a proposal for a Regulation[14] as regards the procedures and authorities involved for the authorisation of Central Counterparties (CCPs) and requirements for the recognition of third-country CCPs.

10 COM(2017) 540, 26.6.2017.

11 COM(2017) 541, 26.6.2017.

12 Decision (EU) 2017/741 of the European Parliament and of the Council of 5 April 2017 on the mobilisation of the European Solidarity Fund to provide assistance to the United Kingdom, Cyprus and Portugal (OJ L 111, 24.4.2017, p. 6) and the accompanying Amending Budget No 1/2017 (OJ L 136, 24.5.2017, p. 1).

13 Council Regulation 2013/1311 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020, OJ L34, 20.12.2013, p. 884.

14 COM(2017) 331, 13.6.2017.

There are currently 17 CCPs established in the EU, all of which are authorised to offer their services within the Union. An additional 28 third-country CCPs have been recognised, allowing them to offer their services in the EU. A further 12 CCPs from 10 jurisdictions have applied for recognition and are awaiting a decision of the Commission. Moreover, a substantial volume of euro-denominated derivatives transactions (and other transactions subject to the EU clearing obligation) is currently cleared in CCPs located in the United Kingdom.

Given the increased number of third country CCPs, the Commission proposes to give a mandate to the European Securities and Markets Authority (ESMA, Paris) to take on a broader range of supervisory tasks in relation to these CCPs. It has been assumed that the Regulation will enter into force in mid-2018. ESMA will require additional human and financial resources to carry out its new tasks under the CCP Regulation, with a phasing in over the period 2018-2020.

For the year 2018, 20 additional temporary agents (to be recruited at grade AD7) and 10 seconded national experts are requested, starting from August 2018. The related expenditure, in particular for salary needs, mission expenses and office rent, amounts to EUR 4,3 million in 2018, and is expected to be covered by fees from industry. However, given that the introduction of fees will require prior adoption of a Commission delegated act, the costs incurred in 2018 will need to be financed by the EU budget (to be taken from the unallocated margin under the expenditure ceiling of heading 1a), and returned to the EU budget at the latest in 2020.

*(in EUR)*

| Budget line | Name | Commitment appropriations | Payment appropriations |
|---|---|---|---|
| *Section III – European Commission* | | | |
| 12 02 06 | European Securities and Markets Authority (ESMA) | 4 310 555 | 4 310 555 |
| **Total** | | **4 310 555** | **4 310 555** |

The updated establishment plan is set out in the budgetary annex.

### 4.2 European Foundation for the improvement of living and working conditions (EUROFOUND)

The staff reduction target for the European Foundation for the improvement of living and working conditions (EUROFOUND) in Dublin translates into a reduction of two posts in 2018, i.e. from 93 posts authorised in the 2017 budget to 91 posts in the 2018 draft budget, of which 49 posts were proposed in the function group for Administrators and 42 posts in the function group for Assistants.

Following the departure of two officials in the function group for Administrators, the agency has now requested to swap two permanent posts for officials for two temporary posts for temporary agents within the function group for Administrators. This keeps the overall number of posts in the function group for Administrators stable at the level initially requested for 2018 (49). This has no impact on expenditure.

The updated establishment plan is set out in the budgetary annex.

### 4.3 Education, Audiovisual and Culture Executive Agency (EACEA)

In line with the preliminary results of the cost-benefit analysis which will be submitted to the Committee on Executive Agencies in the framework of the upcoming delegation package, the Commission will propose to entrust the EACEA with implementing tasks in the context of the new European Solidarity Corps' (ESC) proposed on 30 May 2017[15]. These tasks include the launch and conclusion of grant and procurement procedures, project monitoring, financial control and accounting, the contribution to programme evaluation and various support tasks.

The Commission proposes to create a budget item 15 01 06 03 *Education, Audiovisual and Culture Executive Agency — Contribution from European Solidarity Corps* covering the operating costs that the EACEA would incur in the implementation of the ESC.

No appropriations will be allocated to the budget item pending the result of the legislative procedure and the consultation of the Committee on Executive Agencies. The creation of this item with the token *'pro memoria'* will allow the Commission to transfer swiftly the necessary appropriations, in line with the provisions of the Financial Regulation, once the ESC legal basis is adopted so as not to delay the implementation of the activities. This would make mobility opportunities for young people rapidly available in the course of 2018.

*(in EUR)*

| Budget line | Name | Commitment appropriations | Payment appropriations |
|---|---|---|---|
| *Section III – European Commission* | | | |
| 15 01 06 03 | Education, Audiovisual and Culture Executive Agency — Contribution from European Solidarity Corps | p.m. | p.m. |
| **Total** | | - | - |

## 5. ADMINISTRATION

### 5.1 European Anti-Fraud Office (OLAF)

In its Statement of Estimates for the financial year 2018, the European Anti-Fraud Office (OLAF) requested the conversion of one temporary AD15 post into a permanent AD15 post in OLAF's establishment plan as of 1 January 2018.

However, due to the Commission decisions on personnel, made in the context of the recruitment procedure of the new Director General of OLAF, this requested conversion is withdrawn, so that the post remains temporary.

The modifications will cause no impact on the expenditure of OLAF. The updated establishment plan is set out in the budgetary annex.

### 5.2 Publications Office (OP)

In the context of modernisation of support processes and the establishment of improved working methods, the Commission has set up a digital transformation agenda especially in the fields of local data centres consolidation, ICT equipment and security. In this framework and in close cooperation with Directorate General Informatics (DIGIT), the Publications Office (OP) decided on 21 November 2016 to launch an IT consolidation project in three main areas: network and telecommunication, digital workplace and office automation and data centres.

The main benefit of the consolidation will come from economies of scale derived from the process of industrialisation.

15 COM(2017) 262, 30.5.2017.

In order to implement this project, 14 posts (3 AD and 11 AST) currently assigned to the OP in the IT Infrastructure and Production sectors will have to be transferred to the Commission in DG DIGIT. These posts represent the resources needed in the Commission to ensure the continuity of service for OP operations.

In this context a convention between the OP and DIGIT was signed on 30 May 2017 which explains why it was not possible to include these movements of posts in the DB 2018.

Hence, it is proposed to transfer 14 posts and the related salary appropriations from OP to the Commission, as of 1 January 2018.

The impact of this transfer on appropriations is neutral. The proposed updated establishment plans for the Commission (administration) and for the OP are set out in the budgetary annex.

*(in EUR)*

| Budget line | Name | Commitment appropriations | Payment appropriations |
|---|---|---|---|
| *Section III – European Commission* | | | |
| XX 01 01 01 01 | Remuneration and Allowances | 1 238 000 | 1 238 000 |
| XX 01 01 01 02 | Expenses and allowances related to recruitment, transfers and termination of service | 1 000 | 1 000 |
| XX 01 01 01 03 | Adjustments to remuneration | 12 000 | 12 000 |
| 26 01 09 *(A2 01 01)* | Publications Office | -1 251 000 | -1 251 000 |
| **Total** | | **-** | **-** |

## 5.3 European External Action Service (EEAS)

### *5.3.1 EU's future engagement with Afghanistan following the end of mandate of the double-hatted EUSR Afghanistan*

The mandate of the double hatted EU Special Representative (EUSR) in Afghanistan ended on 31 August 2017. Against the background of the greatly strengthened political mandate of EU Heads of Delegations to represent the EU comprehensively in third countries post-Lisbon, and taking into account the views of the European Parliament[16], the High Representative has decided not to propose the appointment of another EUSR for Afghanistan after the expiry of the current mandate. EU's future engagement with Afghanistan will instead be supported by two EUSR successor entities:

– A Brussels-based EU Special Envoy was appointed on 1 September 2017 taking over the EUSR's tasks of regional and international coordination related to the peace, stabilisation and the reconciliation process in Afghanistan. The Special Envoy will be supported by two political advisors and one assistant.

– The EU delegation in Kabul will be reinforced by a new Political, Press and Information (PPI) Section. This will enable it to play its expected role fully, including accompanying the comprehensive Afghan reform programme, the implementation of the peace agreements, support for economic development and the implementation of EU development aid assistance.

This concept was presented to the Political and Security Committee on 13 June 2017 with no objections from EU Member States.

[16] Notably point 101 of its resolution of 16 February 2017 on improving the functioning of the European Union.

Whereas the costs for the office of the Special Envoy will be almost entirely covered by redeployments within the EEAS' current administrative budget, an increase of the EEAS budget will be necessary to cover the additional costs related to the establishment of the new PPI Section in the EU Delegation in Kabul and other administrative costs related to infrastructure and security, which are currently covered by the EUSR.

This increase to the EEAS' administrative budget (Heading 5, Section X of the EU Budget) in 2018 would amount to EUR 4,5 million (full year cost).

Overall, the increase will be compensated by savings in the Common Foreign and Security Policy (CFSP, Heading 4, Section III of the EU Budget) arising from the closure of the EUSR Afghanistan, estimated at EUR 10,2 million. It is proposed that the balance of EUR 5,7 million remains in the CFSP budget to cater for any other new actions which cannot be programmed in advance.

The proposed transition also represents an administrative simplification, as the EEAS will no longer need to maintain a complex system of parallel records for the expenditure incurred on behalf of the EUSR Afghanistan.

#### *5.3.2 Transition of certain Monitoring, Mentoring and Advising (MMA) tasks from EULEX Kosovo to the EU Office in Kosovo*

As a result of the 2015/2016 Strategic Review and EULEX Kosovo's gradual phasing-out, the Council asked the EEAS to prepare a transition strategy.

A concept of transition for EULEX was presented to the Committee for Civilian Aspects of Crisis Management (CivCom) on 13 March 2017 proposing the transfer of certain MMA tasks to the EU Office, which therefore has to be reinforced with new positions of Rule of Law strategic advisors and administrative staff financed by the EEAS administrative budget.

On that basis, CivCom agreed on this concept on 24 April 2017 and the Political and Security Committee (PSC) endorsed it on 28 April 2017, thereby inviting the EEAS to prepare the transition.

It has been estimated that 12 new posts would be required in the EU Office (contract agents, national experts and local agents) to carry out the tasks and the incremental related administrative workload. These new posts would give rise to an increase of the EEAS administrative budget of EUR 0,5 million for the 6,5 months concerned in 2018. The full amount on an annual basis would be EUR 0,8 million, which would be the reference point for the budget 2019 and following years.

Under the current assumptions, the corresponding reduction of posts within the EULEX mission amounts to 41, leading to expected savings of EUR 1,8 million in 2018 in the Common Foreign and Security Policy[17]. It is proposed that the balance of EUR 1,3 million remains in the CFSP budget to cater for any other new actions, which cannot be programmed in advance.

It is expected that, once completed, the transition of EULEX MMA tasks will lead to a further cut of 37 additional positions (24 internationals and 13 locals), making 78 in total, which however will require around 10 additional posts to be financed by an increase to the EEAS' administrative budget.

#### *5.3.3 Separate budget line for the contribution to European Schools*

For reasons of transparency and harmonisation with other institutions, it is proposed to create a new budget item to display the EEAS' contribution to type 2 European Schools.

The expenditure, EUR 20 000 per year, is currently financed from another item related to staff, which will be reduced accordingly. The operation is therefore budget-neutral.

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[17] These savings are estimated on a full annual basis, since the yearly budgets of the Common Security and Defence Policy missions are committed in full with each mandate renewal.

### 5.3.4 *Combined effect on DB2018*

*(in EUR)*

| Budget line | Name | Commitment appropriations | Payment appropriations |
|---|---|---|---|
| *Section III – European Commission* | | | |
| 19 03 01 02 | EULEX Kosovo | -1 821 000 | -1 821 000 |
| 19 03 01 05 | Emergency measures | 7 001 000 | 7 001 000 |
| 19 03 01 07 | European Union Special Representatives | -10 200 000 | -10 200 000 |
| **Sub-total Section III** | | **-5 020 000** | **-5 020 000** |
| *Section X – European External Action Service* | | | |
| 1 1 0 2 | Entitlements under the Staff Regulations related to the personal circumstances of the staff member | -20 000 | -20 000 |
| 1 4 0 | Missions | 75 000 | 75 000 |
| 1 5 0 4 | Contribution to accredited Type II European Schools | 20 000 | 20 000 |
| 3 0 0 1 | External staff and outside services | 1 023 000 | 1 023 000 |
| 3 0 0 2 | Other expenditure related to staff | 212 000 | 212 000 |
| 3 0 0 3 | Buildings and associated costs | 3 635 000 | 3 635 000 |
| 3 0 0 4 | Other administrative expenditure | 75 000 | 75 000 |
| **Sub-total Section X** | | **5 020 000** | **5 020 000** |
| **Total** | | **-** | **-** |

## 6. SUMMARY TABLE BY MFF HEADING

| Heading | Draft Budget 2018 | | Amending Letter 1/2018 | | Draft Budget 2018 (incl. AL1/2018) | |
|---|---|---|---|---|---|---|
| | CA | PA | CA | PA | CA | PA |
| **1. Smart and inclusive growth** | **77 249 180 217** | **66 845 867 101** | **4 310 555** | **4 310 555** | **77 253 490 772** | **66 850 177 656** |
| *Of which under global margin for commitments* | *891 685 985* | | | | *891 685 985* | |
| *Ceiling* | *76 420 000 000* | | | | *76 420 000 000* | |
| *Margin* | *62 505 768* | | | | *58 195 213* | |
| 1a Competitiveness for growth and jobs | 21 841 301 956 | 20 082 398 844 | 4 310 555 | 4 310 555 | 21 845 612 511 | 20 086 709 399 |
| *Of which under global margin for commitments* | *658 352 652* | | | | 658 352 652 | |
| *Ceiling* | *21 239 000 000* | | | | *21 239 000 000* | |
| *Margin* | *56 050 696* | | | | *51 740 141* | |
| 1b Economic social and territorial cohesion | 55 407 878 261 | 46 763 468 257 | | | 55 407 878 261 | 46 763 468 257 |
| *Of which under global margin for commitments* | *233 333 333* | | | | *233 333 333* | |
| *Ceiling* | *55 181 000 000* | | | | *55 181 000 000* | |
| *Margin* | *6 455 072* | | | | *6 455 072* | |
| **2. Sustainable growth: natural resources** | **59 553 523 122** | **56 359 793 633** | **- 53 900 000** | **- 53 900 000** | **59 499 623 122** | **56 305 893 633** |
| *Ceiling* | *60 267 000 000* | | | | *60 267 000 000* | |
| *Margin* | *713 476 878* | | | | *767 376 878* | |
| Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments | 43 518 316 899 | 43 472 477 466 | - 53 900 000 | - 53 900 000 | 43 464 416 899 | 43 418 577 466 |
| *Sub-ceiling* | *44 163 000 000* | | | | *44 163 000 000* | |
| **3. Security and citizenship** | **3 473 056 199** | **2 963 847 175** | | | **3 473 056 199** | **2 963 847 175** |
| *Of which under Flexibility Instrument* | *817 056 199* | | | | *817 056 199* | |
| *Ceiling* | *2 656 000 000* | | | | *2 656 000 000* | |
| *Margin* | | | | | | |
| **4. Global Europe** | **9 593 045 411** | **8 951 045 154** | **- 5 020 000** | **- 5 020 000** | **9 588 025 411** | **8 946 025 154** |
| *Ceiling* | *9 825 000 000* | | | | *9 825 000 000* | |
| *Margin* | *231 954 589* | | | | *236 974 589* | |
| **5. Administration** | **9 682 398 486** | **9 684 953 486** | **5 020 000** | **5 020 000** | **9 687 418 486** | **9 689 973 486** |
| *Ceiling* | *10 346 000 000* | | | | *10 346 000 000* | |
| *Of which offset against Contingency margin* | *- 570 000 000* | | | | *- 570 000 000* | |
| *Margin* | *93 601 514* | | | | *88 581 514* | |
| Of which: Administrative expenditure of the institutions | 7 591 229 286 | 7 593 784 286 | 5 020 000 | 5 020 000 | 7 596 249 286 | 7 598 804 286 |
| *Sub-ceiling* | *8 360 000 000* | | | | *8 360 000 000* | |
| *Of which offset against Contingency margin* | *- 570 000 000* | | | | *- 570 000 000* | |
| *Margin* | *198 770 714* | | | | *193 750 714* | |
| **Total** | **159 551 203 435** | **144 805 506 549** | **- 49 589 445** | **- 49 589 445** | **159 501 613 990** | **144 755 917 104** |
| ***Of which under Flexibility Instrument*** | ***817 056 199*** | ***667 152 692*** | | | ***817 056 199*** | ***667 152 692*** |
| ***Of which under global margin for commitments*** | ***891 685 985*** | | | | ***891 685 985*** | |
| ***Ceiling*** | ***159 514 000 000*** | ***154 565 000 000*** | | | ***159 514 000 000*** | ***154 565 000 000*** |
| ***Of which offset against Contingency margin*** | ***- 570 000 000*** | | | | ***- 570 000 000*** | |
| ***Margin*** | ***1 101 538 749*** | ***10 426 646 143*** | | | ***1 151 128 194*** | ***10 476 235 588*** |
| **Other special Instruments** | **1 090 902 000** | **619 600 000** | **- 293 628 245** | **- 112 000 000** | **797 273 755** | **507 600 000** |
| **Grand Total** | **160 642 105 435** | **145 425 106 549** | **- 343 217 690** | **- 161 589 445** | **160 298 887 745** | **145 263 517 104** |