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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2015) 317 final
Subject:	Letter of amendment No 1 to the draft general budget 2016: Financing of the EFSI Guarantee Fund

Delegations will find attached document COM(2015) 317 final.

Encl.: COM(2015) 317 final



EUROPEAN
COMMISSION

Brussels, 26.6.2015
COM(2015) 317 final

**AMENDING LETTER N° 1
TO THE DRAFT GENERAL BUDGET 2016
FINANCING OF THE ESFI GUARANTEE FUND**

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 Union¹, and in particular Article 39 thereof,
- the draft general budget of the European Union for the financial year 2016 adopted by the Commission on 24 June 2015²,

the European Commission hereby presents to the budgetary authority the amending letter No 1 to the draft general budget of the European Union for the financial year 2016 for the reasons set out in the explanatory memorandum.

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(2015) 300, 24.6.2015

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1 INTRODUCTION

This Amending Letter No 1 (AL1) to the draft budget for the year 2016 reflects the budgetary impact of the political agreement on the financing of the EFSI Guarantee Fund reached between the European Parliament and the Council on 28 May 2015, which facilitated the adoption of the Regulation on the European Fund for Strategic Investments (EFSI) on 24 June 2015³. The adoption of the EFSI basic act means that the corresponding appropriations for the provisioning of the Guarantee Fund and the funding of the European Investment Advisory Hub (EIAH) and European Investment Project Portal (IPP) can be transferred from the reserve to the operational lines. In addition, the Commission proposes to complete the budget structure for the EFSI by creating a new budget article 01 04 07, with a token entry (p.m.), in view of a possible contribution from the EU budget to supplement the fees covering the work carried out by the European Investment Fund (EIF) in the implementation of the new financial instruments under the EFSI.

Overall, the political agreement reduced by EUR 1 billion the redeployment of commitment appropriations from the Horizon 2020 and Connecting Europe Facility (CEF) programmes as initially proposed by the Commission as part of its legislative proposal for the creation of the EFSI⁴, to be compensated by a corresponding increase in the use of the unallocated margin under heading 1a and the Global Margin for Commitments. As part of the political agreement, the Commission stated that it would analyse the potential impact of the contributions to the EFSI from the different budget lines of Horizon 2020 on the effective implementation of the respective programmes.

Consequently, in this Amending Letter the Commission proposes to reduce the 2016 redeployment from a number of budget lines under Horizon 2020 and the Connecting Europe Facility. This leads to an increase of the commitment appropriations for Horizon 2020 by an amount of EUR 153 million and an increase of the commitment appropriations for the Connecting Europe Facility (transport) by an amount of EUR 150 million. This will be offset by a corresponding increase in the use of the available margins for the provisioning of the EFSI Guarantee Fund: a decrease of the 2016 unallocated margin under heading 1a by EUR 111,4 million and an increase in the use of the Global Margin for Commitments by EUR 191,6 million.

The net impact of these changes is an increase of EUR 303 million in commitment appropriations compared to the draft budget 2016. The overall level of payments remains unchanged.

2 ADOPTION OF EFSI LEGAL BASIS: COMPLETING THE EFSI BUDGET STRUCTURE

2.1 Entering appropriations on the line

In accordance with Article 54 of the Financial Regulation, in the 2016 draft budget the Commission placed the EFSI appropriations in the reserve, awaiting the adoption of the EFSI legal basis. Now that the legal basis has been adopted, the appropriations can be entered on the operational lines, as follows:

- 01 04 05: Provisioning of the EFSI Guarantee Fund: EUR 2 030 million in commitment appropriations and EUR 500 million in payment appropriations;
- 01 04 06: European Investment Advisory Hub (EIAH) and European Investment Project Portal (IPP): EUR 20 million in commitment and payment appropriations.

³

PM reference EP.

⁴

COM(2015) 10, 13.1.2015.

2.2 Creating a new budget line for EIF fees

The Commission proposes to complete the budget structure for the EFSI by creating a new budget article 01 04 07 'Fees due to the European Investment Fund for increased assistance under the European Fund for Strategic Investments', with a token entry (p.m.).

The European Investment Fund (EIF) will provide assistance in the implementation of the new financial instruments under the EFSI, such as the Growth Equity and co-investment facilities. The role of the EIF will be essential in ensuring a swift implementation of the new financial instruments.

The EIF will be entitled to receive performance fees, start-up fees and some administrative fees from the European Investment Bank (EIB). As foreseen by the EFSI Regulation, such fees may be met by the general budget of the Union to the extent they are not deducted from the remuneration or from revenues, recoveries or other payments received by the EIF. However, very limited revenues are expected to materialise at the beginning of 2016, while costs incurred by the EIF will increase consistently in parallel with the speeding up of the implementation of new instruments. With this in mind, the new budget article is proposed in order to cope with a possible insufficiency of revenues, in case of need.

3 POLITICAL AGREEMENT EFSI: CONSEQUENCES FOR FINANCING IN 2016

3.1 Reduced redeployment from Connecting Europe Facility

As part of the political agreement on the financing of the EFSI Guarantee Fund reached on 28 May 2015, the European Parliament and the Council agreed to reduce the overall contribution from the transport strand of the Connecting Europe Facility (CEF-transport) to the financing of the EFSI Guarantee Fund by EUR 500 million. The agreement also included that this amount should be added exclusively to the budget lines implementing CEF-transport grants. In order to ensure a smooth annual profile, it is proposed to re-instate EUR 150 million in the year 2016 and to allocate this amount over the three budget lines of the CEF-transport (grants) in proportion to the contributions to EFSI included in the original Commission proposal.

Furthermore, the European Parliament and the Council also agreed to redeploy EUR 500 million from the budget line implementing CEF-transport financial instruments towards the budget lines implementing CEF-transport grants. In view of the fact that the signature of the delegation agreement with the European Investment Bank for the Debt instrument of the CEF is still pending, it is proposed to redeploy EUR 250 million in the year 2016. The remaining EUR 250 million is proposed to follow in years 2017 through 2020.

The table below gives an overview by budget line of the initial and the revised contributions from the CEF and the resulting difference to be included in the 2016 draft budget through this Amending Letter:

CONNECTING EUROPE FACILITY				
Budget line		2016		
		Initial contribution	Revised contribution	Difference
06 02 01 01	Removing bottlenecks, enhancing rail interoperability, bridging missing links and improving cross-border sections	520 276 456	200 212 706	320 063 750
06 02 01 02	Ensuring sustainable and efficient transport systems	32 430 886	11 946 786	20 484 100
06 02 01 03	Optimising the integration and interconnection of transport modes and enhancing interoperability	97 292 658	37 840 508	59 452 150
06 02 01 05	Creating an environment more conducive to private investment for transport infrastructure projects	0	250 000 000	-250 000 000
Total CEF-TRANSPORT		650 000 000	500 000 000	150 000 000

3.2 Reduced redeployment from Horizon 2020

The European Parliament and the Council also agreed to reduce the overall contribution from Horizon 2020 to the financing of the EFSI Guarantee Fund by EUR 500 million. The agreement included that the following three budget lines will not contribute to the redeployment from Horizon 2020 for the provisioning of the EFSI Guarantee Fund: 'Strengthening frontier research in the European Research Council', 'Marie Skłodowska-Curie actions' and 'Spreading excellence and widening participation'. The Commission proposes to fully restore the original annual profile (as foreseen prior to the EFSI proposal) of these three budget lines.

Appropriations for the remaining Horizon 2020 budget lines will be re-instated in proportion to the overall size of their contributions to EFSI over the period, as included in the original Commission proposal. Considering the state of advancement of the 2016 part of the Horizon 2020 Work Programmes, the Commission proposes to leave untouched the amount to be redeployed from Horizon 2020 in 2016 and to add the proportional reinstatement mainly in 2017 as indicated in the legislative financial statement. However, this is with two exceptions: the restoration of commitments for the budget line 'European Institute of Innovation and Technology' is scheduled for the year 2016, given the high amount of redeployment included for that year in the Commission proposal. The same applies to the budget line 'Improving lifelong health and wellbeing'.

After careful consideration, the Commission estimates that the breakdown of the Horizon 2020 contributions to the financing of the EFSI Guarantee Fund requires no further adjustments for 2016. The table below gives an overview by budget line of the initial and the revised contributions from Horizon 2020 and the resulting difference to be included in the 2016 draft budget through this Amending Letter:

HORIZON 2020				
Budget line		2016		
		Initial contribution	Revised contribution	Difference
08 02 01 01	Strengthening frontier research in the European Research Council	91 300 604	-	91 300 604
08 02 03 01	Improving lifelong health and well-being	51 282 083	50 443 643	838 440
08 02 04	Spreading excellence and widening participation	9 269 247	-	9 269 247
15 03 01 01	Marie Skłodowska-Curie actions — generating, developing and transferring new skills, knowledge and innovation	30 000 000	-	30 000 000
15 03 05	European Institute of Innovation and Technology – integrating the knowledge triangle of higher education, research and innovation	136 000 000	114 408 291	21 591 709
Total HORIZON 2020		317 851 934	164 851 934	153 000 000

3.3 Additional use of the margins

In order to leave an appropriate unallocated margin under the expenditure ceiling of heading 1a (Competitiveness for growth and jobs) for 2016, the Commission proposes to fully use the currently available Global Margin for Commitments related to the year 2014 as calculated by the Commission in the technical adjustment of the multiannual financial framework⁵. Its use would therefore be increased by EUR 191,6 million in comparison with the draft budget: from EUR 351,4 million to EUR 543 million. The unallocated margin left under heading 1a will decrease by EUR 111,4 million: from EUR 200 million to EUR 88,6 million.

3.4 No additional need for payment appropriations

Taking into account the payment appropriations requested in the draft budget, the Commission has made the following assessment of the payment needs arising from the agreed changes to the financing of the EFSI Guarantee Fund:

⁵ COM(2015) 320, 22.5.2015.

- CEF: no additional payment appropriations are needed to cover the reduced redeployment in commitment appropriations from CEF, since this will only impact payments from the year 2017 onward due to the lead time required for the call for proposals and the evaluation of the projects to be retained;
- Horizon 2020: no additional payment appropriations are requested for the restored commitment appropriations of Horizon 2020, since the Commission estimates that the relatively minor impact in 2016 can be covered by the budget request included in the 2016 draft budget.

4 CONCLUSION

This Amending Letter No 1/2016 updates the 2016 draft budget to take account of the outcome of the legislative agreement on the EFSI. On this basis, the European Parliament and the Council are expected to take the revised estimates into account in view of their deliberation on the 2016 budget.

5 SUMMARY TABLE BY HEADING OF THE MULTIANNUAL FINANCIAL FRAMEWORK

Heading	Draft Budget 2016		Amending Letter 1/2016		Draft Budget 2016 (incl. AL1/2016)	
	CA	PA	CA	PA	CA	PA
1. Smart and inclusive growth	69 440 081 847	66 578 193 962	303 000 000		69 743 081 847	66 578 193 962
<i>Of which under Flexibility Instrument</i>						
<i>Of which under Global Margin for Commitments (GMC)</i>	351 431 584		191 568 416		543 000 000	
<i>Ceiling</i>	69 304 000 000				69 304 000 000	
<i>Margin</i>	215 349 737				103 918 153	
1a Competitiveness for growth and jobs	18 618 431 584	17 518 123 082	303 000 000		18 921 431 584	17 518 123 082
<i>Of which under Global Margin for Commitments (GMC)</i>	351 431 584		191 568 416		543 000 000	
<i>Ceiling</i>	18 467 000 000				18 467 000 000	
<i>Margin</i>	200 000 000				88 568 416	
1b Economic social and territorial cohesion	50 821 650 263	49 060 070 880			50 821 650 263	49 060 070 880
<i>Of which under Flexibility Instrument</i>						
<i>Ceiling</i>	50 837 000 000				50 837 000 000	
<i>Margin</i>	15 349 737				15 349 737	
2. Sustainable growth: natural resources	63 104 378 823	55 865 891 958			63 104 378 823	55 865 891 958
<i>Ceiling</i>	64 262 000 000				64 262 000 000	
<i>Margin</i>	1 157 621 177				1 157 621 177	
Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	42 867 624 128	42 859 334 601			42 867 624 128	42 859 334 601
<i>Sub-ceiling</i>	43 950 000 000				43 950 000 000	
<i>Margin</i>	1 081 657 872				1 081 657 872	
3. Security and citizenship	2 669 966 698	2 258 959 739			2 669 966 698	2 258 959 739
<i>Of which under Flexibility Instrument</i>	123 966 698				123 966 698	
<i>Ceiling</i>	2 546 000 000				2 546 000 000	
<i>Margin</i>						
4. Global Europe	8 881 729 361	9 539 215 403			8 881 729 361	9 539 215 403
<i>Ceiling</i>	9 143 000 000				9 143 000 000	
<i>Margin</i>	261 270 639				261 270 639	
5. Administration	8 908 692 052	8 910 192 052			8 908 692 052	8 910 192 052
<i>Ceiling</i>	9 483 000 000				9 483 000 000	
<i>Margin</i>	574 307 948				574 307 948	
Of which: Administrative expenditure of the institutions	7 096 096 572	7 097 596 572			7 096 096 572	7 097 596 572
<i>Sub-ceiling</i>	7 679 000 000				7 679 000 000	
<i>Margin</i>	582 903 428				582 903 428	
6. Compensations						
<i>Ceiling</i>						
<i>Margin</i>						
Total	153 004 848 781	143 152 453 114	303 000 000		153 307 848 781	143 152 453 114
<i>Of which under Flexibility Instrument</i>	123 966 698	45 700 000			123 966 698	45 700 000
<i>Of which under Global Margin for Commitments (GMC)</i>	351 431 584		191 568 416		543 000 000	
<i>Ceiling</i>	154 738 000 000	144 685 000 000			154 738 000 000	144 685 000 000
<i>Margin</i>	2 208 549 501	1 578 246 886			2 097 117 917	1 578 246 886
Other special Instruments	524 612 000	389 000 000			524 612 000	389 000 000
Grand Total	153 529 460 781	143 541 453 114	303 000 000		153 832 460 781	143 541 453 114