



Council of the
European Union

**Brussels, 8 September 2015
(OR. en)**

11752/15

FIN 591

COVER NOTE

From:	Ms Kristalina GEORGIEVA, Vice-president of the European Commission
date of receipt:	8 September 2015
To:	Mr Pierre GRAMEGNA, President of the Council of the European Union
Subject:	Proposal for transfer of appropriations No DEC 27/2015 within Section III - Commission - of the general budget for 2015

Delegations will find attached Commission document DEC 27/2015.

Encl.: DEC 27/2015



BRUSSELS, 03/09/2015

GENERAL BUDGET - 2015
SECTION III - COMMISSION TITLES: 01, 21

TRANSFER OF APPROPRIATIONS N° DEC 27/2015

FROM

CHAPTER - 0103 International economic and financial affairs

ARTICLE - 01 03 02 Macro-financial assistance

Commitments	-20 000 000,00
Payments	-19 000 000,00

TO

CHAPTER - 2103 European Neighbourhood Instrument (ENI)

ITEM - 21 03 01 04 Support to peace process and financial assistance to Palestine and to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

Commitments	20 000 000,00
Payments	19 000 000,00

I. DECREASE

I.1

a) Heading

01 03 02 - Macro-financial assistance

b) Figure at 26/08/2015

	Commitments	Payments
1A Appropriation in budget (initial budget + AB)	77 955 000,00	74 218 061,00
1B Appropriation in budget (EFTA)	0,00	0,00
2 Transfers	0,00	0,00
3 Final appropriation for the year (1A+1B+2)	77 955 000,00	74 218 061,00
4 Utilisation of final appropriation	0,00	23 029 806,20
5 Amount not used/available (3-4)	77 955 000,00	51 188 254,80
6 Requirements up to year-end	57 955 000,00	32 188 254,80
7 Proposed decrease	20 000 000,00	19 000 000,00
8 Decrease as percentage of appropriation in budget (7/1A)	25,66 %	25,60 %
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	n/a

c) Receipts arising from recovery (carried over) (C5)

	Commitments	Payments
1 Appropriations available at start of the year	0,00	0,00
2 Appropriations available on 26/08/2015	0,00	0,00
3 Rate of utilisation [(1-2)/1]	n/a	n/a

d) Detailed grounds for the transfer

On 24 August 2015 the implementation of commitments on this budget line stood at 0%, while the implementation in payment appropriations was at 31%.

In line with earlier forecasts, the Macro-financial Assistance (MFA) operations for Georgia (EUR 23 million in grants) has been disbursed and for the Kyrgyz Republic (EUR 15 million in grants) is foreseen to be implemented in 2015. However, the MFA operations for Moldova and Armenia are not likely to materialise in 2015.

For Armenia: A request from the Armenian authorities for MFA support was received in February 2013 and renewed in February 2014. The International Monetary Fund (IMF) Board approved in March 2014 a three-year programme of USD 125 million and identified a financing gap of USD 100 million expected to be covered by EU MFA. This is why the Commission introduced the corresponding request in the budgetary process. However, taking into account the economic situation and Armenia's capacity to attract external financing (in particular the Eurobond issuance of USD 500 million in March 2015), the Commission currently does not consider the macro-economic stability at threat and will not propose a new MFA programme for the country in 2015. The Commission will continuously monitor the situation with a view of considering a new proposal which may have a budgetary impact in 2016-2017.

For Moldova: At the end of 2013 and in 2014 the government of Moldova queried the possibility of a new MFA operation alongside a new IMF programme. This was included in draft budget 2015 accordingly. However, the related negotiations with the IMF failed at the beginning of 2014. Following the November 2014 elections, Moldova has been in a state of

political instability with changes in governments, a banking crisis and the real economy slipping into recession. In this context, planned negotiations on a new IMF programme have been called off on two occasions. The current government formed at the end of July 2015 has renewed the negotiations on a new IMF programme, which could be submitted for IMF Board approval in November 2015. If substantial progress on the IMF programme is made, the Moldovan authorities are likely to formally request MFA assistance, which would have a budgetary impact in 2016-2017.

As a result, in total, EUR 77 455 000 in commitment appropriations (CA) and EUR 35 688 254 in payment appropriations (PA) can be transferred to cover urgent needs on other budget lines of Heading 4 in 2015 as follows:

- EUR 20 million in CA and EUR 19 million in PA for additional support to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA);
- EUR 15 million in CA and EUR 15 million in PA for humanitarian aid in South Sudan;
- The remaining balance of EUR 42 455 000 in CA and EUR 1 688 254 in PA for the crisis in Syria and Iraq.

II. INCREASE

II.1

a) Heading

21 03 01 04 - Support to peace process and financial assistance to Palestine and to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

b) Figure at 26/08/2015

	Commitments	Payments
1A Appropriation in budget (initial budget + AB)	286 500 000,00	218 104 163,00
1B Appropriation in budget (EFTA)	0,00	0,00
2 Transfers	13 500 000,00	46 800 000,00
3 Final appropriation for the year (1A+1B+2)	300 000 000,00	264 904 163,00
4 Utilisation of final appropriation	212 000 000,00	212 570 093,66
5 Amount not used/available (3-4)	88 000 000,00	52 334 069,34
6 Requirements up to year-end	108 000 000,00	71 334 069,34
7 Proposed increase	20 000 000,00	19 000 000,00
8 Increase as percentage of appropriation in budget (7/1A)	6,98 %	8,71 %
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	n/a

c) Receipts arising from recovery (carried over) (C5)

	Commitments	Payments
1 Appropriations available at start of the year	0,00	0,00
2 Appropriations available on 26/08/2015	0,00	0,00
3 Rate of utilisation [(1-2)/1]	n/a	n/a

d) Detailed grounds for the transfer

On 24 August 2015, the overall implementation rate of commitment appropriations on the budget line 21 03 01 04 stood at 100%, whereas for payment appropriations it was at 80%.

The amount already committed includes a contribution of EUR 82 million to the General Fund of the United Nations Relief and Works Agency for Palestine Refugees (UNRWA). The Fund caters for the provision of essential services and pays the salaries of around 30 000 teachers, doctors and social workers in the refugee camps, who are themselves for the most part Palestinian refugees.

In June, UNRWA forecasted a deficit of around USD 101 million in the Fund in 2015, despite the austerity measures it imposes since 2012. Thanks to some exceptional contributions announced recently, mainly by the Gulf countries, the UNRWA Commissioner General Pierre Krähenbühl could declare the 2015/16 school year open (685 schools benefiting 500 000 pupils in Syria, Jordan, Lebanon, the West Bank and Gaza). However, in a Statement published on 19 August, he reiterated that the Agency still needs USD 22 million to bridge its financing gap for 2015 and pay for the 22 000 teachers until the end of the year (i.e. the first school quarterly term).

Also at risk are the food and cash assistance to the most vulnerable refugees and the maintenance of 123 health clinics.

A reinforcement to budget line 21 03 01 04 in the amount of EUR 20 million in commitment and EUR 19 million in payment appropriations is therefore requested, allowing the Agency to secure the payment of the 22 000 teachers, to

keep its basic services running until the end of the year and to carry on its crucial reform process (early retirements, financial compensation for staff, etc.).

The request in payment appropriations represents 95% of commitments which need to be paid immediately. The remaining 5% will be paid within 12 months, i.e. under the 2016 budget.

ANNEX: United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

UNRWA is the UN Agency established to look after the health, education and social protection requirements of 5.4 million Palestinian refugees. It provides services in 5 operational fields - Gaza, West Bank, Jordan, Syria and Lebanon.

UNRWA's funding depends almost entirely (95%) on voluntary contributions. The unpredictability of its cash inflows is therefore a big and continuous challenge, while the costs are fixed due to the constant amount of basic services provided.

UNRWA is currently working in perhaps the most challenging context since it began its operations in 1950. A number of factors have made Palestinian refugees more vulnerable and increasingly dependent on support from UNRWA. These include: the armed conflict in Syria (in particular in Yarmouk camp), its ramifications in Lebanon and Jordan, the deteriorating situation in the occupied Palestinian territory and the ongoing closure as well as the latest escalation of conflict in Gaza. These challenges are compounded by sharply deteriorating socio-economic conditions in the region, as the Palestinian refugee community is experiencing growing poverty, increasing vulnerability and continued infringement of basic human rights exposing them to further marginalization. Such situation may also have serious consequences in terms of overall stability in the region, **increasing pressure from migratory flows from Syria and the surrounding countries (even Gaza is now under pressure) as well as trends towards radicalisation.**

For 2015, the projected deficit for the General Fund of UNRWA amounts to around USD 22 million after taking into account the latest exceptional contributions received mainly from the Gulf countries. Despite the strict austerity measures it is imposing since 2012, the Agency has faced at least once this year a real prospect of not being able to pay its 30 000 staff on time, thus risking not being able to ensure the delivery of essential core services.

The annual agreed EU contribution EUR 82 million to the General Fund (from the European Neighbourhood Instrument bilateral allocation) along with contributions from other donors have sufficed to sustain service delivery only until August. UNRWA therefore faced a severe cash deficit at the end of summer, putting at risk the opening of the school year (685 schools benefiting 500 000 pupils in all 5 fields of operation). Thanks to the recent additional contributions, the Commissioner General Pierre Krähenbühl could declare the 2015/16 UNRWA school year open. However, in a Statement published on 19 August, he reiterated that the Agency is still missing sufficient funds to pay for the 22 000 teachers until the end of the year (first school quarterly term).

Funds covering the areas of health, relief and social services, sanitation and emergency assistance are also negatively affected by the overall deficit.

UNRWA has been going ahead with austerity measures to further reduce its chronic deficit, in particular through:

- A critical review of the Agency's class sizes with an increased class ceiling of 50 children per classroom, where possible. This would have a direct impact on the number teachers required. For the past few years, UNRWA has used a planning figure of between 40-45 children per classroom;
- A full recruitment freeze on posts financed by the General Fund with exception of posts critical for direct service delivery;

- A review and radical reduction of international consultancies financed by the General Fund.

Even after these measures, it would still require urgent support to cover the remaining USD 22 million deficit. A letter in this regard co-signed by UNRWA Commissioner General Krähenbühl and Jordanian Deputy Prime Minister and Foreign Minister Judeh has been sent to the attention of the President of the European Parliament Schulz and the High Representative/Vice-President Mogherini.

In response, a reinforcement of EUR 20 million in commitment appropriations is proposed to cover the projected deficit, allowing the Agency to:

- Secure the payment of the 22 000 teachers in all schools in Syria, Jordan, Lebanon, West Bank and Gaza until the end of the year;
- keep its basic services running (namely education, health facilities and social safety net for the most vulnerable Palestinian refugees) until the end of the year;
- carry on its crucial reform process (early retirements, financial compensation for staff, etc.).

Out of this amount, 95% will be paid immediately equalling EUR 19 million in payment appropriations, which is therefore required. The remaining 5% will be paid within 12 months, i.e. under the 2016 budget.