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COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	10 July 2018
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2018) 537 final
Subject:	Draft amending budget No 5 to the general budget for 2018: Cancellation of the reserve related to the support to Turkey from the Instrument for Pre-Accession (IPA II), reinforcement of the European Neirbourhood Instrument (ENI) and of the Humanitarian Aid for orther urgent actions and modification of the establishment plan of the Innovation & Networks Executive Agency (INEA) in the context of the WiFi4EU initiative

Delegations will find attached document COM(2018) 537 final.

Encl.: COM(2018) 537 final

EUROPEAN
COMMISSION

Brussels, 10.7.2018
COM(2018) 537 final

DRAFT AMENDING BUDGET No 5
TO THE GENERAL BUDGET 2018

Cancellation of the reserve related to the support to Turkey from the Instrument for Pre-Accession (IPA II), reinforcement of the European Neirbourhood Instrument (ENI) and of the Humanitarian Aid for orther urgent actions and modification of the establishment plan of the Innovation & Networks Executive Agency (INEA) in the context of the WiFi4EU initiative

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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 41 thereof,

– the general budget of the European Union for the financial year 2018, as adopted on 30 November 2017[2],

– the amending budget No°1/2018[3], adopted on 30 May 2018,

– the amending budget No°2/2018[4], adopted on 4 July 2018,

– the amending budget No 3/2018[5], adopted on 4 July 2018,

– the draft amending budget No 4/2018[6], adopted on 31 May 2018.

The European Commission hereby presents draft amending budget No 5 to the general budget 2018 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.

[1] OJ L 298, 26.10.2012, p. 1.
[2] OJ L 57, 28.2.2018, p. 1.
[3] OJ L XXX, XX.XX.2018.
[4] OJ L XXX, XX.XX.2018 [COM(2018) 227].
[5] OJ L XXX, XX.XX.2018 [COM(2018) 310].
[6] COM(2018) 361.

TABLE OF CONTENTS

1. INTRODUCTION... 4
2. CANCELLATION OF THE RESERVE RELATED TO THE SUPPORT TO TURKEY FROM THE INSTRUMENT FOR PRE-ACCESSION (IPA II)... 4
3. REINFORCEMENT OF THE EUROPEAN NEIGHBOURHOOD INSTRUMENT (ENI) IN COMMITMENT APPROPRIATIONS... 5
4. REINFORCEMENT OF HUMANITARIAN AID IN PAYMENT APPROPRIATIONS............... 5
5. WIFI4EU INITIATIVE - REINFORCEMENT OF THE ESTABLISHMENT PLAN OF THE INNOVATION & NETWORKS EXECUTIVE AGENCY (INEA)... 6
6. SUMMARY TABLE BY MFF HEADING... 7

1. INTRODUCTION

The purpose of Draft Amending Budget (DAB) No 5 for the year 2018 is the following:

- To cancel, both in commitment and payment appropriations, the reserve related to the support to Turkey from the Instrument for Pre-Accession (IPA II) as the condition set by the European Parliament and the Council for its lifting has not been met.
- To reinforce, in commitment appropriations, the European Neighbourhood Instrument (ENI) to fund additional actions linked to the Central Mediterranean migratory route and to fulfil part of the pledge made at the 24-25 April 2018 Brussels II conference "Supporting the future of Syria and the region".
- To reinforce, in payment appropriations, the Humanitarian Aid to cover the needs in pre-financing payments as a result of the reinforcements in commitment appropriations, decided at the end of 2017, from the Emergency Aid Reserve and as part of the Year-end transfer.
- To modify the establishment plan of the Innovation & Networks Executive Agency (INEA) in the context of the WiFi4EU initiative.

Overall this amending budget is neutral.

2. CANCELLATION OF THE RESERVE RELATED TO THE SUPPORT TO TURKEY FROM THE INSTRUMENT FOR PRE-ACCESSION (IPA II)

In the context of the budgetary procedure 2018, the European Parliament and the Council decided to place in reserve EUR 70 million in commitment appropriations and EUR 35 million in payment appropriations on the budget item 22 02 03 01 *Support for political reforms and related progressive alignment with the Union acquis*. This budget line relates to the support to Turkey from the Instrument for Pre-Accession (IPA II).

The condition set to release these amounts reads as follows : *"(…) when Turkey makes measurable sufficient improvements in the fields of rule of law, democracy, human rights and press freedom, according to the annual report of the Commission"*.

The Commission's annual report on Turkey, published on 17 April 2018[7], is unequivocal in its findings that there have been no measurable improvements and that, rather, Turkey continues to move further away from Europe, especially with regard to the continued under-performance on the rule of law, democracy and human rights. The ongoing state of emergency declared in the wake of the attempted coup of 15 July 2016 and the scope of actions taken under it have led to a severe curtailment of civil and political rights including freedom of expression and freedom of assembly. The independence of the judiciary and the right to a fair trial have been widely undermined while civil society has been under increasing pressure. Since the introduction of the state of emergency, over 150,000 people have been taken into custody including over 150 journalists.

Since the publication of the annual report, there has been no reversal of the trends mentioned above.

The condition set by the European Parliament and the Council has therefore not been met and it is consequently proposed to cancel fully the related amounts in reserve, both in commitment and payment appropriations, as well as the related budget remarks, and increase the European Neighborhood instrument (ENI) and Humanitarian Aid instead.

[7] COM(2018) 450, SWD(2018) 153.

in EUR

Budget line	Name	Commitment appropriations	Payment appropriations
40 02 41	Differentiated appropriations (*Reserve for budget item 22 02 03 01 – Instrument for Pre-accession Assistance – Turkey Support for political reforms and related progressive alignment with the Union acquis)*	-70 000 000	-35 000 000
Total		**-70 000 000**	**-35 000 000**

3. REINFORCEMENT OF THE EUROPEAN NEIGHBOURHOOD INSTRUMENT (ENI) IN COMMITMENT APPROPRIATIONS

The Commission proposes to reinforce the European Neighbourhood Instrument (ENI) with EUR 70 million in commitment appropriations in order to fund additional urgent actions linked to the Central Mediterranean migratory route and to fulfil part of the pledge made at the 24-25 April 2018 Brussels II conference "Supporting the future of Syria and the region". To this end the funds will be channelled to the North Africa window of the EU Trust Fund Africa and to the Madad EU Trust Fund (for Syria).

EUR 28 million would be transferred to the EUTF Africa's North Africa window in order to contribute to closing the financing gap of EUR 225 million identified for 2018-2019 and confirmed in the last two progress reports on the Implementation of the European Agenda on Migration[8]. In the case of Libya the additional funding will mainly relate to the voluntary return of vulnerable stranded migrants. In addition, and despite an overall decrease of illegal border crossing in 2018, movements from Morocco and Tunisia towards Europe are increasing and call for renewed support to the root causes of irregular migration in Tunisia and to the effective implementation of the integration strategy of Morocco.

EUR 42 million would be transferred to the EU Regional Trust Fund in Response to the Syrian Crisis, the 'Madad EU Trust Fund' in order to finance part of a package of actions for Syrian refugees in Jordan related to social protection, higher education, livelihoods and health, to be adopted by the Operational Board of the Trust Fund in December 2018.

No additional payment appropriations are needed in 2018 for these actions.

in EUR

Budget line	Name	Commitment appropriations	Payment appropriations
22 04 01 03	Mediterranean countries — Confidence building, security and the prevention and settlement of conflicts	70 000 000	-
Total		**70 000 000**	**0**

4. REINFORCEMENT OF HUMANITARIAN AID IN PAYMENT APPROPRIATIONS

The Commission proposes to reinforce Humanitarian Aid with EUR 35 million in payment appropriations to meet payment needs triggered by the budgetary reinforcements in commitment appropriations at the end of 2017:

- EUR 102 million from the Emergency Aid Reserve and other redeployments; and
- EUR 22,8 million through the year-end transfer for Humanitarian aid in accordance with Article 26(2) of the Financial Regulation.

[8] COM(2018) 250, 14.3.2018 and COM(2018) 301, 16.5.2018.

These reinforcements did not include the corresponding payment appropriations since only part of the contracting was done in 2017 and could be covered by the existing payment appropriations in 2017. Since the remaining contracts are being signed in 2018 and because the current level of payment appropriations in the budget 2018 is not sufficient to cover the related pre-financing payments, additional payment appropriations are needed.

It is therefore proposed to add EUR 35 million in payment appropriations to the budget article 23 02 01 *Delivery of rapid, effective and needs-based humanitarian aid and food assistance*.

in EUR

Budget line	Name	Commitment appropriations	Payment appropriations
23 02 01	Delivery of rapid, effective and needs-based humanitarian aid and food assistance	-	35 000 000
Total		**0**	**35 000 000**

5. WiFi4EU Initiative - Reinforcement of the establishment plan of the Innovation & Networks Executive Agency (INEA)

The WiFi4EU initiative aims to promote internet connectivity in local communities[9]. It takes the form of a voucher scheme the objective of which is to provide, free of charge and without discriminatory conditions, high-quality Internet access to residents and visitors in the centres of local public life. Public sector bodies – and more specifically municipalities – will thus be empowered to install public Wi-Fi hotspots in indoor or outdoor public spaces, such as town hall, public libraries, town squares, museums and health centres in about 6,000 to 8,000 communities across Europe by 2020. It will also facilitate these local communities' access to online services, such as e-Health, e-Government, e-Tourism, etc., and it will eventually offer a roaming service between WiFi4EU hotspots for end-users.

Further to Commission Decision C(2018)1281 of 27 February 2018 delegating the implementation of the initiative to the Innovation & Networks Executive Agency (INEA), the agency should dispose of an adequate level of human resources to carry out the new tasks. As foreseen in the cost benefit analysis and indicated[10] in the financial statement attached to the Decision, the 2018 establishment plan of the Agency needs to be amended to add one post of temporary agent at grade AD7.

This amendment, increasing the total number of posts of INEA from 71 to 72, can be financed within the Agency's budget for this year. Consequently, a reinforcement of the EU subsidy to this executive agency is not required.

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

[9] Regulation (EU) 2017/1953 of the European Parliament and of the Council of 25 October 2017 amending Regulations (EU) No 1316/2013 and (EU) No 283/2014 as regards the promotion of internet connectivity in local communities.

[10] The delegation was accepted by the Director of the Agency as of 1st May 2018.

6. SUMMARY TABLE BY MFF HEADING

Heading	Budget 2018 (incl. AB 1-3 & DAB 4/2018)		Draft Amending Budget 5/2018		Budget 2018 (incl. AB 1-3 & DAB 4-5/2018)	
	CA	PA	CA	PA	CA	PA
1. Smart and inclusive growth	**77 533 697 652**	**66 624 486 101**			**77 533 697 652**	**66 624 486 101**
Of which under global margin for commitments	*1 113 697 652*				*1 113 697 652*	
Ceiling	*76 420 000 000*				*76 420 000 000*	
Margin						
1a Competitiveness for growth and jobs	22 001 452 724	20 097 167 844			22 001 452 724	20 097 167 844
Of which under global margin for commitments	*762 452 724*				*762 452 724*	
Ceiling	*21 239 000 000*				*21 239 000 000*	
Margin						
1b Economic social and territorial cohesion	55 532 244 928	46 527 318 257			55 532 244 928	46 527 318 257
Of which under global margin for commitments	*351 244 928*				*351 244 928*	
Ceiling	*55 181 000 000*				*55 181 000 000*	
Margin						
2. Sustainable growth: natural resources	**59 285 323 122**	**56 083 793 633**			**59 285 323 122**	**56 083 793 633**
Ceiling	*60 267 000 000*				*60 267 000 000*	
Margin	*981 676 878*				*981 676 878*	
Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	43 234 516 899	43 188 677 466			43 234 516 899	43 188 677 466
Sub-ceiling	*44 163 000 000*				*44 163 000 000*	
EAGF Margin	*927 833 101*				*927 833 101*	
3. Security and citizenship	**3 493 241 199**	**2 980 707 175**			**3 493 241 199**	**2 980 707 175**
Of which under Flexibility Instrument	*837 241 199*				*837 241 199*	
Ceiling	*2 656 000 000*				*2 656 000 000*	
Margin						
4. Global Europe	**10 068 842 411**	**8 906 075 154**			**10 068 842 411**	**8 906 075 154**
Of which under global margin for commitments	*243 842 411*				*243 842 411*	
Ceiling	*9 825 000 000*				*9 825 000 000*	
Margin						
5. Administration	**9 665 513 627**	**9 666 318 627**			**9 665 513 627**	**9 666 318 627**
Ceiling	*10 346 000 000*				*10 346 000 000*	
Of which offset against Contingency margin	*- 318 000 000*				*- 318 000 000*	
Margin	*362 486 373*				*362 486 373*	
Of which: Administrative expenditure of the institutions	7 579 920 627	7 580 725 627			7 579 920 627	7 580 725 627
Sub-ceiling	*8 360 000 000*				*8 360 000 000*	
Of which offset against Contingency margin	*- 318 000 000*				*- 318 000 000*	
Margin	*462 079 373*				*462 079 373*	
Total	**160 046 618 011**	**144 261 380 690**			**160 046 618 011**	**144 261 380 690**
Of which under Flexibility Instrument	***837 241 199***	***678 340 197***			***837 241 199***	***678 340 197***
Of which under global margin for commitments	***1 357 540 063***				***1 357 540 063***	
Ceiling	***159 514 000 000***	***154 565 000 000***			***159 514 000 000***	***154 565 000 000***
Of which offset against Contingency margin	***- 318 000 000***				***- 318 000 000***	
Margin	***1 344 163 251***	***10 981 959 507***			***1 344 163 251***	***10 981 959 507***
Other special Instruments	**698 540 311**	**551 238 311**			**698 540 311**	**551 238 311**
Grand Total	**160 745 158 322**	**144 812 619 001**			**160 745 158 322**	**144 812 619 001**