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**DRAFT AMENDING BUDGET N° 3
TO THE GENERAL BUDGET 2014**

GENERAL STATEMENT OF REVENUE

STATEMENT OF EXPENDITURE BY SECTION

Section III – Commission

Section VII - Committee of the Regions

Section IX - European Data Protection Supervisor

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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,
- 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 41 thereof,
- the Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020², and in particular Article 13 thereof,
- the general budget of the European Union for the financial year 2014 adopted on 20 November 2013³,
- the amending budget No 1/2014⁴, adopted on 16 April 2014,
- the draft amending budget No 2/2014⁵, adopted on 15 April 2014,

The European Commission hereby presents to the budgetary authority the draft amending budget No 3 to the 2014 budget.

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 347, 20.12.2013, p. 884.
³ OJ L 51, 20.2.2014, p. 1.
⁴ OJ L XX, XX.X.2014.
⁵ COM(2014) 234, 15.4.2014.

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1. INTRODUCTION

Draft amending budget (DAB) No 3 for the year 2014 covers the following:

- an increase in the forecast of other revenue stemming from fines and interests, amounting to EUR 1 417,0 million;
- an increase in the forecast of other revenue stemming from repayments and revenue paid back to the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), amounting to EUR 151,0 million;
- a redeployment of payment appropriations from the reserve for the Sustainable Fisheries Partnership Agreements to the European Fisheries Fund, amounting to EUR 65,0 million;
- an increase of payment appropriations of EUR 711,4 million across headings 1a, 2 and 4 up to the 2014 ceiling for payments. This is with the aim of meeting outstanding needs to the end of the year, so that obligations stemming from past and current commitments can be honoured, financial penalties avoided, and beneficiaries can receive the funds envisaged by the agreed EU policies, for which Parliament and Council authorised the related commitment appropriations in previous annual budgets;
- an increase of payment appropriations of EUR 4 026,7 million under heading 1a, heading 1b, heading 2 and heading 4 for which the Commission proposes to mobilise the Contingency Margin in accordance with Article 13 of the multiannual financial framework (MFF) Regulation. This is with the aim of addressing events that were unforeseen when the 2014-2020 MFF payment ceilings were agreed; and
- an adjustment of the establishment plans of the Commission, the Offices, the Committee of the Regions and the European Data Protection Supervisor, to take account of the conversion of posts in the function group for Assistants (AST) into posts in the new function group for Secretaries and Clerks (AST/SC), now that reliable estimates of the number of posts concerned in 2014 have become available. The requested conversion of posts leads to a saving of administrative expenditure under heading 5 of EUR 0,4 million. The corresponding payment appropriations become available for redeployment.

In accordance with Article 41(2) of the Financial Regulation and Article 13 of the MFF Regulation, the Commission has examined the scope for internal redeployment within the 2014 budget, against the background of consistently high payment implementation across all major programmes. The request for additional payment appropriations (EUR 4 738,1 million) in this DAB 3/2014 reflects the outstanding additional payment appropriations required to meet year-end needs across the 2014 budget, making full use of the maximum and specific flexibility mechanisms created in the MFF Regulation.

The request for EUR 4 738,1 million is detailed in section 3 below.

When taking into account the increase in revenue described in section 2 below, the net impact in terms of additional call for funds is EUR 3 170,1 million. Moreover, in April 2014, the Commission already proposed the budgeting of the EUR 1 005,4 million surplus resulting from the implementation of the budget year 2013, which further reduces the call for funds correspondingly, leading to a net impact of EUR 2 164,7 million compared to the current authorised budget.

2. INCREASE IN REVENUE

2.1 Fines and interests

The authorised budget 2014 contains an initial estimate of revenue of EUR 100 million from fines and penalties under revenue chapter 7 1 — ‘Fines’, as well as EUR 15 million from interests on fines under revenue chapter 7 0 — ‘Interest on late payments’. Taking into account the amounts that at this stage of the year are cashed or are expected to be cashed, it is proposed to increase the initial forecasts

for revenue from fines (revenue article 7 1 0 — ‘Fines, periodic payments and other penalties’) by EUR 1 408 million, and for revenue from interests (revenue article 7 0 1 — ‘Interest on late payments and other interest on fines’) by EUR 9 million. In accordance with Article 83 of the Financial Regulation, the Commission shall record the amounts received by way of fines, penalties and sanctions as soon as the decisions imposing them may no longer be overruled by the Court of Justice of the European Union. This increase in revenue from fines and interests will reduce accordingly the effect of the present draft amending budget on Member States’ GNI-based contributions.

In April 2014⁶, the Commission already proposed a revision of the revenue side of the budget in order to budget the surplus resulting from the implementation of the budget year 2013 amounting to EUR 1 005,4 million, which will be entered as revenue in the 2014 budget, in accordance with Article 18 of the Financial Regulation.

2.2 FEMIP reflows

Repayments and revenue (‘reflows’) paid back to the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) have been accumulating on EU accounts in the European Investment Bank (EIB) since 2008, pending adoption by the legislator of the Commission proposal to amend the ENPI Regulation, which would have allowed the EIB to reinvest these funds. The reuse of reflows was also discussed in the context of the 2012 revision of the Financial Regulation and the Common Implementing Regulation (CIR) for the external financing instruments. However, the legislative outcome is that none of these Regulations provide a legal basis for the reuse of reflows originating from legal commitments concluded before 2014.

Article 10 of the Decision of the European Parliament and of the Council on granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union⁷ lays down that EUR 110 million of the accumulated ‘FEMIP reflows’ shall be used as external assigned revenue to provision the Guarantee Fund for External Actions, thereby allowing for a EUR 2 billion increase of EIB lending under EU guarantee. Amounts exceeding EUR 110 million which originate from legal commitments concluded before 2014 and which have been paid back to the fiduciary accounts established for the FEMIP shall, in line with the general budgetary principle of universality, be entered in the EU budget after deduction of management costs and fees. It is therefore proposed that EUR 151 million, which corresponds to the amount available at the relevant EU accounts in the EIB at the end of 2013, are budgeted in the present amending budget.

The budgetary remarks of revenue article 8 1 0 – ‘Capital repayments and interest in respect of special loans and risk capital granted in the framework of financial cooperation with Mediterranean third countries’ and expenditure article 01 03 06 – ‘Provisioning to the Guarantee Fund’ have been adapted, accordingly, to take account of the use of EUR 110 million as external assigned revenue to provision the Guarantee Fund for External Actions, in accordance with Article 21 of the Financial Regulation.

3. SHORTAGE OF PAYMENTS, IMPLEMENTATION AND REDEPLOYMENT

3.1 Shortage of payments

The ceiling for payment appropriations in 2014 is set in the 2014-2020 MFF at EUR 135 866 million (in current prices). This is EUR 8,4 billion lower than the final budget 2013, whereas the payment needs for the year 2014 would have required a payment ceiling that is more in continuity with the 2013 ceiling, as the Commission has stated on numerous occasions. As a consequence, already at this stage of the year, shortages of payment appropriations are visible across all headings, as set out in more detail in section 3.2 below. Furthermore, the backlog of unpaid payment claims for 2007-2013 programmes in heading 1b stood at EUR 23,4 billion at the end of 2013.

⁶ COM(2014) 234, 15.4.2014.

⁷ OJ L 135, 8.5.2014.

Against the backdrop of payment shortfalls across all headings, the Commission proposes to use the unallocated margin available under the ceiling (EUR 711 million) as well as to fully mobilise the Contingency Margin to cover all the budgetary consequences of those events that have arisen after the agreement on the 2014-2020 MFF payment ceiling in February 2013.

3.2 Payment implementation 2014 to date

Overall, implementation of payment appropriations at 22 May 2014 stood at EUR 76,9 billion, corresponding to 58 % of available appropriations. This is EUR 3,8 billion more than the implementation at the same date in 2013, with all headings being ahead of last year. The particularly high level of budget implementation is to be seen against a background of monthly cash-flow constraints experienced in the course of 2014 to date, which have led to temporary restrictions on the outflow of payments for Cohesion (heading 1b) and Rural Development (heading 2). These constraints have kept implementation artificially below what it would have been under normal conditions in the first half of the year.

Moreover, the current level of budget implementation should be seen against the background of the overall level of implementation at year-end 2013, amounting to EUR 140,4 billion for the Commission Section of the budget, whereas the authorised payment appropriations in the 2014 budget are EUR 7,6 billion lower. The lack of payment appropriations currently available has forced the Commission to request specific emergency transfers (DEC 6/2014 and DEC 10/2014) to cover at least the most urgent needs, awaiting the reinforcements requested in this amending budget.

The current rate of implementation underpins the request for a substantial further reinforcement in payments, also given that payment implementation is traditionally concentrated towards the end of the year and that interim and closure payments on 2007 – 2013 programmes are running at full speed.

3.3 Scope for redeployment

The main source of redeployment identified by the Commission concerns the reserve for Sustainable Fisheries Partnership Agreements. After analysis of the status of negotiations linked to the Sustainable Fisheries Partnership Agreements and the evaluation of the possible dates of entry into force, an amount of EUR 65 million in payment appropriations can be released from the reserve. These payment appropriations are accordingly available for redeployment, which the Commission proposes to use to reinforce the Convergence objective of the European Fisheries Fund (EFF), in order to take account of the high level of unpaid payment claims at the end of 2013. The backlog amounted to EUR 450 million for the EFF as a whole (approximately 10 % of the total EFF envelope for the 2007-2013 period), of which EUR 350 million for the Convergence objective. This exceeds the appropriations available in 2014 on this line by EUR 31 million. Even if a further reinforcement of EUR 10 million is requested to be financed from the Contingency Margin (see section 6.4 below), payment requirements on this budget line exceed the available appropriations.

The reinforcement requested for this line is consistent with the high level of budget implementation, which at 22 May 2014 stood at 86 % of appropriations initially available in 2014. Without the proposed redeployment of EUR 65 million, part of the payment claims dating from 2013 would remain unpaid, whereas no payment claims from 2014 would be paid. As a consequence, payment deadlines would not be respected and the backlog of payments to be carried over into 2015 would increase significantly, affecting programme implementation in a large number of Member States.

In EUR million, rounded figures

Budget line	Name	Redeployment of payment appropriations in DAB 3
European Fisheries Fund		65
11 06 12	Completion of European Fisheries Fund (EFF) – Convergence objective (2007-2013)	65
Reserve for Sustainable Fisheries Partnership Agreements		-65
40 02 41	Reserve for differentiated appropriations (linked to budget article 11 03 01 – Sustainable Fisheries Partnership Agreements)	-65
Total		0

In addition, an amount of EUR 0,38 million becomes available following the conversion of AST posts into AST/SC posts in establishment plans, as set out in section 8 below.

4. OVERVIEW OF REQUESTED ADDITIONAL PAYMENT APPROPRIATIONS BY HEADING

Based on the high level of payment implementation to date, the payment shortages and the extremely limited possibilities for redeployment of payment appropriations in the 2014 budget, the Commission proposes to make full use of the unallocated margin under the 2014 payment ceiling and to mobilise the Contingency Margin for payments in 2014 in full, to be offset against a corresponding reduction of the ceilings in later years of the MFF period⁸.

The Commission has undertaken a careful assessment of needs to meet obligations in 2014. On that basis this draft amending budget aims at adjusting the level of payment appropriations available across budget lines to address clearly identified payment shortages. The overall breakdown of the additional payment appropriations by MFF heading is the following: EUR 3,4 billion (corresponding to 71,6 % of the overall reinforcement) are requested for heading 1b, whereas a further EUR 1,3 billion cover needs in other expenditure headings (see table below). *Payment appropriations in EUR million, rounded figures*

⁸ COM(2014) 328, 28.5.2014.

Payment appropriations by MFF Heading	Final budget 2013	Voted budget 2014	DAB 3			Share in DAB 3	Proposed increase compared with 2014 budget
			Use of margin	Use of Contin- gency Margin	Total		
1a Competiveness for Growth and Jobs	12 778	11 441	305	282	587	12,4 %	5,1 %
1b Economic, Social and Territorial Cohesion	56 350	50 951		3 395	3 395	71,6 %	6,7 %
2 Sustainable Growth: Natural Resources	57 814	56 459	6	100	106	2,2 %	0,2 %
3 Security and Citizenship	1 894	1 677					
4 Global Europe	6 967	6 191	401	250	651	13,7 %	10,5 %
5 Administration	8 418	8 406					
6 Compensations	75	29					
Total	144 295	135 155	711	4 027	4 738	100,0 %	3,5 %
<i>Of which headings 1a, 2 and 4</i>	<i>77 559</i>	<i>74 091</i>	<i>711</i>	<i>632</i>	<i>1 343</i>	<i>28,4 %</i>	<i>1,8 %</i>

The sections below provide detailed justifications for the additional needs for payment appropriations, by MFF heading, from the unallocated margin under the payment ceiling (section 5), as well as from the contingency margin (section 6). Section 7 shows the global impact of the requested increase in payment appropriations for all the budget lines concerned.

5. REINFORCEMENT OF PAYMENTS FROM THE UNALLOCATED MARGIN

5.1. Heading 1a — Competiveness for Growth and Jobs

The overall request for reinforcement of payment appropriations in heading 1a amounts to EUR 305 million, broken down as shown in the table below. The following section provides detailed justifications.

In EUR million, rounded figures

Budget line	Name	Reinforcement of payment appropriations in DAB 3
EGNOS and Galileo		70
02 05 01	Developing and providing global satellite-based radio navigation infrastructures and services (Galileo) by 2019	70
Research		75
08 02 51	Completion of previous research framework programme – Seventh Framework programme – EC indirect action (2007 to 2013)	50
09 04 51	Completion of previous research framework programme – Seventh Framework programme – EC indirect action (2007 to 2013)	25
Erasmus+		85
15 02 01 01	Promoting excellence and cooperation in the European education and training area and its relevance to the labour market	85
Customs and Fiscalis		10
14 02 01	Supporting the functioning of the customs union	7,5
14 03 01	Improving the operation of the taxation systems	2,5
European Economic Recovery Plan (EERP)		55
32 02 52	Completion of energy projects to aid economic recovery	55
Interoperability Solutions for European Public Administrations (ISA)		10
26 03 01 01	Interoperability Solutions for European Public Administrations (ISA)	10
Total		305

EGNOS and Galileo

The additional EUR 70 million in payment appropriations is required to partially cover the gap between the amount requested in the 2014 draft budget and the final adopted budget for the GNSS programme. Based on the latest forecast received from the European Space Agency, this amount is necessary to allow the further completion of the GNSS systems. In particular, substantial payments are necessary in 2014 for the development of the launchers which will bring the satellites that are already under construction into orbit in 2014 and 2015.

Horizon 2020

An additional EUR 75 million is required to meet payment needs for the completion of research programmes under the 7th Framework Programme for Research (FP7). In general, the payment appropriations authorised in the 2014 budget for the closure lines of FP7 are significantly below the amounts requested in the draft budget. However, this applies in particular to budget articles 08 02 51 and 09 04 51, which cover a wide range of research programmes and actions and for which implementation of available appropriations at 22 May already stood at 50 % and 65 %, respectively. The requested reinforcement is necessary in order to pay the remaining pre-financing on 2013 commitments (which can be done in the year 2014 for the last time) as well as to avoid delays in interim and final payments for the projects for which the Commission has already entered into legal obligations, which can result in interests on late payment. The currently authorised payment appropriations are expected to be fully used by early autumn 2014, after which the Commission will no longer be able to process interim and final payments for costs already incurred by the beneficiaries. The outstanding commitments of research programmes at the end of 2013 increased by EUR 2,7 billion, i.e. the highest annual increase in the period 2007-2013 for this programme.

Erasmus+

EUR 85 million is required to allow full implementation of the mobility actions of Erasmus+ in 2014. The mobility actions which are implemented by the national agencies in the Member States need to follow the academic year 2014-2015 and have short project cycles. Without the proposed reinforcement, it will not be possible to pay the second pre-financing to the national agencies, which means that they will not be able to finance part of the exchanges for the second semester 2014-2015. This will impact in particular on beneficiaries with low financial capacity.

Customs and Fiscalis

EUR 10 million is required to enable the full amount of the voted commitment appropriations to be committed and paid in 2014. The authorised payment appropriations are expected to be fully used by the end of the third quarter.

European Economy Recovery Plan (EERP)

The authorised payment appropriations in the 2014 budget for the EERP, amounting to EUR 85 million in payment appropriations, have already been fully used. In order to bridge the shortfall in payments needs, the Commission requests an increase of EUR 55 million.

Interoperability Solutions for European Public Administrations (ISA)

The ISA programme has experienced recurrent payment shortages over the last years and consequently, has had to be systematically reinforced through the Global Transfer and Budgetary Authority transfers. The authorised payment appropriations are expected to be fully used by end of June 2014. A reinforcement of EUR 10 million is required to avoid paying late interests.

5.2. Heading 2 — Sustainable Growth: Natural Resources

A EUR 6 million reinforcement of payment appropriations is requested for the ‘LIFE’ programme (budget article 34 02 01). The increased need stems from financial instruments, which can be launched faster than initially expected. Avoiding delays in launching financial instruments has a key strategic importance in view of obtaining the expected results. In order to allow for the

implementation of the loan and guarantee scheme of the ‘Private Financing for Energy Efficiency Instrument’ (PF4EE), and since at least one financing agreement with financial institutions is already in a very advanced stage, the corresponding payments, which were not foreseen in the 2014 draft budget, will be required already in 2014. The limited appropriations authorised on the line are needed for traditional procurement actions.

5.3. Heading 4 — Global Europe

The overall request for reinforcement of payment appropriations amounts to EUR 401 million, broken down as follows:

In EUR million, rounded figures

Budget line	Name	Reinforcement of payment appropriations in DAB 3
Humanitarian Aid		250
23 02 01	Delivery of rapid, effective and needs-based humanitarian aid and food assistance	250
Instrument for Pre-Accession Assistance (IPA)		45
22 02 51	Completion of former pre-accession assistance (prior to 2014)	45
Development Cooperation Instrument (DCI)		55
21 02 51 02	Cooperation with developing countries in Latin America	19
21 02 51 03	Cooperation with developing countries in Asia, including Central Asia and the Middle East	36
Instrument contributing to Stability and Peace (IcSP)		51
19 02 01	Response to crisis and emerging crisis	51
Total		401

Humanitarian Aid

The level of commitment appropriations for humanitarian aid has been substantially reinforced in 2013 and in previous years to cover the overwhelming needs for unforeseen disasters and major crises such as in Mali, Sahel, the Horn of Africa, Sudan/South Sudan, the Central African Republic, Somalia and especially Syria.

Although payment appropriations during 2013 were increased by 52 %, due to the general constraints on payment appropriations the reinforcement could not diminish the outstanding commitments (RAL) at the end of 2013, which reached the level of EUR 862 million, 111 % of the available payment appropriations in 2014. Bearing in mind the relatively short cycle (12-18 months) of the humanitarian aid projects, this makes it extremely difficult for the Commission to honour its contractual obligations and implement the urgent actions planned in the World Wide Decision (WWD)⁹ for 2014, even after taking into account mitigating measures such as the reduction of pre-financing for United Nations and other international organisations.

A EUR 150 million reinforcement has already taken place in April 2014, through a budget authority transfer (DEC 6) drawing from the Emergency Aid Reserve (EUR 50 million), and a temporary redeployment from DCI (EUR 55 million) and IPA (EUR 45 million, including EUR 15 million from cross-border cooperation). The Commission requests EUR 250 million to be able to meet its legal obligations and avoid disruption on the ground.

Development Cooperation Instrument (DCI) and Instrument for Pre-Accession Assistance (IPA)

The DCI and IPA programmes are expected to experience payment shortages in the second half of the year. Despite this, given the extreme urgency in the humanitarian field and the backloaded disbursement profiles for these two instruments, in April 2014 EUR 100 million in payment appropriations were temporarily transferred to Humanitarian Aid through DEC 6. The Commission

⁹ Commission implementing Decision financing humanitarian aid operational priorities from the 2014 EU budget.

requests to restore those EUR 100 million in payment appropriations to the DCI and IPA, without which the activities under these two instruments will be seriously jeopardised.

Instrument contributing to Stability and Peace (IcSP)

The payment appropriations currently available in the 2014 budget for the crisis response and conflict prevention part of the Instrument contributing to Stability and Peace are expected to be fully used as of July 2014. EUR 70 million of unpaid invoices at the end of 2013 had to be postponed to 2014. The Commission requests a reinforcement of EUR 51 million.

6. REINFORCEMENT OF PAYMENTS FROM THE CONTINGENCY MARGIN

6.1 Unforeseen circumstances

According to the technical adjustment of the financial framework for 2014 in line with movements in GNI¹⁰, the absolute amount of the Contingency Margin for 2014 is EUR 4 026,7 million.

Article 13 of the MFF Regulation defines the Contingency Margin as "*a last-resort instrument to react to unforeseen circumstances*"¹¹. This implies that the needs could not have been foreseen when the payment ceilings were established in February 2013 and that there is no other option than the mobilisation of the Contingency Margin.

A number of unforeseen circumstances indeed have an impact on the payment requirements in 2014, as follows:

1. **Frontloading**: increased payment needs result from the political agreement on the 2014-2020 MFF reached in June 2013 between the European Parliament and the Council, which foresees the frontloading of 'Horizon 2020', 'Erasmus+' and 'COSME' over 2014-2015 for an amount of EUR 400 million in commitment appropriations at 2011 prices. Moreover, in March 2014 the European Parliament and the Council decided to increase the capital of the European Investment Fund (EIF) as from 2014 with contributions from 'Horizon 2020' and 'COSME' to be paid out in 2014. This also increases payment requirements for 2014, as the annual instalment has to follow the budgetary/legal commitment immediately. The combined impact in payment appropriations amounts to + EUR 282 million in 2014. The decision to frontload the 'Youth Employment Initiative' (YEI) in 2014 for an amount of EUR 1 271 million in commitment appropriations (at 2011 prices) also has an additional impact of EUR 345 million in payment appropriations. However, the related payment appropriations have already been included in the 2014 draft budget;
2. **FEAD**: the adopted legal base of the 'Fund for European Aid to the Most Deprived' (FEAD) foresees a top up for 2014-2020 by EUR 1 billion at current prices as compared to the Commission proposal, which results in higher advance payments (11 % for the FEAD as compared to the 1,1 % average for the Structural Funds). This leads to additional needs in payment appropriations of EUR 99 million in 2014;
3. **Cohesion policy**: at the end of 2013 the unpaid payment claims stood at EUR 23,4 billion, or EUR 3,4 billion higher than the high range previously estimated by the Commission (up to EUR 20 billion). Such a gap must be covered to prevent the growing backlog of payment claims going out of control; further to the European Council conclusions of February 2013, the 10 % increase of the co-financing rates for Member States threatened with serious difficulties with respect to their financial stability has been extended. That entails a EUR 1 125 million increase in payment appropriations in 2014. However, for reasons of prudence the Commission at this stage does not propose to include the impact on payments of the extension of the top-up of the co-financing rates for the Cohesion policy, awaiting confirmation of the expected backlog of payment claims at the end of 2014;

¹⁰ COM(2013) 928, 20.12.2013.

¹¹ OJ L 347, 20.12.2013.

4. Rural Development: further to the European Council conclusions of February 2013, the 10 % increase of the co-financing rates for Member States threatened with serious difficulties with respect to their financial stability has been extended, as proposed by the Commission¹². That entails a EUR 90 million increase in payment appropriations in 2014;
5. European Fisheries Fund: similarly, further to the European Council conclusions of February 2013, the 10 % increase of the co-financing rates for Member States threatened with serious difficulties with respect to their financial stability has been extended, as proposed by the Commission¹³. That entails a EUR 10 million increase in payment appropriations in 2014;
6. Ukraine: the financial package announced by the Commission¹⁴ for Ukraine contains a ‘state building contract’ in the form of budget support, amounting to EUR 355 million¹⁵, of which a first instalment of EUR 250 million is to be paid in June 2014 and a second instalment of EUR 105 million in mid-2015. Such a disbursement schedule is much faster than the traditional assistance under the European Neighbourhood Instrument. The additional payment appropriations required in 2014 amount to EUR 250 million.

The additional payment needs for 2014 stemming from the unforeseen circumstances set out above are to a significant extent compensated by lower payment needs in later years of the 2014-2020 MFF. It is because of these compensatory effects that the use of the Contingency Margin, which requires an offsetting in later years, is appropriate to cope with these unforeseen needs.

The sections below present the specific amounts related to unforeseen circumstances for which additional payment appropriations are requested in this draft amending budget, as well as the detailed breakdown of the requested payment appropriations by budget line.

6.2. Heading 1a — Competiveness for Growth and Jobs

The overall request for reinforcement of payment appropriations in heading 1a from the Contingency Margin amounts to EUR 282 million, broken down as follows:

In EUR million, rounded figures

Budget line	Name	Reinforcement of payment appropriations in DAB 3
Horizon 2020		155
08 02 01 01	Strengthening frontier research in ERC – European Research Council	55
08 02 02 02	Enhancing access to risk finance for investing in research and innovation	10
15 03 01 01	Marie Skłodowska-Curie actions – Generating new skills and innovation	90
Erasmus +		117
15 02 01 01	Promoting excellence and cooperation in the European education and training area and its relevance to the labour market	117
COSME		10
02 02 02	Improving access to finance for small and middle-sized enterprises (SMEs) in the form of equity and debt	10
Total		282

¹² COM(2013) 521, 11.7.2013.

¹³ COM(2013) 428, 18.6.2013.

¹⁴ IP 14/219, 5.3.2014.

¹⁵ Financing decisions C(2014) 2907 and C(2014) 2906, 29.4.2014. Announced on this date via press release IP/14/501.

Horizon 2020

The EUR 155 million in payment appropriations requested from the Contingency Margin is required to meet additional payment needs arising from the frontloading of Horizon 2020 expenditure and the capital increase of the European Investment Fund (EIF). In the framework of the negotiations between the European Parliament and the Council on the MFF 2014-2020, the commitment appropriations for the Marie Skłodowska-Curie actions and the European Research Council were frontloaded by EUR 200 million (at 2011 prices) in the 2014 budget. The additional payment appropriations requested will ensure the necessary pre-financing for these research actions. Furthermore, Horizon 2020 will contribute to the EIF capital increase agreed in March 2014 (see COSME below).

Erasmus+

As for Horizon 2020, EUR 117 million in payment appropriations is needed as a direct consequence of the decision to frontload the programme in the framework of the MFF 2014-2020 negotiations (+ EUR 130 million in commitment appropriations at 2011 prices), in order to maintain the same ratio between commitments and payments (85 %).

COSME

EUR 10 million in additional payment appropriations is needed as a direct consequence of the agreement reached in March 2014 to increase the capital of the EIF as from 2014, to which COSME has contributed through amending budget No 1/2014 for an amount of EUR 21,5 million in commitments and payments. The additional payments are required to continue with the foreseen implementation of the programme, while minimising the impact of the unexpected EIF capital increase.

6.3. Heading 1b — Economic, Social and Territorial Cohesion

The overall request for reinforcement of payment appropriations in heading 1b from the Contingency Margin amounts to EUR 3 395 million, broken down as follows:

In EUR million, rounded figures

Budget line	Name	Reinforcement of payment appropriations in DAB 3
Cohesion policy		3 395
04 06 01	Promoting social cohesion and alleviating the worst forms of poverty in the Union	99
13 03 16	Completion of European Regional Development Fund (ERDF) – Convergence	2 401
13 03 18	Completion of European Regional Development Fund (ERDF) – Regional competitiveness and employment	500
13 03 19	Completion of European Regional Development Fund (ERDF) – European territorial cooperation	395
Total		3 395

At year-end 2013 the unpaid payment claims stood at EUR 23,4 billion. This is EUR 3,4 billion higher than the high-range estimate of up to EUR 20 billion which the Commission had used previously. The higher than expected backlog can be explained by the fact that Member States submitted payment claims of EUR 60,8 billion in 2013 compared to EUR 50,6 billion in 2012 (+ 20 %). The actual payment claims in 2013 were broadly in line with the Member States' forecasts submitted in September 2013. It could not be foreseen, however, that the Member States would submit a substantially higher amount of payment claims in 2013, especially during the last two months of the year. That is why the Commission requests a prudent reinforcement of payment appropriations for the 2007 – 2013 programmes in the same order of magnitude as the unexpected increase in the 2013 backlog.

The size of the backlog at the end of 2013 has now become unsustainable: it accounts for more than half of the overall payment appropriations authorised in the 2014 budget for the 2007-2013 programmes. This situation is particularly difficult to manage for the European Regional Development Fund (ERDF), for which the EUR 15,1 billion backlog at the end of 2013 represents more than 56 % of the appropriations in the authorised budget 2014 (the corresponding level for the ESF and the Cohesion Fund is around 40 %). This is why the Commission proposes to focus the reinforcement in DAB 3/2014 on the ERDF. Even with the proposed reinforcement, the backlog will still represent 44 % of the total appropriations for the ERDF.

Based on the recent Member States' forecasts from 30 April 2014 and on the comparable forecasting error experienced over the last two years of 11,8 % (average of the spring forecasts 2012 and 2013 in order to smoothen individual variations), the 2014 payment claims are now expected to be as high as EUR 52 billion (around EUR 5 billion above the authorised budget 2014). This means that the backlog by the end of 2013 is not expected to be offset by a lower level of payment claims in 2014 compared to the available appropriations. Despite the reinforcement proposed in this amending budget, the backlog of unpaid claims would only be stabilised by the end of 2014. The estimated backlog at the end of 2014 includes the impact of the top-up of co-financing rates for 2007-2013 programmes by 10 % which was extended from end-December 2013 to 2016. The corresponding impact on heading 1b is estimated at EUR 1 125 million for 2014. For reasons of prudence, however, at this stage the Commission does not request a reinforcement of payment appropriations linked to the top-up of the co-financing rates for heading 1b, awaiting the evaluation of the level of unpaid claims at the end of 2014.

As regards the Fund for European Aid to the Most Deprived (FEAD), the 2014 draft budget was prepared under the assumption that the FEAD envelope for 2014 – 2020 would amount to EUR 2,5 billion (2011 prices). However, a voluntary additional amount close to EUR 1 billion (2011 prices) from the ESF has now been agreed. Applying the advance payments rate of 11 % for this fund instead of the Structural Funds advance payments rate of 1 % (1,5 % for Member States with serious difficulties with respect to their financial stability), leads to additional net pre-financing payments of EUR 99 million in 2014, which are requested from the Contingency Margin. By only requesting the additional net amount, the Commission already anticipates that part of the increased FEAD pre-financing will be financed from corresponding savings compared to the pre-financing initially foreseen for the ESF, to take account of the correspondingly lower ESF envelope.

6.4. Heading 2 — Sustainable Growth: Natural Resources

The overall request for reinforcement of payment appropriations in heading 2 from the Contingency Margin amounts to EUR 100 million, broken down as follows:

In EUR million, rounded figures

Budget line	Name	Reinforcement of payment appropriations in DAB 3
Rural Development		90
05 04 05 01	Completion of European Agricultural Fund for Rural Development (EAFRD) – Rural Development Programmes (2007-2013)	90
European Fisheries Fund		10
11 06 12	Completion of European Fisheries Fund (EFF) – Convergence objective (2007-2013)	10
Total		100

Rural Development

Further to the European Council conclusions of February 2013, the Commission has proposed to extend the 10 % increase of the co-financing rates for Member States threatened with serious difficulties with respect to their financial stability (COM (2013) 521 of 11 July 2013). Following the

adoption of Regulation (EU) No 1310/2013¹⁶ an increase of payments by EUR 90 million is required for the completion of the European Agricultural Fund for Rural Development (2007-2013 programmes; budget item 05 04 05 01). The payment claims received for the first two quarters to be charged on the 2014 budget amount to nearly EUR 7,0 billion, or around two thirds of the appropriations currently available on the line.

European Fisheries Fund

Likewise, following the European Council conclusions of February 2013, the Commission has also proposed to extend the 10 % increase of the co-financing rates for Member States threatened with serious difficulties with respect to their financial stability (COM (2013) 428 of 18 June 2013). Following the adoption of Regulation (EU) No 335/2014¹⁷ an increase of payments by EUR 10 million is required for the completion of the European Fisheries Fund – Convergence objective (2007-2013 programmes; budget article 11 06 12). As mentioned in section 3.3 above, the additional impact on the new payment claims reinforce the lack of payment appropriations currently available in view of the very high backlog of unpaid claims at the end of 2013.

6.5. Heading 4 — Global Europe

The overall request for reinforcement of payment appropriations in heading 4 from the Contingency Margin amounts to EUR 250 million, broken down as follows:

In EUR million, rounded figures

Budget line	Name	Reinforcement of payment appropriations in DAB 3
European Neighbourhood Instrument (ENI)		250
21 03 02 01	Eastern Partnership – Human rights and mobility	210
21 03 03 03	Support to other multi-country cooperation in the neighbourhood	40
Total		250

European Neighbourhood Instrument (ENI)

The financial package announced by the Commission for Ukraine¹⁸ contains a ‘state building contract’ in the form of budget support, amounting to EUR 355 million¹⁹, of which a first instalment of EUR 250 million is to be paid in June 2014 and a second instalment of EUR 105 million in mid-2015, payment of which is linked to results by that time in the following areas: anticorruption, public administration, constitutional reform and electoral legislation. Such a disbursement schedule is much faster than the traditional assistance under the European Neighbourhood Instrument, which requires additional payments to cover these obligations. The unfolding of events in Ukraine represents a new circumstance which could not have been foreseen when the 2014 budget was adopted. It was acknowledged during the budgetary trilogue of 2 April 2014 that the EU’s determination to support efforts to stabilise the country and to undertake reform may create additional pressure on payment appropriations in the EU budget this year.

7. ADDITIONAL PAYMENT NEEDS BY BUDGET LINE

The following table shows the combined proposed changes in the level of payment appropriations for all the budget lines concerned, stemming from redeployment, the unallocated margin and/or the Contingency Margin:

In EUR million, rounded figures

¹⁶ OJ L 347, 20.12.2013.

¹⁷ OJ L 103, 5.4.2014.

¹⁸ IP 14/219, 5.3.2014.

¹⁹ Financing decisions C(2014) 2907 and C(2014) 2906, 29.4.2014. Announced on this date via press release IP/14/501.

Budget line	Name	Reinforcement of payment appropriations		
		Budget 2014	DAB 3/2014	B 2014 with DAB 3/2014
Heading 1a		11 441	587	12 028
02 02 02	Improving access to finance for small and middle-sized enterprises (SMEs) in the form of equity and debt	67	10	77
02 05 01	Developing and providing global satellite-based radio navigation infrastructures and services (Galileo) by 2019	668	70	738
08 02 01 01	Strengthening frontier research in ERC – European Research Council	20	55	75
08 02 02 02	Enhancing access to risk finance for investing in research and innovation	306	10	316
08 02 51	Completion of previous research framework programme – Seventh Framework programme – EC indirect action (2007 to 2013)	2 568	50	2 618
09 04 51	Completion of previous research framework programme – Seventh Framework programme – EC indirect action (2007 to 2013)	618	25	643
14 02 01	Supporting the functioning of the customs union	11	7,5	19
14 03 01	Improving the operation of the taxation systems	7	2,5	10
15 02 01 01	Promoting excellence and cooperation in the European education and training area and its relevance to the labour market	794	202	996
15 03 01 01	Marie Skłodowska-Curie actions – Generating new skills and innovation	57	90	147
26 03 01 01	Interoperability Solutions for European Public Administrations (ISA)	14	10	24
32 02 52	Completion of energy projects to aid economic recovery	86	55	140
Heading 1b		50 951	3 395	54 346
04 06 01	Promoting social cohesion and alleviating the worst forms of poverty in the Union	306	99	405
13 03 16	Completion of European Regional Development Fund (ERDF) – Convergence	21 544	2 401	23 945
13 03 18	Completion of European Regional Development Fund (ERDF) – Regional competitiveness and employment	4 149	500	4 649
13 03 19	Completion of European Regional Development Fund (ERDF) – European territorial cooperation	1 107	395	1 502
Heading 2		56 459	106	56 565
05 04 05 01	Completion of European Agricultural Fund for Rural Development (EAFRD) – Rural Development Programmes (2007-2013)	10 330	90	10 420
11 06 12	Completion of European Fisheries Fund (EFF) – Convergence objective (2007-2013)	319	75	394
34 02 01	Reducing of Union greenhouse gas emissions	3	6	9
40 02 41	Reserve for differentiated appropriations (linked to budget article 11 03 01 – Sustainable Fisheries Partnership Agreements)	114	-65	49
Heading 4		6 191	651	6 842
19 02 01	Response to crisis and emerging crisis	18	51	69
21 02 51 02	Cooperation with developing countries in Latin America	226	19	245*
21 02 51 03	Cooperation with developing countries in Asia, including Central Asia and the Middle East	530	36	566*
21 03 02 01	Eastern Partnership – Human rights and mobility	24	210	234
21 03 03 03	Support to other multi-country cooperation in the neighbourhood	10	40	50
22 02 51	Completion of former pre-accession assistance (prior to 2014)	690	45	735*
23 02 01	Delivery of rapid, effective and needs-based humanitarian aid and food assistance	748	250	998
Total		135 155	4 738	139 893

* As explained in section 5.3, the 2014 budget for these lines was reduced via DEC 6, a temporary transfer to Humanitarian Aid. Therefore the effect of this draft amending budget on these lines is to restore the 2014 budget.

The review of payment needs in the 2014 budget confirms a major shortage of payment appropriations. After taking into account all the possible sources for redeployment, the Commission requests EUR 4,7 billion in additional payment appropriations, of which EUR 4,0 billion from the mobilisation of the Contingency Margin for payments.

8. ESTABLISHMENT PLANS: FUNCTION GROUP AST/SC

Further to the review of the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Union (hereinafter ‘Staff Regulations’)²⁰, which entered into force on 1 January 2014, a new function group for Secretaries and Clerks (AST/SC) was created and reflected in the establishment plans in the 2014 budget, in addition to the existing function groups for Administrators (AD) and Assistants (AST).

At the time of its creation in Amending Letter 2/2014²¹, the Commission indicated that the new structure would be filled progressively as from 2014, awaiting a reliable estimate of the number of AST/SC posts required. Now that such estimates for the conversion of AST posts into AST/SC posts in 2014 have become available for the Commission, the Offices, the Committee of the Regions and the European Data Protection Supervisor, the Commission proposes to adjust the establishment plans of the Institutions accordingly, as follows:

Establishment plan	Number of posts	Grade of origin	Grade of destination
Publications Office (OP)	2	AST 2	AST/SC 1
European Anti-Fraud Office (OLAF) – permanent posts	2	AST 1	AST/SC 1
Office for Infrastructure and Logistics in Luxembourg (OIL)	3	AST 1	AST/SC 1
Research and innovation – Indirect actions	4	AST 1	AST/SC 1
Commission administration – temporary posts	10	AST 4	AST/SC 4
Commission administration – permanent posts	50	AST 1	AST/SC 1
Commission administration – permanent posts	20	AST 1	AST/SC 2
Total Commission	91	AST	AST/SC
Committee of the Regions	2	AST 2	AST/SC 2
European Data Protection Supervisor	1	AST 1	AST/SC 1

The overall savings generated by the requested conversions are estimated at EUR 0,38 million, which reduces the related administrative expenditure under heading 5 accordingly. The corresponding payment appropriations become available for redeployment, whereas the related commitment appropriations are reduced from the corresponding Sections in the budget.

²⁰ OJ L 287, 29.10.2013.

²¹ COM(2013) 719, 16.10.2013.

9. SUMMARY TABLE BY MFF HEADING

Heading	Budget 2014 (incl. AB 1 and DAB 2/2014)		Draft Amending Budget 3/2014		Budget 2014 (incl. AB 1 and DAB 2 and 3/2014)	
	CA	PA	CA	PA	CA	PA
1. Smart and inclusive growth	63 986 340 779	62 392 787 058		3 981 700 000	63 986 340 779	66 374 487 058
<i>Ceiling</i>	63 973 000 000				63 973 000 000	
<i>Margin</i>	75 989 221				75 989 221	
1a Competitiveness for growth and jobs	16 484 010 779	11 441 322 326		587 000 000	16 484 010 779	12 028 322 326
<i>Ceiling</i>	16 560 000 000				16 560 000 000	
<i>Margin</i>	75 989 221				75 989 221	
1b Economic, social and territorial cohesion	47 502 330 000	50 951 464 732		3 394 700 000	47 502 330 000	54 346 164 732
<i>Ceiling</i>	47 413 000 000				47 413 000 000	
<i>Margin</i>	-89 330 000				-89 330 000	
<i>Flexibility Instrument</i>	89 330 000				89 330 000	
<i>Margin</i>	0				0	
2. Sustainable growth: natural resources	59 267 214 684	56 458 930 369		106 000 000	59 267 214 684	56 564 930 369
<i>Ceiling</i>	59 303 000 000				59 303 000 000	
<i>Margin</i>	35 785 316				35 785 316	
Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	43 778 100 000	43 776 956 403			43 778 100 000	43 776 956 403
<i>Sub-ceiling</i>	44 130 000 000				44 130 000 000	
<i>Net transfer between EAGF and EAFRD</i>	351 900 000				351 900 000	
<i>Margin</i>						
3. Security and citizenship	2 171 998 732	1 677 039 976			2 171 998 732	1 677 039 976
<i>Ceiling</i>	2 179 000 000				2 179 000 000	
<i>Margin</i>	7 001 268				7 001 268	
4. Global Europe	8 325 000 000	6 191 238 421		650 765 835	8 325 000 000	6 842 004 256
<i>Ceiling</i>	8 335 000 000				8 335 000 000	
<i>Margin</i>	10 000 000				10 000 000	
5. Administration	8 405 144 376	8 406 017 176	-378 835	-378 835	8 404 765 541	8 405 638 341
<i>Ceiling</i>	8 721 000 000				8 721 000 000	
<i>Margin</i>	315 855 624				316 234 459	
Of which: Administrative expenditure of the institutions	6 798 019 733	6 798 892 533	-378 835	-378 835	6 797 640 898	6 798 513 698
<i>Sub-ceiling</i>	7 056 000 000				7 056 000 000	
<i>Margin</i>	257 980 267				258 359 102	
6. Compensations	28 600 000	28 600 000			28 600 000	28 600 000
<i>Ceiling</i>	29 000 000				29 000 000	
<i>Margin</i>	400 000				400 000	
Total	142 184 298 571	135 154 613 000	-378 835	4 738 087 000	142 183 919 736	139 892 700 000
<i>Ceiling</i>	142 540 000 000	135 866 000 000			142 540 000 000	135 866 000 000
<i>Flexibility Instrument</i>	89 330 000				89 330 000	
<i>Contingency Margin</i>						4 026 700 000
<i>Margin</i>	445 031 429	711 387 000			445 410 264	0
Special Instruments	456 181 000	350 000 000			456 181 000	350 000 000
Grand Total	142 640 479 571	135 504 613 000	-378 835	4 738 087 000	142 640 100 736	140 242 700 000