



COMMISSION OF THE EUROPEAN COMMUNITIES

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**PRELIMINARY DRAFT AMENDING BUDGET No 1
TO THE GENERAL BUDGET 2007**

GENERAL STATEMENT OF REVENUE

**STATEMENT OF REVENUE AND EXPENDITURE BY SECTION
Section III - Commission**

(presented by the Commission)

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Having regard to:

- the Treaty establishing the European Community, and in particular Article 272 thereof,
- the Treaty establishing the European Atomic Energy Community, and in particular Article 177 thereof,
- the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹, and in particular Article 37 thereof,

The European Commission hereby presents to the budgetary authority the Preliminary Draft Amending Budget No 1 to the 2007 budget for the reasons set out in the explanatory memorandum.

¹ OJ L 248, 16.09.2002, p.1.

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GENERAL STATEMENT OF REVENUE

STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The general statement of revenue and the statement of revenue and expenditure by section are forwarded separately via the SEI-BUD system. An English version of the general statement of revenue and statement of revenue and expenditure by section is attached for information as a budgetary annex.

1. INTRODUCTION

The Commission presents this Preliminary Draft Amending Budget (PDAB) No 1 for the year 2007 in order to integrate into the budget 2007 the necessary technical adjustments needed from the Amending Letter No°2/2007, which could not be taken on board during the last phase of the 2007 budget procedure, as accepted during the trialogue of 28 November 2006.

On the basis of the agreement reached at the trialogue meeting of 28 November, at its meeting on 30 November 2006 the Council accepted only the following items from Amending Letter No°2/2007:

- EUR 500 million in commitment appropriations for the European Global Adjustment Fund (EGF) with only a reference to the IIA and Article 12 of the EGF Regulation;
- EUR 6 million in commitment appropriations and EUR 4.4 million in payment appropriations for Hercule II as proposed by the Commission.

Moreover, the appropriations for the International Fund for Ireland were already included in the 1st reading of the 2007 draft budget by the EP and accepted in the Council's 2nd reading.

At the trialogue meeting of 28 November, the Commission announced that it would come forward with this Preliminary Draft Amending Budget in early 2007 with the political understanding that the proposed modifications will be taken into account in the final publication of the budget 2007 in the Official Journal scheduled for mid-March 2007.

To this end, the Commission calls on the European Parliament and the Council to agree on this Preliminary Draft Amending Budget in one single reading, in view of its final adoption by 1 February 2007.

2. THE ADJUSTMENTS NEEDED FOLLOWING THE AGREEMENT REACHED AT THE TRIALOGUE MEETING OF 28 NOVEMBER 2006

The adjustments proposed with this Preliminary Draft Amending Budget will have notably to reflect in the 2007 budget structure and its remarks (references to the legal bases) the agreements of the legislative authority on the new expenditure instruments, as well as the improvements already introduced in the budget 2006 via Amending Budget No°5/2006 (in particular EDF contribution and treasury management lines), in so far as they were not covered in the second reading of the 2007 draft budget by the European Parliament. They will not affect the overall amounts of the 2007 budget. The main adjustments are presented below.

2.1. Changes arising from the new Multi-Annual Financial Framework

Following the adoption by the Commission on 24 May 2006 of the revised legislative package, consistent with the annual expenditure ceilings agreed in the new financial framework, and enshrined in the new Inter-Institutional Agreement of 17 May 2006, it is necessary to align the budgetary remarks of a number of budget lines and, in some cases, the budgetary nomenclature, accordingly. The full details are provided in the budgetary annex to this Amending Budget.

The main policy areas requiring such adjustments are External relations and Development. The creation of 4 separate instruments (European Instrument for Democracy and Human rights, Industrialised Countries Instrument, Nuclear Safety Instrument and Rapid Response and Preparedness Instrument) leads to some structure changes at below chapter level and some redistribution of budgets without affecting the overall total.

2.2. Structural and Cohesion Funds and the European Fisheries Fund

For the Structural and the Cohesion Funds, the adopted legal basis changes the distribution of the overall Heading 1b envelope amongst some of its components, and the budget needs to be adapted accordingly. Also, the contribution of Heading 1b Cross-Border Cooperation (CBC) appropriation to the European Neighbourhood and Partnership Instrument (ENPI) has now been determined and the corresponding transfer is made from the Territorial Cooperation line of the European Regional Development Fund (ERDF) to the CBC line in the ENPI chapter 19 08. There is no change in the overall Heading 1b envelope for commitment and payment appropriations. There are also a number of technical corrections.

For the European Fisheries Fund, there is a shift from the “Convergence objective” to “Outside Convergence” to reflect the most recent agreement of the split between convergence and non-convergence regions. The following table summarises the changes. They are explained in more detail below.

		BUDGET 2007		PDAB 1/2007		Difference	
		CA	PA	CA	PA	CA	PA
European Fisheries Fund (EFF) - Convergence objective	11 06 12	425.567.209	227.823.592	425.340.636	227.713.932	-226.573	-109.660
European Fisheries Fund (EFF) - Outside convergence objective	11 06 13	141.383.414	73.582.840	141.609.987	73.692.500	226.573	109.660
HEADING 2 net change						0	0
Cohesion Fund (CF)	13 04 02	7.116.881.844	1.691.967.816	7.121.426.147	1.693.079.985	4.544.303	1.112.169
Cohesion Fund net change						4.544.303	1.112.169
ERDF - Convergence	13 03 16	20.713.696.132	3.048.644.731	20.676.478.574	3.043.946.283	-37.217.558	-4.698.448
ERDF - Regional competitiveness	13 03 18	5.349.761.046	596.004.134	5.381.768.585	633.338.124	32.007.539	37.333.990
ERDF European territorial cooperation	13 03 19	1.110.410.848	170.883.799	1.055.259.758	158.130.591	-55.151.090	-12.753.208
ERDF Operational Technical Assistance	13 03 20	55.056.904	22.022.762	54.869.515	20.756.728	-187.389	-1.266.034
Cross-Border Co-operation – Contribution from Heading 1b	19 08 02 02	p.m.	p.m.	47.579.371	12.753.208	47.579.371	12.753.208
ESF Convergence	04 02 17	7.416.797.011	1.092.393.287	7.403.471.207	1.089.889.685	-13.325.804	-2.503.602
ESF - Regional competitiveness	04 02 19	3.648.156.721	461.831.532	3.669.983.587	431.891.576	21.826.866	-29.939.956
ESF operational technical assistance 2007-13	04 02 20	10.000.000	5.000.000	9.923.762	4.961.881	-76.238	-38.119
Structural Funds net change						-4.544.303	-1.112.169
HEADING 1b net change						0	0

Commitment appropriations for the Structural and Cohesion Funds have been adjusted to reflect the final figures in the agreed legal basis. Overall, the Cohesion Fund gains EUR 4,544 million, and the Structural Fund loses EUR 4,544 million. Within the Structural Funds, there is a reduction in appropriations for “Convergence”, and an increase for “Regional Competitiveness”. Commitment appropriations for the “Territorial Cooperation” objective decrease. Moreover, for this objective, the EUR 47,579 million contribution from Heading 1b to the European Neighbourhood and Partnership Instrument (Cross-Border Co-operation), has been transferred by decreasing the ERDF European Territorial Cooperation line and increasing correspondingly the ENPI line for Cross-Border Cooperation. Technical assistance is marginally lower than in the 2007 budget. Concerning the breakdown of appropriations between the ERDF and the ESF, the percentage split used for the 2007 budget was kept.

Overall payment appropriations for heading 1b do not change either. However, the breakdown of appropriations by line is slightly adjusted. This is essentially because advance payments, calculated as a percent of the overall programming envelopes, are slightly higher for the Cohesion Fund and the legal basis adopted in summer 2006 increased the Cohesion Fund allocation at the expense of the Structural Funds. Thus, the overall amount of appropriations for each Objective (including the contribution of Heading 1b to cross-border co-operation) has been changed in line with changes in commitments so as to reflect the expected change in advances. A technical correction has also been made to the budget by adjusting the balance between ESF and ERDF payment appropriations for the “Regional Competitiveness” objective, reducing payments for the ESF and increasing those for the ERDF. The adjustment means that payments are now in the same ratio to commitments for both ESF and ERDF. Finally, the payment appropriations for the technical assistance line of the ERDF have been adjusted downwards to ensure that the overall correction is budget-neutral for the heading.

2.3. Joint Research Centre (JRC)

The JRC establishment plan for 2007 needs to be adjusted in order to guarantee a promotion policy that is the same for all Commission staff.

The amendment proposed makes the appropriate changes in the grade structure of the JRC establishment plan for promotions in 2007, without altering the total number of posts or the breakdown by function group.

It also incorporates a conversion of AD5 posts into AD6 posts so that successful candidates in research competitions can be recruited at that level. The reason for this is the need to recruit highly qualified and specialist staff.

The changes proposed do not require any adjustment of the appropriations proposed for the JRC, as career development is covered within the GVT (Glissement Vieillesse Technicité - drift, ageing, technical content) parameter.

Changes to JRC establishment plan – PDAB No° 1/2007

Research and technological development – Joint Research Centre

Category and grade	Posts BUDGET 2007	Changes PDAB 1/2007	Posts 2007 after PDAB 1/2007
AD 16	2	0	2
AD 15	10	0	10
AD 14	36	0	36
AD 13	9	0	9
AD 12	204	20	224
AD 11	178	37	215
AD 10	166	-29	137
AD 9	30	0	30
AD 8	69	-8	61
AD 7	10	0	10
AD 6	94	20	114
AD 5	60	-40	20
Total AD	868	0	868
AST 11	14	0	14
AST 10	69	0	69
AST 9	42	4	46
AST 8	106	2	108
AST 7	124	11	135
AST 6	243	-4	239
AST 5	122	-2	120
AST 4	135	-11	124
AST 3	151	0	151
AST 2	35	0	35
AST 1	48	0	48
Total AST	1.089	0	1.089
Grand total	1.957	0	1.957

2.4. Budgetary adjustments following modernisation of the accounting system

2.4.1. Coverage of expenditure incurred in connection with treasury management

Following the Commission's modernisation of its accounting system, and the need to close a number of non-budget accounts that have had outstanding balances for a number of years, the Commission proposed, in the Amending Budget No°5/2006, the creation of a new item

27 01 12 02 – “Coverage of expenditure incurred in connection with treasury management”, with the following remarks:

“This appropriation is intended to cover budgetary adjustments:

- for imprest accounts, where all appropriate measures have been taken by the authorising officer to deal with the situation and where the adjustment expenditure cannot be booked to another specific budget line,
- in situations where a claim is cancelled in full or in part, after it has been booked to the accounts as revenue (in particular in the event of offsetting against a debt),
- in cases where VAT has not been recovered and where it is no longer possible to book the amount to the line that covered the principal expenditure,
- for any interest relating to the above cases, where it cannot be booked to another specific budget line.”

The Commission also proposed to transfer to this new budget item the 2nd paragraph of the remarks of budget item 27 01 12 01 “Financial charges “, reading as follows: “This item is also intended to accommodate, if necessary, an appropriation to cover any losses resulting from the liquidation or cessation of activities of a bank with which the Commission has accounts for the purposes of imprests (the so-called “*régie d'avance*”).”

These changes were accepted by the Budget Authority in the 2006 budget with the adoption of Amending Budget No°5/2006 on 24 October. They should now also be introduced into the 2007 budget, with a token entry (“p.m.”).

2.4.2. Creation of a new budget item 21 01 04 10 – EDF contribution to common administrative support expenditure

The Commission also proposes to create a new budget item 21 01 04 10, *EDF contribution to common administrative support expenditure*, as was done in the Amending Budget No°5/2006 adopted by the Budget Authority on 24 October.

Under the terms of the Internal Agreement for the 9th EDF, a part of the EDF envelope is used to defray the costs incurred by the Community budget in supporting the implementation of the EDF in EU delegations, such as external staff, rent, utilities etc. As the budget for the EDF is different from the Community budget, the Commission establishes a recovery order to the EDF at the beginning of each financial year based on an estimate of the previous year’s expenditure. During the year, a repartition of the expenditure fairly apportioned over the different administrative budget items, as well as over the EDF, is made on a special non-budgetary account designated for this purpose. This means that currently the budgetary reporting of the Commission does not include the amount of expenses financed by the EDF.

To enable successive and efficient treatment, and complete budgetary implementation reporting, it is proposed to create a budget line on which commitment and payment appropriations are automatically inscribed after the cashing of the funds received from EDF. The proposed measure is technically required by the accrual accounting system that will be installed in the Delegations, and will considerably improve the accountability and transparency of the transactions. The change has no impact on the amounts of the in- or outflow nor on the level of the funding.

This line will allow the use of common reporting instruments for EDF revenues and expenditure. The financial contribution from the EDF is treated as assigned revenue, and a "p.m." is proposed for payment and commitments appropriations.

2.5. European Investment Fund

The European Investment Fund will exhaust its own resources by mid-2007, and therefore, the EIF's Board of Directors proposes to increase the subscribed capital by up to 50% in nominal terms. Article 3 of the Council Decision 1994/375/EC specifies that the possible capital increase should be decided unanimously by the Council, acting on proposal from the Commission and after consulting the European Parliament.

A legislative proposal on EIF capital increase is expected to be adopted by the Commission by the end of the year. The cost of the capital increase will be covered during the period 2007-2010 by budget item 01 04 09 01 "EIF – Provision of paid-up shares of subscribed capital", as proposed in the 2007 budget. The total share purchase price to be paid to the Fund comprises the nominal value of capital paid-in and the share premium, which reflects the financial performance of the Fund. In order to accommodate any price uncertainties, the Commission proposal foresees to use the dividends paid by the Fund to the Community during the four-year period to cover part of the cost of the capital increase.

Article 10 of the Implementing rules of the Financial Regulation indicates that appropriate budgetary structure and comments are necessary to accommodate assigned revenue. Therefore, this preliminary draft amending budget proposes updated budgetary comments in expenditure budget item 01 04 09 01 "EIF-Provision of paid-up shares of subscribed capital", and revenue article 8 5 0 "Dividends paid by the EIF".

2.6. Platform of the European Social Non-Governmental Organisations (NGOs)

The Commission proposal for establishing the programme "Citizens for Europe" to promote active European citizenship for the period 2007-2013, includes, among other actions, the structural support for organisations of civil society at European level (Action 2: Active Civil Society in Europe).

Under the previous financial perspective the Platform of European Social NGOs, as well as the other organisations of civil society were financed under the Heading 3 "Internal Policies". Under the new multi-annual financial framework the legal basis Citizens for Europe is in the new Heading 3b "Citizenship". In the 2007 budget the running costs of the Platform of the European Social Non-Governmental Organisations, was inadvertently inserted under Heading 1a "Competitiveness for growth and employment". Therefore a technical correction is necessary to include this budget article under Heading 3b in conformity with the legal base. This involves the reallocation of EUR 620 000 in both commitment and payment appropriations from Heading 1a to Heading 3b.

2.7. Participation by the Swiss Confederation in Community Programmes

In order to take account of the implementation of the agreement between the European Community and the Swiss Confederation on Swiss participation in a number of Community programmes the related budgetary remarks of these programmes should be updated. The full details are set out in the budgetary annex, and concern the Community Statistical Programme, Lifelong Learning, Youth in Action, Media, and the European Environmental Agency.