EUROPEAN
COMMISSION

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AMENDING LETTER No 1 TO THE DRAFT GENERAL BUDGET 2017

Updating the estimated needs for agricultural expenditure and fisheries
Enhancing successful programmes and instruments for sustainable growth
Migration agenda, external investment plan and security
Technical adjustments relating to agencies and administrative expenditure
Increase of revenue linked to fines

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 draft general budget of the European Union for the financial year 2017, as adopted by the Commission on 18 July 2016[2],

The European Commission hereby presents to the European Parliament and to the Council the amending letter No 1 to the draft general budget of the European Union for the financial year 2017 for the reasons set out in the explanatory memorandum.

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] COM(2016) 300, 18.7.2016.

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1. INTRODUCTION

This Amending Letter No 1 to the draft budget for the year 2017 (AL 1/2017) proposes four main areas of amendment to the draft budget (DB) 2017. Three are policy-related: for agriculture and fisheries, for competitiveness for growth and jobs, and for the new Partnership Framework under the Migration Agenda, the External Investment Plan, and security. The fourth group of amendments proposed relates to a number of administrative and technical adjustments. In more detail, AL 1/2017 covers the following:

— The updating of the estimated needs, assigned revenue and appropriations for agricultural expenditure. In addition to changing market factors, the AL 1/2017 also incorporates the impact of decisions in the agricultural sector since the DB 2017 was presented in June 2016, as well as other proposals expected to have a significant effect during the budget year. After integrating the additional support package for the livestock sectors announced in July and taking into account the additional revenue assigned to the European Agriculture and Guarantee Fund (EAGF), the level of commitment appropriations remains unchanged, with a slight reduction (-EUR 1 million) in payment appropriations.

— The phasing in of reinforcements announced in the mid-term review/revision of the multiannual financial framework 2014-2020[3] for sustainable growth, with EUR 200 million in commitment appropriations and EUR 7 million in payment appropriations in heading 1a, *Competitiveness for growth and jobs*. The Commission proposes to finance the commitments through the Global margin for commitments (GMC) and the unallocated margin. The breakdown is as follows:

  - Horizon 2020: +EUR 50 million in commitment appropriations and EUR 7 million in payment appropriations;
  - Competitiveness of entreprises and small and medium-sized enterprises (COSME): +EUR 50 million in commitment appropriations;
  - Connecting Europe Facility (CEF) – Transport: +EUR 50 million in commitment appropriations;
  - Erasmus+: +EUR 50 million in commitment appropriations;
  - WiFi4EU, an initiative aiming to help European communities offer free Wi-Fi access points to any citizen: +EUR 20 million in commitment appropriations redeployed from the 'Information and Communication Technology' strand of the CEF.

— Reinforcing by EUR 1 billion the budgetary resources under heading 4, *Global Europe*, to address the root causes of migration and promote the swift implementation of agreements with third countries under the new Partnership Framework process and for the creation of a European Fund for Sustainable Development (EFSD) with a new EFSD Guarantee Fund[4]. The Commission proposes to increase commitment appropriations by EUR 1 billion and payment appropriations by EUR 210 million. Given the very low margin in heading 4 (created by the transfer of the EU Special Representatives from heading 4 to heading 5, *Administration*), most of this increase in commitment appropriations is financed through a corresponding mobilisation of the Contingency Margin to be offset in 2017 against the unallocated margins of heading 2, *Sustainable Growth: Natural Resources* and in 2018-2019 against the unallocated margins of heading 5.

[3] COM(2016) 603 final, 14.9.2016.
[4] COM(2016) 586 final, 14.9.2016.

- An increase in the number of posts of Europol to reinforce operational support, notably to provide a 24/7 service and on-the-spot deployment capabilities as announced in the Commission's communication *Enhancing security in a world of mobility*[5].
- An upgrading of additional posts requested for Frontex (European Border and Coast Guard agency) and EASO in light of a more detailed assessment of the job profiles required.
- Minor adjustments to the establishment plans of the European agency for safety and health at work (EU-OSHA) and the European foundation for the improvement of living and working conditions (EUROFOUND).
- The transfer of expenditure related to the three *double-hatted* EU Special Representatives (EUSRs) from heading 4 to heading 5.
- An update of the likely needs for additional appropriations related to 2017 for the salaries and pensions of all institutions. These needs can be updated as required on finalisation of the official statistical report, which will be available at the end of October.
- The alignment of the establishment plans of the European Parliament, the European Economic and Social Committee and the Committee of the Regions, to reflect the agreement reached between them.

The Commission also wishes to stress that it intends to fund the Youth Employment Initiative (YEI) in 2017 up to a level of EUR 500 million in commitment appropriations. However, at this stage, the Commission does not propose the budgetary allocations in this Amending Letter as it intends to finance this amount from the GMC which will be available after the technical adjustment of 2017. Consequently, the Commission will propose to add these allocations through a draft amending budget to be submitted to the European Parliament and the Council immediately after the technical adjustment in early 2017.

Overall, the net impact of AL 1/2017 on expenditure in the 2017 draft budget is an increase of EUR 1 257,2 million in commitment appropriations and an increase of EUR 523,1 million in payment appropriations.

On the revenue side of the budget, some fines decided by the Commission recently will be paid and all legal remedies will be exhausted at the end of 2016 for an estimated amount of EUR 1 billion. The Commission proposes to increase the relevant budget items in the revenue part of the budget by this amount. This will reduce the GNI contribution requested from the national budgets by the same amount.

2. AGRICULTURE AND FISHERIES

2.1 Main changes proposed

The Commission proposes to update the expenditure estimates for agriculture by +EUR 527 million compared to DB 2017. This update of needs is taking into account the financial consequences of the additional support package for the livestock sectors announced in July and reflects the most recent information available as regards other expenditure. There is also an update of the situation for Sustainable Fisheries Partnership Agreements, as regards appropriations proposed for the operational line and for the ‘reserve’.

In addition to the temporary support measures under Budget 2015 (EUR 276,6 million) and Budget 2016 (EUR 711,5 million), the following additional support measures are budgeted in DB 2017 (incl. AL 1/2017):

[5] COM(2016) 602 final, 14.9.2016.

(in million EUR, rounded figures at current prices)

Budget line	Measure	Amount
05 02 08 03 05 02 08 99	Extension of the temporary exceptional support measures for producers of certain fruit and vegetables	100,0
05 02 10 01	Reinforcement of promotion activities for dairy products and pigmeat in third countries	21,5[(1)(2)]
05 02 12 02	Private storage and public intervention for skimmed milk powder	19,0
05 02 12 04	Private storage for butter	9,0
05 02 12 99	Private storage for cheese (residual amounts)	4,6
05 02 12 99	Targeted aid for temporary reduction of milk production	150,0
05 02 12 99	Exceptional adjustment aid to milk producers and farmers in other livestock sectors	350,0
Total of all additional support measures included in DB 2017 (incl. AL 1/2017)		***654,1***
(1) In total EUR 30 million announced in 2014, of which EUR 3 million in 2015, EUR 13,5 million in 2016 and EUR 13,5 million in 2017.		
(2) Additional EUR 30 million announced in 2015, of which EUR 8 million in 2017 and the remaining EUR 22 million in 2018 and thereafter.		

Appropriations for agricultural expenditure financed under the EAGF in AL 1/2017 are proposed to be budgeted at EUR 42 937,6 million, which is below the 2017 net balance available for EAGF expenditure ('net sub-ceiling') of EUR 44 145,7 million[6]. Despite a net increase of the EAGF needs by EUR 527,0 million, EAGF appropriations compared to DB 2017 can remain unchanged as this increase is fully compensated for by the additional revenue assigned to the EAGF (+EUR 527,0 million).

The following table summarises the effect of AL 1/2017 on heading 2 as a whole:

(in million EUR, rounded figures at current prices)

	Draft Budget 2017		**Amending Letter No 1/2017**		**Draft Budget 2017 (incl. AL 1/2017)**	
	Commitments	**Payments**	**Commitments**	**Payments**	**Commitments**	**Payments**
— European Agricultural Guarantee Fund (EAGF)	42 937,6	42 889,0	0,0	-1,0	42 937,6	42 888,0
— European Agricultural Fund for Rural Development (EAFRD)	14 365,5	11 208,5	0,0	0,0	14 365,5	11 208,5
— European Maritime and Fisheries Fund (EMFF), Regional Fisheries Management Organisations (RFMOs) and Sustainable Fisheries Partnership Agreements (SFPAs), of which:	1 050,1	710,8	0,0	0,0	1 050,1	710,8
— Sustainable Fisheries Partnership Agreements (SFPAs) — Operational line (11 03 01)	117,7	112,7	+0,7	+0,7	118,4	113,4
— Sustainable Fisheries Partnership Agreements (SFPAs) — Reserve (40 02 41)	15,5	15,5	-0,7	-0,7	14,8	14,8
— Environment and climate action (Life)	493,7	363,7	0,0	0,0	493,7	363,7
— Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	p.m.	p.m.	0,0	0,0	p.m.	p.m.
— Pilot projects and preparatory actions	p.m.	9,6	0,0	0,0	p.m.	9,6
— Decentralised agencies	54,8	54,8	0,0	0,0	54,8	54,8
— Other expenditure under Heading 2	0,0	0,0	0,0	0,0	0,0	0,0
Total	**58 901,7**	**55 236,2**	**-0,0**	**-1,0**	**58 901,7**	**55 235,2**
Ceiling	***60 191,0***				***60 191,0***	
Of which offset against Contingency Margin	***-650,0***		***-200,0***		***-850,0***	
Margin	***639,3***		***-200***		***439,3***	
Of which EAGF	***42 937,6***	***42 889,0***	***0,0***	***-1,0***	***42 937,6***	***42 888,0***
EAGF Sub-Ceiling (after technical adjustment of the MFF 2014-2020) (1)	***44 146,0***				***44 146,0***	
Rounding difference excluded for margin calculation	***0,3***				***0,3***	

6 Under the 2014-2020 MFF, the initial EAGF sub-ceiling for 2017 amounted to EUR 44 863 million. After taking into account a net amount of EUR 717.3 million to be transferred to Rural Development, which had already been incorporated in the DB 2017, the net balance available for EAGF expenditure (‘net sub-ceiling’) amounts to EUR 44 145,7 million. The EAGF needs for 2017 are assessed against this EAGF ‘net sub-ceiling’.

	Draft Budget 2017		Amending Letter No 1/2017		Draft Budget 2017 (incl. AL 1/2017)	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Net balance available for EAGF expenditure (2)	***44 145,7***				***44 145,7***	

(1) The related amounts are rounded up in EUR million.
(2) Net balance available for EAGF expenditure as fixed in the Annex of Commission Implementing Regulation (EU) No 367/2014 as last modified by Commission Implementing Regulation (EU) No 2016/257 of 24 February 2016.

Thus, overall appropriations requested for heading 2 in 2017 are estimated at EUR 58 901,7 million. This leaves a margin of EUR 439,3 million in commitment appropriations below the corresponding MFF ceiling, after taking into account an amount of EUR 650 million under the Contingency margin for offsetting part of the needs under heading 3, *Security and Citizenship,* as presented in DB 2017, and a further amount of EUR 200 million to offset part of the needs of heading 4, *Global Europe*, as presented in this Amending Letter. Payment appropriations in AL 1/2017 are slightly lower (-EUR 1,0 million) compared to DB 2017.

2.2 European Agricultural Guarantee Fund (EAGF)

2.2.1 Overview

The purpose of AL 1/2017 is to update estimates for agricultural expenditure based on the most up-to-date economic data and legislative framework. By late September 2016, the Commission has at its disposal a first indication of the level of production for 2016 and perspectives for the agricultural markets, which are the basis for the updated estimates of the budgetary needs for 2017. Apart from taking into account market factors, this AL 1/2017 also incorporates the impact of legislative decisions in the agricultural sector since the DB 2017 was drawn up in June 2016. This relates in particular to a series of Commission Delegated and Implementing Acts on additional temporary support measures for the livestock sectors, of which the dairy sector is the main beneficiary.

Overall, **2017 EAGF needs** (after taking into account EAGF provisions related to 'financial discipline') are now estimated at EUR 45 344,6 million, compared to EUR 44 817,6 million in DB 2017 (+EUR 527,0 million). This increase is mostly due to the additional temporary support measures for the livestock sectors budgeted in chapter 05 02 *Improving the competitiveness of the agricultural sector through interventions in agricultural markets*, for a total amount of around EUR 500 million. There are, in addition, some small variations for mainstream market measures and for expenditure under chapters 05 07 *Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF*) and 05 08 *Policy strategy and coordination*, which are also incorporated into AL 1/2017. Needs for chapter 05 03 *Direct payments aimed at contributing to farm incomes, limiting farm incomes variability and meeting environment and climate objectives* remain almost unchanged compared to DB 2017.

The amount of **assigned revenue** expected to be available in 2017 increases from EUR 1 880 million in DB 2017 to EUR 2 407 million (+EUR 527 million), fully compensating the additional needs. The update of estimates on the amounts originating from clearance of accounts decisions and irregularities is minor and does not change the overall amount assumed in DB 2017 (EUR 1 430 million). Furthermore, the AL 1/2017 incorporates an expected carry-over of assigned revenue from 2016 to 2017 (EUR 977 million), of which an amount of EUR 450 million was already included in DB 2017, corresponding to an expected EAGF surplus from 2016. This year, however, the final size of this surplus is much more difficult to forecast as large amounts of expenditure still have to be declared by the Member States for September and October 2016, reflecting delays in the implementation of the new direct payment schemes in the first year of application. The estimated surplus does not include unused appropriations of the 2016 agricultural crisis reserve (EUR 441,6 million), which will not be called on, as these unused appropriations will be carried over for reimbursement to farmers subject to the financial discipline in 2017.

As a result of these updates, commitment appropriations of EUR 42 937,6 million, which includes EUR 450,5 million for the *Reserve for crises in the agricultural sector*, are required to cover EAGF needs for 2017. As was the case for the DB 2017, this overall amount remains below the EAGF net sub-ceiling of EUR 44 145,7 million. This means that the financial discipline mechanism will only be applied to establish the agricultural crisis reserve for budget year 2017[7].

2.2.2 Detailed comments

05 02 — Improving competitiveness of the agricultural sector through interventions in agricultural markets *(appropriations +EUR 514,4 million)*

(in million EUR, rounded figures at current prices)

Interventions in agricultural markets	Draft Budget 2017	Amending Letter No 1/2017	Draft Budget 2017 (incl. AL 1/2017)
Needs	2 692,4	+514,4	3 206,8
-Estimated assigned revenue available in 2017	400,0	+0,0	400,0
Appropriations requested	**2 292,4**	**+514,4**	**2 806,8**

Overall, the needs for intervention measures on agricultural markets increase by EUR 514,4 million compared to the DB 2017. As the assigned revenues expected to be available for chapter 05 02 (amounting to EUR 400,0 million) remain unchanged compared to the DB 2017, the appropriations requested in AL 1/2017 increase by the same amount.

For **fruit and vegetables**, apart from a shift of appropriations between two budget items (EUR 54 million from 05 02 08 03 to 05 02 08 99), there is a small increase for budget item 05 02 08 03 *Operational funds for producer organisations* (+EUR 18 million).

Appropriations for the **wine sector** on budget item 05 02 09 08 financing the national support programmes are proposed to be reduced by EUR 6 million, reflecting the most recent implementation figures.

The largest modification proposed in AL 1/2017 for market measures concerns **milk and milk products** (budget article 05 02 12) with an increase of EUR 501,4 million. The largest amount (+ EUR 500 million) is for providing further exceptional support in the form of targeted aid for temporary reduction of milk production[8] (EUR 150 million) and for exceptional adjustment aid to milk producers and farmers in other livestock sectors[9] (EUR 350 million), for which Member States will have substantial flexibility to target the support to those farmers particularly affected.

05 03 — Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives *(appropriations - EUR 527,9 million)*

(in million EUR, rounded figures at current prices)

Direct payments	Draft Budget 2017	Amending Letter No 1/2017	Draft Budget 2017 (incl. AL 1/2017)
After financial discipline (including credits for the 'Reserve for crises in the agricultural sector')			
Needs	41 994,6	-0,9	41 993,7
- Estimated assigned revenue available in 2017	1 480,0	+527,0	2 007,0
Appropriations requested	**40 514,6**	**-527,9**	**39 986,7**

Compared to DB 2017, appropriations requested for chapter 05 03 are revised downwards by EUR 527,9 million. This change is mostly due to the higher amount of revenue assigned (+EUR 527,0 million) to item 05 03 01 10 *Basic payment scheme (BPS)*, for which the estimated needs are unchanged compared to DB 2017. Overall, based on the most recent data on implementation, only a minor change of needs (-EUR 0,9 million) for direct payments is proposed.

7 The adjustment rate for direct payments related to the financial discipline mechanism in respect of the calendar year 2016 is set in Commission Implementing Regulation (EU) 2016/1153. The Commission will adapt this adjustment rate on the basis of this AL 1/2017.

8 Commission Delegated Regulation (EU) 2016/1612.

9 Commission Delegated Regulation (EU) 2016/1613.

However, at the moment the 2017 draft budget was adopted, the information on the implementation of the *Small Farmers Scheme* was not available and the corresponding amounts were budgeted under different items. Now, after this information has been provided by the Member States, it is proposed to move the appropriations needed to budget item 05 03 02 61. The increase of EUR 1 347,0 million on that budget item is fully compensated for by decreases for several other direct payment schemes, in particular for items 05 03 01 02, 05 03 01 10 and 05 03 01 11, so that this shift is neutral across all the direct payment schemes concerned.

Other agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF) *(appropriations +EUR 13,5 million)*

Appropriations for budget item 05 07 01 07 *Financial corrections in favour of Member States following conformity clearance decisions* need to be increased by EUR 25,0 million reflecting a forthcoming Commission Decision that corrects the amount of financial corrections cashed-in in previous years. Appropriations for budget article 05 07 02 *Settlement of disputes* can be decreased by EUR 21 million as some of the payments expected in 2017 related to the so-called 'Jülich' Court of Justice case on sugar production levies[10] will be made earlier in 2016. Finally, updated budgetary estimates are the reason for increasing commitment appropriations (+EUR 9,5 million) and payment appropriations (+EUR 8,5 million) for budget articles 05 08 01 *Farm Accountancy Data Network (FADN)*, 05 08 03 *Restructuring of systems for agricultural surveys* and 05 08 09 EAGF – Operational technical assistance[11].

2.3 Sustainable Fisheries Partnership Agreements

As foreseen in point C of Part II of the Interinstitutional Agreement (IIA)[12], the Commission has examined the most recent information available concerning Sustainable Fisheries Partnership Agreements (SFPAs). As the agreement with the Cook Islands and the related Protocol is expected to enter into force before the end of 2016, the Commission proposes to move commitment and payment appropriations from the reserve article 40 02 41 to budget article 11 03 01 *Establishing a governance framework for fishing activities carried out by Union fishing vessels in third country waters* , for EUR 0,735 million. The proposed modification is budgetary neutral.

(in million EUR, rounded figures at current prices)

Sustainable fisheries partnership agreements	Draft Budget 2017		Amending Letter No 1/2017		Draft Budget 2017 (incl. AL 1/2017)	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Operational line (11 03 01)	117,7	112,7	+0,735	+0,735	118,4	113,4
Reserve (40 02 41)	15,5	15,5	-0,735	-0,735	14,8	14,8
Total	**133,2**	**128,2**	**0,0**	**0,0**	**133,2**	**128,2**

3. GROWTH AND JOBS : ENHANCING SUCCESSFUL PROGRAMMES AND INSTRUMENTS

On 14 September 2016 the Commission presented its proposals to the European Parliament and the Council for a *Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results*[13]. The mid-term review/revision is accompanied by a number of sectorial proposals – including a new Telecommunications package setting out a European vision of internet connectivity for citizens and business, the so-called WiFi4EU proposal[14].

[10] Communication of the Commission to the Council (COM(2013) 526 final) of 17.7.2013.

[11] Articles 05 08 01, 05 08 02 and 05 08 03, which are for measures under direct management by the Commission, are among the few EAGF budget lines working with differentiated appropriations, while most of the other, especially such for financing measures under shared management with Member States, operate with non-differentiated appropriations.

[12] OJ C 373, 20.12.2013, p. 1.

[13] COM(2016) 603, 604, 605, 606, 607, 14.9.2016 and accompanying Staff Working Document SWD(2016) 299.

[14] COM(2016) 589, 14.9.2016.

One of the conclusions of the review/revision is that, compared with the previous period, the MFF 2014-2020 has significantly recalibrated spending towards activities conducive to the creation of jobs and growth. A number of programmes financed under heading 1a, *Competitiveness for growth and jobs*, have experienced strong demand resulting in effective absorption and fast project selection: it is thus proposed to supplement their initial allocations over the remaining period of the MFF. The Commission proposes to phase in, as from 2017, additional funding for Horizon 2020, COSME (Competitiveness of Enterprises and small and medium-sized enterprises), the Connecting Europe Facility (CEF-Transport) and Erasmus+, together with the new WiFi4EU legislative proposal.

The proposed indicative financial programming by budget item is set out for information in the table below. Reinforcements envisaged in years 2018, 2019 and 2020 would be subject to the result of the annual budgetary procedure. These reinforcements are within the 10 % flexibility provided for in **point 17 of the IIA.**

(in million EUR, rounded figures at current prices)

Budget line	Name	2017	2018	2019	2020	Total
COSME						
02 02 02	Improving access to finance for small and medium-sized enterprises (SMEs) in the form of equity and debt	50	80	50	20	200
	Total COSME	**50**	**80**	**50**	**20**	**200**
CEF Transport						
06 02 01 01	Removing bottlenecks, enhancing rail interoperability, bridging missing links and improving cross-border sections		30	50	20	100
06 02 01 02	Ensuring sustainable and efficient transport systems		30	50	20	100
06 02 01 03	Optimising the integration and interconnection of transport modes and enhancing interoperability	50	80	50	20	300
	Total CEF transport	**50**	**140**	**150**	**60**	**400**
H2020						
08 02 01 01	Strengthening frontier research in the European Research Council	16,7	50	16,7	16,7	100
08 02 02 03	Increasing innovation in small and medium-sized enterprises (SMEs)			50	50	100
08 02 04	Spreading excellence and widening participation	16,7	50	21,7	21,7	110
09 04 02 01	Leadership in information and communications technology	16,7	50	11,7	11,7	90
	Total H2020	**50**	**150**	**100**	**100**	**400**
Erasmus+						
15 02 01 01	Promoting excellence and cooperation in the European education and training area and its relevance to the labour market	23,5	16,5	15	15	70
15 02 01 02	Promoting excellence and cooperation in the European youth area and the participation of young people in European democratic life	26,5	33,5	35	35	130
	Total H2020	**50**	**50**	**50**	**50**	**200**

The mid-term review/revision also proposes to continue the **Youth Employment Initiative** (YEI) in heading 1b by allocating EUR 1 billion over the period 2017-2020. The Commission proposes to allocate EUR 500 million in 2017 and EUR 500 million in 2018 financed from the Global margin for commitments (GMC). At present the GMC available in 2017 is only EUR 174,1 million after financing EFSI. However, given the margin in commitments in the 2016 budget, the GMC is likely to increase after the technical adjustment in early 2017. The Commission proposes to add EUR 500 million to the YEI in 2017 through a draft amending budget to be proposed immediately after the technical adjustment.

At this stage, the only adjustments proposed in this amending letter in relation to growth and jobs are those related to heading 1a.

3.1 Horizon 2020

Calls for proposals under Horizon 2020 have been largely oversubscribed. To continue to reinforce the programme's support to growth and jobs, additional commitment appropriations amounting to EUR 50 million are proposed in 2017, targeting a limited number of priority measures to achieve maximum impact, as follows:

– European Research Council: the ERC promotes frontier research into new and promising areas, which is of critical importance to consolidate Europe's science base. Currently a large number of excellent projects cannot be financed: the EU contribution can only cover 10 % of the budget proposed for eligible projects, and there is even a risk that it falls below this critical 10 % overall success rate. Should this happen, some of the very top individual scientists may well decide not to apply. So far, the ERC has funded far fewer than 1 % of Europe's researchers. Additional resources would also give the ERC selection committees the possibility to take higher risks when considering the most ambitious projects.

– Spreading excellence and widening participation: *Widening* is a highly regarded programme as it promotes Research and Development (R&D) capacity in low R&D performing countries through institution building/networking and learning from the experience of advanced partners. These are not typical Horizon 2020 R&D actions. In particular *teaming* actions, aiming to create centres of excellence in *Widening* countries, have a great leverage effect as they require mobilisation of a high amount of national resources to complement the EU contribution (thus maximizing synergies with European Structural and Investment Funds). The additional resources for the *Widening* part of Horizon 2020 will make it possible to maximise the impact of key actions such as *teaming*. Furthermore, its average success rate is below the average of Horizon 2020, and only one out of five high quality projects could be financed.

– The Leadership in Enabling and Industrial Technologies (LEIT- ICT) programme will support investments in high-performance computing, which were identified in the mid-term review as a crucial priority in the digital area. To benefit fully from the opportunities of the digital single market, the funding will contribute to the creation of a European High Performance Computing (HPC) ecosystem by developing a full prototype of an exascale demonstrator and the application layer needed.

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
08 02 01 01	Strengthening frontier research in the European Research Council	16 665 000	660 000
08 02 04	Spreading excellence and widening participation	16 665 000	5 400 000
09 04 02 01	Leadership in information and communications technology	16 670 000	830 000
Total		**50 000 000**	**6 890 000**

3.2 Competitiveness of enterprises and small and medium-sized enterprises (COSME)

Support to European SMEs is key to boosting competitiveness, job creation and growth. The financial instruments under COSME (Competitiveness of Enterprises and small and medium-sized enterprises) support those SMEs experiencing difficulties in obtaining finance from financial intermediaries, due to their perceived higher risk or lack of collateral. To improve the financial environment of SMEs, the Commission proposes an increase in commitment appropriations of EUR 50 million to reinforce the Loan Guarantee Facility and the Equity Facility for Growth under the programme. The instruments have been implemented successfully, as shown by the strong demand from SMEs. Given the lead time required for the implementation of these projects, no additional payment appropriations are requested at this stage.

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
02 02 02	Improving access to finance for small and medium-sized enterprises (SMEs) in the form of equity and debt	50 000 000	0
Total		**50 000 000**	**0**

3.3 Connecting Europe Facility (CEF) - Transport

The 2014 and 2015 calls for proposals launched under the transport strand of the Connecting Europe Facility (CEF-Transport) were very successful. Given the high demand and effective absorption, the Commission has proposed in the context of the mid-term review/revision to reinforce the original allocation of CEF-Transport by EUR 400 million over 2017 – 2020. Of this amount, EUR 50 million is proposed to be allocated in 2017 to enhance EU support to the integration and interconnection of transport modes and to support the operability of transport services. Given the lead time required for the implementation of these projects, no additional payment appropriations are requested at this stage.

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
06 02 01 03	Optimising the integration and interconnection of transport modes and enhancing interoperability	50 000 000	0
Total		**50 000 000**	**0**

3.4 Education, Training and Sport (Erasmus+)

Building on the high demand for Erasmus+ activities in previous years as well as the strong take-up in the current financial framework and the newly announced European Solidarity Corps, the Commission has proposed to increase the budget for this programme by EUR 200 million over 2017-2020. Of this amount EUR 50 million is foreseen already in 2017 for actions increasing mobility opportunities for education and training (including apprenticeships), for actions which are considerably over-subscribed (such as initiatives related to social inclusion and combating extremism) as well as for newly announced activities.

As regards payment appropriations, the Commission will cover any needs resulting from these additional commitments from the amounts already included in the DB 2017.

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
15 02 01 01	Promoting excellence and cooperation in the European education and training area and its relevance to the labour market	23 500 000	0
15 02 01 02	Promoting excellence and cooperation in the European youth area and the participation of young people in European democratic life	26 500 000	0
Total		**50 000 000**	**0**

3.5 WiFi4EU

The WiFi4EU proposal embodies the Commission's wish to promote free Wi-Fi connectivity for citizens and visitors in public spaces such as parks, squares, public buildings, libraries, health centres, and museums, everywhere in Europe. The initial budget proposed for the scheme is EUR 120 million between 2017-2019. It will support the installation of state-of-the-art equipment like Wi-Fi antennas in the centres of community life. To start the new actions of the WiFi4EU proposal, the creation of a dedicated budget line is necessary as of 2017. As set out in the financial statement accompanying the proposal, in the first year of the new activity EUR 20 million is needed to cover the operational expenditure, administrative support in the Commission and the management of the new activities by the Innovation and Networks Executive Agency (INEA). However, the corresponding commitment and payment appropriations will be entirely met through redeployment from other budget lines of the CEF-Telecom programme, so the budgetary effect is neutral.

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
09 03 04	WiFi4EU - Support the deployment of free local wifi	19 330 000	0
06 01 06 01	Innovation and networks Executive Agency — contribution from CEF	580 000	580 000
09 01 04 01	Suppport Expenditure for Connecting Europe Facility (CEF)	90 000	90 000
09 03 02	Creating an environment more conducive to private investment for telecommunication infrastructure projects — CEF broadband	-19 422 150	0
09 03 03	Promoting interoperability, sustainable deployment, operation and upgrading of trans-European digital service infrastructures, as well as coordination at European level	-577 850	-670 000
Total		**0**	**0**

3.6 Use of the Global margin for commitments for heading 1a

As already mentioned, in 2017, there is still EUR 174,1 million in the Global margin for commitments (GMC) after using EUR 1 265 million to finance EFSI. Therefore the Commission proposes to finance the proposed increases for COSME, CEF-Transport, Eramus+ and H2020 from the unused portion of the GMC and from the unallocated margin under heading 1a.

4. Partnership Framework under the migration agenda, External Investment Plan, and Security

4.1 A quick start for the new Partnership Framework process with priority partners

On 7 June 2016 the Commission presented a communication *on establishing a new Partnership Framework with third countries under the European Agenda on Migration*[15], which builds on the Valletta Action Plan[16] and the results of high-level dialogues on migration and *compacts*[17] with a number of priority partners, which will require additional funding. The compacts seek to present a coordinated, systematic and structured approach to maximise the synergies and leverage of the Union’s internal and external policies, reflecting both the EU's interests and those of partner countries. Tailored for the priority countries, as each country package becomes operational it will also build on the special relationships that Member States have with third countries reflecting the political, historic and cultural ties fostered through decades of contacts. All available funding instruments and resources will be deployed in a more targeted, coordinated, flexible and rapid manner to achieve the short-term objectives of the compacts.

In line with the June communication and in order to give a quick start to the delivery on the compacts especially with the priority partners, the Commission proposes to reinforce the Development Cooperation Instrument (DCI) and the European Neighbourhood Instrument (ENI) by EUR 750 million in commitment and EUR 210 million in payment appropriations. Based on progress in the implementation of the compacts, part of this reinforcement may be channelled through the European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa (“Africa” trust fund) and the European Union Regional Trust Fund in response to the Syrian crisis (the “Madad” trust fund), for use in 2017 and beyond.

Development Cooperation Instrument (DCI)

To support the priority third countries in Asia and Sub-Saharan Africa, the Commission proposes to reinforce the budget item *Migration and Asylum* (21 02 07 05) with EUR 400 million in commitment and EUR 120 million in payment appropriations.

15 COM(2016) 385, 7.6.2016.

16 http://www.consilium.europa.eu/en/meetings/international-summit/2015/11/11-12

17 Tailor-made country packages to implement the new partnership framework. The short-term objective is to save lives in the Mediterranean, increase the rate of returns to countries of origin and transit, and enable migrants and refugees to stay close to home and avoid taking dangerous journeys.

To adress specific issues in Asia and to support actions for economic opportunities and job creation, the Commission proposes to reinforce the budget article *Cooperation with Asia* (21 02 02) with EUR 100 million in commitment and EUR 30 million in payment appropriations.

European Neighbourhood Instrument (ENI)

To help address the challenge of irregular migration and forced displacement, including through support to the implementation of the future compacts with countries of the Southern Neighbourhood, notably with Lebanon and Jordan, to strengthen the relationship with Tunisia and to contribute to the stabilisation of Libya, it is proposed to reinforce the budget item *Mediterranean countries – Confidence building, security and the prevention and settlements of conflicts* (22 04 01 03) with EUR 250 million in commitment and EUR 60 million in payment appropriations.

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
22 04 01 03	Mediterranean countries – Confidence building, security and the prevention and settlements of conflicts	250 000 000	60 000 000
21 02 07 05	Migration and asylum	400 000 000	120 000 000
21 02 02	Cooperation with Asia	100 000 000	30 000 000
Total		**750 000 000**	**210 000 000**

4.2 Endowment of the new European Fund for Sustainable Development (EFSD) Guarantee Fund

On 14 September 2016, the Commission presented a draft Regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund[18]. The EFSD is part of the External Investment Plan (EIP), the long-term strategy to address the root causes of migration, as outlined in the Commission communications of 7 June 2016 and of 14 September 2016[19]. The Commission proposes to endow the EFSD Guarantee Fund with EUR 750 million over the period 2017–2020, of which EUR 400 million from the European Development Fund (EDF) over the four years, EUR 100 million from the ENI over 2017–2020, and EUR 250 million by mobilising the contingency margin in 2017.

The present amending letter proposes the corresponding changes to the draft budget 2017, namely:

- The necessary changes to the budgetary nomenclature by creating two new budget lines in order to provision the EFSD Guarantee Fund and to provide the guarantee with a token entry (p.m.) from the EU budget, to provide for future need.
- The entry of EUR 275 million on the new provisioning line for the EFSD Guarantee Fund, of which EUR 250 million to come from the contingency margin and EUR 25 million from the ENI (1/3 from an Eastern Neighbourhood budget line and 2/3 from a Southern Neighbourhood line as shown in the table below).

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
01 03 07	European Union guarantee for the European Fund for Sustainable Development (EFSD)	p.m.	p.m.
01 03 08	Provisioning of the EFSD Guarantee Fund	275 000 000	275 000 000
22 04 01 02	Mediterranean countries — Poverty reduction and sustainable development	- 16 700 000	- 16 700 000
22 04 02 02	Eastern Partnership — Poverty reduction and sustainable development	- 8 300 000	- 8 300 000
Total		**250 000 000**	**250 000 000**

[18] COM(2016) 586 final, 14.9.2016.
[19] COM(2016) 581 final, 14.9.2016.

4.3 Mobilisation of the contingency margin for heading 4

The DB 2017 exhausted the expenditure ceiling for commitments for heading 4 *Global Europe* and proposed the full mobilisation of the Flexibility Instrument (EUR 530 million) for heading 3 *Security and Citizenship*. Consequently, the mobilisation of the Contingency Margin in 2017 is the last resort instrument available to address the additional needs described above. Taking into account the small margin of EUR 13,8 million created by the proposed transfer of the financing of some EU Special Representatives (EUSR) from heading 4 to heading 3, the Commission proposes to mobilise the Contingency Margin for an amount of EUR 986,2 million to be offset in the period 2017-2019 against the margins of heading 2 in 2017 and heading 5 in 2018-2019[20].

4.4 Reinforcing the Establishment Plan of Europol

Under the European Agenda for Security, the European Counter Terrorism Centre (ECTC) in Europol plays a key role as the central hub in the fight against terrorism in the EU, contributing to a coordinated reaction against the ongoing and anticipated terrorist threat and attacks. The Centre supports Member States by providing operational and analytical support for investigations into terrorist activities as well as cooperation with international partners.

In the wake of the recent terrorist attacks in Europe, the level of information submitted to EUROPOL and requests for support from Member States has increased steeply, which creates a significant additional workload in the agency. The DB 2017 already included 25 additional establishment plan posts, 5 contract agents and 5 seconded national experts for this reason.

Based on a needs assessment carried out in light of the Commission communication on *Enhancing security in a world of mobility*[21], the Commission requests a further reinforcement of 20 establishment plan posts for the ECTC. The additional staff is requested to reinforce operational support, notably to provide a 24/7 service and on-the-spot deployment capabilities.

The related additional appropriations for the remuneration of new staff (EUR 1 340 000) have been calculated on the basis of an average of six months' presence in 2017. The funding is proposed to be made available through a reprioritisation of actions under the Asylum, Migration and Integration Fund (AMIF) which were planned to be implemented by the Commission under direct management in 2017. The Commission will monitor the funding needs for these actions throughout the year, and it will propose corrective measures if necessary.

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
18 03 01 01	Strengthening and developing the common European asylum system and enhancing solidarity and responsibility-sharing between the Member States	-1 340 000	-1 340 000
18 02 04	European Police Office (Europol)	1 340 000	1 340 000
Total		**0**	**0**

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

[20] COM(2016) 678 final, 17.10.2016.
[21] COM(2016) 602, 14.9.2016.

5. OTHER ADJUSTMENTS

5.1. Adjustments to the Establishment Plans of Frontex and EASO

The DB 2017 contained a substantial reinforcement of the number of establishment plan posts of Frontex (+130 posts, of which 50 proposed to be frontloaded in draft amending budget 4/2016[22)] and EASO (+64 posts), so as to enable the agencies to carry out their extended mandates as the new European Border and Coast Guard Agency[23] and the EU Agency for Asylum[24].

Awaiting a more detailed analysis of the job profiles required, in the draft budget the additional posts for both agencies were requested at the entry grades of the function groups for Administrators (AD 5) and Assistants (AST 3, in the case of EASO also AST 1). The needs assessment has confirmed that there should be more emphasis on recruiting experienced staff across the establishment plan, as well as the creation of new units in the new areas of activity under the extended mandates, which requires the recruitment of a number of staff to middle-management positions.

This regrading of establishment plan posts for both Frontex and EASO in 2017 can be financed within the agencies' budgets for the year as proposed in the draft budget. Consequently, a reinforcement of the EU contribution to the agencies is not required.

The updated establishment plans are set out in the budgetary annex.

5.2. Adjustments to the establishment plans of EU-OSHA and EUROFOUND

The staff reduction target for the European agency for safety and health at work (EU-OSHA) in Bilbao translates into a reduction of one post in 2017, i.e. from 41 posts authorised in the 2016 budget to 40 posts in the draft budget 2017, of which 23 posts were proposed in the function group for Administrators and 17 posts in the function group for Assistants. However, taking into account a current vacancy, the agency has now requested to reduce one post in the function group for Assistants, and to keep the number of posts in the function group for Administrators stable at the 2016 level. This has no impact on expenditure.

The staff reduction target for the European foundation for the improvement of living and working conditions (EUROFOUND) in Dublin translates into a reduction of two posts in 2017, i.e. from 95 posts authorised in the 2016 budget to 93 posts in the 2017 draft budget, of which 50 posts were proposed in the function group for Administrators and 43 posts in the function group for Assistants. However, taking into account the planned reintegration of a temporary agent in the function group for Administrators, the agency has now requested to swap one permanent post for officials for one temporary post for temporary agents within the function group for Administrators. This keeps the overall number of posts in the function group for Administrators stable at the level initially requested for 2017 (50). This has no impact on expenditure.

The updated establishment plans are set out in the budgetary annex.

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22 COM(2016) 624, 30.9.2016.
23 COM(2015) 671, 15.12.2015.
24 COM(2016) 271, 4.5.2016.

5.3. Transfer of three double-hatted EUSRs from heading 4 (Section III- Commission) to heading 5 (Section X- EEAS)

There are currently three EU Special Representatives (EUSRs), in Afghanistan, Bosnia and Herzegovina and in Kosovo[25], who are "double-hatted" as Heads of EU Delegations (EU Office in the case of Kosovo). Their mandates, which currently run until 28 February 2017, are decided by the Council on a proposal of the High Representative of the Union for Foreign Affairs and Security Policy, and their costs are covered under the budget chapter of the Common Foreign and Security Policy (CFSP), part of heading 4.

Before the creation of the European External Action Service (EEAS), the underlying argument for the double-hatted arrangement was to ensure that the EU representative had a political mandate and the expertise necessary to carry out political and diplomatic tasks, as such tasks could not be entrusted directly to the Commission Delegations.

In the post-Lisbon context, heads of EU Delegations worldwide now have a greatly strengthened political mandate to represent the EU comprehensively in third countries.

In the *Conclusions on the EEAS review*[26] of 17 December 2013, the Council stressed with respect to the EUSRs "the need to enhance overall efficiency and accountability, as well as to ensure coordination and coherence with all other EU actors, emphasising the importance of close cooperation with the EEAS." At the same time, in the Decision[27] on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section X – European External Action Service, the European Parliament called for "steps to better integrate the EU Special Representatives more closely into the administrative structure and senior management of the EEAS in order to increase interaction and coordination, exploit synergies and ensure cost-effectiveness".

The current administrative set-up of the double-hatted EUSR offices/EU Delegations is far from ideal. It is funded from two different EU budget headings, which leads to parallel administrative, financial and logistical circuits. Although mostly working hand-in-hand with the colleagues from the EU Delegations, the members of the EUSRs offices are not formally and administratively attached to the EEAS and the respective EU Delegation.

Under the current mandate 115 full-time equivalent (FTE) staff in the Offices concerned are authorised, with the following breakdown:

Current mandate: authorised number of FTEs in the 3 double-hatted EUSR Offices

Location	International Contracted Staff	Seconded national experts	Local agents	Total
Afghanistan	5	7	8	20
Kosovo	13	5	21	39
Bosnia	4	15	37	56
Total	**22**	**27**	**66**	**115**

The related cost charged to the CFSP budget line (19 03 01 07) in the DB 2017 is estimated at EUR 13,8 million. The current mandate of the EUSRs was agreed for 16 months and therefore the appropriations in the table below are annualised.

25 This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

26 Council conclusions on the EEAS Review, GENERAL AFFAIRS Council meeting Brussels, 17 December 2013 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/140141.pdf.

27 European Parliament decision of 28 April 2016 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section X – European External Action Service (2015/2163(DEC)): http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0156+0+DOC+XML+V0//EN.

Type of cost	Afghanistan	Kosovo	Bosnia	Total
Personnel	1 356 052	1 803 931	2 776 680	**5 936 663**
Missions	225 000	85 311	201 744	**512 055**
Running expenditure	4 020 156	425 366	2 583 900	**7 029 422**
Capital expenditure	22 500	10 238	34 572	**67 310**
Representation	16 800	8 400	12 000	**37 200**
Other	78 242	18 004	91 104	**187 350**
Total	**5 718 750**	**2 351 250**	**5 700 000**	**13 770 000**

The High Representative, in agreement with the Commission, proposes to transfer the current tasks of these EUSR offices to the respective EU Delegation/Office, thus simplifying and streamlining the administrative, financial and logistical circuits of EU Delegations.

The staff concerned (contract agents, seconded national experts, and local staff) would be transferred from the current CFSP employment regime to the EEAS. The integration and the resulting streamlining of procedures would give rise to synergies and allow for a reduction of around 15 % of the number of FTEs concerned (with corresponding savings in salary and office costs). The number of FTEs to be added to the EEAS' staff would be reduced to a total of 97 (compared to the current 115), distributed as follows:

Location	Contract Agents	Seconded national experts	Local agents	Total
Afghanistan	4	6	7	**17**
Kosovo	9	6	18	**33**
Bosnia	3	13	31	**47**
Total	**16**	**25**	**56**	**97**

It should be recalled that the staff regimes of the EUSRs and the EEAS are different. Therefore, the personnel costs have been recalculated following the average values used for the preparation of the EEAS 2017 Draft Budget. As the transfer of the EUSRs would be performed at the end of current mandate (end of February 2017), the calculations are based on a 10 month period in 2017.

Number of FTEs and appropriations to be transferred to the EEAS budget

Staff category	Number of FTEs	Direct salary costs and emoluments*	**Other related costs*** (rents, security, missions, telecoms, etc.)
Contract agents	16	1 685 000	
Seconded National Experts	25	1 540 000	
Local agents	56	1 960 000	
Total	**97**	**5 185 000**	**4 891 000**

*10-month basis

The corresponding reduction in CFSP should cover a 12 month period, since the yearly budgets of the EUSRs are committed in full with each mandate renewal. Therefore, the present amending letter proposes to reduce EUR 13,8 million from the CFSP budget line and increase the EEAS budget by EUR 10,1 million, with a net reduction of EUR 3,7 million in expenditure in 2017.

On a comparable annual basis, the proposed transfer will allow savings of 18 FTEs and EUR 1,7 million compared to the current situation. The effect on heading 5 is shown in the table in section 5.2, below.

Section III – Commission (heading 4)

	Draft Budget 2017		Amending Letter No 1/2017		Draft Budget 2017 (incl. AL 1/2017)	
Budget line	**Commitments**	**Payments**	**Commitments**	**Payments**	**Commitments**	**Payments**
19 03 01 07	24 020 000	26 861 438	- 13 770 000	- 13 770 000	10 250 000	13 091 438

Section X – EEAS (heading 5)

	Draft Budget 2017		Amending Letter No 1/2017		Draft Budget 2017 (incl. AL 1/2017)	
Budget line	**Commitments**	**Payments**	**Commitments**	**Payments**	**Commitments**	**Payments**
3 0 0 1	68 300 000	68 300 000	3 645 000	3 645 000	71 945 000	71 945 000
3 0 0 2	27 911 000	27 911 000	1 980 000	1 980 000	29 891 000	29 891 000
3 0 0 3	168 109 000	168 109 000	3 636 000	3 636 000	171 745 000	171 745 000
3 0 0 4	45 227 000	45 227 000	815 000	815 000	46 042 000	46 042 000
Total	**309 547 000**	**309 547 000**	**10 076 000**	**10 076 000**	**319 623 000**	**319 623 000**

5.4. Remunerations and Pensions

In accordance with articles 64 and 65 of the Staff Regulations, the remuneration of the officials and other servants of the European Union is updated each year, in the light of a report presented by the Commission, based on statistical data prepared by Eurostat in agreement with the national statistical offices of the Member States, reflecting the situation in the Member States at 1 July.

The calculation of the update is based on the principle of parallelism between the evolution of real (net of inflation) remuneration of EU officials and national civil servants of the Member States. It reflects the combined effect of two main variables:

- The annual evolution of real salaries of civil servants in the central governments of a sample of 11 Member States representing more than 75 % of the Union GDP.
- Annual inflation in Brussels and Luxembourg calculated by weighting national consumer price inflation as measured by the Belgium HICP and Luxembourg CPI according to the distribution of EU staff serving in those Member States.

The forecast rates used for the second half of 2016 and for the draft budget 2017 were 1,8 % and 2,1 % respectively. As the report for the current exercise approaches, it is appropriate to review the situation, bearing in mind that any amending letter for the 2017 budget should be presented prior to the commencement of the conciliation process.

Belgium's yearly inflation rate, based on the European harmonised index of consumer prices, was 1,8% in June, well above the EU average of 0,1 %. While this figure almost equals the current forecast rate, the latter should also take account of the effect on the purchasing power of EU officials due to the increases in real salaries of civil servants in Member States with a lower rate of inflation during the same period.

On the basis of these developments, the probability of a salary update in excess of that used to establish the budget 2016 and estimates for 2017 is significant. It is prudent to plan for the necessary budgetary appropriations to address an increase to the rate, of a similar magnitude to that recorded for the 2015 update i.e. +/-1,2 %.

The budgetary consequences of this would be in the region of EUR 59,0 million for 2017, of which EUR 27,8 million for the Commission, and EUR 19,1 million for the pensions of all institutions.

It is therefore proposed to request the additional appropriations to cover the needs related to 2017 for the salaries and pensions of all institutions in this amending letter. Since the timing of the Eurostat report is clearly set out in Annex XI of the Staff Regulations, as end October, it would be too late to propose an amending letter after the rate is finalised. Therefore, the current proposal indicates the likely needs for all institutions, which can be updated as required on finalisation of the official report.

The indicative breakdown by type of expenditure and institution would be as follows:

Heading 5	**DB 2017**	**AL 1/2017**		**DB 2017 (incl. AL 1/2017)**
		Transfer of EUSRs + change EESC & CoR	**Higher than estimated salary updated 2016 [12 months]**	
Commission	**3 466,0**		**27,8**	**3 493,8**
Other institutions	**3 899,1**	**12,0**	**12,2**	**3 923,3**
European Parliament	1 900,6		0,0	1 900,6
European Council and Council	559,5		3,3	562,8
Court of Justice	396,3		3,1	399,3
Court of Auditors	140,2		1,4	141,5
European Economic and Social Committee	131,9	1,2	0,7	133,8
Committee of the Regions	92,0	0,8	0,6	93,3
European Ombudsman	10,7		0,0	10,7
European data-protection Supervisor	11,2		0,1	11,3
European External Action Service	656,9	10,1	3,0	670,1
Administrative expenditure	***7 365,2***	**12,0**	**39,9**	**7 417,1**
Pensions	**1 770,8**		**19,1**	**1 789,9**
European schools	**185,8**		**0,0**	**185,8**
Pensions and European schools	***1 956,5***	**0,0**	**19,1**	**1 975,6**
Total	***9 321,7***	***12,0***	***59,0***	***9 392,7***
Ceiling	***9 918,0***			***9 918,0***
Sub-ceiling	***8 007,0***			***8 007,0***
Of which offset against Contingency Margin	***-514,4***			***-514,4***
Margin heading 5	***81,9***	***-12,0***	***-59,0***	***10,9***
Sub-margin	***127,5***	***-12,0***	***-39,9***	***75,5***

5.5. Change in the establishment plans of the European Parliament, the European Economic and Social Committee and the Committee of the Regions

In 2013 the European Parliament (EP), the Economic and Social Committee (EESC) and the Committee of the Regions (CoR) signed a cooperation agreement with a view to reinforcing political and administrative cooperation, through which the two Committees would contribute to building up the EP Members Research Service, which would in return provide products and services free of charge to the Committees. The cooperation agreement included a potential transfer of up to 80 posts from the Committees to the EP.

Initially, 80 posts were created in the EP's establishment plan in 2014 in view of the implementation of the cooperation agreement, and thus far 60 posts (24 for the CoR and 36 for the EESC) have been removed from the establishment plans of these institutions.

In order to ensure full compliance with the principle of budget neutrality of the agreement, the Commission integrated a revised Statement of Estimates for the EESC and the CoR in the draft budget 2017, reducing the establishment plan of the EESC by 12 posts together with the corresponding appropriations (- EUR 1,2 million) and that of the CoR by 8 posts (-EUR 0,8 million). The effect on heading 5 is shown in the table in section 5.2, above.

However, since the adoption of DB2017, the three Institutions concerned have come to a common understanding that the transfers can be considered as fully finalised. Therefore, the Commission proposes, in line with the agreement between the EP, the EESC and the CoR, that the 20 additional posts be removed from the EP's establishment plan in the 2017 draft budget, while restoring a corresponding number of posts in the respective establishment plans of the two Committees, together with the related appropriations.

Given that the 20 extra posts allocated to the European Parliament remained blocked and unused since 2014, the proposed adaptation to the establishment plan has no impact on the request for appropriations for the EP in section I of the EU budget.

As this is a zero-sum operation between Institutions, it has no impact on their respective 5 % staff reduction targets.

6. INCREASE OF THE REVENUE LINKED TO FINES

Some fines decided by the Commission recently will be paid and all legal remedies will be exhausted at the end of 2016 for an estimated amount of EUR 1 billion. The Commission proposes to increase the relevant budget items in the revenue part of the budget by this amount. This will reduce the GNI contribution requested from the national budgets by the same amount.

7. SUMMARY TABLE BY MFF HEADING

In EUR

Financial framework Heading/sub-heading	Draft Budget 2017		Draft Amending Letter No 1		Draft Budget 2017 (incl. AL1/2017)	
	CA	PA	CA	PA	CA	PA
1. Smart and inclusive growth	**74 682 751 585**	**56 646 663 545**	**200 000 000**	**6 890 000**	**74 882 751 585**	**56 653 553 545**
Of which under global margin for comitments	*1 265 000 000*		*174 100 000*		*1 439 100 000*	
Ceiling	*73 512 000 000*				*73 512 000 000*	
Margin	*94 248 415*				*68 348 415*	
1a. Competitiveness for growth and jobs	21 108 952 950	19 297 994 503	200 000 000	6 890 000	21 308 952 950	19 304 884 503
Of which under global margin for commitments	*1 265 000 000*		*174 100 000*		*1 439 100 000*	
Ceiling	*19 925 000 000*				*19 925 000 000*	
Margin	*81 047 050*				*55 147 050*	
1b. Economic, social and territorial cohesion	53 573 798 635	37 348 669 042			53 573 798 635	37 348 669 042
Ceiling	*53 587 000 000*				*53 587 000 000*	
Margin	*13 201 365*				*13 201 365*	
2. Sustainable growth: natural resources	**58 901 743 884**	**55 236 239 537**		**- 1 020 000**	**58 901 743 884**	**55 235 219 537**
Ceiling	*60 191 000 000*				*60 191 000 000*	
Of which offset against Contingency Margin	*- 650 000 000*		*- 200 000 000*		*- 850 000 000*	
Margin	*639 256 116*				*439 256 116*	
Of which: European Agricultural Guarantee Fund (EAGF) - Market related expenditure and direct payments	42 937 572 079	42 888 987 974		- 1 020 000	42 937 572 079	42 887 967 974
Sub-ceiling	*44 146 000 000*				*44 146 000 000*	
Rounding difference excluded from margin calculation	*318 000*				*318 000*	
EAGF Margin	*1 208 109 921*				*1 208 109 921*	
3. SECURITY AND CITIZENSHIP	**4 272 380 960**	**3 781 908 287**			**4 272 380 960**	**3 781 908 287**
Of which under Flexibility Instrument	*530 000 000*				*530 000 000*	
Of which under Contingency Margin	*1 164 380 960*				*1 164 380 960*	
Ceiling	*2 578 000 000*				*2 578 000 000*	
Margin						
4. GLOBAL EUROPE	**9 432 000 000**	**9 289 727 178**	**986 230 000**	**446 230 000**	**10 418 230 000**	**9 735 957 178**
Of which under Contingency Margin			*986 230 000*		*986 230 000*	
Ceiling	*9 432 000 000*				*9 432 000 000*	
Margin						
5. ADMINISTRATION	**9 321 692 016**	**9 324 103 016**	**71 010 800**	**71 010 800**	**9 392 702 816**	**9 395 113 816**
Ceiling	*9 918 000 000*				*9 918 000 000*	
Of which offset against Contingency Margin	*- 514 380 960*				*- 514 380 960*	
Margin	*81 927 024*				*10 916 224*	
Of Which: Pensions and European Schools	1 956 535 156	7 367 567 860	19 076 000	19 076 000	1 975 611 156	7 386 643 860
Of Which: Administrative expenditure of the institutions	7 365 156 860	7 367 567 860	51 934 800	51 934 800	7 417 091 660	7 419 502 660
Ceiling	*8 007 000 000*				*8 007 000 000*	
Of which offset against Contingency Margin	*- 514 380 960*				*- 514 380 960*	
Margin	*127 462 180*				*75 527 380*	
TOTAL APPROPRIATIONS FOR HEADINGS	**156 610 568 445**	**134 278 641 563**	**1 257 240 800**	**523 110 800**	**157 867 809 245**	**134 801 752 363**
Appropriations as% of GNI	***1,04%***	***0,89%***			***1,05%***	***0,90%***
Of which under Flexibility Instrument	***530 000 000***	***981 093 985***			***530 000 000***	***981 093 985***
Of which under global margin for commitments	***1 265 000 000***		***174 100 000***		***1 439 100 000***	
Of which under Contingency Margin	***1 164 380 960***		***986 230 000***		***2 150 610 960***	
Ceiling	***155 631 000 000***	***142 906 000 000***			***155 631 000 000***	***142 906 000 000***
Of offset against Contingency Margin	***-1 164 380 960***		***- 200 000 000***		***-1 364 380 960***	
Margin	***815 431 555***	***9 608 452 422***	***- 296 910 800***	***- 523 110 800***	***518 520 755***	***9 085 341 622***

Other special instruments	**1 046 924 000**	**620 000 000**			**1 046 924 000**	**620 000 000**

TOTAL APPROPRIATIONS	**157 657 492 445**	**134 898 641 563**	**1 257 240 800**	**523 110 800**	**158 914 733 245**	**135 421 752 363**
Appropriations as% of GNI	***1,05%***	***0,90%***			***1,06%***	***0,90%***