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**DRAFT AMENDING BUDGET N° 6
TO THE GENERAL BUDGET 2010**

**STATEMENT OF REVENUE AND EXPENDITURE BY SECTION
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Section II –European Council and Council

Section III - Commission

Section X – European External Action Service

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Having regard to:

- the Treaty of the European Union and in particular Article 27 thereof,
- 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 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 proposal of 24 March 2010 modifying Council Regulation No 1605/2002²,
- the general budget of the European Union for the financial year 2010 adopted on 17 December 2009,
- the amending budget 1/2010 adopted on 19 May 2010,
- the draft amending budgets No 2/2010³, 3/2010⁴, 4/2010⁵, and 5/2010⁶.

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 6 to the 2010 budget for the reasons set out in the explanatory memorandum.

¹ OJ L 248, 16.9.2002, p. 1.
² COM(2010) 85.
³ COM(2010) 108.
⁴ COM(2010) 149.
⁵ COM(2010) 169.
⁶ COM(2010) 320.

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 these statements by section is attached for information as a budgetary annex.

1. FRAMEWORK

1.1. An External Action Service for a secure Europe in a changing world

- 1.1.1. The Treaty of the European Union (TEU) provides that the High Representative of the Union for Foreign Affairs and Security Policy chairs the Foreign Affairs Council, contributes through her proposal towards the preparations of the Common Foreign and Security Policy (CFSP) and ensures the implementation of the decisions adopted by the European Council and the Council. The High Representative represents the Union in matters related to the CFSP, conducts the dialogue with third parties on the Union's behalf and expresses the Union's position in international organisations and international conferences.
- 1.1.2. In fulfilling her mandate, the High Representative shall be assisted by a European External Action Service (hereinafter EEAS) as stipulated by the Treaty of the EU.
- 1.1.3. An effective EEAS is critical to allowing the EU to accomplish the strategic objectives set by the Lisbon Treaty and to contribute to strengthening its role on the global stage, giving it more profile, and enabling it to project its interests and values more efficiently.
- 1.1.4. The added value that the EEAS can bring to the complex challenges and threats the EU is facing is its ability to combine the instruments available. A service drawing on the valuable expertise of the European Commission services, of services of the General Secretariat of the Council and on the experience of the diplomatic service of EU Member States.
- 1.1.5. Within this framework the European Commission is presenting this amending budget as a technical proposal, reflecting the requests transmitted by the High Representative and, within the framework of the draft Council's Decision, that in the last quarter 2010 diplomats from the EU Member States are to be recruited to the EEAS, under the EU budget (temporary agents).

1.2. An efficient organisational structure within a context of fiscal consolidation

- 1.2.1. The guidelines laid down by the European Council of 29 and 30 October 2009 on the establishment of the EEAS foresee the following (point 16):

"The EEAS... should have autonomy in terms of administrative budget and management of staff. The EEAS should be brought within the scope of Article 1 of the financial regulation."

The European Commission has, therefore, presented to the two arms of the legislative authority a proposal for the revision of the financial regulation (COM ...) and has adopted on 9 June 2010 the proposal for the modification of the Staff Regulation (COM(2010) 85). This draft amending budget is the third piece of a set of modifications necessary to implement the Council Decision establishing the EEAS.

1.2.2. On 25 March, 2010 the High Representative (HR) presented a draft Council decision establishing the organisation and functioning of the European External Action Service.

1.2.3. The establishment of the EEAS has to be guided by the principles of cost-efficiency, budget neutrality, and sound and efficient management.

The creation and establishment of the EEAS will have to take into account the impact of the economic crisis in public finances and the need for fiscal consolidation policies, implying self-restraining measures in terms of human resources including recruitments and contracts.

1.2.4. Transitional arrangements and gradual build-up of capacity will have to be used in the setting up of this service. In terms of sound and efficient management, unnecessary duplication of tasks, functions and resources with other structures will have to be avoided, using all opportunities for rationalisation and streamlining.

1.2.5. The departments and functions of the relevant services of the General Secretariat of the Council and of the Commission will therefore be transferred to the EEAS. They are listed in the Annex to the draft Council Decision. Upon their transfer to the EEAS, each official will be assigned to a post in the function group which corresponds to his/her grade.

1.2.6. In addition, the EEAS will be staffed with some diplomats from Member States (temporary agents). When the EEAS will reach its full capacity in 2013, staff from Member States is expected to represent one third of all EEAS staff at AD level.

1.2.7. The EEAS will therefore start in 2010 with a structure that, while capable of supporting the High Representative to fulfil her tasks, also reflects the current constraints with regard to administrative expenditure (heading 5) and takes into account the context of fiscal consolidation.

1.3. *Immediate additional personnel requirements for 2010*

1.3.1. The EEAS should be up and running as soon as possible. The merging of the services of the Commission and General Secretariat of the Council transferred to the EEAS is expected to create synergies and efficiency gains at headquarters. Those efficiency gains will also be used to cover at least part of the EEAS' priority needs and additional tasks.

1.3.2. However the additional tasks of the Presidency of Working Groups and Committees which prepare the Foreign Affairs Council – tasks that neither GSC nor Commission services were previously fulfilling – and the need to equip the EEAS with posts for the Corporate and Policy Boards have to be taken into account.

The headquarters should therefore be reinforced with 20 new AD posts to accommodate the creation of new management posts, allow the creation of a small legal cell, and to cover additional tasks in relation to the presidency of geographical and thematic Working Groups. The first priority of the High Representative will be to make provisions for the early appointment of the top management posts in the new

structure. In addition, appropriations are requested for 10 contract agents for support tasks at headquarters.

- 1.3.3. The Union Delegations constitute an integral part of the EEAS. Since 1 January 2010 more than 60 EU Delegations have taken up the role of the local Presidency, i.e. the tasks of representation, co-ordination and negotiation on behalf of the EU. In such cases they need to be reinforced in order to fully carry out their new duties.

The most urgent additional needs for EU Delegations require 80 new AD posts to be gradually recruited over the last quarter of 2010 and were assessed as follows:

- Reinforcement of delegations where there is no political officer in place some 40 new AD posts;
- Reinforcement of multi-lateral delegations some 20 new AD posts;
- Upgrading of regionalised delegations and creation of Deputy Head of Delegation functions some 20 new AD posts;
- Additional appropriations for 60 local agents to provide necessary support.

2. THE PROCEDURE FOR THE ESTABLISHMENT OF A BUDGET FOR THE EEAS

- 2.1. Article 12.5 of the draft Council Decision on the organisation and functioning of the EEAS stipulates: *"At the latest one month after the entry into force of this Decision, the High Representative shall submit to the Commission an estimate of the revenue and expenditure of the EEAS, including an establishment plan, in order for it to present a draft amending budget."*

- 2.2. Under normal circumstances an amending budget establishing a new entity with a separate section in the budget would include the following:

- an establishment plan,
- the related appropriations to cover salaries of officials, infrastructure and other running cost,
- appropriations for other types of personnel (including salaries, infrastructure and other running cost),
- other administrative expenditure (like IT, security, missions, etc.).

- 2.3. In order to allow the EEAS to function autonomously it is important that its budget is established as quickly as possible. This will also have to be done while ensuring the smooth functioning and business continuity of the activities.

- 2.4. Most of the means for the future operation of the EEAS will be transferred from the institutions (Commission and Council) which have been responsible until now for most of the tasks to be performed in the future by the EEAS. This implies that this budget proposal for the EEAS also modifies the budgets of these institutions.

In the absence of a fully operational budget and administrative capability in the EEAS, this amending budget proposal has been elaborated in close cooperation between the two donor institutions involved and the HR.

- 2.5. In principle the budget of the EEAS should give a view of the full cost of its functioning.

Nevertheless, the European Council recognised the challenges for the set-up of the new institution and concluded explicitly in article 27 of the guidelines of October 2009: *"transitional arrangements and gradual build-up of capacity will have to be used"*

The following aspects have been identified as the major difficulties to establish from the start the EEAS budget in 2010:

- Given the need to merge separate parts of existing administrations into a new separate one, the EEAS will not have its own capacity from day one to implement its obligations,
- In the current phase of the setup of the EEAS there is no complete view yet on the working methods and the final organisational structure,
- The unwinding and transfer of contractual and financial obligations from the donor-institutions to the EEAS is a delicate process which requires careful preparation and implementation,
- The appropriations to be transferred have to be accurately calculated according to a specific date when the amended budget is expected to be adopted. If the amending budget is adopted at a different date, there is the risk that appropriations will not be available in the budget of the 'right' institution which will need them, notably for salaries and all sorts of contractual obligations,
- The transfer of financial obligations and resources in the course of a running budgetary year, rather than at the beginning of the budget year, is a hazardous operation from an accounting viewpoint.

In conclusion, there could be a serious and real risk of major disruption of operations (including payments of salaries and other obligations), at headquarters and in delegations, which would be prejudicial for the reputation of the newborn EEAS.

- 2.6. The proposed solution for 2010 consists in an amending budget based on a pragmatic and simplified approach during the transitional period covering the last quarter of the year, and assuming the amending budget will be adopted by October 1, 2010. Thus, the proposed amending budget reflects the following:

- The creation of the EEAS' separate budget section and establishment plan in line with the European Commission proposal for modification of the Financial Regulation.
- The posts to be transferred from the Commission and the General Secretariat of the Council will continue to remain, though identified in separate columns, in the establishment plans in corresponding sections of the two donor institutions,

to ensure continuity of administrative and contractual obligations till the end of the year. Those EEAS posts will be removed from the establishment plans of the Commission and the General Secretariat of the Council in the 2011 budget (amending letter to be presented later this year).

- A first tranche of new AD posts to cope the immediate additional tasks. This will also contribute to reach in 2013 the commitment to have one third of AD staff coming from the diplomatic service of the Member States.
- All appropriations, including the requested additional appropriations for new EEAS posts, will be included in the corresponding budget items of the Commission and the General Secretariat of the Council, which allows them to provide all payments (salaries, allowances, rents, etc.) and services (IT, maintenance, canteens, etc.) to the future EEAS staff till the end of the year.

In this way, business continuity at headquarters and delegations can be guaranteed during the transitional period till the end of the year.

The High Representative will be able to concentrate on and supervise the EEAS internal organisation, recruitment procedures⁷, and the build up of its full administrative and financial management capacity so that the EEAS can take over full responsibility and related administrative, financial and contractual obligations as from January 1, 2011.

- 2.7. The objective for the financial year 2011 is that the EEAS would have its own full budget for 2011 including all related appropriations. That will require a letter of amendment to the 2011 draft budget in due time for being integrated in the annual budgetary process.

3. THE AMENDING BUDGET FOR THE EEAS IN 2010

3.1. Budget structure

- A new section X "*European External Action Service*" is created in the budget of the European Union.
- A budgetary structure to cover the EEAS administrative expenditure is established. The structure is inspired by the structure used by other institutions (title 1 *staff*, title 2 *operating expenditure*, title 3 *delegations*).

3.2. Establishment plan

The two donor institutions have identified the number of establishment posts related to the transfer of the services as defined in the Council Decision: 1114 posts are transferred to the EEAS from the establishment plan of the Commission, and 411

⁷ Any recruitments until 1.1.2011 would be formally in the name of the Commission. The Commission will however, fully delegate the relevant Appointing Authority/Contracting Authority powers to the High Representative in her function as Vice President of the Commission with a view to giving her exclusive authority over the selection process.

posts (including 43 posts for the support functions) from the establishment plan of the General Secretariat of the Council.

In addition, 100 new posts are requested for the EEAS (of which 20 at headquarters and 80 in delegations, the latter ones gradually over the last quarter of 2010 respectively 50% in October and in November). The summary table below provides the breakdown of the EEAS posts by origin and distinguishing headquarters from delegations. Posts in the table below include posts with the staff to be transferred as well as vacant posts.

Table 1: Establishment plan posts transferred from donor institutions and new posts created in 2010

	Commission	Council	New posts	Total
Headquarters	675	387	20	1 082
Delegations	439	24	80	543
Total	1 114	411	100	1 625

The revised establishment plans are included in the budgetary annex.

3.3. Other human resources (not covered by the establishment plan)

Appropriations related to other human resources (seconded national experts, contract agents, local agents in delegations) to be transferred but not covered by the establishment plan continue in 2010 to be financed from the budget of the donor institution.

This amending budget includes the request of additional appropriations for the EEAS corresponding to 10 contract agents at headquarters and 60 local agents in delegations. Since no appropriations are put in the EEAS budget (see paragraph 2.6), the corresponding appropriations are inscribed in the Commission's section of the budget.

3.4. Other administrative expenditure

No appropriations for other administrative expenditure (rent, mission expenditure, IT etc) will be transferred from the donor institutions to the EEAS in 2010. They are included in the relevant section of the Commission and the General Secretariat of the Council.

4. CONCLUSION

In view of the establishment of the EEAS, this amending budget proposes in line with the European Commission proposal on the modification of the financial regulation the creation of a new Section X (European External Action Service) and the related amendments to budget Section II (European Council and Council) and Section III (Commission), as indicated in the budgetary annex.

A new establishment plan is created in Section X for the EEAS. It includes 411 posts transferred to EEAS from Section II (European Council and Council) and 1 114 posts

transferred from Section III (Commission). It also includes 100 additional new AD posts for the EEAS, of which 80 in delegations.

The additional expenditure is necessary to cover the 100 new posts and additional appropriations for 60 additional local agents in delegations and 10 contract agents at headquarters requested by the High Representative, in order to fulfil the additional tasks conferred by the Treaty. These additional posts will already contribute in 2010 to the Council's decisions to have in 2013 in the EEAS, one third of AD staff coming from the diplomatic services of the EU Member States.

5. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2010 Financial framework		Budget 2010 (including AB 1 and DAB 2 to DAB5)		DAB 6/2010		Budget 2010 (including AB 1 and DAB 2 to DAB6)	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	14 167 000 000		14 861 853 253	11 342 270 803			14 861 853 253	11 342 270 803
1b. Cohesion for growth and employment	49 388 000 000		49 387 592 092	36 384 885 000			49 387 592 092	36 384 885 000
Total Margin⁸	63 555 000 000		64 249 445 345 <i>-194 445 345</i>	47 727 155 803			64 249 445 345 <i>-194 445 345</i>	47 727 155 803
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	47 146 000 000		43 819 801 768	43 701 207 586			43 819 801 768	43 701 207 586
Total Margin	59 955 000 000		59 498 833 302 <i>456 166 698</i>	58 135 640 809			59 498 833 302 <i>456 166 698</i>	58 135 640 809
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 025 000 000		1 006 487 370	738 570 370			1 006 487 370	738 570 370
3b. Citizenship	668 000 000		668 000 000	659 387 500			668 000 000	659 387 500
Total Margin⁹	1 693 000 000		1 674 487 370 <i>18 512 630</i>	1 397 957 870			1 674 487 370 <i>18 512 630</i>	1 397 957 870
4. EU AS A GLOBAL PLAYER¹⁰	7 893 000 000		8 160 182 000 <i>-18 300 000</i>	7 787 695 183			8 160 182 000 <i>-18 300 000</i>	7 787 695 183
5. ADMINISTRATION¹¹	7 882 000 000		7 908 983 423 <i>53 016 577</i>	7 908 478 423	9 521 362	9 521 362	7 918 504 785 <i>43 495 215</i>	7 917 999 785
TOTAL Margin	140 978 000 000	134 289 000 000	141 491 931 440 <i>528 250 560</i>	122 956 928 088 <i>11 660 953 912</i>			141 501 452 802 <i>518 729 198</i>	122 966 449 450 <i>11 651 432 550</i>

⁸ The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a (EUR 500 million). EUR 195 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

⁹ The European Union Solidarity Fund (EUSF) amount is entered over and above the relevant headings as foreseen by the IIA of 17 May 2006 (OJ C 139 of 14.6.2006)

¹⁰ The 2010 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 248,9 million).

¹¹ For calculating the margin under the ceiling for heading 5, account is taken of the footnote (1) of the financial framework 2007-2013 for an amount of EUR 80 million for the staff contributions to the pension scheme.