

EN

EN

EN



EUROPEAN COMMISSION

Brussels, 20.10.2010  
COM(2010) 601 final

**AMENDING LETTER N° 3  
TO THE DRAFT GENERAL BUDGET 2011**

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

**AMENDING LETTER N° 3  
TO THE DRAFT GENERAL BUDGET 2011**

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

Having regard to:

- the Treaty on the Functioning of the European Union, and in particular Article 314 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,
- the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>1</sup>, and in particular Article 37 thereof,
- the draft general budget of the European Union for the financial year 2011 presented by the Commission on 15 June 2010,
- the draft amending letter No. 1/2011<sup>2</sup>,
- the draft amending letter No. 2/2011<sup>3</sup>,

The European Commission hereby presents to the budgetary authority the Amending Letter No. 3 to the 2011 draft budget for the reasons set out in the explanatory memorandum.

---

<sup>1</sup> OJ L 248, 16.9.2002, p. 1.  
<sup>2</sup> SEC (2010) 1064.  
<sup>3</sup> SEC (2010) 1199.

## **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.

## TABLE OF CONTENTS

1.	Introduction.....	5
2.	Preservation and Management of Natural Resources .....	5
2.1	Introduction.....	5
2.2	Summary Table .....	6
2.3	EAGF expenditure (market-related expenditure and direct payments) .....	6
2.3.1	Overall Picture .....	6
2.3.2	Detailed Comments.....	6
2.4	International Fisheries Agreements .....	9
2.5	Changes to the nomenclature and budgetary remarks.....	9
3.	The European Economic Recovery Plan (EERP) .....	10
4.	Summary table by heading of the Financial Framework .....	11

## **1. INTRODUCTION**

The Amending Letter No 3 (AL 3) to the Draft Budget for 2011 (DB 2011) covers the following:

- the line by line updating of the estimated needs for agricultural expenditure. In addition to changing market factors, the AL also incorporates legislative decisions adopted in the agricultural sector since the DB 2011 was drawn up, revised estimates of needs for some direct payments, as well as any proposals, which are expected to have effect during the coming budget year. Commitment and payment appropriations are decreased by EUR 346 million;
- an update of the situation for International Fisheries Agreements, decreasing commitment appropriations by EUR 1 million;
- the creation of a new budget item 32 04 14 04 - Energy projects to aid economic recovery - Energy efficiency and renewable initiatives.

## **2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES**

### **2.1 Introduction**

The Amending Letter No 3 is sent to the budgetary authority in accordance with Article 314 of the Lisbon Treaty which provides that "the Commission may amend the draft budget during the procedure until such time as the Conciliation Committee, referred to in paragraph 5, is convened".

The AL is based, in the same way as the DB itself, on the needs of the Community as a whole. It must be stressed that these appropriations are to be understood as a forecast and not as an objective of expenditure. The actual expenditure will depend, in particular, on actual market conditions, on the actual euro-dollar exchange rate, and on the rhythm of the payments by Member States. In accordance with the legal base, whatever the amount a Member State is obliged to pay in accordance with the regulations – within the limits set by the financial framework - will be reimbursed in full.

For clarification and transparency purposes, some budgetary comments have been updated.

According to the present AL 3, overall appropriations for heading 2 are estimated at EUR 59 139 million, leaving a margin of EUR 1 199 million in commitment appropriations below the corresponding ceiling of the Financial Framework.

The commitment appropriations for agricultural expenditure (including veterinary and fisheries expenditure financed under the EAGF) amount to EUR 43 401 million, a decrease of EUR 346 million compared with the DB 2011, mostly explained by higher than expected assigned revenue received in 2010 and by the favourable situation on agricultural markets. EAGF payment appropriations are decreased by the same amount to give a total of EUR 43 311 million.

As far as the International Fisheries Agreements are concerned, the AL proposes a very small adjustment of commitment appropriations by EUR 1 million.

## 2.2 Summary Table

EUR million	DB 2011		AL3/2011		Difference	
	(a)		(b)		(c)=(b)-(a)	
	CA	PA	CA	PA	CA	PA
<b>Ceiling Financial Framework</b>	<b>60 338</b>		<b>60 338</b>		<b>0</b>	
<i>margin</i>	851,8		1 199,0		+347,2	
<b>Total Appropriations Heading 2</b>	<b>59 486,2</b>	<b>58 135,7</b>	<b>59 139,0</b>	<b>57 789,5</b>	<b>-347,2</b>	<b>-346,2</b>
of which:						
<b>Agricultural expenditure (market related expenditure and direct payments)<sup>4</sup></b>	43 747,4	43 656,8	43 401,2	43 310,6	-346,2	-346,2
<b>International Fisheries and Law of the Sea</b>	154,8	159,4	153,8	159,4	-1,0	0,0

## 2.3 EAGF expenditure (market-related expenditure and direct payments)

### 2.3.1 Overall Picture

The purpose of the AL 3 is to ensure that the agricultural budget is based on the most up-to-date economic data and legislative framework. By the month of September, the Commission has at its disposal a first indication of the level of production (harvests) for 2010, which is the basis for any reliable estimate of the budgetary needs for 2011.

As in the past, the Commission has carefully reviewed all its estimates of agricultural expenditure line by line. As well as taking into account market factors, this AL 3 also incorporates any legislative decisions adopted in the agricultural sector since the DB was drawn up, as well as proposals made by the Commission.

EAGF appropriations are decreased by EUR 346 million. This is mostly due to lower needs in chapter 05 02 Intervention in Agricultural markets (- EUR 136 million) and to a modification in the level of EAGF assigned revenue available in 2011. Firstly, additional assigned revenue received in 2010 amounting to EUR 210 million will be carried over from 2010 to 2011. Secondly, the Commission expects some increase in the assigned revenue generated in 2011 (+ EUR 19 million), so that the total increase in available assigned revenue is EUR 229 million.

As a result, total commitment appropriations requested for agricultural expenditure financed by the EAGF are EUR 43 401 million, lower than in the DB 2011 (- EUR 346 million), resulting in a margin under the EAGF sub-ceiling which is now EUR 1 065 million. The new margin for heading 2 in total is EUR 1 199 million.

### 2.3.2 Detailed Comments

#### **05 02 Interventions in agricultural markets (appropriations - EUR 365 million)**

<b>needs in draft budget:</b>	<b>EUR 3 591 million</b>
<b>appropriations requested in draft budget:</b>	<b>EUR 3 491 million</b>
<b>estimated assigned revenue available in 2011 in draft budget:</b>	<b>EUR 100 million</b>
<b>needs after letter of amendment:</b>	<b>EUR 3 455 million</b>

<sup>4</sup> European Agricultural Guarantee Fund (EAGF) expenditure, including EUR 30 million under title 11 Fisheries and Maritime Affairs and EUR 342,9 million under title 17 Health and Consumer Protection.

**appropriations requested after letter of amendment:**

**EUR 3 155 million**

**estimated assigned revenue available in 2011 after letter of amendment:**

**EUR 300 million**

The hypotheses underlying this AL 3 for the majority of agricultural markets confirm mostly the assessment at the moment of the DB 2011 with, in general, favourable prospects for most agricultural markets. The modifications proposed by this AL 3 are mostly of technical nature, but also reflect an improved market situation for two key sectors: cereals and dairy. For cereals, while the DB 2011 anticipated higher expenditure for market interventions, the AL 3 shows some reduction as the improved market prospects allow reducing public stocks quicker than initially expected. The positive evolution on dairy markets that characterised the Commission's DB 2011 proposal for the sector is still prevailing, and the latest market situation also suggests lower intervention stocks, leading to a decrease in the request for appropriations. Overall needs for intervention measures on agricultural markets decrease by EUR 136 million compared to the DB. Furthermore, EUR 200 million of additional assigned revenues are estimated to be available for chapter 05 02. The most important modifications are shortly explained below; a table with the full set of modifications (at the level of Articles) can be found at the end of this section.

As regards **cereals**, after a record harvest 2008/09 and relatively high production in 2009/2010, EU production 2010/11 is expected to come back to a more average level. Most recent market forecasts suggest continued higher prices, both on the internal and on world markets. The AL 3 proposes for intervention measures a reduction by EUR 108 million compared to the DB 2011, reflecting a more positive evolution for EU public stocks. In fact, almost all quantities currently in public storage are expected to be absorbed by free markets or in the scheme in favour of most deprived people.

For **fruits and vegetables**, while needs are somewhat reduced (- EUR 24,2 million) following an updated assessment of the actual uptake of measure in favour of producer organisations and the situation on outstanding payments for previous measures, appropriations proposed are significantly lower than in the DB 2011. In fact, it is proposed to reduce the budget appropriations requested for operational funds for producer organisations (budget item 05 02 08 03) by EUR 226 million, of which EUR 200 million reflect updated estimates for revenue assigned to that item.

It is proposed to increase appropriations for **dried fodder** (budget item 05 02 11 01) by + EUR 7 million, reflecting the latest figures on production.

For **Milk and milk products**, the DB 2011 estimates already anticipated a continuation of the positive market development that started in the last months of 2009. The evolution during 2010 supports so far this positive assumption so that there is no major change compared to the DB 2011. Nevertheless, updated forecasts suggest a more substantial reduction of public stocks of butter and skimmed milk powder (SMP) than initially expected. Appropriations for intervention measures for SMP (budget item 05 02 12 02) and for butter/cream (budget item 05 02 12 04) are proposed to be decreased by EUR 11 million and EUR 3 million respectively compared to the DB 2011.

Appropriations for the **beef and veal** sector are proposed to be increased by EUR 11 million. The main reason is higher expenditure related to export refunds for meat (+ EUR 8 million) and live animals (+ EUR 2 million) based on the latest available figures on issued export licences. Furthermore, there is a small additional need (+ EUR 1 million) to settle outstanding payments related to exceptional market support (old BSE measures).



For article 05 02 15 (**Pigmeat, eggs and poultry, bee-keeping and other animal products**), the AL proposes a reduction of appropriations by EUR 7 million compared to the DB 2011. This decrease is the net result of additional needs for bee-keeping (+ EUR 8 million) as decided recently by the Commission, for export refunds on pigmeat (+ EUR 3 million) linked to outstanding payments for certificates already issued as well as for export refunds on eggs (+ EUR 1 million) on the basis of updated market forecasts. However, latest market information allow for a decrease of appropriations for poultry export refunds (- EUR 19 million).

**05 03 Direct Aids (appropriations + EUR 19 million)**

<b>needs in draft budget:</b>	<b>EUR 40 499 million</b>
<b>appropriations requested in draft budget:</b>	<b>EUR 39 911 million</b>
<b>estimated assigned revenue available in 2011 in draft budget:</b>	<b>EUR 588 million</b>
<b>needs after letter of amendment:</b>	<b>EUR 40 518 million</b>
<b>appropriations requested after letter of amendment:</b>	<b>EUR 39 901 million</b>
<b>estimated assigned revenue available in 2011 after letter of amendment:</b>	<b>EUR 617 million</b>

Budget appropriations requested for this chapter are revised upwards by EUR 19 million. Most of this change is due to a revised estimation for the needs for the Single Payment Scheme (SPS) in Spain. Most of the other changes come from shifts between lines inside the chapter, the majority linked to specific support measures, with a zero-sum effect.

## Modifications at the level of Article

Code	Heading	DB (in million EUR)	AL (in million EUR)	difference (in million EUR)	Comments
	<i>Interventions in agricultural markets</i>				
05 02 01	Cereals	126,1	18,1	-108,0	Lower need for intervention measures following updated market forecasts translating into lower intervention stocks.
05 02 08	Fruits and vegetables				
	--- Appropriations	915,3	691,1	-224,2	Lower needs resulting from analysis of actual demands for operational funds for producer organisations (- EUR 26 million), slightly higher expenditure for RAL from previous measures (+EUR 1,8 million) and higher revenue assigned to budget item 05 02 08 03 Operational funds for producer organisations (+ EUR 200 million).
	--- Needs	1 015,3	991,1	-24,2	
05 02 09	Products of the wine-growing sector	1 145,7	1 143,7	-2,0	Small decrease of needs following updated information for storage of alcohol.
05 02 11	Other plant products/measures	380,9	388,9	+8,0	Additional needs related to dried fodder (+ EUR 7 million) on the basis of latest production figures and for POSEI measures (+ EUR 1 million) following a review of market measures part and direct aid part.
05 02 12	Milk and milk products	104,0	90,0	-14,0	Lower needs for intervention measures for butter (- EUR 3 million) and skimmed milk powder (- EUR 11 million) following updated market forecasts translating into lower intervention stocks.
05 02 13	Beef and veal	24,1	35,1	+11,0	Higher needs for export refunds for beef and veal (+ EUR 8 million) and for live animals (+ EUR 2 million) on the basis of latest figures on issued export licences as well as a small increase for settling RAL related to exceptional support measures (+ EUR 1 million).
05 02 15	Pigmeat, eggs and poultry, bee-keeping and other animal products	124,0	117,0	-7,0	Higher needs for measures in favour of bee-keeping (+ EUR 8 million), outstanding payments on export refunds for pigmeat (+ EUR 3 million) and export refunds for eggs (+ EUR 1 million); lower needs for export refunds for poultry (- EUR 19 million).
	<i>Directs Aids</i>				
05 03 01	Decoupled direct aids				
	--- Appropriations	36 489,0	36 454,0	-35,0	For the Single Payment Scheme (SPS), the needs change by – EUR 3 million because of a decrease for UK (shift to article 05 03 02 36 – Specific type of farming) and an increase for Spain (Change in the hypothesis of under execution).  The Single Area Payment Scheme (SAPS) decreases by – EUR 31 million because of shifts related to Hungary (to article 05 03 01 05 - Specific support art 68) and Slovakia (to article 05 03 01 03 – Sugar payment). Furthermore, there is a change in assigned revenue for SPS of EUR 29 million
	--- Needs	37 077,0	37 071,0	-6,0	
05 03 02	Other direct aids	3 422,0	3 447,0	+25,0	Minor variations, leading to increases and decreases, are due to: - Shift between lines: 05 03 02 36 (Specific type of farming) and 05 03 02 44 (Specific support – Art. 68) - Change in the hypothesis of under execution: 05 03 02 05 (Seeds); 05 03 02 39 (Additional amounts for sugar); 05 03 02 43 (Soft fruit payment). - POSEI lines (05 03 02 - 50 and 05 03 02 52) are modified in order to take into account fresh information from the plans submitted by Member States.

## 2.4 International Fisheries Agreements

The Commission has examined the most recent information available concerning fisheries agreements and proposes to decrease commitment appropriations for budget article 11 03 01 by EUR 1 million (revised estimates for additional catches).

## 2.5 Changes to the nomenclature and budgetary remarks

The budgetary remarks for the following chapters, articles and items have been updated (explanation in brackets):

Chapter 05 02 – Interventions in agricultural markets (figures for assigned revenues)

Article 05 02 16 01– Sugar Restructuring Fund (figures for assigned revenue)

Chapter 05 03 – Direct aids (figures for assigned revenues)

Item 6 7 0 1 – Clearance of EAGF accounts – Assigned revenue (figures for assigned revenue)

Item 6 7 0 2 – EAGF irregularities – Assigned revenue (figures for assigned revenue)

Item 6 7 0 3 – Superlevy from milk producers – Assigned revenue (figures for assigned revenue)

Item 6 8 0 1 – Temporary restructuring amounts – Assigned revenue (figures for assigned revenue)

### **3. THE EUROPEAN ECONOMIC RECOVERY PLAN (EERP)**

In May 2010, the Commission proposed an amendment to Regulation (EC) 663/2009 to use the uncommitted funds under Chapter II of the EERP Regulation for the creation of a dedicated financial instrument to support energy efficiency and renewable initiatives.

The financial facility shall support the development of bankable energy efficiency and renewable energy projects and facilitate the financing of investments in energy efficiency and renewable energy, in particular in urban settings. In order to foster a large number of decentralised investments, municipal, local and regional public authorities will be the beneficiaries. In compliance with the EERP Regulation, the facility should be limited to the financing of measures that have a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and reduction of greenhouse gas emissions.

This proposal is fully in line with the Declaration of the Commission referred to in Recital 7 of the EERP Regulation, indicating its intention to propose measures allowing for the reallocation of uncommitted funds to the financing of projects in the areas of energy efficiency and energy from renewable sources.

The proposed amending Regulation is presently being examined by the European Parliament and the Council.

Therefore, the Commission proposes the creation of a new budget item 32 04 14 04 - Energy projects to aid economic recovery - Energy efficiency and renewable initiatives. The budget item is created under the new Title 32 "Energy". The creation of the same budget item is proposed in Amending Budget 10/2010 under Title 6 "Energy and Transport as line 06 04 14 04.

#### 4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2011 Financial framework		2011 Draft Budget + AL 1-2/2011		AL 3/2011		2011 Draft Budget + AL 1-3/2011	
	CA	PA	CA	PA	CA	PA	CA	PA
<b>1. SUSTAINABLE GROWTH</b>								
1a. Competitiveness for growth and employment	12 987 000 000		13 438 076 270	12 110 938 170			13 438 076 270	12 110 938 170
1b. Cohesion for growth and employment	50 987 000 000		50 970 093 784	42 540 796 740			50 970 093 784	42 540 796 740
<b>Total Margin<sup>5</sup></b>	<b>63 974 000 000</b>		<b>64 408 170 054</b> <i>65 829 946</i>	<b>54 651 734 910</b>			<b>64 408 170 054</b> <i>65 829 946</i>	<b>54 651 734 910</b>
<b>2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES</b>								
Of which market related expenditure and direct payments	47 617 000 000		43 747 401 900	43 656 761 358	-346 200 000	-346 200 000	43 401 201 900	43 310 561 358
<b>Total Margin</b>	<b>60 338 000 000</b>		<b>59 486 248 389</b> <i>851 751 611</i>	<b>58 135 685 296</b>	<b>-347 200 000</b>	<b>-346 200 000</b>	<b>59 139 048 389</b> <i>1 198 351 611</i>	<b>57 789 485 296</b>
<b>3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE</b>								
3a. Freedom, Security and Justice	1 206 000 000		1 135 252 740	853 125 740			1 135 804 740	853 125 740
3b. Citizenship	683 000 000		667 817 000	638 979 000			667 817 000	638 979 000
<b>Total Margin</b>	<b>1 889 000 000</b>		<b>1 803 069 740</b> <i>85 378 260</i>	<b>1 492 104 740</b>			<b>1 803 621 740</b> <i>85 378 260</i>	<b>1 492 104 740</b>
<b>4. EU AS A GLOBAL PLAYER<sup>6</sup></b>	<b>8 430 000 000</b>		<b>8 613 529 377</b> <i>70 330 623</i>	<b>7 601 763 867</b>			<b>8 613 529 377</b> <i>70 330 623</i>	<b>7 601 763 867</b>
<b>5. ADMINISTRATION<sup>7</sup></b>	<b>8 334 000 000</b>		<b>8 289 835 688</b> <i>126 164 312</i>	<b>8 290 890 688</b>			<b>8 289 835 688</b> <i>126 164 312</i>	<b>8 290 890 688</b>
<b>TOTAL Margin</b>	<b>142 965 000 000</b>	<b>134 280 000 000</b>	<b>142 601 405 248</b> <i>1 199 454 752</i>	<b>130 172 179 501</b> <i>4 392 820 499</i>	<b>-347 200 000</b>	<b>-346 200 000</b>	<b>142 254 205 248</b> <i>1 546 654 752</i>	<b>129 825 979 501</b> <i>4 739 020 499</i>

<sup>5</sup> The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a (EUR 500 million).

<sup>6</sup> The 2011 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 253,9 million).

<sup>7</sup> 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 82 million for the staff contributions to the pension scheme.