**12769/13**

**COM (2013) 258 FINAL**

**12770/13**

**COM (2013) 559 FINAL**

**EXPLANATORY MEMORANDUM ON EUROPEAN UNION LEGISLATION**

**DRAFT AMENDING BUDGET NO. 7 TO THE GENERAL BUDGET 2013 – GENERAL STATEMENT OF REVENUE- STATEMENT OF EXPENDITURE BY SECTION – SECTION III – COMMISSION**

**PROPOSAL FOR A DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE MOBILISATION OF THE FLEXIBILITY INSTRUMENT**

August 2013

Submitted by HM Treasury

# SUBJECT MATTER

1. On 25 July 2012 the Commission presented a proposal for Draft Amending Budget No. 7 for the 2013 EU Budget (DAB 7/2013). This concerns an increase of €150 million (£131 million[[1]](#footnote-1)) in commitment appropriations in Heading 1b of the Multiannual Financial Framework (MFF). The proposal is for this to be covered by the margin under the expenditure ceiling of Heading 1b (€16m/ £14m), and by the mobilisation of the Flexibility Instrument (€134m/ £117m). The two Commission documents cover the various elements of this proposal.
2. The Commission makes the case that in the context of the current economic crisis and in recognition of the special effort needed to address the specific situations of unemployment, especially youth unemployment, and of poverty and social exclusion in these Member States, the most appropriate way to assist them is through increasing the European Social Fund (ESF).
3. The ESF, which sits within Structural Funds, is the EU instrument for supporting jobs, helping people get better jobs and ensuring fairer job opportunities for all EU citizens. The ESF funds programmes intended to improve job prospects of millions of Europeans, in particular those who find it difficult to secure employment.
4. The June European Council agreed that a budgetary solution should be provided to address this issue.

**MINISTERIAL RESPONSIBILITY**

1. The Chancellor of the Exchequer is responsible for United Kingdom policy on the EU Budget. The Foreign and Commonwealth Secretary is responsible for overall United Kingdom policy towards the European Union.

# INTEREST OF DEVOLVED ADMINISTRATIONS

1. Policy concerning the EU budget are reserved matters under the UK’s devolution settlements. The Devolved Administrations have not been consulted in the preparation of this Explanatory Memorandum.

# LEGAL AND PROCEDURAL ISSUES

1. Legal basis
2. 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.
3. The Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the Financial Regulation applicable to the general budget of the Union and in particular Article 41 thereof.

ii. Legislative procedure

1. Special legislative procedure: joint decision of the European Parliament and the Council.

iii. Voting procedure

1. The Council will vote by Qualified Majority Voting (QMV) on this proposal.

iv. Impact on United Kingdom Law

1. None.

v. Application to Gibraltar

1. Not applicable.

vi. Analysis of Fundamental Rights Compliance

1. Not applicable.

**APPLICATION TO THE EUROPEAN ECONOMIC AREA**

1. Not applicable.

**SUBSIDIARITY**

1. The EU Budget is a matter of exclusive Union competence.

**POLICY IMPLICATIONS**

1. The Government supports the content of this proposal, as part of a wider commitment to tackle youth unemployment, a subject which, as the Prime Minister said in his post-June Council Statement, should be of greatest priority for the EU right now. This was a part of the June Council deal, which was agreed unanimously.
2. The Government supports the focus of the proposal on the regions of the EU where this funding is most needed. France, Spain and Italy have the highest youth unemployment rates of all the EU Member States, and the extra commitments can be used to complement their Youth Employment Initiative funds.

**REGULATORY IMPACT ASSESSMENT**

1. Not applicable.

**FINANCIAL IMPLICATIONS**

1. DAB 7/2013 proposes an increase of €150m (£131m) in commitment appropriations. The Commission states that this will be covered by the margin under the expenditure ceiling of Heading 1b (€16m/ £14m), and by the mobilisation of the Flexibility Instrument (€134m/ £117m).
2. In accordance with the payment rules of the Structural Funds, all payment applications for a programme are assigned to the earliest open commitments and there is thus no need for additional payments in 2013 for these additional commitments, which would pay out in future years.
3. As a result of DAB7/13 the payment appropriations in 2013 will thus stay unchanged, and the commitments will increase by €150m (£131m), still leaving a margin of €1.8bn (£1.6bn) in 2013 commitments.
4. Since the commitments will turn into payments gradually, the payments flowing out of these commitments will likely be spread over a long period. UK’s contributions to the payments flowing out of these commitments would be determined by the UK’s financing share in those years. DAB7 does not provide information on the annual payment profile of the proposed additional commitments therefore we are not yet able to calculate the exact cost to the UK. [UK’s post-abatement financing share is currently estimated to be around 12.5% in 2013. Based on that financing share assumption, this DAB would cost the UK less than €19mn, spread over a number of years, if all the commitments are fully implemented.]

**CONSULTATION**

1. Not applicable.

# TIMETABLE

1. The Commission issued its proposal for DAB 7/2013 on 25 July. The timetable for a Council vote is not confirmed, but the Government expects the Presidency to bring this to a Budget Committee meeting for a vote early in September.

### GREG CLARK MP

### FINANCIAL Secretary

## HM Treasury

1. This and all other conversions in this EM are based on the exchange rate on 31 July, which was €1 = £0.8735 [↑](#footnote-ref-1)