



**COUNCIL OF
THE EUROPEAN UNION**

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BUDGET 35

FIN 212

NOTE

from : General Secretariat of the Council
to Budget Committee

Subject : Proposal to amend the budget of the European Council and the Council (section II of the EU budget) in view of the set-up of the EEAS

1. Framework

1.1 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.

This would allow the HR to

- *propose a budget for the EEAS, which would be a separate section of the EU budget (under heading V)*
- *perform the duties of authorising officer; implement the Service's administrative budget.*
- *Act as appointing authority for EEAS staff."*

1.2 On 25 March 2010 the HR presented a draft Council decision establishing the organisation and functioning of the European External Action Service. In the annex to this decision the departments and functions to be transferred to the EEAS are identified.

Article 12.5 of this decision 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.*"

The Council reached a political orientation on this draft on 26 April 2010. This agreement provides a basis for consulting the European Parliament.

1.3 On 26 March 2010, the Commission submitted to the European Parliament and the Council a proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as regards the European External Action Service.

This proposal aims at amending certain provisions of the Financial Regulation in order to take into account the establishment of the European External Action Service (hereinafter EEAS) foreseen in the Lisbon Treaty.

1.4 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 the staff salaries, infrastructure and running cost;
- appropriations for external staff (salaries, infrastructure, running cost);
- other administrative expenditure (like IT, security, missions, etc.).

2. The procedure for the establishment of a budget for the EEAS

2.1 In order to allow the EEAS to function autonomously it is important that its budget is established as quickly as possible. At the same time, the provision of resources for the EEAS should warrant its viable and efficient start-up, while ensuring the need for the smooth functioning and business continuity of the activities.

2.2 Most of the means for the future operation of the EEAS will be transferred from the institutions (Commission and Council) which have been responsible for the tasks to be performed by the EEAS until now. This implies that a budget proposal for the EEAS will also modify to certain extent the budgets of these institutions.

In the absence of a fully operational budget and administrative capability in the EEAS, any budget proposal concerning the EEAS should be elaborated in close cooperation between the two donor institutions involved and the HR.

2.3 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"*.

2.4 It is very difficult to establish a full budget for the EEAS in 2010 for the following reasons:

- § the EEAS doesn't have yet its own capacity¹ to prepare and implement its section of the budget.

¹ In order to manage the resources foreseen in the budget in conformity with the Financial Regulation, each Institution should have in place its own complete system for financial management, namely: a financial management organisational structure, including internal rules, a capability to manage and procure contracts and the capacity to fulfil the accounting and audit functions.

- § In the current phase of the setup of the EEAS there is no complete view on the working methods and the resulting needs for resources of the EEAS.
- § 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. Implementing such a transfer in the course of a running budgetary year, makes the operation even more hazardous.

In conclusion, there is 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.

2.5 The proposed solution for 2010 consists in an amending budget based on a pragmatic and simplified approach during a transitional period covering the last quarter of the year, which should be adopted by October 1, 2010. The amending budget would include the following:

- § Creation of the EEAS separate budget section and establishment plan. The latter will correspond to the posts to be transferred from the Commission and the CSG plus the requested new posts. The establishment plans of Council and Commission would still include the posts to be transferred to the EEAS but they will be identified in a separate column, which will disappear in 2011. In the EEAS establishment plan, there would be a cross-reference to the sections of Council and Commission and vice versa.
- § No appropriations would be included in the EEAS section at this stage. All appropriations would remain in the two donor institutions. In the last quarter of the year they will continue to ensure all payments (salaries, allowances, rents, etc.) and services (IT, maintenance, canteens, etc.) also for the EEAS staff.

In this way the institutions of origin (Council and Commission) of the staff transferred to the EEAS could continue to ensure business continuity at headquarters till the end of the year. The relevant EEAS services (current RELEX.K and delegations) would continue to take care of expenditure managed locally in delegations as if they were still part of the Commission. As the EEAS posts appear (also) in the Council's and Commission's establishment plans, as well as the related appropriations, a sufficient link is maintained to justify the preservation of the existing financial responsibility chain during the transitional period till the end of the year¹.

This solution will allow HR to concentrate on the EEAS internal organisation, recruitment procedures and build up its full administrative and financial management capacity so that the EEAS can take over full responsibility as from January 1, 2011.

- 2.6 The objective for the financial year 2011 is that the EEAS would have its own full budget for 2011 including appropriations. As the budgetary procedure for 2011 has already started a letter of amendment will be necessary. This proposal should be presented to the budgetary authority before the 1 October 2010 by the Commission and the Council in agreement with the HR (since the EEAS does not have a budget capacity at that stage).

As soon as the EEAS will be able to define an independent assessment of its needs, it may launch in 2011 an amending budget. In any case the EEAS will draft its own estimates budget for the 2012 budgetary procedure (March 2011).

- 2.7 In order to include in the draft amending budget which will be presented by the Commission by the middle of June, Council needs to define its contribution to this proposal. The annex to this text presents what Council will transfer to the EEAS in 2010.

¹ It should be noted that Article 2.2 of the staff regulations allow to find appropriate administrative arrangements concerning the "AIPN", allowing the HR to go ahead with the necessary appointments as soon as the EEAS decision and the amending budget enter into effect.

3. The amending budget for the EEAS in 2010

3.1 Budget structure

§ A new section 10 "European External Action Service" will be created in the budget of the European Union

§ A budgetary structure to cover the EEAS administrative expenditure is established. The structure is therefore inspired on the structure used by the 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 decision mentioned in paragraph 1.2. In addition the Council made available 43 posts for the support functions of the EEAS.

It should be noted that the transfer of establishment posts from the donor institutions should not only concern the posts of the staff transferred, but also the vacant posts of the services in question.

The new establishment plan posts for last quarter 2010 (10 m€) will be incorporated in the amending budget presented by the Commission,

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

	Council	Commission ¹	new posts ¹	total
central	387	675	20	1082
delegations	24	439	18	481
	411	1114	38	1563

¹ These figures are indicative. The final figures for Commission and new posts will be presented by the Commission in the draft amending budget.

Since the financial consequences of the establishment posts transferred to the EEAS will be administered during the transitional period by the donor institutions, these posts will also be presented in the establishment plans of Commission and Council. The transferred posts will be visible in a separate column in the establishment plan with a clear reference indicating their elimination after the transitional period.

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

Since other human resources (SNE's , contract agents, local agents in delegations) are not covered by the establishment plan, and since no appropriations are transferred to the EEAS (see paragraph 2.5), these human resources will during the transitional period continue to be managed by the donor institution. The amending budget does not affect the current situation of EUSRs and of the personnel attached to them.

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

4. Conclusion

In view of the set up of the EEAS it is proposed to modify the budget of section 2 (European Council and Council) as indicated in annex 1. The only change for the budget 2010 is a revision of the establishment plan identifying the 411 posts transferred to EEAS.

Proposal for the draft amending budget 2010 regarding the EEAS
(impact on Section II of the EU budget)

Category and grade	Original Budget 2010			Amended Budget 2010				
	Permanent posts	Temporary posts		Permanent posts		Temporary posts		
		President European Council	Others	Council	EEAS	President European Council	Others	EEAS
HC	2	0	0	2		0	0	0
AD 16	11	1	0	8	3	1	0	0
AD 15	34 ¹⁾	0	1	32 ²⁾	2	0	1	0
AD 14	86 ³⁾	2	9	79 ⁴⁾	8	2	2	6
AD 13	135	0	0	116	19	0	0	0
AD 12	270	0	8	249	21	0	0	8
AD 11	192	0	12	174	18	0	0	12
AD 10	89	7	1	71	18	7	0	1
AD 9	115	0	2	91	24	0	0	2
AD 8	78	0	0	68	10	0	0	0
AD 7	149	0	0	142	7	0	0	0
AD 6	220	0	0	200	20	0	0	0
AD 5	138	0	0	114	24	0	0	0
Sub-total	1517	10	33	1344	174	10	3	29
AST 11	41	0	0	40	1	0	0	0
AST 10	39	0	2	40	0	0	0	1
AST 9	44	0	0	42	2	0	0	0
AST 8	103	0	0	99	4	0	0	0
AST 7	281	0	0	268	13	0	0	0
AST 6	366	0	1	352	15	0	0	0
AST 5	242	0	0	213	29	0	0	0
AST 4	200	0	0	178	22	0	0	0
AST 3	169	22	0	156	13	22	0	0
AST 2	222	0	0	196	26	0	0	0
AST 1	278	0	0	196	82	0	0	0
Sub-total	1985	22	3	1780	207	22	0	1
Total	3504	32	36	3126	381	32	3	30
Overall total	3572			Overall total EC and Council	3161			
				Overall total EEAS (5)	411			

- 1) Including 4 agents of grade AD16 ad personam.
- 2) Including 4 agents of grade AD16 ad personam.
- 3) Including 7 agents of grade AD15 ad personam.
- 4) Including 7 agents of grade AD15 ad personam.
- 5) 411 posts transferred to the EEAS; appropriations remain within the budget of the European Council and Council (Section II)