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**AMENDING LETTER No 1
TO THE DRAFT GENERAL BUDGET 2013**

**STATEMENT OF EXPENDITURE BY SECTION
Section III – Commission**

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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 Communities¹, and in particular Article 34 thereof,
- the draft general budget of the European Union for the financial year 2013 presented by the Commission on 25 May 2012²,

the European Commission hereby presents to the budgetary authority the amending letter No 1 to the draft general budget of the European Union for the financial year 2013 for the reasons set out in the explanatory memorandum.

¹ OJ L 248, 16.9.2002, p. 1.
² COM(2012)300

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STATEMENT OF 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. INTRODUCTION

The Amending Letter No 1 (AL 1) to the Draft Budget for 2013 (DB 2013) 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 the impact of legislative decisions adopted in the agricultural sector since the DB 2013 was drawn up, revised estimates of needs for some direct payments, as well as any proposals, which are expected to have a significant effect during the coming budget year.
- an update of the situation for International Fisheries Agreements.

The budgetary impact of these adjustments is a reduction in commitment and payment appropriations of EUR 25,1 million compared to the Draft Budget 2013.

2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES

2.1. Introduction and Summary Table

The AL 1 is sent to the budgetary authority in accordance with Article 314 of the Treaty on the Functioning of the European Union (TFEU) "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 1 is based, in the same way as the DB itself, on the needs of the EU as a whole. It must be stressed that appropriations for agricultural expenditure financed by the EAGF (European Agricultural Guarantee Fund) 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, subject to budget availabilities.³

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

According to the present AL 1, overall appropriations requested for heading 2 in 2013 are estimated at EUR 60 282 million, leaving a margin of EUR 1 007 million in commitment appropriations below the corresponding ceiling of the multiannual financial framework.

The commitment appropriations for agricultural expenditure (including veterinary and fisheries expenditure financed under the EAGF) amount to EUR 44 101 million. The decrease of EUR 30 million compared with the DB 2013 is the net result of higher than expected assigned revenue to be carried over from 2012 and revised 2013 estimates both for expenditure appropriations and for fresh assigned revenue. EAGF payment appropriations are decreased by the same amount to a total of EUR 44 083 million.

As far as the International Fisheries Agreements are concerned, the AL 1 proposes to increase commitment appropriations and payment appropriations for budget article 11 03 01 International Fisheries Agreements by EUR 18,5 million, as well as to decrease on the reserve line commitment and payment appropriations by EUR 13,8 million, which results in a net increase of EUR 4,7 million.

The following table summarises the effect of AL 1 on heading 2:

³ Article 19 of Council Regulation (EC) No 1290/2005.

EUR million	DB 2013		AL1/2013		Difference	
	(a)		(b)		(c)=(b)-(a)	
	CA	PA	CA	PA	CA	PA
Ceiling Financial Framework margin	61 289,0		61 289,0		0	
	981,5		1 006,6		+25,1	
Total Appropriations Heading 2	60 307,5	57 964,9	60 282,4	57 939,8	-25,1	-25,1
of which:						
Agricultural expenditure (market related expenditure and direct payments)⁴	44 130,3	44 112,9	44 100,5	44 083,1	-29,8	-29,8
International Fisheries and Law of the Sea⁵	149,0	148,2	153,7	152,9	+4,7	+4,7

2.2. EAGF (market related expenditure and direct payments)

2.2.1 Overall Picture

The purpose of the AL 1 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 for 2012 and perspectives for the agricultural markets, which is the basis for the updated estimates of the budgetary needs for 2013.

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 1 also incorporates the impact of 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 30 million. This is the net result of different factors: somewhat higher needs in chapter 05 02 Intervention in Agricultural markets (+ EUR 59 million) and in chapter 05 03 Direct aids (+ EUR 5 million), additional extra-ordinary needs in chapter 05 07 Audit of agricultural expenditure (+ EUR 106 million) and a modification in the level of EAGF assigned revenue available in 2013. Regarding assigned revenue, an amount of EUR 230 million received in 2012, but estimated that it will not be needed to cover expenditure that same year, will be carried over from 2012 to 2013. Secondly, the Commission expects a small decrease in the assigned revenue generated in 2013 (- EUR 30 million), which is a combination of a decrease in the expected milk superlevy (- EUR 41 million) based on the latest figures available from Member States, a decrease in expected revenue from irregularities (- EUR 5 million) and a decrease in the expected conformity clearance of accounts (- EUR 11 million), partly compensated by an increase in the estimate for the remaining balance of the Sugar Restructuring Fund (+ EUR 27,2 million). Overall the total increase in available assigned revenue is EUR 200,2 million.

As a result, the total commitment appropriations requested for agricultural expenditure financed by the EAGF are EUR 44 101 million, lower than in the DB 2013 (- EUR 30 million), resulting in a margin under the EAGF sub-ceiling which now stands at EUR 838 million. The new margin for heading 2 in total is EUR 1 007 million.

⁴ European Agricultural Guarantee Fund (EAGF) expenditure, including EUR 27,2 million commitment and payment appropriations under title 11 Fisheries and Maritime Affairs as well as EUR 274,7 million commitment appropriations and EUR 251,7 million payment appropriations under title 17 Health and Consumer Protection.

⁵ Chapter 11 03 (without technical assistance).

2.2.2 Detailed Comments

05 02 Interventions in agricultural markets (appropriations - EUR 41 million)

needs in draft budget:	EUR 3 212 million
appropriations requested in draft budget:	EUR 2 812 million
estimated assigned revenue available in 2013 in draft budget:	EUR 400 million
needs after letter of amendment:	EUR 3 271 million
appropriations requested after letter of amendment:	EUR 2 771 million
estimated assigned revenue available in 2013 after letter of amendment:	EUR 500 million

In general, the hypotheses underlying this AL 1 confirm the assessment at the moment of the DB 2013, with favourable prospects for most agricultural markets. The modifications proposed by this AL 1 are mostly of a technical nature and concern small amounts only. Overall needs for intervention measures on agricultural markets increase by EUR 59 million compared to the DB 2013. However, EUR 100 million of additional assigned revenues are estimated to be available for chapter 05 02, so that appropriations requested can be reduced by EUR 41 million compared to the DB 2013.

The most important modifications are briefly explained below. A table with the full set of modifications (at the level of the budget article) can be found at the end of this section.

As regards **olive oil**, following a fall of market prices below the trigger price, and in order to cope with high stocks in some Member States that affect the olive oil market throughout Europe, schemes for private storage were opened in February 2012⁶ and May 2012⁷. The financial impact of these schemes on the Draft Budget 2013 is estimated at EUR 17 million and will be financed from budget item 05 02 06 03 (with a p.m. in the DB 2013).

For **fruit and vegetables**, estimated needs for operational programmes of producer organisations (budget item 05 02 08 03) are somewhat higher (+ EUR 19 million) than estimated for the DB 2013 following an updated assessment of the actual uptake of the measures, taking into account the estimated financial impact of the revision of some withdrawal amounts applying as from 1 July 2012⁸ and of the possible partial reimbursement by the EU budget of national financial assistance granted by some Member States according to Article 103e(1) of Regulation (EC) 1234/2007. However, the appropriations proposed in the AL 1 are actually lower than in the DB 2013 by EUR 81 million because of EUR 100 million more revenue assigned to that item, reflecting updated revenue estimates.

Provisional execution figures for 2012 point to a higher implementation of the national support programmes in the **wine sector** than initially assumed for the DB 2013. In order to reflect that most recent new information, the AL 1 proposes + EUR 20 million more for budget item 05 02 09 08.

For **milk and milk products**, the AL 1 proposes to increase appropriations by EUR 8 million for the school milk scheme (budget item 05 02 12 08) in line with provisional figures on execution in 2012

⁶ Commission Implementing Regulation (EU) No 111/2012 of 9 February 2012 opening the tendering procedure for aid for private storage of olive oil.

⁷ Commission Implementing Regulation (EU) No 430/2012 of 22 May 2012 opening the tendering procedure for aid for private storage of olive oil.

⁸ Commission Implementing Regulation (EU) No 701/2012 of 30 July 2012 amending Implementing Regulation (EU) No 543/2011 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 in respect of the fruit and vegetables and processed fruit and vegetables sectors.

that point towards a stronger uptake of the scheme in Member States than in 2011. Accordingly, the assumptions of the DB 2013 have been reviewed and a higher amount is now proposed.

For the **beef sector**, the estimated needs for export refunds on meat and live animals (budget items 05 02 13 01 and 05 02 13 04) have been revised downwards by EUR 22 million reflecting the recent adjustment of the level of refund rates. No refunds are currently granted, so that the reduced amounts proposed in the AL 1 are only for payments on export certificates already issued.

Appropriations for Article 05 02 15 (**pigmeat, eggs and poultry, bee-keeping and other animal products**) are proposed to be increased by EUR 10 million. While updated estimates for export refunds on eggs (budget item 05 02 15 04) are lower by EUR 1 million due to a decrease in refund rates, needs for export refunds for poultry (budget item 05 02 15 05) have been revised upwards by EUR 9 million reflecting most recent information on the market situation for this sector. Finally, an amount of EUR 2 million initially requested in the DB 2013 for item 05 07 02 (Settlement of disputes) will be paid from budget item 05 02 15 07 (Exceptional market support measures) following the judgement of a Court of Justice case in favour of one Member State⁹.

05 03 Direct Aids (appropriations - EUR 95 million)

needs in draft budget:	EUR 41 960 million
appropriations requested in draft budget:	EUR 41 027 million
estimated assigned revenue available in 2013 in draft budget:	EUR 933 million
needs after letter of amendment:	EUR 41 965 million
appropriations requested after letter of amendment:	EUR 40 932 million
estimated assigned revenue available in 2013 after letter of amendment:	EUR 1 033 million

Compared to the DB 2013, appropriations requested for chapter 05 03 are revised downwards by EUR 95 million with the AL 1. This change is mainly the result of an increase in the amount of assigned revenues by EUR 100,2 million, while the revised estimation of needs shows a small increase by EUR 5,2 million. The most significant variations affect the Single Payment Scheme (SPS) and the Single Area Payment Scheme (SAPS).

The AL 1 proposes to decrease the total appropriations of the **SPS** (budget item 05 03 01 01) by EUR 105 million compared to the DB 2013. As already mentioned above, the revenue assigned to this item has been increased by EUR 100,2 million, while the needs have been reduced by around EUR 4,8 million. Compared to DB 2013, the modifications proposed by the AL 1 take into account provisional execution figures for 2012 as well as the authorisation granted to Italy for making some advance payments in 2012 from the SPS envelope of the budget year 2013¹⁰ following an earthquake¹¹.

For the **SAPS** (budget item 05 03 01 01) AL 1 proposes to increase the budget appropriations by EUR 20 million, of which EUR 13 million correspond to revised assumption on execution taking into account the modification of the agricultural area under the SAPS in one Member State and

⁹ Commission Implementing Regulation (EU) No 660/2012 of 19 July 2012 on certain market support measures in the sector of poultry meat in Italy.

¹⁰ The direct payment envelopes foreseen in the annexes to Regulation (EC) No 73/2009 are fixed for calendar years N with a budgetary effect normally foreseen in year N+1. Thus the calendar year 2012 envelope would under normal conditions be paid in budget year 2013.

¹¹ Commission Implementing Decision C(2012) 5762 of 17 August 2012 authorising for 2012 payment of advances under the single payment scheme to the farmers in some areas in Italy affected by an earthquake.

provisional figures from 2012. The remaining amount of EUR 7 million is due to the decision of one Member State not to implement a measure for specific coupled support under article 68 of Regulation (EC) No 73/2009 (budget item 05 03 01 05).

The budget appropriations of the **specific support under article 68** of Regulation (EC) No 73/2009 are proposed to be decreased by – EUR 7 million for decoupled support (budget item 05 03 01 05) and by – EUR 2 million for coupled support (budget item 05 03 02 44). The first figure corresponds to the decision of one Member State not to apply a measure under article 68, increasing the budget of the SAPS by the same amount. The second figure also corresponds to advance payments Italy is allowed to make in 2012 from the direct aids envelope of budget year 2013 following an earthquake.

There are some other changes for budget lines inside the chapter, but the variations are very small, in particular for lines related to coupled direct aids. A short description of the reasons can be found in the table at the end of this section.

05 07 Audit of agricultural expenditure (appropriations + EUR 106 million)

appropriations requested in draft budget: - EUR 47 million

appropriations requested after letter of amendment: + EUR 59 million

Appropriations for chapter 05 07 01 need to be increased by EUR 108,3 million reflecting a positive correction to be made under the conformity clearance of accounts procedure (budget item 05 07 01 07) following the Court of Justice judgement in case C-24/11P in favour of Spain.

As regards budget item 05 07 01 06 related to accounting clearance, for which the DB 2013 amount was – EUR 56 million on the basis of the average execution in the last years excluding years characterised by extraordinary circumstances, the AL 1 is not proposing any change of appropriations despite the fact that the 2012 provisional budget execution figures show, for a second consecutive year, a positive amount. Incorporating 2012 provisional implementation data in the calculation of the average would have implied a reduction in the negative amount tabled by the Commission in its DB 2013. However, at this stage of the budgetary procedure for 2013 the Commission prefers not to up-date the calculation of the statistical average of previous year's execution; but to do this only in the context of the DB 2014 after an in-depth analysis of the final execution figures.

Finally, the AL 1 proposes to cancel the appropriations of EUR 2,2 million requested in DB 2013 for budget item 05 07 02 (Settlement of disputes) in order to deal with the judgement of the Court of Justice T-135/2007 in favour of Italy. The financial impact of that Court case will be financed from budget item 05 02 15 07 because of its origin (exceptional market support measures in the sector of poultrymeat).

Modifications at the level of the budget article

Code	Heading	DB 2013 (in million EUR)	AL 1 (in million EUR)	difference (in million EUR)	Comments
<i>Interventions in agricultural markets</i>					
05 02 01	Cereals	0,1	0,2	+0,1	Very small increase on line 05 02 01 02 for residual quantities of cereals in intervention storage compared to DB 2013.
05 02 03	Refunds on non-Annex 1 products	10,0	8,0	-2,0	Decrease due to lower export refund rates for egg products.
05 02 06	Olive oil	45,1	62,1	+17,0	Increase for private storage (line 05 02 06 03) of EUR 17 million as a consequence of decisions taken by the Commission in order to support markets in some EU producer countries.
05 02 08	Fruits and vegetables --- Appropriations	692,0	611,0	-81,0	Additional needs of EUR 19 million resulting from increased demands for operational funds for producer organisations (05 02 08 03) due to higher reimbursement of national aids and additional expenditure for market support (increased amounts for market withdrawals). A higher amount of assigned revenue will be used for this budget item (+ EUR 100 million).
	--- Needs	1 092,0	1 111,0	+19,0	
05 02 09	Products of the wine-growing sector	1 051,6	1 071,6	+20,0	Increase of EUR 20 million for the national support programmes (05 02 09 08) following revised assumptions on execution of the programmes.
05 02 10	Promotion	59,0	61,0	+2,0	Increase for promotion measures paid by Member States (05 02 10 01) related to the net effect of two new promotion decisions in 2012 with increasing effects in 2013 and of a decrease in the implementation of previous decisions.
05 02 11	Other plant products/measures	226,0	233,0	+7,0	POSEI measures (05 02 11 04) increase by EUR 7 million for higher market measures for POSEIMA and POSEIDOM based on execution in 2012.
05 02 12	Milk and milk products	75,2	83,2	+8,0	EUR 8 million more for school milk scheme (05 02 12 08) following revised figures on up-take in MS during 2012
05 02 13	Beef and veal	29,1	7,1	-22,0	EUR 19 million and EUR 3 million less needs for export refunds for meat (05 02 13 01) and live animals (05 02 13 04) resulting from updated estimates for quantities and export refund rates.
05 02 15	Pigmeat, eggs and poultry, bee-keeping and other animal products	104,0	114,0	+10,0	EUR 9 million higher needs for export refunds for poultry (05 02 15 05), EUR 2 million more for exceptional market support

					measures (05 02 15 07) following a judgement of the Court of Justice in favour of IT (T-135/2007) and EUR 1 million less for export refunds on eggs (05 02 15 04).
Direct Aids					
05 03 01	Decoupled direct aids				
	--- Appropriations	38 168,0	38 076,0	-92,0	Needs for the Single Payment Scheme (SPS; 05 03 01 01) have been reduced by EUR 4,8 million taking into account provisional execution figures for 2012 and the authorisation granted to IT for making advance payments in 2012 from the 2013 SPS envelope following an earthquake. Appropriations for the Single Area Payment Scheme (SAPS: 05 03 01 02) increase by EUR 20 million taking into account the change in the agricultural area under SAPS in one Member State, provisional execution figures for 2012 as well as a transfer of EUR 7 million from the specific decoupled support under Article 68 (05 03 01 05) to the SAPS. Furthermore, there is an increase in assigned revenue for SPS by EUR 100,2 million.
	--- Needs	39 100,8	39 109,0	-8,2	
05 03 02	Other direct aids	2 857,9	2 854,9	-3,0	Variations due to a change in the assumptions for needs: - Decrease of EUR 1 million on budget line 05 03 02 13 (Sheep and goat premium) - Decrease of EUR 1 million for POSEI line (05 03 02 50) linked to POSEIDOM, whereas the line for the islands in the Aegean Sea (05 03 02 52) increases by EUR 1 million. - The Specific Support under Article 68 (05 03 02 44) decreases by EUR 2 million linked to the 2012 payment of advances by IT from the 2013 direct payment envelope following an earthquake.
Audit of agricultural expenditure					
05 07 01	Control of agricultural expenditure	-49,2	59,1	+108,3	Increase of appropriations for budget item 05 07 01 07 reflecting the financial impact of a judgement of the Court of Justice in favour of ES (C-24/11P).
05 07 02	Settlement of disputes	2,2	p.m.	-2,2	Decrease by EUR 2,2 million because the payment linked to a Court of Justice judgement in favour of IT (T-135/2007) will be made from budget item 05 02 15 07.

2.3. International Fisheries Agreements

As foreseen by point B of Annex II to the Interinstitutional Agreement (IIA), the Commission has examined the most recent information available concerning fisheries agreements. To reflect the latest situation, i.e. the recent conclusion of bilateral agreements with Greenland¹², Madagascar and Kiribati¹³ with financial contributions above previous levels, the Commission proposes to increase commitment and payment appropriations for budget article 11 03 01 International Fisheries Agreements by EUR 18,5 million.

It is also proposed to decrease the reserve line 40 02 41 accordingly, reflecting the conclusion of the above mentioned agreements, the latest analysis on the outstanding commitments (RAL) and amounts estimated for additional catches as well as updated information on fisheries agreements under negotiation or under study, by EUR 13,8 million for both commitment and payment appropriations.

2.4. 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)

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

Article 11 03 01 International fisheries agreements (change in budgetary remarks: table)

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)

¹² The Council Decision on the provisional application (as from 1 January 2013) of the agreement has been adopted on 16 July 2012 (not yet published in the OJ).

¹³ The Commission estimates that the Council Decisions on the provisional application of these two agreements will be in force as from 1 January 2013.

3. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2013 Financial Framework		Draft Budget 2013		Amending Letter No 1/2013		DB 2013 + AL No 1/2013	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	15 623 000 000		16 032 047 846	13 522 811 245			16 032 047 846	13 522 811 245
1b. Cohesion for growth and employment	54 524 000 000		54 498 949 037	48 975 034 163			54 498 949 037	48 975 034 163
Total	70 147 000 000		70 530 996 883	62 527 845 408			70 530 996 883	62 527 845 408
<i>Margin¹</i>			<i>116 003 117</i>				<i>116 003 117</i>	
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	48 574 000 000		44 130 348 610	44 112 931 204	-29 800 000	-29 800 000	44 100 548 610	44 083 131 204
Total	61 289 000 000		60 307 511 416	57 964 879 132	-25 070 000	-25 070 000	60 282 441 416	57 939 809 132
<i>Margin²</i>			<i>981 488 584</i>				<i>1 006 558 584</i>	
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 661 000 000		1 392 227 200	928 328 376			1 392 227 200	928 328 376
3b. Citizenship ³	715 000 000		689 414 000	646 271 750			689 414 000	646 271 750
Total	2 376 000 000		2 081 641 200	1 574 600 126			2 081 641 200	1 574 600 126
<i>Margin</i>			<i>294 258 800</i>				<i>294 258 800</i>	
4. EU AS A GLOBAL PLAYER⁴	9 595 000 000		9 467 168 711	7 311 588 051			9 467 168 711	7 311 588 051
<i>Margin</i>			<i>391 946 289</i>				<i>391 946 289</i>	
5. ADMINISTRATION⁵	9 095 000 000		8 544 418 496	8 545 518 496			8 544 418 496	8 545 518 496
<i>Margin</i>			<i>636 581 504</i>				<i>636 581 504</i>	
TOTAL	152 502 000 000	143 911 000 000	150 931 736 706	137 924 431 213	-25 070 000	-25 070 000	150 906 666 706	137 899 361 213
<i>Margin</i>			<i>2 420 378 294</i>	<i>6 182 568 787</i>			<i>2 445 448 294</i>	<i>6 207 638 787</i>

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

2 After the transfer from modulation to Rural Development and from cotton and wine for restructuring in the respective regions (EUR 3 635,0 million).

3 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).

4 The 2013 margin for Heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 264,1 million).

5 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 86 million for the staff contributions to the pensions scheme.