

**STANDARD FORM OF EXPLANATORY MEMORANDUM FOR EUROPEAN UNION
LEGISLATION AND DOCUMENTS**

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**DRAFT AMENDING BUDGET No 5 TO THE GENERAL BUDGET FOR 2018:
CANCELLATION OF THE RESERVE RELATED TO THE SUPPORT TO TURKEY
FROM THE INSTRUMENT FOR PRE-ACCESSION (IPA II), REINFORCEMENT OF
THE EUROPEAN NEIGHBOURHOOD INSTRUMENT (ENI) AND OF THE
HUMANITARIAN AID FOR OTHER URGENT ACTIONS AND MODIFICATION OF
THE ESTABLISHMENT PLAN OF THE INNOVATION & NETWORKS EXECUTIVE
AGENCY (INEA) IN THE CONTEXT OF THE WiFi4EU INITIATIVE & BUDGETARY
ANNEX**

Submitted by HM Treasury on

30 August 2018

SUBJECT MATTER

1. Draft Amending Budget (DAB) 5 proposes the to cancel €70.0mn (£62.5mn¹) in commitment appropriations (CA) and €35.0mn (£31.2mn) in payment appropriations (PA) in relation to support for Turkey through the Instrument for Pre-Accession (IPA II) and reallocate to other external action priority areas.
2. These funds had previously been placed in budgetary reserve, for release “when Turkey made sufficient improvements in the fields of rule of law, democracy, human rights and press freedom, according to the annual report of the Commission”. This was a condition set by the European Parliament and Council. The Commission describes the latest progress report on Turkey² as unequivocal in its findings that there have been no measurable improvements in these areas. As such, Commission proposes the cancellation of the reserve and to instead increase funds to the European Neighbourhood instrument (ENI) and Humanitarian Aid.
3. The €70mn (£62.5mn) of CA would be redirected to reinforce the ENI. It would fund urgent actions linked to the Central Mediterranean migratory route and fulfil part of the pledge made at the 24-25 April 2018 Brussels II conference “Supporting the future of Syria and the region”. Specifically, €28.0mn (£25.0mn) would be transferred to the EU Trust Fund Africa’s North Africa window to close the financing gap identified for 2018-19 and support actions in Libya, Morocco and Tunisia. The other €42.0mn (£37.5mn) would be transferred to the EU Regional Trust Fund in Response to the Syrian Crisis (i.e. the Madam EU Trust Fund) to part finance actions for Syrian refugees in Jordan.

¹ The exchange rate at 31st July 2018 was €1 = £0.8922. This is the exchange rate to be used in all Explanatory Memoranda during June 2018. All subsequent conversions from Euro to sterling have been converted at this exchange rate.

² [COM\(2018\) 450](#), [SWD\(2018\) 153](#)

4. Humanitarian Aid would be reinforced with the €35.0mn (£31.2mn) in payment appropriations. This would go towards meeting payments needs arising from the budgetary transfers made from 2017 to 2018.

5. The final proposal is not related to EU external action. It proposed modification of the establishment of the Innovation & Networks Executive Agency in the context of the implementation of the EU's WiFi4EU initiative – allowing for the employment of an additional executive. The role can be financed within the Agency's budget for the year and therefore a reinforcement of the EU subsidy to the Agency is not required.

SCRUTINY HISTORY

6. EMs 8076/18 and 8080/18, covering the Commission's 2018 Communication on EU Enlargement Policy and the 2018 Progress Report on Turkey were submitted by the Foreign and Commonwealth Office on 3 May 2018. They were cleared by the Commons on 16 May 2018 and by the Lords on 18 June 2018.

MINISTERIAL RESPONSIBILITY

7. The Chancellor of the Exchequer has responsibility for United Kingdom policy on European Union monetary and economic issues. The Foreign and Commonwealth Secretary and Secretary of State for Exiting the EU are responsible for overall United Kingdom policy towards the European Union.

INTEREST OF THE DEVOLVED ADMINISTRATIONS

8. The EU budget is a reserved matter under the UK's devolution settlements and no devolved administration interests arise. The devolved administrations have therefore not been consulted in the preparation of this EM.

LEGAL AND PROCEDURAL ISSUES

i. Legal basis

9. Article 314 of the Treaty on the Functioning of the European Union, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106 (a) thereof, and 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 (Article 41 of which makes provision for the Commission to present draft amending budgets).

ii. European Parliament Procedure

10. The EU budget is adopted according to a special legislative procedure set out in TFEU Article 314.

iii. Voting Procedure

11. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast.

- iv. Impact on United Kingdom Law
- 12. None.
- v. Application to Gibraltar
- 13. None.
- vi. Fundamental Rights Analysis
- 14. No issues arise.

APPLICATION TO THE EUROPEAN ECONOMIC AREA

- 15. Not applicable

SUBSIDIARITY

16. The EU budget is a matter of exclusive Community competence and the European Commission presents the DAB pursuant to treaty and regulation (as referred to in paragraph 9 above).

POLICY IMPLICATIONS

17. On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The government will continue to work hard to limit EU spending, reduce waste and inefficiency, and deliver the best possible deal for taxpayers.

18. The UK Government notes that this proposal is budget neutral. The UK and other Member States are liaising with the EU Commission to ensure that the EU-Turkey relationship is not unnecessarily harmed following reallocation of the funds.

CONSULTATION

- 19. None.

IMPACT ASSESSMENT

- 20. Not applicable.

FINANCIAL IMPLICATIONS

21. DAB 5 is budget neutral. It introduces no new commitments and will therefore not alter overall contributions to the 2018 EU Budget.

TIMETABLE

22. The proposal and draft amending budget were released by the Commission on 10 July 2018. They were initially discussed at Budget Committee on 13 July 2018; the

UK registered its scrutiny reserve. Both items will again be discussed at Budget Committee in September before moving to Coreper and Council.

A handwritten signature in blue ink, appearing to read 'Elizabeth Truss', is centered on the page. The signature is fluid and cursive.

**ELIZABETH TRUSS MP
CHIEF SECRETARY TO THE TREASURY**