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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.9.2008
COM(2008) 564 final

**PRELIMINARY DRAFT AMENDING BUDGET N° 8
TO THE GENERAL BUDGET 2008**

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

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Having regard to:

- the Treaty establishing the European Community, and in particular Article 272 thereof,
- the Treaty establishing the European Atomic Energy Community, and in particular Article 177 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, as last amended by Council Regulation (EC) No 1525/2007², and in particular Article 37 thereof,

The European Commission hereby presents to the budgetary authority the Preliminary Draft Amending Budget No 8 to the 2008 budget.

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 343, 27.12.2007, p. 9.

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CHANGES TO THE STATEMENT OF EXPENDITURE BY SECTION

The changes to the statement of expenditure by section are forwarded separately via the SEI-BUD system. An English version of the changes to the statement of expenditure by section is attached for information as a budgetary annex.

1. INTRODUCTION

Preliminary Draft Amending Budget (PDAB) No 8 for the year 2008 covers the following elements:

- The creation of a new budget article 21 02 03 Rapid response to food price increases in developing countries. It is proposed to enter EUR 750 million in commitment appropriations in the reserve. No payment appropriations are requested.
- The creation of a new budget article 19 06 06 Consular Cooperation. A token entry (p.m.) is proposed for both commitment and payment appropriations at this time.

2. RAPID RESPONSE TO FOOD PRICE INCREASES IN DEVELOPING COUNTRIES

Rising food prices in 2007 and 2008 have had negative effects on many developing countries and their populations. Poverty for many millions of people has worsened, and recent progress towards achieving the Millennium Development Goals is at risk. Moreover, rising food prices have resulted in riots, unrest and instability in several countries, risking the achievements of years of political, developmental and peacekeeping investment.

At the same time, high agricultural prices have contributed to a reduction in market-related agricultural expenditure in the 2008 Community budget, and to lower estimates for the 2009 budget within heading 2 of the financial framework. Current estimates indicate that a significant margin will be available in this heading in 2008, and to a lesser extent in 2009.

The European Council of 19-20 June concluded that action is required from the EU from a development and humanitarian assistance perspective³. The European Council welcomed the Commission's intention to come forward with a proposal for a new fund to support agriculture in developing countries, within the framework of the current multi-annual financial framework, and stated that the EU would support a strong agricultural supply response in developing countries, providing in particular the necessary financing for agricultural inputs and assistance in using market-based risk management instruments. The Council also stated that in its response strategy, the Union would work in close liaison with the United Nations and other international organisations, and within the framework of partner countries' own policies and strategies.

On 18 July 2008 the European Commission adopted a proposal for the Regulation establishing a facility for rapid response to soaring food prices in developing countries (hereafter referred to as the "Facility")⁴. It is proposed that part of the margin under heading 2 of the multi-annual financial framework would be used in 2008 and 2009 in favour of the most affected developing countries. The "Facility" would be implemented through international and regional organisations, and would primarily support agriculture in developing countries and enable them to enhance production levels. It will also help those countries to rapidly mitigate the negative effects of the high food prices on the poorest. The Regulation will be valid only for a limited period of two years (2008-2009), and the total

³ Council of the European Union, document 11018/08 of 20.06.2008.

⁴ COM (2008) 450 of 18.07.2008.

financial reference amount proposed for its implementation over that period is EUR 1.0 billion.

From this overall amount, EUR 750 million would be committed under the 2008 budget and EUR 250 million under the 2009 budget.

The Commission therefore proposes to create the budget line 21 02 03 Rapid response to food price increases in developing countries, with commitment appropriations of EUR 750 million in reserve, pending adoption of the legal base. Due to the possible timing of adoption of the legal base, towards the end of 2008, no payment appropriations are foreseen for 2008.

3. CONSULAR COOPERATION

Due to the increasing significance and frequency of major crises in third countries, the EU institutions and the Member States have initiated reflection on the reinforcement of their capacity for crisis response, including in the area of consular cooperation. The guidelines for the consular protection of the EU citizens in third countries, which have been adopted by Council in June 2006⁵, foresee that the "Commission delegations should be included in contingency planning. It is understood that – at the request of the Presidency and as appropriate – Commission delegations/representations could provide logistic support to Member States' missions, especially during crises."

Based on article 20 of the TEC, concerning the protection of EU citizens not represented in third countries by their Member States, and on article 20 of the TEU, providing a role for the Commission delegations in the implementation of the TEC article, the possible actions could include, for example, placing personnel, office space or material at a disposal of Member States' consulates; participation in the renting of transport, material or space; or logistic support.

As these actions could go beyond the possibilities for the use of the administrative support expenditure of the delegations, which is strictly limited to the needs of functioning of the delegations, the Commission proposes to create a specific budget line 19 06 06 Consular cooperation on the basis of article 49, §6 point d) of the financial regulation (specific powers of the Commission under the Treaties), which would allow for financing of potential operational expenditure in favour of European citizens.

The annual amount necessary for this potential expenditure would be limited (in the range of EUR 50 000 to EUR 500 000), and would cover actions undertaken in third countries.

The budget line is proposed with a token entry (p.m.) for both commitment and payment appropriations. If necessary a transfer could be made within chapter 19 06 Crisis response and global threats to security.

⁵ Council of the European Union, document 10109/2/06 of 16.06.2006.

SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2008 Financial framework		Budget 2008 (incl. AB 1-4/2008 and PDAB 5-7/2008)		PDAB 8/2008		Budget 2008 + AB 1-4/2008 and PDAB 5-8/2008	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	10 386 000 000		11 086 000 000	9 768 739 600			11 086 000 000	9 768 739 600
1b. Cohesion for growth and employment	47 267 000 000		47 255 948 720	40 538 785 026			47 255 948 720	40 538 785 026
Total	57 653 000 000		58 341 948 720	50 307 524 626			58 341 948 720	50 307 524 626
<i>Margin⁶</i>			<i>-188 948 720</i>				<i>-188 948 720</i>	
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	46 217 000 000		41 006 490 000	40 889 550 500			41 006 490 000	40 889 550 500
Total	59 193 000 000		55 564 715 538	53 241 270 053	750 000 000	0	56 314 715 538	53 241 270 053
<i>Margin</i>			<i>3 628 284 462</i>				<i>2 878 284 462</i>	
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	747 000 000		730 274 000	533 196 000			730 274 000	533 196 000
3b. Citizenship	615 000 000		888 034 197	981 444 203			888 034 197	981 444 203
Total	1 362 000 000		1 618 308 197	1 514 640 203			1 618 308 197	1 514 640 203
<i>Margin⁷</i>			<i>16 883 000</i>				<i>16 883 000</i>	
4. EU AS A GLOBAL PLAYER⁸	7 002 000 000		7 311 218 000	8 112 728 400			7 311 218 000	8 112 728 400
<i>Margin</i>			<i>-70 000 000</i>				<i>-70 000 000</i>	
5. ADMINISTRATION⁹	7 380 000 000		7 279 525 455	7 280 085 455			7 279 525 455	7 280 085 455
<i>Margin</i>			<i>177 474 545</i>				<i>177 474 545</i>	
6. COMPENSATION	207 000 000		206 636 292	206 636 292			206 636 292	206 636 292
<i>Margin</i>			<i>363 708</i>				<i>363 708</i>	
TOTAL	132 797 000 000	129 681 000 000	130 322 352 202	120 662 885 029	750 000 000	0	131 072 352 202	120 662 885 029
<i>Margin</i>			<i>3 564 056 995</i>	<i>9 573 450 956</i>			<i>2 814 056 995</i>	<i>9 573 450 956</i>

⁶ The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a. The Flexibility Instrument has been mobilised for an amount of EUR 200 million.

⁷ 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)

⁸ The 2008 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve. The Flexibility Instrument has been mobilised for an amount of EUR 70 million.

⁹ 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 77 million for the staff contributions to the pensions scheme.