2009 budget: Section III, Commission

2008/2026(BUD) - 10/09/2008 - Document attached to the procedure

PURPOSE: to present Amending Letter No 1 to the Preliminary Draft Amending Budget for 2009 (PDB 2009).

CONTENT: the Amending Letter No 1 (AL 1) to the Preliminary Draft Budget for 2009 (PDB 2009)

covers the following:

- the mobilisation of new funds for an amount of **EUR 40 million** in commitment appropriations to support the stability and development of **Kosovo**;
- the mobilisation of additional funds for an amount of **EUR 139 million** in commitment and **EUR 180 million** in payment appropriations to support the **Palestinian Authority**;
- the creation of a new budget article 19 06 06 Consular cooperation (see BUD/2008/2284);
- the budgetary adaptations arising from the extension of the mandate of the Education, Audiovisual and Culture Executive Agency (EACEA) to Tempus and ICI programmes;
- the lifting of the reserves entered in the 2009 preliminary draft budget after approval of the extensions of the Executive Agency for the Public Health Programme (PHEA), and the Trans-European Transport Network Executive Agency (TEN-T EA).

Remarks on the additional amounts requested by Kosovo and the Palestinian Authority (Heading 4 of the Financial Framework):

1) **Kosovo**: the Council also expressed its support to the Donors' Conference which was organised by the Commission and took place on the 11th July 2008 and recalled its willingness to assist the economic and political development of Kosovo through a clear European perspective. In response, the Commission pledged EUR 508 million, composed of some EUR 358 million from the Instrument for Pre-Accession Assistance (IPA) and a further EUR 150 million in Macro-Financial Assistance (MFA). This pledge is conditional to the Kosovo government's commitment to the sound and efficient management of donated funds and the implementation of agreed policy reforms. It is also subject to sufficient budgetary appropriations being voted by the Budgetary Authority as the European Union pledge currently stands above the current financial programming for Kosovo by EUR 100 million as some EUR 408 million are programmed under IPA and Macro Financial Assistance funding (MFA) over the period 2008/2010. Thus the Commission intends to increase the amounts foreseen for Kosovo in the financial programming by some EUR 100 million to meet the EUR 508 million pledging target. In order to minimize the impact of additional funding for Kosovo on the limited margin foreseen for 2009, the Commission is requesting **EUR 40 million as additional front-loaded assistance under the 2009 budget**. This amount is to be directed towards development assistance via IPA. The remaining EUR 60 million would stem from internal redeployments within heading 4.

2) **Palestine**: while the PA pursued its reform programme and donors have provided generous financial contributions, restrictions by the Government of Israel on Palestinian movement and access continue to weigh heavily on the Palestinian economic outlook. Other economic indicators in the occupied Palestinian territory have also deteriorated further. Unemployment stood at nearly 23% in 2007. The deficit of the current budget of the Palestinian Authority is expected to reach USD 766 million in 2008. In view of the current situation and high needs set out above and considering the large deficit of the PA, pressure for external assistance, in particular from the European Union, as the largest donor to the Palestinians, will remain high. In recent years (2008,

2007 and 2006), the amounts allocated initially for the Palestinians were systematically below the actual needs. The Commission had to call on other budget lines within the Community budget to cover the gap. In 2008, the initial allocation of EUR 300 million on the ENPI budget line for Palestine, UNRWA and Peace Process was reinforced to EUR 380 million, to respond to Prime Minister Fayyad's request to the donor community to fund the increasing deficit for recurrent expenditures. In light of the need to continue a realistic level of funding in 2009, taking account of the state of Palestinian public finances and the need for assistance by the Palestinian Authority government, **the Commission proposes to increase the budget line 19 08 01 02 in 2009 by EUR 139 million to reach EUR 300 million**. As regards payment appropriations, the amount requested in the PDB (EUR 100 million) should also be reinforced in line with the Commitment appropriations and past execution. **An additional EUR 180 million is estimated necessary**. The combined additional needs for heading 4 amount to EUR 179 million in commitments, of which EUR 40 million for Kosovo and EUR 139 million for Palestine. This leaves a margin under the ceiling of EUR 64 million for heading 4. The additional payment appropriations are EUR 180 million for Palestine.

It should be noted that the additional amounts do not take account of the **facility for rapid response to soaring food prices in developing countries**, pending a decision on its legal base (see COD/2008/0149) or of the potential assistance to **Georgia** following the conflict at the end of 2008 which the Council has committed itself.