Amending budget ex-8/2008: food price increases in developing countries; consular cooperation

2008/2284(BUD) - 16/09/2008 - Commission preliminary draft budget

PURPOSE: to present the Preliminary Draft Amending Budget (PDAB) No 8 for the year 2008.

CONTENT: Preliminary Draft Amending Budget 8/2008 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.

1) Rise in food prices: 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. Rising food prices have resulted in riots, unrest and instability in several countries. 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. In this context, the European Council of June 2008 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. 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 (see COD/2008/0149).

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 financial reference amount proposed for its implementation over that period is EUR 1 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.

2) 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. Based on the provisions of the Treaty (TEC), 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.

Conclusion: the Commission proposes to create 2 budget lines for the reasons set out above. Only the creation of budget line 21 02 03 Rapid response to food price increases in developing countries will have an impact on the 2008 budget with commitment appropriations of **EUR 750 million in reserve**, under heading 2 of the Financial Perspectives ("Preservation and management of natural resources").