2009 budget: Section III, Commission

2008/2026(BUD) - 27/11/2008 - Council amended draft budget

PURPOSE: presentation of the Council's second reading of the 2009 budget.

CONTENT: at its meeting of 21 November 2008, the ECOFIN Council (Budget) reached agreement on the following points:

general conclusions on the second reading of the 2009 budget;

- the establishment of amending budget no. 9/2008 including items concerning the funding of the food facility in 2008;
- the establishment of amending budget no. 10/2008 concerning the financing of the EU Solidarity Fund in favour of Cyprus;
- the establishment of amending letter 2/2009 including the budgetary aspects concerning the financing of the food facility in 2009;
- the establishment of amending letter 3/2009 ensuring the funding of the reflection group set up by the European Council.

The European Parliament, the Council and the Commission reached agreement to :

1. accept preliminary draft amending budget No 10/2008, as amended by the Commission, and to include in it the budgetary aspects concerning the financing of the food facility in 2008;
2. accept preliminary draft amending budget No 11/2008 as proposed by the Commission;
3. accept amending letter No 2/2009, except for the creation of the new item relating to the programme to promote the consumption of fruit at school, and to include in that amending letter the budgetary aspects concerning the financing of the food facility in 2009;
4. accept amending letter No 3/2009, as proposed by the Commission;
5. set the total amount of payment appropriations (in absolute figures) for the 2009 budget at **EUR 116 096 million**, including the payment appropriations allotted for the food facility.

At the same time, at the conciliation meeting several declarations were adopted which may be summarised as follows:

Technical results of Council's 2nd reading: overall, the amounts are as follows:

EUR 133 016 153 144 in commitment appropriations;

EUR 114 364 223 474 in payment appropriations (representing 0.88% of GNI).

The Council amended the budget in the following way:

a) to **maintain the draft budget** established by the Council, as amended by letter of amendment No. 1 /2009, with regard to competitiveness for growth and employment (**sub-heading 1a** of the Financial Framework);

b) to **maintain the draft budget** established by the Council with regard to cohesion for growth and employment (**sub-heading 1b** of the Financial Framework);

c) regarding the preservation and management of natural resources (**heading 2** of the Financial Framework): i) approval of letter of amendment No. 2 to the draft budget for 2009 for the elements relating to agriculture, except for the creation of the new item relating to the programme to promote the consumption of fruit in schools, pending the adoption of the relevant legal basis; ii) to maintain the draft budget established by the Council, as amended by letter of amendment No. 1/2009, for the other budget lines of heading 2 which are not affected by letter of amendment No. 2/2009; iii) additional reduction of EUR 180 million in the amount entered in the draft budget drawn up by the Council for the budget line for clearance of accounts;

d) to **re-establish the draft budget** established by the Council with regard to the other budget lines in the field of freedom, security and justice (**sub-heading 3a** of the Financial Framework);

e) to **maintain the draft budget** established by the Council, as amended by letter of amendment No. 1 /2009, with regard to citizenship (**sub-heading 3b** of the Financial Framework);

f) to **maintain the draft budget** established by the Council, as amended by letter of amendment No. 1 /2009, with regard to the EU as a global partner (**heading 4** of the Financial Framework), and to include in letter of amendment No. 2/2009 the budgetary aspects relating to the financing of the Food Facility in 2009, as resulting from the joint declaration on the financing of the Food Facility;

g) to **maintain the draft budget** established by the Council with regard to administrative expenditure (**heading 5** of the Financial Framework), as amended by letters of amendment No. 1/2009 and No. 3/2009, apart from the European Parliament amendments to its own section of the budget ("Gentlemen's

Agreement") which were accepted.

At the same time, several declarations were adopted during the conciliation meeting which may be summarised as follows:

1. a Joint Declaration on the financing of a facility for rapid response to soaring food prices in developing countries: the European Parliament and the Council agreed to finance the Food Facility **over a 3-year period within heading 4** of the multiannual financial framework (MFF). The total amount of EUR 1 billion available in commitments for the Food Facility will be

shared out over the years as follows:

- EUR 262 million in 2008,
- EUR 568 million in 2009 and
- EUR 170 million in 2010.

The Council and Parliament envisage the following amounts:

- **EUR 240 million** in commitment appropriations will be redeployed within heading 4 from the Instrument for Stability (budget article 19 06 01 01) of which EUR 70 million in 2009. Regarding the redeployments for 2010, the Commission is invited to present a revised financial programming in order to ensure an orderly progression of the amounts planned over the period 2010-2013, while keeping the annual level of the margin unchanged.

The food prices crisis is a new and objective circumstance under the terms of Point 37 of the Interinstitutional Agreement (IIA) which justifies the redeployment from a non-programmed crisis instrument.

- EUR 420 million in commitment appropriations will be made available through the mobilisation of the Flexibility Instrument for the 2009 budget.

- EUR 340 million in commitment appropriations will be made available through the Emergency Aid Reserve in the following manner:

- EUR 22 million from appropriations still available in the 2008 budget;
- EUR 78 million from the appropriations budgeted for the year 2009;
- EUR 240 million through a one-off increase in the amount of the Emergency Aid Reserve to be budgeted in 2008.

The Commission will propose an amendment of the Interinstitutional Agreement on budgetary discipline and sound financial management (IIA) of 17 May 2006 as regards Point 25 to provide the additional funding required for the proposed Food Facility.

The one-off increase in the commitment appropriations for the Emergency Aid Reserve for the year 2008 will be formalised by a joint decision of the three institutions amending the Interinstitutional Agreement of 17 May 2006.

2. Coordination of Community Assistance (Food Facility and EDF): taking into account that ACP countries could benefit from EU assistance from both the general budget of the European Union and the European Development Fund, the three Institutions declare that, when implementing the Facility for rapid response to soaring prices in developing countries (hereinafter "Food Facility"), special attention should be paid to the coordination of aid originating from these various sources in order to maximise the synergy and the possible results. In this context, the ACP partner countries should also be encouraged to adapt, if necessary, the objectives and priorities of their programming regarding future cooperation under the EDF, ensuring consistency and complementarity with the objectives as foreseen by the Food Facility. The Commission will present a list of programmes financed by the EDF which could include elements related to food security.

3. Improving the visibility of Community assistance: the European Parliament and the Council stress that the visibility of Community assistance in third countries is a legitimate concern for the European Union and should be fully taken into account for donorship in a multi-annual context. With a view to maintaining public and political support for the EU external action, they call on the Commission to present together with the PDB for the year 2010 a report with a list of initiatives taken to improve the visibility of EU external aid, without compromising its efficiency and effectiveness, especially when implemented through international organisations.

4. Implementation of the cohesion policy: without prejudging the upcoming proposals from the Commission in the context of the economic downturn, the European Parliament, the Council and the Commission:

- recognise that, in view of the challenges posed by the current economic downturn, the economy may benefit from accelerating the implementation of structural and cohesion funds within the ceilings of the agreed multiannual financial framework 2007-2013;
- recognise that, under the established control framework, interim payments cannot take place until management and control systems in Member States have been judged to be compliant with the requirements and, as concerns major projects, until such projects have been adopted by the Commission;
- encourage the Member States to submit the description of their management and control systems and the compliance assessments as soon as possible so as to allow the Commission to rapidly start their analysis.

Within this framework, the European Parliament and the Council invite the Commission to take the necessary measures, within the existing legal framework, to rapidly assess the most critical aspects of the Member States' management and control systems (MCS), to accelerate the examination of applications for major projects so as to facilitate their launch. They also call on the Commission to cooperate closely with the Member States in order to have a rapid agreement of all aspects of compliance of the MCS and to submit a monthly report to the budgetary authority on the approval of the MCS and the major projects. The Commission is also invited to present a report on the implementation together with the PDB for the purpose of the budgetary and discharge procedures.

5. Agencies: the European Parliament and the Council have agreed on the Commission proposal for the creation of an Interinstitutional working group on agencies and ask for the first meeting to take place as soon as possible.

6. Payment appropriations: the European Parliament and the Council ask the Commission to submit an amending budget if the appropriations entered in the 2009 budget are insufficient to cover expenditure under sub-Heading 1a (Competitiveness for growth and employment), sub-Heading 1b (Cohesion for growth and employment) as it could be justified within the current legal framework in the light of a possible acceleration of the implementation of structural policies, Heading 2 (Preservation and management of natural resources) and Heading 4 (EU as a global partner). In that context, the European Parliament and the Council will consider the appropriate financing of any possible proposal that the Commission could make for new initiatives, particularly regarding the economic crisis.

Lastly, the European Parliament asks the Commission to present in the budget review an evaluation of **the situation of heading 4** in order to examine and to review the role of the EU as a global partner in a multiannual context. It expresses its deepest concern as to the **extremely low level of payments**, far below the MFF, which does not correspond to the real challenges of the European Union in a situation of economic crisis. It therefore calls on the Commission and the Member States to adopt all measures possible to ensure its adequate implementation.