

2010 budget: section III, Commission

2009/2002(BUD) - 02/09/2009 - Document attached to the procedure

PURPOSE: to present Amending Letter No 1 to the Preliminary Draft Amending Budget for 2010 (PDB 2010).

CONTENT: the Amending Letter No 1 (AL 1) to the Preliminary Draft Budget for 2010 (PDB 2010)

covers the following:

1. the mobilisation of additional funds for an amount of EUR 95 million in commitment and EUR 60 million in payment appropriations to support the Palestinian Authority and reconstruction efforts in Gaza;
2. the need to consider the establishment of Bananas Accompanying Measures (BAM) in view of the possible trade agreement on bananas to be signed with Latin American Most Favoured Nation (MFN) suppliers that will affect that the preferential regime of ACP banana supplying countries;
3. the mobilisation of additional funds for an amount of EUR 50 million in commitment appropriations and EUR 20 million in payment appropriations in view of a successful outcome of the December Copenhagen Climate Change Conference.

1. Support to Palestine: although the Palestinian Authority (PA) saw its reliance on external funding decrease slightly in 2009, it continues to be highly dependent on donor funding. The Council confirmed this approach in its conclusions of 15 June 2009. It stated that the EU will promote Palestinian state-building and intensify work in partnership with the PA. There are renewed hopes of progress towards peace in the coming months, partly linked to the new American administration and the priority given to the resolution of the conflict. The survival of the PA is crucial for the peace process, especially while the international community is maintaining its pressure on Israel to remain committed to the two-state solution. In light of the need to continue a realistic level of funding in 2010, taking account of the state of the Palestinian public finances as well as the restraints of Heading 4, the Commission proposes to increase the budget line "European Neighbourhood and Partnership financial assistance to Palestine, the peace process and UNRWA" in 2010 by EUR 95 million to reach EUR 270 million (it is EUR 300 million in Budget 2009). The requested additional amount will be used in particular to assist the Palestinian Authority in its efforts of institution building in view of the future Palestinian state. The resulting level of funds available under ENPI will allow for a continued support of the PA in 2010 while at the same time approximating assistance for Palestine to a level more commensurate with the initial programming after a number of years of exceptional budgetary arrangements. The European Union funds disbursed under ENPI are complemented by assistance under thematic and crisis intervention programmes, especially for the reconstruction efforts in Gaza.

As regards payment appropriations, the Commission request an additional EUR 60 million on top of the amount requested in the 2010 PDB (EUR 175 million).

2. Banana sector: the European Community's Common organisation of the market (CMO) in bananas has traditionally provided a preferential trade regime in favour of African, Caribbean and Pacific (ACP) exporters. This regime has been challenged since 1995 through the World Trade Organisation's (WTO) Dispute Settlement Mechanism, whose Appellate Body decisions have repeatedly ruled against the Community. Since 1 January 2008, ACP bananas suppliers have duty and quota free access to the EC market. To comply with the rulings of the WTO Appellate Body, the Commission has been negotiating a trade agreement on bananas within the framework of the Doha Development Agenda (DDA) ahead and in support of the completion of agricultural modalities and the full Doha Round. The ACP Group indicated

its acceptance of such an agreement subject to a development-related assistance package for ACP banana suppliers.

The Special Framework of Assistance (SFA) for bananas, which operated since 1999 in twelve bananas exporting ACP countries, expired in December 2008. Despite the SFA, only certain countries are diversifying successfully or become competitive under current Most Favoured Nation (MFN) tariff rates. A reduction in tariff preferences is therefore expected to lead to additional adjustment requirements and efforts on the part of most ACP banana supplying countries. A trade agreement on bananas is being negotiated with Latin American MFN suppliers that will reduce the preferential advantage enjoyed thus far by ACP banana supplying countries. As part of the overall deal the Commission intends to propose the establishment of **Bananas Accompanying Measures** (BAM) that will contribute to the necessary adjustment processes of traditional ACP banana exporters by supporting the adaptation and restructuring processes in mostly bananas-dependent areas. Hence, the BAM will be part of the package allowing for the expected MNF tariff rate reductions in the framework of the WTO.

Although the exact amount will be known only once the final agreement is reached, its financing will require the use of part of the unallocated margin of Heading 4 and redeployment, the Commission proposes only to create the budgetary structure at this stage and it is for this reason that a token entry “p. m” appears in Article 21 06 07.

3. Copenhagen Climate Change Conference: the European Council conclusions of 18/19 June 2009 reiterated the importance of the establishment of an agreement on combating climate changes. For an international climate change deal in Copenhagen to be effectively limiting global average temperature increase below 2 degrees Celsius, a substantial reduction in the growth of greenhouse gas emissions in developing countries over the coming two decades will be crucial. Undoubtedly, this will be very challenging, and will require a major international effort to finance it. The Commission has, in order to achieve this objective, identified actions for mitigation and adaptation that it finds important to support. While benefits from adaptation actions are local or regional, the benefits of mitigation actions are also shared globally. Efficient adaptation is in the immediate interest of all affected countries. It is therefore of utmost importance that the Community is in a position to mobilise additional resources as soon as an agreement is reached in the framework of the December 2009 Copenhagen Climate Conference, for the actions to start as soon as possible in 2010.

The proposed measures do not prejudice any future needs for the implementation of the provisions of the new international climate regime to be agreed at the Copenhagen Conference. However, sending a clear signal before Copenhagen that the funding, in particular for the Global Climate Change Alliance (GCCA), has been increased, improves the credibility of the initiative by showing that the interests of poor developing countries most affected by the impact of climate change are taken seriously in view of the final round of the negotiations.

In order to ensure timely preparation for the implementation of a new international climate agreement, the Commission proposes to increase the resources of budget line 21 04 01 by an amount of **EUR 50 million:**

- EUR 25 million to support the further development of actions under the GCCA aimed at Least Developed countries (LDCs) and Small Island Developing States (SIDS);
- EUR 25 million for support to low carbon development strategies in developing countries.

The level of additional payment appropriations is set at EUR 20 million.