2007 budget: section III, Commission

2006/2018(BUD) - 27/10/2006 - Document attached to the procedure

PURPOSE: to present the amending Letter No 3 to the preliminary draft amending budget 2007.

CONTENT: according to the Interinstitutional Agreement on budgetary discipline and sound financial management, the Commission may present to the two arms of the budgetary authority an ad hoc letter of amendment:

- § to update the figures underlying the estimate of agricultural expenditure in the preliminary draft budget (PDB);
- § to correct, on the basis of the most recent information available concerning fisheries agreements in force on 1 January of the financial year concerned, the amounts and their breakdown between the appropriations entered in the operational items for international fisheries agreements and those entered in reserve.

The Commission presents herewith this ad hoc amending letter (AL 3/2007) to the preliminary draft budget 2007, containing a careful, line by line update on the estimated needs for agricultural expenditure. In addition to changing market factors, the AL also incorporates legislative decisions adopted in the agricultural sector since the PDB was drawn up, revised estimates of needs for direct payments, as well as any proposals, which are expected to have effect during the coming budget year.

The AL is based, in the same way as the PDB itself, on the needs of the Community as a whole. As far as the market measures are concerned, no breakdown of the appropriations between Member States is available. In addition, it must be stressed that these appropriations are to be understood as a forecast and not as an objective of expenditure. The actual expenditure will depend, in particular, on real market conditions, on the actual euro-dollar exchange rate, and on the rhythm of the payments by Member States. Since this is compulsory expenditure, whatever the amount a Member State is obliged to pay in accordance with the regulations – within the limits set by the financial framework - will be reimbursed in full.

The euro-dollar rate used, in accordance with Council Regulation No 1290/2005 on the financing of the Common Agricultural Policy, is based on the average rate observed between 1 July and 30 September 2006. It comes to 1,27 (EUR 1=USD 1,27) and results in **an increase in needs of about EUR 78 million compared to the PDB**.

For clarification and transparency purposes, some budgetary comments have been updated.

- The needs for *agricultural expenditure* amount to EUR 42 832 million, **a reduction of EUR 852 million compared to the PDB**. Overall needs for Heading 2 are estimated at EUR 56 366 million, leaving a margin of EUR 1 985 million in commitment appropriations below the corresponding ceiling of the Financial Framework.

- The change for *International fisheries* agreements relates to the entry into force of the Fisheries Partnership Agreement with Mauritania, but without modifying the overall amount foreseen for fisheries agreements. It is proposed to reduce the reserve line by an amount of **EUR 86 million** and to increase the corresponding operational line by the same amount.