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3 December 2003

## REPORT

on the future budgetary requirements for external actions  
2003/2037(INI))

Committee on Budgets

Rapporteur: Guido Podestà

Draftsman (\*): Véronique De Keyser, Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

(\*) Enhanced cooperation between committees - Rule 162a

PR\_INI

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(\*) Enhanced cooperation between committees - Rule 162a

## PROCEDURAL PAGE

At the sitting of 15 May 2003 the President of Parliament announced that the Committee on Budgets had been authorised to draw up an own-initiative report under Rule 163 on the future budgetary requirements for external actions and all committees had been asked for their opinions.

At the sitting of 15 May 2003 the President of Parliament announced that the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, which had been asked for its opinion, would be involved in drawing up the report under Rule 162a.

The Committee on Budgets had appointed Guido Podestà rapporteur at its meeting of 19 February 2003.

The committee considered the draft report at its meeting of 26 November 2003.

At that meeting it adopted the draft resolution unanimously.

The following were present for the vote: Terence Wynn (chairman), Reimer Böge (vice-chairman), Franz Turchi (vice-chairman), Guido Podestà (rapporteur), Ioannis Averoff, Kathalijne Maria Buitenweg, Joan Colom i Naval, Den Dover, Bárbara Dührkop Dührkop, James E.M. Elles, Göran Färm, Markus Ferber, Neena Gill, Anne-Karin Glase (for Salvador Garriga Polledo), Jutta D. Haug, Wilfried Kuckelkorn, Joaquim Píscarreta, Giovanni Pittella, Bartho Pronk (for María Esther Herranz García), Kyösti Tapio Virrankoski, Ralf Walter and Brigitte Wenzel-Perillo.

The opinion of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy is attached.

The report was tabled on 3 December 2003.

## **DRAFT EUROPEAN PARLIAMENT RESOLUTION**

### **on the future budgetary requirements for external actions (2003/2037(INI))**

*The European Parliament,*

- having regard to Articles 268 and 269 of the EC Treaty,
  - having regard to the Council Decision of 29 September 2000 on the own resources system<sup>1</sup>,
  - having regard to the Council Regulation of 26 September 2000 on budgetary discipline<sup>2</sup>,
  - having regard to the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure<sup>3</sup>,
  - having regard to Decision 91/400/ECSC, EEC of the Council and of the Commission of 25 February 1991 on the conclusion of the Fourth ACP-EEC Convention<sup>4</sup>,
  - having regard to the Commission communication to the Council and the European Parliament on full integration of cooperation with ACP countries in the EU budget (SEC(2003) 241/2),
  - having regard to the Partnership Agreement between the Members of the African, Caribbean and Pacific Group of States, of the One Part, and the European Community and its Member States, of the Other Part, signed in Cotonou on 23 June 2000<sup>5</sup>,
  - having regard to its resolution of 20 November 2003 on 'Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours'<sup>6</sup>,
  - having regard to the report of the Committee on Budgets and the opinion of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A5-0434/2003),
- A. whereas since 1988 the Union has given itself a multiannual expenditure framework in order to ensure a sufficient level of resources for funding major priorities in the medium term,
- B. whereas the financial perspective has undergone 48 revisions since 1988 because of the lack of flexibility to respond to new circumstances,
- C. whereas the ceiling for heading 4 (External action) of the financial perspective for the period 2000-2006 has proved insufficient to meet the international crises which have

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<sup>1</sup> OJ L 253, 7.10.2000, p. 42.

<sup>2</sup> OJ L 244, 29.8.2000, p. 27.

<sup>3</sup> OJ C 172, 18.6.1999, p. 1.

<sup>4</sup> OJ L 229, 17.8.1991, p. 1.

<sup>5</sup> OJ L 317, 15.12.2000, p. 3.

<sup>6</sup> Texts Adopted, P5\_TA(2003)0520).

occurred during the period and, consequently, EUR 600 m has already had to be mobilised under the flexibility instrument between 2000 and 2003,

- D. whereas in recent years the budgetary authority has also made use of the emergency reserve (heading 6) and decided to widen the scope of this instrument during the budgetary procedure for 2003 in order to supplement Community aid in the face of the various international crises,
- E. whereas, in leaving the final decision on the own resources ceiling to the Council, the financial provisions of the draft Treaty establishing the Constitution for Europe make it hard to imagine raising the own resources ceiling in the medium term and, consequently, the magnitude of the current ceiling could remain the reference figure for the next financial framework,
- F. whereas over the last few years spending has remained well below the own resources ceiling, at around 1.02%, thus leaving a significant budgeted margin below the present ceiling,
- G. whereas the volume of appropriations currently given over to external actions (headings 4 and 7) represents a little less than 9% of the Union's total budget,
- H. whereas the new external borders of the enlarged Union will mean new neighbourhood relations and - despite the need for political solutions - the significant changes in foreign and security policy in the aftermath of the conflicts of recent years also require additional financial capacities in order to reinforce security, stability and economic development,
- I. whereas the new draft treaty provides for the Union to be given a higher profile in terms of external representation by establishing a minister for foreign affairs,
- J. whereas the EU general budget provides funding under heading 4 of the financial perspective for development cooperation and other external actions via geographical programmes, sectoral measures and the common foreign and security policy,
- K. whereas the funding provided under heading 4 is mostly targeted on development cooperation and humanitarian aid (52%, not including cooperation with the Mediterranean developing countries),
- L. whereas, post-enlargement, heading 7 (Pre-accession strategy), which was reshaped in the context of the adjustment of the financial perspective with a view to enlargement, will cover Union aid to Romania, Bulgaria and Turkey,
- M. whereas Parliament has repeatedly called for the EDF to be incorporated into the budget in the interests of the principles of budget unity and transparency and with a view to enhancing the effectiveness of Community aid in an international context,
- N. whereas the objectives of the EDF must be geared to alleviation of poverty and to development, and reiterating therefore Parliament's commitment to the achievement of these goals by means of projects that eradicate poverty,

- O. whereas the Commission needs to deepen the ongoing reform process by pursuing the harmonisation and simplification of financial and administrative procedures to further improve speed of delivery, and the new provisions of the Financial Regulation aim to improve implementation of Community policies in the interests of transparency and effectiveness, sound financial management and greater accountability,
- P. whereas the Commission is preparing a set of general guidelines with a view to submission of a new financial package for the post-2006 period,
- Q. whereas the Commission needs to work towards selectively introducing resource allocation criteria to support the delivery of external action objectives, recognising that different instruments are appropriate in different contexts,

#### The future financial framework

1. Regards it as the responsibility of Parliament, as one arm of the budgetary authority, to set in train a debate on the enlarged Union's future external-spending requirements, on the one hand, and on laying down the financial framework, on the other;
2. Notes with great concern the ongoing discussions and preparations in the Commission about future political priorities for a revised financial framework post-2006; considers that this debate is relevant and should be accompanied by a broad discussion with Parliament and the Council before the Commission puts forward its proposals; believes that the decision should be the prerogative of an incoming Commission once constituted and with its own priorities established, with the final decision being taken by the budgetary authority;
3. Stresses that, because of the European elections, the present Parliament should not take decisions which restrict the scope for decision-making by the Parliament which is elected in June 2004; urges the Commission and the Council to take account of that political event when setting the timetable for interinstitutional negotiations;
4. Restates its opinion, expressed on the convening of the Intergovernmental Conference<sup>1</sup>, that the satisfactory exercise of Parliament's power to approve the multiannual financial framework presupposes the rapid opening of interinstitutional negotiations, following the Intergovernmental Conference, on the structure of this framework and the nature of the constraints on the budgetary procedure;
5. Considers that the future financial framework must enable the European Union to play a role in the world which is commensurate with its ambitions; therefore calls on the Commission to make a proposal, concerning the policies likely to be funded under this area of expenditure, to define the financial framework for external actions in line with experience gained and foreseeable future requirements;
6. Points out in this connection that the ceilings for heading 4 of the current financial perspective, which were laid down at the Council's request on the basis of the budget adopted for 1999 and not on the basis of the heading 4 ceiling approved for that year

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<sup>1</sup> Texts Adopted, P5\_TA(2003)0407.

under the previous financial perspective, have not made it possible to provide adequate funding for the Union's requirements in the external domain;

7. Considers that financial needs arising from international crises and/or events which were unforeseen when the budget was drafted and which necessitate the rapid mobilisation of funds must not be met at the expense of planned financial commitments, as this would jeopardise the credibility and effectiveness of the EU's external policy;
8. Notes that the flexibility instrument provided for in paragraph 24 of the IIA of 6 May 1999 for the purpose of financing clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more other headings had to be mobilised in 2000, 2001 and 2002 (and a Commission proposal for 2004 exists) in order to cope with unforeseen multiannual international crises, thus straying from its initial objective;
9. Points out that sustained use of the flexibility instrument or any other emergency mechanism is not satisfactory in terms of developing a coherent external policy; considers that flexibility is best secured by ensuring a reasonable margin under the heading; regards it as vital that post-2006 budget planning arrangements make provision for genuine development of the European Union's external policy;
10. Notes that the own resources ceiling is currently set at 1.24% of Member States' GNI and that on the basis of successive budgets in recent years, in which the amount represented 1.01% or 1.02% of GNI, there is an annual potential margin of EUR 16.5 bn; proposes therefore that an appropriate proportion of this potential margin should be allocated to external measures;
11. Calls on the Commission to look at this possibility and to make proposals for better use of the margin below the own resources ceiling set by the Council Decision of 29 September 2000;
12. Calls on its committee responsible to make proposals to examine the possibility of introducing budgetary mechanisms designed to increase available margins and to rectify the shortcomings revealed the systematic use of the flexibility instrument to solve financing problems within this heading, in particular by making use of unused appropriations for urgent external actions, such as the use of unused appropriations for a given year from various headings, where appropriate in conjunction with a special fund endowed with unused appropriations relating to commitments from the previous year, the entry into force of these arrangements being subject to budgetary authority approval;
13. Invites the relevant bodies to look into the possibility of enhancing the role of the European Investment Bank to ensure that a range of instruments remain available to support external actions, and particularly that grant technical assistance and loans play an adequate role, where they can be most effectively deployed;
14. Wonders whether it is necessary to maintain three separate headings for external actions and proposes that the structure of the future financial framework be reviewed, enabling resources to be effectively spent and the political profile to be raised; in this context is willing to consider different options including one which makes a distinction between



several levels of external action, such as pre-accession aid, enhanced neighbourhood cooperation defined by the Union's new borders, CFSP and geographical, selective or structural assistance for the various other regions of the world;

15. Points out that the role of the Union in the world will also be gauged by its ability to prevent conflicts and to respond and intervene rapidly in conflict zones; regards it as essential to adjust CFSP resources in the next financial framework, provided that this is clearly linked to a continued 'communitarisation' of the CFSP, including by increasing the role of the other institutions (Parliament and Commission) in priority setting and decision making and giving the budgetary authority prior information; regards the relevant proposals in the draft treaty as a step in the right direction;
16. Restates its support for incorporation of the EDF into the budget, subject to consideration of the Commission communication, provided that the contributions are ring-fenced to ensure that resources for the poorest countries are maintained, provided that incorporation into the budget is not achieved at the expense of the cooperation and development policies funded by the general budget, and provided that the financial perspective ceiling and, if necessary, the own resources ceiling are brought into line accordingly;
17. Thinks that development cooperation should be concentrated and rationalised by incorporating the EDF into the general budget, by better coordination and coherence between the geographical and sectoral programmes creating progressive synergies between the various existing instruments, and by ensuring fast and transparent budget implementing procedures so as to rationalise European external action as a whole;
18. Expects the Commission to implement the new provisions of the Financial Regulation in order to enhance Community policy implementation, in particular as regards external actions, and to consider any additional proposals on legislative or management-related aspects which may facilitate the provision of support, in future, for the Union's future external policies;
19. Considers Activity-Based Budgeting to be an additional tool to evaluate the efficiency, impact and effectiveness of external actions and to decide upon priorities and negative priorities in external policy;
20. Restates its call on the Commission to make an appraisal of the quantitative and qualitative advances resulting from reform of the external service; expects the Commission to step up its efforts to make up for the delay which has occurred;
21. Confirms that it regards the fostering of a 'culture of prevention' as a key element in the European Union's measures in the field of external relations, and calls on the Commission to incorporate it consistently, and develop it further, in its planning in the fields both of the ESDP and of external policy in general; notes in this connection various resolutions adopted by Parliament and the programme for the prevention of violent conflicts adopted by the Göteborg European Council on 15 and 16 June 2001;
22. Reiterates that administrative procedures and requirements must be simplified, especially for small projects that offer high value for money, in order to achieve a more output-oriented policy;

23. Is of the opinion that the future financial framework ought to make a distinction between types of external action which have different characteristics and for which the financial requirements have to be considered separately: pre-accession aid, neighbourhood cooperation defined by the Union's new borders, development cooperation, humanitarian aid and poverty eradication, including relations with ACP countries, CFSP and reserves;
24. Points out that Parliament has for many years repeatedly called for the EDF to be incorporated into the budget and deplores the fact that no consensus has been reached to date; welcomes the new initiative by the Commission, which presents incorporation of the EDF into the European Union as a factor making for effectiveness and raising the political profile of Community aid in an international context;
25. Is of the opinion that the EU external strategy should not be solely judged on the scale of its contributions but should also be judged on the effectiveness of its contributions;

#### Political guidelines

26. Reaffirms the need for the European Union to make its external action more visible, more coherent and more credible in the eyes of both the world and its own citizens, in line with the political commitment it has given to play an important role in the field of external policy; to that end, enjoins the European Union to equip itself with multipurpose instruments and flexible, high-speed mechanisms, while making sure that they are transparent and agreed to in advance, and politically followed up, by the European Parliament;
27. Takes the view that European Union external action will need to expand and calls therefore for its resources and capabilities to be strengthened as regards logistics, human resources, intelligence and defence assets in the context of ESDP, as is advocated in the strategy presented by the High Representative for the CFSP and the draft European Constitution; reiterates that its resources and capabilities must be strengthened in order to enhance its credibility as a world player;
28. Stresses the varied nature of threats – environmental, technological, military and terrorist – and points out that a comprehensive view must be taken of the Union's external action; points out that, in addition to the implementation of customary programmes, action should be taken to promote macroeconomic assistance designed to prevent conflicts of all types, peacekeeping measures, and civilian or military crisis management measures, in particular through rapid deployment of an intervention force; particularly stresses the need for a sufficient funding allocation for aspects relating to political cooperation, combating poverty and promoting democracy and human rights, in close partnership with UN agency, NGO and civil society actions on the ground;
29. Calls for the Commission's deconcentration efforts to be continued, while calling on the budgetary authority to provide adequate resources for efficient and rational realisation of the objectives laid down;
30. Takes the view that the creation of a European Union minister for foreign affairs goes hand in hand with an increased funding allocation for the CFSP, and with better implementation and enhanced 'communautarisation' thereof;

31. Calls for the next financial perspective to aim to enhance coherence between Union actions and Member States' actions, in budgetary terms too, so as to prevent any duplication of effort;
32. Calls on the budgetary authority to make provision for the need for an adequate response to international crisis situations, it being understood that in such situations the European Union's credibility as a world player is reflected directly in its effective response capability;
33. Recommends that funding be transferred from budget heading 7 to heading 4, while pointing out that policies towards new neighbouring countries in a wider Europe must be given special attention and a specific funding allocation;
34. Calls for thought to be given to internally reorganising the budget heading given over to external action, while maintaining the budgetary commitments under each item to ensure continuity and the greatest possible transparency in implementing those commitments; to that end, proposes a thematic breakdown of appropriations reflecting overarching priorities and policy objectives, coupled with a geographical structure enabling those appropriations to be mobilised on a flexible basis for a given area in the light of needs, to be sure, but also in accordance with objective, invariable criteria, including recipient countries' take-up capacity plus compliance with a number of binding obligations such as unfettered access for populations to basic necessities;
35. Calls in particular for Africa and those countries with higher poverty indices and underdevelopment rates to be given renewed attention and benefit from enhanced synergies between humanitarian policies, development programmes and political cooperation; wonders whether the present apportionment of competences between the external relations and development fields is relevant and proposes that it be reviewed;
36. Calls for the Commission, when urgent budget transfers are adopted, to take account of the European Parliament's and the relevant committees' timetable in order to make the best possible use of the existing conciliation and early notification mechanism;
37. Instructs its President to forward this resolution to the Council, the ACP-EU Council and the Commission.

## EXPLANATORY STATEMENT

Prior to conducting any analysis of the evolution of the European Union's external policy in the future, it seems necessary to define the financial and institutional framework within which this policy can develop.

### *What financial framework?*

1. The current financial framework and financial perspective (2000-2006) were decided on in connection with Agenda 2000<sup>1</sup>, which is designed to enable the Union to cater for enlargement. The aim of this report is to launch the debate on the budgetary requirements for external actions after 2006.
2. It is worth noting in this context that the current budgetary framework for Heading 4, as proposed by the Commission in its 'Agenda 2000' Communication, was revised downwards in the final negotiations at the Berlin European Council in a relatively blanket fashion, without any real discussion as to the form that expenditure under this heading should take in the future.
3. Under this approach, in fact, the starting point was not the existing 1999 ceilings, but the appropriations actually entered in the 1999 budget, which were appreciably lower. From the very first year of the new financial perspective, the expenditure profile for the external actions thus defined proved to be too limited to cope with the crises in the Balkans and Afghanistan.
4. The flexibility instrument called for by the European Parliament and provided for in Article 21 of the IIA of 19 May 1999 was therefore created not to remedy the insufficiency of the appropriations entered under the ceilings but rather to cover extraordinary expenditure, and was harnessed successively in 2000, 2001 and 2002.
5. In addition to these extra amounts (3 x 200 million), the intensive use of the emergency reserve, the non-conclusion of the fisheries agreement with Morocco, the shifting of the financing of assistance to some countries to the pre-accession heading and the temporary transfer of a section of the CFSP to the Council budget confirmed that insufficient appropriations were available for external actions. Lastly, it should be emphasised that 'budgetary creativity' enabled *ad hoc* solutions to be found, but prevented the Union from developing a new dimension to its external policy.

### *What institutional context?*

6. The work recently carried out by the Convention aimed at simplifying procedures to enable the Union to function with 25 members did not look to introduce greater flexibility into the provisions concerning the decision on own resources. None of Parliament's proposals for the opening-up and transparency of this area were adopted. By reinforcing

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<sup>1</sup> Agenda 2000: For a stronger and wider Union - COM(2000) 97.

the intergovernmental decision mechanism with the constraint of unanimity in the Council and the requirement of ratification by the national parliaments, the members of the Convention have given a very clear indication as to the impossibility of conceiving of any significant increase in the own resources ceiling in the medium term.

### *What available margins?*

7. In view of past experience, current national treasury constraints and future prospects, the starting point should be that it would be unrealistic to expect an adjustment of the own resources ceiling in the next financial framework. This means that ambitions should be limited to the current ceiling fixed at 1,24% of the gross national income (GNI) of the Member States by virtue of the Decision on own resources of 29 September 2000<sup>1</sup>.

With reference to the 2003 budget, the calculation is as follows (in EUR million):

Own resources ceiling 2003 (1,24 % of GNI): 118 834 409 240
Total payment appropriations: 97 502 937 098 or 1,02 % of GNI
Theoretical margin remaining under the ceiling: 21 331 472 142 or 0,22 % of GNI

Considering that it would be appropriate to leave a safety margin of 0,05 % under the ceiling margin (1,24 %), the calculation for the 'potential' margin would be as follows:

0.5 % = 4 791 710 050
1,24 - 0,05 = 1,19 %
i.e. an amount of 114,04 billion and an annual theoretical margin of 16 539 762 092

Given that external actions - excluding reserves but including enlargement expenditure - represent around 9 % of the budget in 2003, one could picture, in the above scenario, an increase of 1,488 billion in headings 4 and 7 alone. This figure could rise to 16,5 billion if all the margin were to be utilised under Heading 4.

8. During the negotiations on the current financial framework, the Committee on Budgets considered several ways<sup>2</sup> of increasing the margins available while remaining within the limits of the authorised ceilings. These included providing for:

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<sup>1</sup> 2000/597/EC, Euratom: Council Decision of 29 September 2000 on the system of the European Communities own resources.

<sup>2</sup> J. Colom y Naval: Working documents PE 224.549, PE 225.567 and PE 225.540.

- an earmarked reserve (fund) for external actions within Heading 6 of the Financial Perspective, intended to cover new requirements likely to arise over the period and not already covered either by the emergency reserve as such or by the heading ceiling. This reserve could only be entered in the accounts as payments in the event of its being utilised.
  - an instrument allowing appropriations not utilised during the financial year to be rebudgeted for requirements not envisaged at the time the budget is drawn up. These additional resources could be mobilised in accordance with a procedure similar to that for the emergency reserve.
9. It goes without saying that these ideas can only be expanded upon in conformity with the principles of the future Constitution and of the Financial Regulation. Their value at this juncture is to stimulate reflection with a view to pursuing the following objectives:
- observance of the own resources ceiling on the basis of national budgetary constraints,
  - effectiveness of budgetary expenditure,
  - further development of common policies with due regard for the principle of subsidiary,
  - development of the enlarged Union's role in the world.

### ***Incorporation of the EDF in the budget***

10. Finally, it seems appropriate in the context of the report to mention Parliament's repeated demand for the EDF to be incorporated into the budget in accordance with the principle of the unity of the budget. This demand was not satisfied by the Convention and will certainly be made again in the context of the IGC.
11. The resources made available by the Community to the ACP countries total around 25 billion euro, 1,7 billion of which are for EIB loans for development projects. Since the EDF is not governed by the rule on annuality, 9,9 billion derive from previous Ed's, with 13,5 billion allocated under the 9th EDF *per se*.
12. In common with the rest of Community expenditure, the EDF was originally financed through contributions from the Member States, but the distribution of the burden among the various Member States was subject to a different criterion than that for the expenditure under the general budget.
13. With the introduction of the system of own resources, which was designed to take the place of the contributions from the Member States, the Commission proposed as early as 12 June 1973 that financing via contributions be replaced by own resources, so as to facilitate incorporation into the Community's general budget. This desire was not satisfied by the Council.

14. Likewise, the Commission proposed that the 5th EDF be incorporated into the budget. The Council did not adopt this proposal and retained the contributions system based on a political criterion. This refusal to incorporate the EDF in the budget was one of the major reasons cited by Parliament for its rejection on 13 December 1979 of the budget for the financial year 1980.

The Final Act of the Intergovernmental Conference which gave rise to the Treaty of Maastricht (7 February 1992) stated that 'the Conference agrees that the European Development Fund will continue to be financed by national contributions in accordance with the current provisions.'

15. The Commission has furthermore indicated that it intends to present, before the end of 2003, a communication assessing the advantages and disadvantages of incorporating the EDF in the budget.

The question that has to be asked is both institutional and budgetary - in other words, if the EDF actually is incorporated in the budget, would this be within Heading 4 or outside it, and if it were within the own resources ceiling would this be within the percentage of 1,24% GNI or over and above it?

#### *What utilisation of margins?*

16. Over the past twenty years, external actions have increased appreciably in quantitative terms in relation to the total volume of the budget (this percentage for Heading 4 has doubled between 1984 and 2003) and also in qualitative terms, in respect of the geographical areas concerned.

Year	Amount (CA)	% of total budget	Total Budget
1984	1 022 820	3,50%	29 264 455
1989	1 240 507	2,67%	46 423 033
1993	4 110 100	5,95%	69 058 484
1997	5 600 542	6,28%	89 137 028
2000	4 805 070	5,15%	93 280 405
2003	4 949 362	4,96%	99 685 692

17. All Community expenditure in favour of third countries, with the exception of expenditure connected with enlargement, is financed under Heading 4, for which the breakdown is as follows:

- horizontal actions (around 38%): humanitarian aid, food aid, NGOs, democracy and human rights, external aspects, fisheries agreements;
- cooperation actions defined by geographical area in the form of multiannual programmes:
  - CARDS: 4,65 billion (2000-2006)
  - TACIS: 3,138 billion (2000-2006)

- MEDA: 5,35 billion (2000-2006)
- ALA: 3,793 billion (2003-2006)
- South Africa: around 125 million per year

18. 1994 was the first year that the CFSP was financed under the budget, for an amount of 20 million. Nine years later (2003), that amount was 47,5 million. Should a significant expansion in the CFSP be anticipated in the years to come (10% of Heading 4)?
19. EU support in external actions has on the one hand reflected political developments in the world (crises in the Balkans and Afghanistan, change of political system in the USSR) and on the other the desire to maintain traditional development aid and economic cooperation links with third countries. That is why Parliament has always wanted to safeguard traditional policies against the liability of their suffering as a result of crises that arise across the world, thereby defending the principle that new requirements should be covered by new resources.
20. The enlarged Europe of post-May 2004 will have new external borders, which will engender fresh approaches with regard to its new neighbours. Likewise, the enlargement to 27 members should in the medium term generate availabilities under Heading 7 of the Financial Perspective. It is in this connection that Parliament has successfully called for Heading 7 of the Financial Perspective to be redefined following enlargement. It is in this connection too that the notion is developing of 'Wider Europe', for which a geographical, economic and political definition should be found.

### ***For which policies?***

On the basis of the above assumptions, it seems that the objective of a significant increase in the Union's external expenditure would seem to be a realistic option post-2006. In tandem with the definition of the financial framework, your rapporteur proposes that a process of reflection be launched based on the following guidelines:

- What definition should be given to the notion of 'Wider Europe'?
- Should privileged financing for the countries closest to the Union be anticipated?
- How can the CFSP be expected to evolve: from 1% of the budget in 2003 to around 10% post-2006?
- Should the development of the external measures financed by the European Union be on a maximalist or minimalist basis?
- What are the EU's objectives in the field of external actions post-2006, leaving aside the issue of future accessions?
- Is the Commission able to supply a table showing the amounts paid under the EU budget and, if possible, those paid by other donors, to the main geographical areas across the world over the last ten years?
- What long-term scope should be given to the Thessaloniki European Council's guidelines concerning development aid as a corollary of a controlled immigration policy?
- Should enhanced development of structural measures be anticipated to the detriment of emergency actions, with a reserve mechanism for the latter still being retained?



- Should technological development be viewed as a growth acceleration factor?
- Is a contribution from the European budget to a 'Marshall Plan' for Palestine based on the model of the Programme for the reconstruction of the Balkans (CARDS) a political option? If so, should the financing come from a scaling-down of existing programmes or from additional appropriations?

### ***Timetable***

21. Under the Interinstitutional Agreement (Article 26), the Commission is to present proposals for a new medium-term financial perspective before 1 July 2005.
22. In Communication SEC(2003)241/2 from the President of the Commission and Mrs Schreyer to the College of the Commission (a communication not forwarded to Parliament), the Commission addresses the issue of the preparation of the 'Prodi package' for post-2006. The Communication contains proposals for a timetable for the establishing by the present Commission of a financial package for post-2006, including guidelines to be submitted to the December 2003 European Council in parallel with the proposals contained in the draft future constitution.
23. The legislative proposals would be prepared for summer 2004 to enable negotiations to take place within the enlarged Council and in the new Parliament. Your rapporteur is well aware that the report on *the future budgetary requirements for external actions* cannot provide a global response concerning the financial perspective as whole until the matter is officially referred to Parliament and the Committee on Budgets.
24. However, the report can provide initial food for thought with a view to defining Parliament's global approach. Your rapporteur is of the opinion that the report should be presented to Parliament before the end of December so that it can influence the debate in the coming months. The definitive timetable will be presented in agreement with Mrs De Keyser, the draftsman for the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy.

*As part of their work, the rapporteurs met with the Budget Commissioner, Mrs Michaela Schreyer, and with the head of Chris Patten's cabinet, Mr Patrick Child. The main points to emerge from these meetings can be summarised as follows:*

23 September 2003 - meeting with Mrs Schreyer

The Commission proposal will contain a quite radical change in the nomenclature in relation to the current Financial Perspective (reduction in the number of headings)

In particular, the Commission is examining the possibility of abolishing the distinction between internal policies and external actions, and notably:

- the possibility of a temporary pre-accession financial framework for Bulgaria, Romania and, should the case arise, Turkey (different status);
- the possibility of creating a new pre-accession instrument based on criteria yet to be established (neighbourhood?);
- the possibility of proposing a more expansive heading 4 that would enable the EU to meet its responsibilities in the world while leaving a significant margin under the ceiling to allow for future development;
- the introduction of a flexibility mechanism specific to heading 4 in order to cover urgent needs;
- extension of the legal bases for each programme financed under the budget;
- enhancing of the transparency of the CFSP while also making it more attractive to the Council, and factoring in of the Convention's proposals in this area.

The Nielson-Schreyer Communication on the EDF adopted during the course of the previous week comprises:

- correspondence between the FP financial frameworks and the duration of the EDF (the current EDF expires in 2007);
- the new Member States' contribution, which will significantly increase the resources available;
- no revolutionary proposal on the incorporation of the EDF within an own-resources ceiling to be defined;
- the Council's demand for expenditure relating to development aid to be 'ring-fenced'.

9 October 2003 - meeting with Patrick Child

The Commission means to keep to the timetable set out in its internal communication of February (SEC(2003) 241/2):

- adoption of a broad guideline communication in November (duration of the FP and global amounts) in order to elicit initial reactions;
- mandate to the current Commission from the December European Council;
- presentation of the new financial package by the current Commission in spring 2004.

Now that it has established its remit and examined the legal framework currently in place, the 'P' Group, which is chaired by Pascal Lamy and responsible for external policies in the preparation of the Prodi package, has embarked on the third phase of its work which consists of evaluating what amounts are needed and for which policies.

The third phase comprises consideration of the following issues: consequences of enlargement and the future of heading 7; development of a security policy (mandate given to Mr Solana by the Thessaloniki Council); broader debate on the competencies of the future Minister for Foreign Affairs. This analysis hinges around 3 axes:

- definition of the concept of 'Wider Europe': which neighbourhood countries? Balkans, other neighbouring countries - Ukraine, Maghreb countries? What type of instruments and what financial resources?
- the Commission communication on budgetisation of the EDF, which highlights the major dislocation between the objectives of the successive agreements and the ACP countries' capacity for absorption. How can EU aid be rendered more effective? How can intervention procedures be harmonised on a geographical sector basis? How can priority be awarded to results (inputs) over policy targets?
- security: which flexibility and rapid response instruments should the Union adopt? How can it respond to sudden crises if appropriations have already been committed and programmed?

CFSP: the Group is assessing the value of maintaining the specific status of the CFSP as a second pillar instrument. Since the Convention has negated the concept of a pillar structure, the idea is to bring policy objectives and instruments together under a single first pillar method (example of Iraq). The Group envisages a significant broadening of the scope of the CFSP, whose future role is tied in with the debate on representation of the EU on the international stage and hence the existence of a foreign affairs minister. The Commission is developing new approaches in this area: Communication on future relations between the EU and the United Nations (EU representation on the Security Council). On the basis of this approach, the EU should adopt instruments and means for action suited to its level of representation.

Africa: this continent receives more *per capita* than the world's other poor areas (e.g. Asia), but unsuitable intervention methods are being used. In its communication, the Commission proposes a modification of assistance objectives using EDF resources by having economic assistance preceded by peace-keeping measures. At present, economic support is all too often offered to countries or regions at war, where corruption renders these ineffectual.

The current situation shows that lack of coordination between the Member States' objectives as contributors to the EDF and to the EU budget hampers the effectiveness of action (intergovernmental issue). For example:

- the Commission has proposed that the EDF 'hidden billion' be used to develop a continental-scale water policy but this has so far met with rejection by the Member States;
- AIDS is another of the Commission's top priorities, but here too cooperation with the EDF leaves much to be desired (EDF commitment to pay its contribution to the World Health

- Fund as yet not fulfilled);
- the Commission has based its communication on budget neutrality. Budgetisation will not be to the detriment of other external actions and will be within the own resources ceiling (according to the Commission this was the only way to secure the Council's approval). However, the Commission is proposing a modification of the contribution key, which could significantly alter the contributions made by some Member States (and create problems in the Council).

Structure of the new FP: the Commission will present a financial framework that is simplified (fewer categories) and less subdivided (fewer sub-categories). Commissioner Patten believes that geographical regulations (ALA) create legal problems and are one cause of inflexibility and inefficacy. The proposed structure will be a simplified one: macrofinancial aid, humanitarian aid, CFSP; delineation of legal instruments (sectoral regulations) and operational instruments (comitology).

Methods: the Commission is seeking to develop flexibility tools: reserves and IIA flexibility, and to achieve a greater cohesion of EU external aid through thematic programmes (trade, JHA, health) and through a synergy between the various instruments on the basis of a twin-pronged approach centring on 'country strategy papers' on the one hand and 'policy mix' on the other.

Budget implementation: commitment to pressing forward with decentralisation and deconcentration, but in a gradual manner. Cautious approach as regards the new programme management responsibilities devolved to what are often small delegations (laying down of new working methods, instilling of a management culture, need for substantial technical assistance). Automatic but gradual cutting-back of resources at the main office.

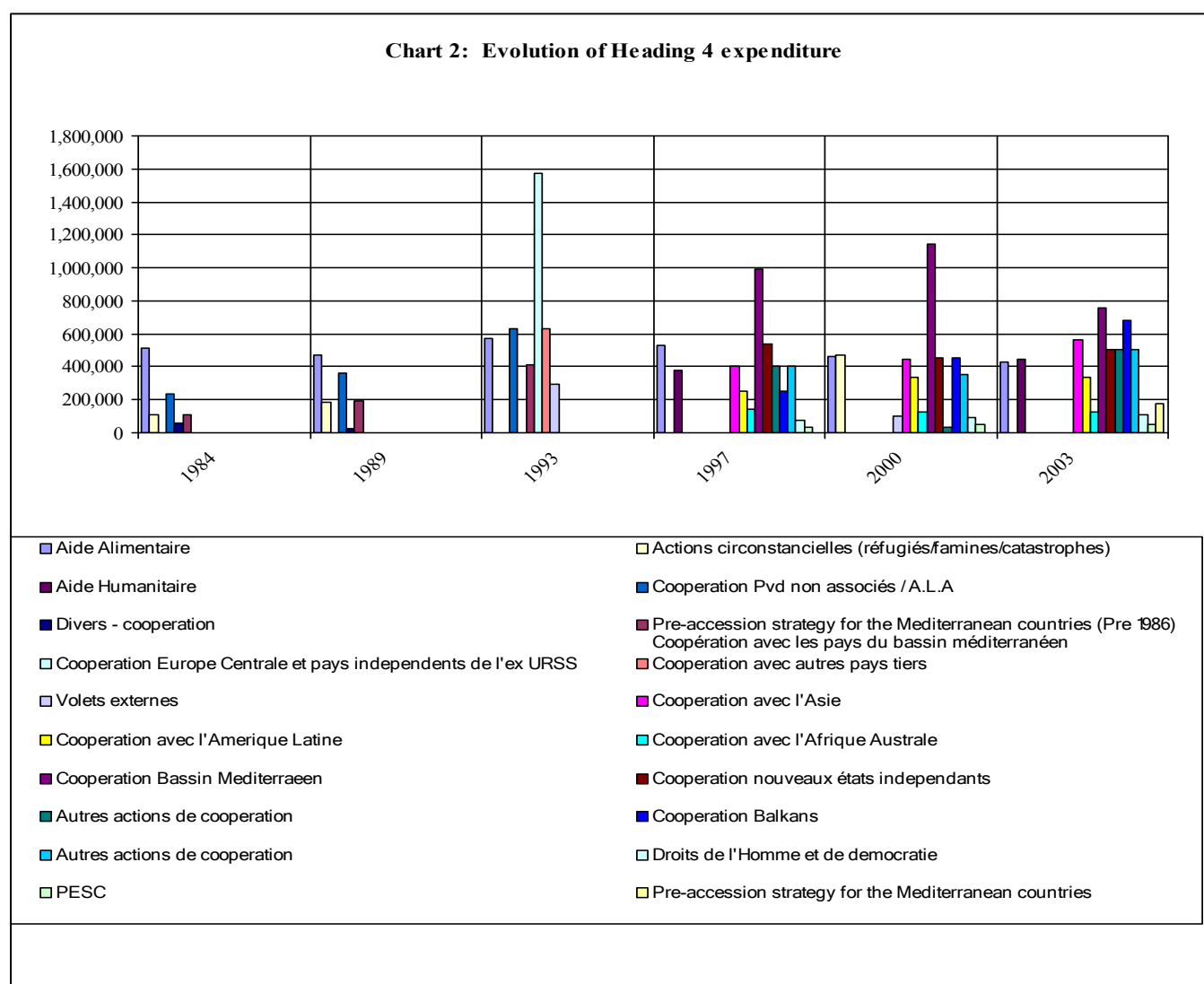
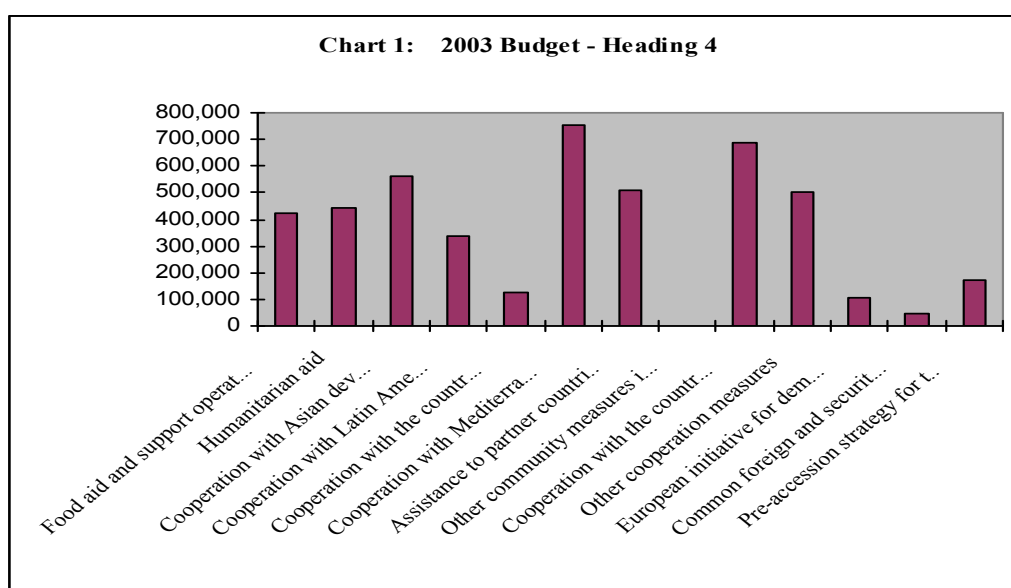
Budget reserves are a source of hindrance to implementation often underestimated by the EP.

The cross-competencies of the Parliamentary committees often result in conflicting priorities which adversely affect implementation and are frequently at the root of delays in the launching of projects.

Conditionality of the aid: the Commission is exploring new avenues to ensure respect for human rights, work ethics, etc. The Member States lack the courage to make them comply with these conditions. A foreign affairs minister would without doubt help lend greater visibility and credibility to the EU's requirements; the EU's credibility in the world will also be judged on the basis of the scale of the financial contribution it makes.

**External policies: breakdown and percentages**

	1984	%	1989	%	1993	%	1997	%	2000	%	2003	%
Food aid	513 100	50,17%	473 400	38,16%	574 000	13,97%	530 000	9,46%	463 406		425 637	8,60%
Exceptional actions (refugees/famines/disasters)	113 170	11,06%	186 550	15,04%					472 590			
Humanitarian aid							374 450	6,69%			441 690	8,92%
Cooperation with non-associate DCs / ALA	237 050	23,18%	359 900	29,01%	634 000	15,43%						
Other cooperation	58 500	5,72%	23 657	1,91%		0,00%						
Cooperation with the countries of the Mediterranean Basin	108 000	10,56%	197 000	15,88%	408 700	9,94%						
Cooperation with Central Europe and the Newly Independent States (NIS)					1 573 000	38,27%						
Cooperation with other third countries					626 700	15,25%						
External aspects					293 700	7,15%			103 316			
Cooperation with Asia							401 650	7,17%	446 284		562 500	11,37%
Cooperation with Latin America							255 150	4,56%	335 914		337 000	6,81%
Cooperation with Southern Africa							145 000	2,59%	123 540		127 000	2,57%
Cooperation with the countries of the Mediterranean Basin							994 700	17,76%	1 142 923		753 870	15,23%
Cooperation with the Newly Independent States							540 500	9,65%	450 373		507 370	10,25%
Other cooperation actions							407 650	7,28%	34 766		505 470	10,21%
Cooperation with the Balkans							254 100	4,54%	456 630		684 560	13,83%
Other cooperation actions							407 650	7,28%	356 850		505 470	10,21%
Human rights and democracy							78 625	1,40%	95 373		106 000	2,14%
CFSP							30 000	0,54%	47 000		47 500	0,96%
Pre-accession strategy for the Mediterranean countries											174 000	3,52%
<b>Total for Heading 4</b>	<b>1 022 820</b>		<b>1 240 507</b>		<b>4 110 100</b>		<b>5 600 542</b>		<b>4 805 070</b>		<b>4 949 362</b>	



27 November 2003

**OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS, HUMAN RIGHTS,  
COMMON SECURITY AND DEFENCE POLICY**

for the Committee on Budgets

on the future budgetary requirements for external actions  
(2003/2037(INI))

Draftswoman: (\*) Véronique De Keyser

(\*) Enhanced cooperation between committees – Rule 162a

**PROCEDURE**

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy appointed Véronique De Keyser draftswoman at its meeting of 25 March 2003.

It considered the draft opinion at its meetings of 4 and 25 November 2003.

At the latter meeting it adopted the following suggestions by 7 votes to 0, with 1 abstention.

The following were present for the vote: Elmar Brok, (chairman), Baroness Nicholson of Winterbourne, (vice-chairwoman), Véronique De Keyser (draftswoman), Catherine Lalumière, Philippe Morillon, José Ignacio Salafranca Sánchez-Neyra, Charles Tannock and Karl von Wogau.

## SUGGESTIONS

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Reaffirms the need for the European Union to make its external action more visible, more coherent and more credible in the eyes of both the world and its own citizens, in line with the political commitment it has given to play an important role in the field of external policy; to that end, enjoins the European Union to equip itself with multipurpose instruments and flexible, high-speed mechanisms, while making sure that they are transparent and agreed to in advance, and politically followed up, by the European Parliament;
2. Takes the view that European Union external action will need to expand and calls therefore for its resources and capabilities to be strengthened as regards logistics, human resources, intelligence and defence assets in the context of ESDP, as is advocated in the strategy presented by the High Representative for the CFSP and the draft European Constitution; reiterates that its resources and capabilities must be strengthened in order to enhance its credibility as a world player;
3. Stresses the varied nature of threats – environmental, technological, military and terrorist – and points out that a comprehensive view must be taken of the Union’s external action; points out that, in addition to the implementation of customary programmes, action should be taken to promote macroeconomic assistance designed to prevent conflicts of all types, peacekeeping measures, and civilian or military crisis management measures, in particular through rapid deployment of an intervention force; particularly stresses the need for a sufficient funding allocation for aspects relating to political cooperation, combating poverty and promoting democracy and human rights, in close partnership with UN agency, NGO and civil society actions on the ground;
4. Calls for the Commission’s deconcentration efforts to be continued, while calling on the budgetary authority to provide adequate human and financial resources for efficient and rational realisation of the objectives laid down;
5. Takes the view that the creation of a European Union minister for foreign affairs goes hand in hand with an increased funding allocation for the CFSP, and with better implementation and enhanced ‘communautarisation’ thereof;
6. Calls for the next financial perspective to aim to enhance coherence between Union actions and Member States’ actions, in budgetary terms too, so as to prevent any duplication of effort;
7. Calls on the budgetary authority to make provision for the need for an adequate response to international crisis situations, it being understood that in such situations the European Union’s credibility as a world player is reflected directly in its effective response capability;



8. Takes the view that budgetisation of the EDF, while making sure that development aid presently funded by the general budget was not reduced and guaranteeing rapid and transparent budget implementation procedures, would permit large-scale rationalisation of European external action as a whole; wonders whether the present apportionment of competences between the external relations and development fields is relevant and proposes that it be reviewed;
9. Recommends that funding be transferred from budget heading 7 to heading 4, while pointing out that policies towards new neighbouring countries in a wider Europe must be given special attention and a specific funding allocation;
10. Calls for thought to be given to internally reorganising the budget heading given over to external action, while maintaining the budgetary commitments under each item to ensure continuity and the greatest possible transparency in implementing those commitments; to that end, proposes a thematic breakdown of appropriations reflecting overarching priorities and policy objectives, coupled with a geographical structure enabling those appropriations to be mobilised on a flexible basis for a given area in the light of needs, to be sure, but also in accordance with objective, invariable criteria, including recipient countries' take-up capacity plus compliance with a number of binding obligations such as unfettered access for populations to basic necessities;
11. Calls in particular for Africa and those countries with higher poverty indices and underdevelopment rates to be given renewed attention and benefit from enhanced synergies between humanitarian policies, development programmes and political cooperation;
12. Calls for the Commission, when urgent budget transfers are adopted, to take account of the European Parliament's and the relevant committees' timetable in order to make the best possible use of the existing conciliation and early notification mechanism;