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REPORT

on EU Draft Supplementary and Amending Budget No 4/2002 for the 2002 financial year
(SEC(2002) 851 – 12170/2002 – C5-0427/2002 – 2002/2204(BUD))

Committee on Budgets

Rapporteur: Guido Podestà

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PROCEDURAL PAGE

For the purpose of the budgetary procedure relating to the 2002 financial year the Committee on Budgets appointed Guido Podestà rapporteur at its meeting of 13 May 2002.

On 24 July 2002 the Commission presented EU Preliminary Draft Supplementary and Amending Budget No 4/2002 for the 2002 financial year and forwarded it to Parliament on 26 July 2002 (SEC(2002) 851).

On 18 September 2002 the Commission presented letter of amendment no 1 to EU Preliminary Draft Supplementary and Amending Budget No 4/2002 for the 2002 financial year and forwarded it to Parliament on 18 September 2002 (SEC(2002) 982).

On 20 September 2002 the Council drew up EU Draft Supplementary and Amending Budget No 4/2002 for the 2002 financial year and forwarded it to Parliament by letter of 23 September 2002 (12170/2002).

At the sitting of 24 September 2002 the President of Parliament announced that he had referred Draft Supplementary and Amending Budget No 4/2002 to the Committee on Budgets as the committee responsible (C5-0427/2002 – 2002/2204(BUD)).

At its meeting of 24 September 2002 the Committee on Budgets considered Draft Supplementary and Amending Budget No 4/2002 and the draft report.

At the latter meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Terence Wynn, chairman; Reimer Böge, Anne Elisabet Jensen and Franz Turchi, vice-chairmen; Guido Podestà, rapporteur; Ioannis Averoff, Kathalijne Maria Buitenweg, Ozan Ceyhun (for Manuel António dos Santos), James E.M. Elles, Göran Färm, Salvador Garriga Polledo, Neena Gill, Catherine Guy-Quint, Jutta D. Haug, María Esther Herranz García, Wolfgang Ilgenfritz, Wilfried Kuckelkorn, Juan Andrés Naranjo Escobar, Ioannis Souladakis (for Giovanni Pittella), Kyösti Tapio Virrankoski, Ralf Walter and Brigitte Wenzel-Perillo.

The report was tabled on 24 September 2002.

The deadline for tabling amendments is Wednesday, 25 September 2002 at 12 noon.

MOTION FOR A RESOLUTION

European Parliament resolution on EU Draft Supplementary and Amending Budget No 4/2002 for the 2002 financial year (SEC(2002) 851 – 12170/2002 – C5-0427/2002 – 2002/2204(BUD))

The European Parliament,

- having regard to Article 272 of the EC Treaty and Article 177 of the Euratom Treaty,
 - having regard to the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities, as last amended by Regulation (EC, ECSC, Euratom) No 762/2001¹, and in particular Article 15 thereof,
 - having regard to the general budget of the European Union for the 2002 financial year, as finally adopted on 13 December 2001²,
 - having regard to the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and Commission on budgetary discipline and improvement of the budgetary procedure,³
 - having regard to EU Preliminary Draft Supplementary and Amending Budget No 4/2002 for the 2002 financial year, which was presented by the Commission on 24 July 2002 (SEC(2002) 851),
 - having regard to letter of amendment no 1 to EU Preliminary Draft Supplementary and Amending Budget No 4/2002 for the 2002 financial year (SEC(2002) 982),
 - having regard to Draft Supplementary and Amending Budget No 4/2002 which was drawn up by the Council on 20 September 2002 (12170/2002 – C5-0427/2002),
 - having regard to Rule 92 and Annex IV of its Rules of Procedure,
 - having regard to the report of the Committee on Budgets (A5-0315/2002),
- A. whereas at the adoption of the 2002 budget the budgetary authority left a margin of € 70 million in Heading 4 to cover further needs in Afghanistan whilst awaiting a more detailed assessment of the evolving situation from the Commission,
- B. whereas the mobilisation of that margin was linked to certain conditions which should be met, particularly the effective spending of funds already available in order to best help the Afghan people,
- C. whereas the Community must respond to the flooding in Germany, Austria and certain other Member States and applicant countries by adopting budgetary measures, and

¹ OJ L 111, 20.4.2001, p.1

² OJ L 56, 26.2.2001

³ OJ C 172, 18.6.1999, p. 1

whereas SAB No 4/2002 is an appropriate and rapid way of creating new budget items for such disbursements,

1. Welcomes SAB No 4/2002 as part of its continued commitment to supporting aid and reconstruction measures for Afghanistan;
2. Considers that the conditions established by the budgetary authority for the mobilisation of the existing € 70 million margin in Heading 4 are fulfilled;
3. Welcomes the fact that SAB No 4/2002 also includes the budgetary structure to receive the budgetary resources to support the victims of flooding in Europe, particularly the creation of two budget items for the European Union's Solidarity Fund;
4. Considers that, in the 2002 financial year, payment appropriations for such disaster relief should first be taken from unused payments, and urges the Commission to propose transfers to that end;
5. Calls on the Council and Commission to consider in parallel the legal basis for the setting-up of the Solidarity Fund, the Interinstitutional Agreement on the financing of the Solidarity Fund and SAB No 5/2002, which will have to include the appropriations required for the regions affected by this disaster, with the aim of adopting all these measures by the end of October;
6. Calls on the Commission to submit Preliminary Draft Supplementary and Amending Budget No 5/2002 as soon as possible;
7. Approves unamended Draft Supplementary and Amending Budget No 4/2002 drawn up by the Council on 20 September 2002;
8. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENT

The Commission presented its preliminary draft SAB 4/2002 on 24 July 2002. On 18 September 2002 it presented letter of amendment no 1 to this preliminary draft SAB 4/2002. The Council adopted draft SAB 4/2002 on 20 September. It proposes to budget an additional € 70 million for Afghanistan in the current budget year. This amount is equal to the margin available under the financial ceiling of Heading 4 of the Financial Perspective. In view of the serious floods which have occurred in Europe, it is also proposed that a new heading (B2-4) should be created in the 2002 budget under heading 3 of the Financial Perspective and a new Chapter B7-09 under heading 7 of the Financial Perspective. These budget headings are to be created in order to accommodate the new resources which may be mobilised by means of the agreement of the two arms of the budgetary authority when an amendment to the IIA has been adopted (draft presented by the Commission on 11 September 2002) and when a new regulation on a European Solidarity Fund has been adopted (draft presented by the Commission on 18 September 2002). The final element in this SAB No 4/2002 is merely an addition to the remarks on line B5-3001 – Internal market.

1. Afghanistan

Appropriations (commitments) would be entered as follows:

CHAPTER B7-30 COOPERATION WITH ASIAN DEVELOPING COUNTRIES **Article B7-300 Financial and technical cooperation with Asian developing countries**

2002 budget		PDSAB 4/2002		New amount	
Commitments	Payments	Commitments	Payments	Commitments	Payments
315 300 000	320 250 000	70 000 000	0	385 300 000	320 250 000

The situation as regards the margin is as follows:

FP HEADING/ sub-heading	FP 2002		2002 budget including SAB n° 1/2002, SAB n° 2/2002, SAB n° 3/2002		PDSAB n° 4/2002		2002 budget + PDSAB 4/2002	
	CA	PA	CA	PA	CA	PA	CA	PA
4. EXTERNAL ACTIONS	4 873 000 000		4 803 000 000	4 665 439 500	+70 000 000	0	4 873 000 000	4 665 439 500
<i>Margin</i>			<i>70 000 000</i>				<i>0</i>	

Background

At the conciliation with Council in November 2001, the following elements were agreed as a 'safety margin' to the amounts adopted directly in the 2002 budget.

In the field of external actions and in order to provide a financial response to post-11-September events in Afghanistan and neighbouring countries:

- Retention of a minimum € 70 million margin under Heading 4 in order to meet any needs in Afghanistan and neighbouring countries;
- A minimum of € 35 million to be kept in the emergency-aid reserve intended to meet any needs arising in Afghanistan and neighbouring countries.

Concerning the humanitarian aid reserve, the Commission proposed, in July 2002, to release a total amount of € 80 million out of which € 35 million for Afghanistan. At the budget conciliation of 19 July 2002, the EP and Council agreed to release a total of € 65 million of which € 25 million for Afghanistan. (Also € 15 million agreed for Palestine and € 30 million for countries in southern Africa.)

In its resolution on the implementation profile 2002 (Podestà resolution)¹ the EP stated (paragraph 13) :

'Reiterates its will to support the reconstruction of Afghanistan and is ready to use the margin of heading 4, reserved for this purpose, on condition that the Commission can demonstrate that appropriations already entered under the budget lines for Asia and for humanitarian aid are spent properly, with the right being reserved to assess the contributions of other donors on the basis of the commitments given at the ministerial meeting in Tokyo (January 2002), and that the new appropriations can be spent in an efficient way to help the Afghan people; expects the Commission to present a supplementary and amending budget when these conditions are met.'

In its explanatory statement to the preliminary draft SAB, the Commission refers to the conditions set up by Parliament:

- Are the appropriations already entered under the budget lines for Asia and for humanitarian aid spent properly?

The Commission demonstrates in the explanatory statement, that € 155.4 million are already committed, paid or programmed out of the initial 2002 budget appropriations under different budget lines, including the humanitarian aid (B7-21) managed through ECHO.

	Budget € million
Rapid Reaction Mechanism (RRM)	5.9
Aid to Uprooted People Programme (B7-302)	24.0
Food Security Programme (B7-20)	30.0
Initial Recovery Programme (B7-300)	57.5
Migration / Reintegration Programme Grant (JAI)	3.0
Total Recovery and Reconstruction	120.4
ECHO	35.0
Total EC 2002 assistance up to June	155.4

¹ Resolution of 2 July, paragraph 13
P5-TA-(2002)0349

Transfer 24/2002 (emergency reserve)	25.0
Second Recovery Programme (B7-300) = PDSAB 4/2002	70.0
Total EC assistance if the SAB is approved	250.4

By the middle of 2002, € 73.2 million had been contracted and under implementation, € 47.2 million in preparation and to be contracted by the end of July. In addition, € 5.9 million under the Rapid Reaction Mechanism had been committed.

The areas for which the appropriations are (or will be) used are

- rural development and food security (€ 66 million)
- support to public administration (€ 26.4 million)
- mine action activities (€ 10 million)
- urban infrastructure, e.g. water supply and waste management (€ 7.5 million)
- support to studies and aid co-ordination (€ 5 million)
- support to return of Afghan Diaspora (€ 3 million)
- humanitarian aid channelled through NGO partners, UNHCR and Red Cross (€ 35 + 25 million).

The Commission should give an update of the commitments and payments made since the presentation of the preliminary draft SAB, in particular as regards the € 47.2 million which should be contracted by the end of July.

- Assessment of the contributions of other donors on the basis of the commitments given at the ministerial meeting in Tokyo (January 2002).

The pledges made at the Tokyo donors' conference by the EU and other donors were significant and amounted to a total of € 4.5 billion for a five-year period. The Commission gives only very rudimentary information concerning the financial assistance provided by the USA, World Bank, Asian Development Bank, India and Pakistan.

- Can the new appropriations be spent in an efficient way to help the Afghan people?

The Commission presents its programming for the € 70 million which should be mobilised through the SAB:

Human and Social Capital	19 M€	
Health		11 M€
Social protection		4 M€
Civil Society		4 M€
Governance and Institutional Support	37 M€	
Contribution to Afghan Reconstruction Trust Fund		30 M€
Capacity Building projects/TA		7 M€
Physical Reconstruction	11 M€	
Kabul Power and Water		9 M€
Other urban infrastructure		2 M€
Pilot Initiatives and Studies	3 M€	

Additionally the Commission presents the planning for the budget lines B7-300 and B7-301 as concerns projects in other Asian countries, demonstrating that the planning can not be covered by the commitments available. For line B7-300, the planning totals € 408.2 million compared to € 318.4 million commitments available. Also the increase by € 70 million through the SAB would leave a need of € 20 million. Also for line B7-301 € 7 million more are planned than available in commitments (€ 82.2 million).

The rapporteur wonders if this means that projects for other regions have to be reduced or how the Commission intends to cover these additional needs of € 27 million?

Concerning payments, the Commission considers that € 50 million of the € 70 million of commitments should also be paid in 2002, but is not requesting additional payments. This is explained by a lower than expected level of payments in the ongoing Asia programmes (in particular projects in India and Pakistan).

2. Implementation and development of the Internal Market - B5-3001

The second element of the PDB consists only of an addition to the remarks, which should give the Commission the possibilities to include measures in the customs field (binding tariff information (BTI), evaluation of the content and terminological update of the BTI database, including diffusion of BTI to operators, update of the European Customs Inventory of Chemical Substances (ECICS). The intention is to award a contract for services in the field of binding tariff information (BTI) in 2002 and to launch a feasibility study with a view to transferring responsibility for updating the European Customs Inventory of Chemical Substances (ECICS) to the Joint Research Centre.

The proposal is in line with the budgetary remark entered in the 2003 PDB, and should cause no problems.

3. Disaster relief following the recent flooding

Use should be made of the SAB 4/2002 procedure to facilitate a appropriate and rapid Community response.

The increasing frequency of disasters over previous years makes it evident that the European Union needs a permanent instrument to react more efficiently and rapidly to natural and environmental disasters. The flooding which affected heavily parts of the Member States Germany and Austria and the candidate countries Czech Republic, Slovakia and Hungary, have resulted in the position of the European public and the European institutions that the Community needs to demonstrate active and rapid solidarity in the case of disasters of a European dimension. The European Parliament has confirmed in its resolution of 5 September 2002 that it supports the creation of a disaster relief fund providing additional financial means for emergency relief and reconstruction measures. The new budget lines under headings 3 and 7 of the financial perspective will serve the implementation of the EU Disaster Relief Aid Mechanism (DReAM) in Member States and candidate countries affected. The candidate countries can benefit from the disaster relief aid mechanism under the same conditions as the

Member States, without paying additional contributions.

It will be possible for the appropriations to be entered on the lines only after the creation of the EU Disaster Relief Aid Mechanism through modification of paragraph 24 of the Interinstitutional Agreement of 6 May 1999 and the mobilisation of the mechanism agreed by the two arms of the budgetary authority. As far as payments are concerned, the rapporteur considers that first unused payments of other budget items and other heading of the financial perspective can be transferred in 2002. If this proves insufficient during the financial year, Parliament should be ready to examine a proposal to provide additional payments.