



COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(2007) 157 FINAL

BRUSSELS,

GENERAL BUDGET – 2007
SECTION III - COMMISSION TITLES 05, 40

TRANSFER OF APPROPRIATIONS N° DEC 6/2007

NON-COMPULSORY EXPENDITURE

EUR

FROM

CHAPTER - 40 02 Reserve for financial interventions

ARTICLE - 40 02 41 Differentiated appropriations

ITEM - 40 02 41 01 – 05 04 05 01 Rural development programmes

Commitments	- 2 468 605 623
Payments	- 1 236 400 000

TO

CHAPTER - 05 04 Rural development

ARTICLE - 05 04 05 Rural development financed by the European Agricultural Fund for Rural Development (EAFRD) (2007 to 2013)

ITEM - 05 04 05 01 Rural development programmes

Commitments	2 468 605 623
Payments	1 236 400 000

Introduction

In the framework of the budgetary procedure for the adoption of the 2007 budget, the European Parliament, in its first reading, put into reserve 20% of the commitments and payments appropriations for rural development programs (budget line 05 04 05 01 – Amendment No 42) and asked the Commission (and the Council) to communicate to Parliament between the first and the second readings how it intends to cater for breaches of Parliament's budgetary prerogatives resulting from the proposal on voluntary modulation. It also asked the Commission to explain why it considers that its proposal on voluntary modulation respects the basic rules governing rural development policy and whether it feels it has managed the risk of competition being distorted if voluntary modulation is applied by Member States.

Detailed replies have been given to those questions in the letter by Commissioner Grybauskaitė sent on 10 November 2006 to the Chairman of the COBU, concerning the executability of the amendments adopted by the European Parliament in its first reading of the Draft budget 2007. The letter explains in detail the Commission's view that the proposal on voluntary modulation fully respects the IIA, that the financial ceilings fixed in Annex I of the IIA are not affected and that the proposal does not breach any of the budgetary prerogatives of the European Parliament.

However, in the budget finally adopted on 14 December 2006 the reserve was maintained. Only 80% of the appropriations initially proposed by the Commission were made available in budget line 05 04 05 01 for rural development programs. The remaining 20% has been put in the budget reserve line 40 02 41 01.

The Commission is very seriously addressing the European Parliament's concerns. A follow-up letter was sent by Commissioners Grybauskaitė and Fischer Boel to the Chairmen of COBU and COMAGRI on 12 January 2007 inviting them to explore jointly with the Commission ways to find appropriate solutions. The letter explains the Commission's views again and invites the Parliament to reconsider the reserve.

The non availability on budget line 05 04 05 01 of the total amount for 2007 fixed in the legal acts for rural development programming creates important problems and risks delaying the approval and implementation of rural development programs (RDPs) for the new programming period. In fact, the first RDPs are expected to be approved by the end of February/early March. Once a RDP is approved, the Commission must commit its 2007 allocation. If 20% of the EARDF budget for 2007 is not available at that time, the Commission has to approve RDPs with their 2007 allocation reduced by 20%. If the reserve envelope is made available at a later stage, all rural development programs approved by then would have to be amended at considerable administrative costs both for the Member States and the Commission and with undesirable effects on their implementation. The risk of hampering the uptake of the programs in the delicate starting phase is high.

It is well known that financial uncertainties make it difficult to Member States to design and implement smoothly sound multi-annual programs. Under point 40 of the IIA the two arms of the budgetary authority undertake to respect the allocations of commitment appropriations provided for in the relevant basic acts for rural development. The commitment appropriations for 2007 correspond to the amounts underlying the multi-annual framework and are in conformity with the provisions of Art. 69 of Regulation (EC) No 1698/2005. Putting 20% of the appropriations in reserve does not take point 40 duly into account.

For all the above reasons, the Commission requests the budgetary authority to approve urgently the transfer to budget line 05 04 05 01 of the amounts in reserve.

I. INCREASE

a) Heading

05 04 05 01 - Rural development programmes

b) Figures at 06/02/2007

	Commitments	Payments
1A. Appropriation in budget (initial budget + AB)	9 874 422 488	4 945 600 000
1B. Appropriation in budget (EFTA)	0	0
2. Transfers	0	0
	<hr/>	<hr/>
3. Final appropriation for the year (1A+1B+2)	0	0
4. Utilisation of final appropriation	0	0
	<hr/>	<hr/>
5. Amount not used/available (3-4)	0	0
6. Requirements up to year-end	12 343 028 111	6 182 000 000
7. Increase proposed	2 468 605 623	1 236 400 000
8. Increase as percentage of appropriation in budget (7/1A)	N/A	N/A

c) Detailed grounds for the increase

Please see the introduction

II. DECREASE

a) Heading

40 02 – Reserve for financial interventions – Item 05 04 05 01 - Rural development programmes

b) Figures at 06/02/2007

	Commitments	Payments
1A. Appropriation in budget (initial budget + AB)	2 468 605 623	1 236 400 000
1B. Appropriation in budget (EFTA)	0	0
2. Transfers	0	0
	<hr/>	<hr/>
3. Final appropriation for the year (1A+1B+2)	2 468 605 623	1 236 400 000
4. Utilisation of final appropriation	0	0
	<hr/>	<hr/>
5. Amount not used/available (3-4)	2 468 605 623	1 236 400 000
6. Requirements up to year-end	0	0
7. Proposed decrease	2 468 605 623	1 236 400 000
8. Decrease as percentage of appropriation in budget (7/1A)	100.00%	100.00%

c) Detail grounds for the transfer

Please see the introduction