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COMMISSION OF THE EUROPEAN COMMUNITIES

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**PRELIMINARY DRAFT AMENDING BUDGET N° 2
TO THE GENERAL BUDGET 2008**

**STATEMENT OF EXPENDITURE BY SECTION
Section III - Commission**

(presented by the Commission)

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Having regard to:

- the Treaty establishing the European Community, and in particular Article 272 thereof,
- the Treaty establishing the European Atomic Energy Community, and in particular Article 177 thereof,
- the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹, as last amended by Council Regulation (EC, Euratom) No 1995/2006², and in particular Article 37 thereof,

The European Commission hereby presents to the budgetary authority the Preliminary Draft Amending Budget No 2 to the 2008 budget.

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 390, 30.12.2006, p. 1.

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CHANGES TO THE GENERAL STATEMENT OF REVENUE

CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The changes to the general statement of revenue and the statement of revenue and expenditure by section are forwarded separately via the SEI-BUD system. An English version of the changes to the general statement of revenue and statement of revenue and expenditure by section is attached for information as a budgetary annex.

1. INTRODUCTION

Preliminary Draft Amending Budget (PDAB) No 2 for the year 2008 covers the following elements:

- Inclusion into the 2008 budget of unused appropriations for commitments for the European Regional Development Fund (ERDF), European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF), arising from delays in implementation of the first year of the multi-annual financial framework 2007-2013. This entails an increase in commitment appropriations of EUR 378 million for sub-heading 1b Cohesion for Growth and Employment, and of EUR 393,6 million for heading 2 Preservation and Management of Natural Resources.
- Modifications to the establishment plan of the European Medicines Agency (EMA), following the creation of the "Paediatric Committee".
- Modifications to the establishment plan of the European Maritime Safety Agency (EMSA) to take account of the creation of a European Data Centre for the Long Range Identification and Tracking of Ships (LRIT).

2. ADJUSTMENTS TO COMMITMENT APPROPRIATIONS FOR ERDF, EAFRD AND EFF

PDAB 2/2008 incorporates the budgetary consequences for 2008 of the proposal for a decision of the European Parliament and of the Council on the adjustment of the financial framework to take account of implementation, presented in accordance with point 48 of the Interinstitutional Agreement (IIA) on budgetary discipline and sound financial management of 17 May 2006³.

The adjustment concerns programmes funded by the European Regional Development Fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund. It also applies to the European Regional Development Fund's contribution to the Cross-Border Programmes of the Instrument for Pre-Accession Assistance (IPA).

Appropriations for commitments totalling EUR 2 034 million were neither implemented in 2007 nor carried forward to 2008. This corresponds to the 2007 allocation of 45 Operational Programmes that could not be adopted in 2007, mainly due to delays in their submission to the Commission. Of this amount, it is proposed to transfer EUR 772 million in commitment appropriations to 2008 under the procedure foreseen in point 48 of the IIA, of which EUR 378 million for sub-heading 1b and EUR 393,6 million for heading 2.

2.1. Adjustments for Sub-Heading 1b: European Regional Development Fund (ERDF)

The commitments for almost all Operational Programmes (OPs) funded from sub-heading 1b were made on time in 2007, otherwise the respective appropriations were carried forward to 2008. However, the programming delays affecting 23 OPs require the reprogramming of the respective 2007 allocation to further years of the programming period. While 14 of these OPs

³ OJ C 139, 14.6.2006, p.1.

are ENPI programmes with an ERDF contribution which are to be reprogrammed to 2011 and 2012, for the remaining nine OPs, it is proposed to transfer the 2007 allocation to 2008. Of these nine, five are ERDF programmes worth EUR 375 million, and four are IPA programmes with an ERDF contribution worth just over EUR 3 million (amounts given here correspond to the 2007 allocation).

The delays in ERDF programming were mainly due to the late submission of the programmes involved. In some cases, their content required further negotiations to improve consistency with the Community objectives. Negotiations on the four IPA programmes delayed have been progressing slowly, as negotiations involving several countries (some of them third countries) are inevitably more complex.

The proposed increase in commitment appropriations in 2008 is shown below. The reprogramming under sub-heading 1b has no significant impact on the expected profile of payments throughout the year.

		Budget 2008	PDAB 2/2008	Difference
		CA	CA	CA
ERDF - Convergence	13 03 16	21 267 270 155	21 593 537 197	326 267 042
ERDF - European territorial cooperation	13 03 19	1 004 703 240	1 053 228 332	48 525 092
Instrument for Pre-Accession: Cross-Border Co-operation - Contribution from heading 1b	13 05 03 01	45 387 077	48 602 218	3 215 141
SUB-HEADING 1b net change				378 007 275

2.2. Adjustments for Heading 2: Rural Development and the European Fisheries Fund

There were also delays in the approval of European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF) programmes in 2007. As a consequence, it is proposed to re-programme the 2007 allocation of 22 OPs to later years of the programming period. Of this, some EUR 393 million is being proposed for re-allocation in 2008, the majority of which is accounted for by Rural Development.

Several aspects of rural development programming burdened their approval procedure compared to that of the Cohesion programmes. First, rural development programming goes down to the level of rural development measures, with quite detailed information required, for example on environmental aspects. Second, each programme is submitted for approval to the Rural Development Committee prior to Commission approval. Third, a significant number of programmes were only submitted to the Commission in the second half of 2007, which to some extent might have been influenced by the uncertainty of the outcome of the negotiations on voluntary modulation during the first part of 2007. Finally, other factors (such as national institutional constraints and lack of previous programming experience) may also have contributed to the late presentation of draft programmes and/or delays in clarifications requested by the Commission. In all, 15 OPs are concerned by the reprogramming of the 2007 allocation to subsequent years, of which EUR 370 million in 2008.

Many EFF programmes were also submitted quite late (e.g. December 2007) making it impossible to adopt the programmes in 2007. For 7 programmes, it is proposed to reallocate the 2007 allocation to later years, of which EUR 23 million in 2008.

The increase in commitment appropriations is shown below. While there may also be an effect on payment appropriations in 2008, the Commission does not propose any adjustments at this stage, but will rather examine alternative ways of adjusting the budget if necessary before requesting an amending budget.

		Budget 2008	PDAB 2/2008	Difference
		CA	CA	CA
EAFRD - Rural Development programmes	05 04 05 01	12 904 462 561	13 274 839 325	370 376 764
EFF - Convergence objective	11 06 12	440 135 879	459 679 025	19 543 146
EFF - Outside convergence objective	11 06 13	144 412 627	148 084 759	3 672 132
HEADING 2 net change				393 592 042

3. MODIFICATION OF THE ESTABLISHMENT PLAN OF EMEA

Regulation (EC) No 1901/2006⁴ of the European Parliament and of the Council on medicinal products for paediatric use has recently introduced a new regulatory environment for paediatric medicines in Europe and has entitled the European Medicines Agency (EMA) with additional tasks in this field.

A new committee, the "Paediatric Committee" is established within the European Medicines Agency. Under the paediatric regulation the EMA ensures, inter alia, the secretariat functions for the Paediatric Committee, and provides it with technical and scientific support. Moreover, paediatric investigation plans (PIPs) are submitted to the Agency with a request for agreement by the Paediatric Committee. Rewards for conducting the paediatric development in compliance with paediatric investigation plans are also introduced.

In the 2007 establishment plan, 9 positions were granted for the running of the new Paediatric Committee, and the management of other tasks required by the paediatric regulation. It should be noted that 2007 was the very first year of implementation and applications only started to be received during the summer. In 2008, three additional positions are already foreseen for this task in EMA Staff Policy Plan, for a total of 12 staff members, based on an estimated 250 applications per year. This figure is consistent with the establishment plan included in the final budget of the European Communities for 2008, as adopted by the budget authority.

However, since the entry into force of the regulation, the EMA has received more accurate information from industry on its strategy and the increased estimates of applications for PIPs and waivers, as a result of a better understanding of its obligations. It is now foreseeable that EMA might receive about 400 applications per year. This represents a significant increase over the first estimated figures.

⁴ OJ L 378, 27.12.2006, p.1.

In order for the EMEA to meet its responsibilities concerning the implementation of the paediatric regulation, the Agency has requested an increase in the number of positions in the establishment plan by 6 positions (4 "AD" positions and 2 "AST" positions), totalling 18 positions.

The financing of new positions will have no effect on the overall amount of EU contribution to the budget of the Agency for 2008 and following years, taking into account the increased estimated level of overall revenues of the Agency. The Agency will make every effort to finance these positions through savings and adjustments.

4. MODIFICATION OF THE ESTABLISHMENT PLAN OF EMSA

The International Maritime Organisation (IMO) has adopted specific mandatory amendments to the International Convention on Safety of Life at Sea, introducing requirements for the Long Range Identification and Tracking (LRIT) of Ships, which should become operational worldwide by 31 December 2008.

The objective of the LRIT system is to bring about a global system for the identification and tracking of ships that allows monitoring even outside areas covered by the existing coastal networks. In accordance with these amendments, contracting Governments shall be able to receive information about ships, serving the following purposes: maritime security, search and rescue (SAR), maritime safety and protection of the marine environment. Flag states should set up a Data Centre (at national, regional or international level), and ensure, as a minimum, that four position messages per ship per day are stored and are available for those actors entitled to access LRIT information: 1) Flag states requesting information on the location of their vessels irrespective of their location, 2) Coastal states requesting information on ships up to 1 000 nautical miles from their coasts irrespective of their flag, 3) Port states requesting information on ships that have declared to have one of their ports as destination, irrespective of their location or flag, and 4) Search and rescue authorities.

In view of the international obligation, the Council of Ministers adopted a Council Resolution on 1-2 October 2007 and agreed to the setting-up of a European LRIT Data Centre, to be managed by the Commission, in cooperation with Member States, through the European Maritime Safety Agency. The European LRIT Data Centre is also identified as a priority in the Integrated Maritime Policy adopted by the Commission in October 2007 (the "Blue Book"). It has also received strong support from the European Parliament (amendments of April 2007 to the Commission proposal on vessel traffic monitoring). Furthermore, in its resolution on the 2008 budget, the EP acknowledged "the necessary additional financing in 2008 for EMSA in order to cover this new function".

This task will represent a major new effort for the Agency and additional human and financial resources are needed. At the same time, it should be stressed that organising a LRIT Data Centre at EU level creates economies of scale and improves the visibility of the EU, compared to a solution whereby each Member State would set up such a system on its own.

The Agency will have to develop the overall architecture of a LRIT European Data Centre. Different components will be outsourced, but their interconnection has to be ensured, and the Agency will be responsible for the overall performance of the system including the continuity and the quality of the output.

Contracts will have to be concluded with data service providers for the transmission of vessel positioning reports of more than 8 000 vessels registered under EU flags and engaged in international voyages. The necessary technical services for collecting, storing and proving LRIT reports will have to be contracted. Appropriate staff will have to be recruited for tasks such as those linked to the maintenance of the ship register and operational monitoring and reporting on the system. Facilities and procedures will be put in place for the billing/invoicing for information, and for providing training to Member States.

To develop and manage the LRIT European Data Centre at EMSA a dedicated entity needs to be established, including the following sections: a) System development and reference information, b) Contract management, c) Operational support and IT maritime applications, d) External relations, and e) Financial support.

The current staff numbers are insufficient to handle the management of the LRIT Data Centre. It is therefore necessary to amend the 2008 establishment plan in order to allow EMSA to set up the Data Centre properly.

For this reason, it is proposed to increase the 2008 establishment plan from 165 to 181 posts (+16 posts: +13 AD, +3 AST). The additional staff will be mainly allocated to operational tasks. The proposed modification does not require any additional budget for 2008, as the overall additional expenses for this task amounting to EUR 5,8 million (EUR 1,2 million for titles 1 and 2 and EUR 4,6 million for the operational expenses under title 3) will be financed through the use of assigned revenues received back from the 2006 grant.

The Agency has already specified that 12 more posts are needed for the operational management of LRIT in 2009, to reach the total of 28 posts required for this task. This addition will be part of the establishment plan request of EMSA for 2009.

SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2008 Financial framework ⁵		Budget 2008 (incl. PDAB 1/2008)		PDAB 2/2008		Budget 2008 + PDAB 1 and 2/2008	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	10 386 000 000		11 086 000 000	9 772 639 600			11 086 000 000	9 772 639 600
1b. Cohesion for growth and employment	47 267 000 000		46 877 941 445	40 551 565 026	378 007 275	0	47 255 948 720	40 551 565 026
Total Margin⁶	57 653 000 000		57 963 941 445 <i>189 058 555</i>	50 324 204 626	378 007 275	0	58 341 948 720 <i>-188 948 720</i>	50 324 204 626
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	46 217 000 000		40 876 490 000	40 825 600 500			40 876 490 000	40 825 600 500
Total Margin	59 193 000 000		55 041 123 496 <i>4 151 876 504</i>	53 177 320 053	393 592 042	0	55 434 715 538 <i>3 758 284 462</i>	53 177 320 053
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	747 000 000		728 034 000	533 196 000			728 034 000	533 196 000
3b. Citizenship	615 000 000		777 230 985	870 640 991			777 230 985	870 640 991
Total Margin⁷	1 362 000 000		1 505 264 985 <i>19 123 000</i>	1 403 836 991			1 505 264 985 <i>19 123 000</i>	1 403 836 991
4. EU AS A GLOBAL PARTNER⁸	7 002 000 000		7 311 218 000 <i>-70 000 000</i>	8 112 728 400			7 311 218 000 <i>-70 000 000</i>	8 112 728 400
5. ADMINISTRATION⁹	7 380 000 000		7 283 860 235 <i>173 139 765</i>	7 284 420 235			7 283 860 235 <i>173 139 765</i>	7 284 420 235
6. COMPENSATION	207 000 000		206 636 292 <i>363 708</i>	206 636 292			206 636 292 <i>363 708</i>	206 636 292
TOTAL Margin	132 797 000 000	129 681 000 000	129 312 044 453 <i>4 463 561 532</i>	120 509 146 597 <i>9 650 459 388</i>	771 599 317	0	130 083 643 770 <i>3 691 962 215</i>	120 509 146 597 <i>9 650 459 388</i>

⁵ The Commission is presenting a proposal for a decision of the European Parliament and of the Council on the adjustment of the financial framework to take account of implementation, in accordance with paragraph 48 of the Interinstitutional Agreement of 17 May 2006.

⁶ The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a. The Flexibility Instrument has been mobilised for an amount of EUR 200 million.

⁷ The European Union Solidarity Fund (EUSF) amount is entered over and above the relevant headings as foreseen by the IIA of 17 May 2006 (OJ C 139 of 14.6.2006)

⁸ The 2008 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve. The Flexibility Instrument has been mobilised for an amount of EUR 70 million.

⁹ For calculating the margin under the ceiling for heading 5, account is taken of the footnote (1) of the financial framework 2007-2013 for an amount of EUR 77 million for the staff contributions to the pensions scheme.