



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.11.2002
SEC(2002) 1286 final

**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**LETTER OF AMENDMENT No 4
TO THE PRELIMINARY DRAFT BUDGET 2003**

**SECTION I- EUROPEAN PARLIAMENT
SECTION II - COUNCIL
SECTION III - COMMISSION
SECTION IV - COURT OF JUSTICE
SECTION V - COURT OF AUDITORS
SECTION VI - ECONOMIC AND SOCIAL COMMITTEE
SECTION VII - COMMITTEE OF THE REGIONS
SECTION VIII a- EUROPEAN OMBUDSMAN
SECTION VIII b- EUROPEAN DATA PROTECTION SUPERVISOR**

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 Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities¹ as last amended by Regulation No 762/2001² of 9 April 2001, and in particular Article 14 thereof,

The European Commission hereby presents letter of amendment No 4 to the 2003 preliminary draft budget for the reasons set out in the explanatory memorandum.

1 OJ L 356, 31.12.1977, p. 1.

2 OJ L 111, 20.4.2001, p. 1.

TABLE OF CONTENTS

| | | |
|------|--|---|
| 1. | General introduction | 4 |
| 2. | The concept of assigned revenue in the new Financial Regulation | 4 |
| 2.1. | Impact of assigned revenue on the revenue side..... | 5 |
| 2.2. | Impact of assigned revenue on the expenditure side..... | 6 |
| 3. | Other effects of the new Financial Regulation..... | 7 |
| 3.1. | Net amounts of traditional own resources..... | 7 |
| 3.2. | New budget lines to be created on the revenue side | 7 |
| 3.3. | References to the Financial Regulation in the budget remarks..... | 7 |
| 3.4. | Other changes..... | 7 |
| 4. | Harmonisation of comments of BA-lines relating to external policies (B7) | 8 |

The statement of revenue and expenditure by section will be transmitted separately in the SEI-BUD system. One language version is attached as a technical annex by way of example.

EXPLANATORY MEMORANDUM

1. GENERAL INTRODUCTION

The new Financial Regulation³ was adopted by the Council on 25 June 2002. It will apply from 1 January 2003 and appropriate changes will therefore need to be made to the PDB, which was adopted before the final decision on the new Financial Regulation.

In its second letter of amendment, the Commission had already drawn the budgetary authority's attention to this fact and had suggested that the budgetary authority gives its agreement on the principle so that the necessary changes can be incorporated into the budget by way of technical adjustments. In its draft letter of amendment, however, the Council stated that 'from a legal point of view it is indispensable that the Commission officially refer a letter of amendment of this kind to the Council, in accordance with the Financial Regulation. Consequently, the Council requested the Commission to present it with a letter of amendment as soon as possible to enable the budgetary authority to finally adopt the 2003 budget in strict compliance with the new Financial Regulation.'

All the changes are included in the technical annex to this explanatory memorandum.

This fourth letter of amendment proposed by the Commission to the PDB 2003 contains the necessary adaptations to reflect in the 2003 budget the changes flowing from the Council's adoption of the new Financial Regulation on 25 June 2002.

In addition the Amending Letter proposes to harmonise the budgetary remarks relating to BA lines in sub-title B7. The purpose is to clarify the use of the technical and administrative assistance facility for the deconcentration and phasing out of technical assistance offices.

This Letter of amendment is therefore budgetary neutral

2. THE CONCEPT OF ASSIGNED REVENUE IN THE NEW FINANCIAL REGULATION

The new Financial Regulation will involve an across-the-board change to accommodate assigned revenue, which replaces the re-use process.

In a bid to rationalise the exceptions to the principle of universality, the new Financial Regulation no longer allows the process of re-use provided for by Article 27(2) of the 1977 Financial Regulation. This system enabled authorising officers to re-use, before the end of the year following that in which the revenue was

³ Council Regulation 1605/2002 of 25 June 2002, OJ L 248, 16 September 2002

collected, the appropriations corresponding to revenue which was very closely linked with the budget line from which the expenditure had been made.⁴

On the other hand, the new Financial Regulation has broadened the list of revenue which is assigned to a given item of expenditure, the assigned revenue mechanism being considered more transparent than that of re-use, which in some cases does not even need to be mentioned in the budget remarks.⁵

Article 18 of the new Financial Regulation provides, in addition to the cases of assigned revenue from Article 4 of the 1977 Financial Regulation⁶, for assigned revenue broadly corresponding to the re-use possibilities in Article 27(2) of the 1977 Financial Regulation⁷.

The changes related to assigned revenue occur on both the revenue and the expenditure side of all the institutions' sections, as well as for the Offices.

2.1. Impact of assigned revenue on the revenue side

The assigned revenue mechanism entails, in accordance with Article 18(3) of the new Financial Regulation, the inclusion of a structure to accommodate categories of assigned revenue with an indication, wherever possible, of the amount involved.

This structure will require, in the statement of revenue, a line to accommodate each category of assigned revenue for the year in question.

For the budget lines in Titles 5 "revenue accruing from the administrative operation if the institution" and 6 "contributions to community programmes, repayments of expenditure and revenue from services rendered against payment" which were previously governed by the re-use mechanism, the remarks will have to be amended to show that in future they are subject to Article 18 of the new Financial Regulation. Lines that were already subject to the assignment mechanism will now have to carry a reference to Article 18 in the remarks.

⁴ There were seven cases of re-use (Article 27(2) of the 1977 Financial Regulation):

- revenue arising from the refund of amounts paid in error;
- proceeds from supply of goods and services to other institutions;
- insurance payments received;
- revenue from payments connected with lettings;
- revenue from the sale of publications and films;
- revenue from the supply of goods and services against payment;
- proceeds from the sale of vehicles, equipment and installations.

⁵ Article 27(5) of the 1977 Financial Regulation: revenue arising from the refund of amounts paid in error does not have to be mentioned in the remarks to the budget line concerned for the authorising officer to be able to re-use the appropriations corresponding to this revenue.

⁶ Article 18(1)(a) to (d) of the Financial Regulation of 25 June 2002 to apply from 1 January 2003.

⁷ Article 18(1)(e) to (j). Only the proceeds of the sale of vehicles, equipment and installations are not included. Revenue from supplies of goods, services and work against payment (Article 27(2)(h) of the 1977 Financial Regulation) has been merged with the very similar case of revenue from third parties for work carried out at their request, which was already covered as assigned revenue by Article 4 of the 1977 Financial Regulation.

"In accordance with Article 18 of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.09.2002, p.1), from 2003 this revenue is to be considered as assigned revenue and may lead to additional appropriations being entered on the lines which bore the initial expenditure giving rise to the corresponding revenue."

2.2. Impact of assigned revenue on the expenditure side

In the statement of expenditure all lines could conceivably be concerned by appropriations flowing from assigned revenue under the new Financial Regulation, as the main case of re-use now subject to the assignment mechanism concerns amounts paid in error. A general remark should therefore be entered at the beginning of the general statement of revenue and expenditure by section:

"Any revenue provided for in Article 18(1) of the Financial Regulation, entered in Titles 5 and 6 of the statement of revenue, may lead to additional appropriations being entered on the lines which bore the initial expenditure giving rise to the corresponding revenue".

In addition some budget lines will bear a specific remark, for instance:

- For the participation of candidate countries in Community programmes, the new standard remark on operational budget lines should read:

"Any revenue from the contribution from candidate countries for participation in the Community programmes, entered in Item 6091 of the statement of revenue, may lead to additional appropriations being made available in accordance with Article 18(1)(d) of the Financial Regulation."

- The participation of EFTA countries should be indicated on the budget line by the following remark:

"To the appropriations entered in this item/article must be added the contributions from the EFTA States pursuant to the Agreement on the European Economic Area, and in particular Article 82 thereof and Protocol 32 thereto. These amounts, given here for information, accruing from the contributions from the EFTA States, entered against Article 630 of the statement of revenue, constitute assigned revenue in accordance with Article 18(1)(d) of the Financial Regulation and may give rise to the provision of corresponding appropriations and to implementation under Annex III to this part of the statement of expenditure in this section, which forms an integral part of the general budget."

- For the estimate of the amount in question, the following standard remark is proposed:

"The amount of assigned revenue under Article 18(1)(e) to (j) of the Financial Regulation is estimated at ..."

This remark is limited to letters (e) to (j) corresponding to the old method of re-use as the contributions from the EFTA countries are estimated in the corresponding special annexes and the other eventualities are not foreseeable.

3. OTHER EFFECTS OF THE NEW FINANCIAL REGULATION

3.1. Net amounts of traditional own resources

Article 42 of the new Financial Regulation states that the budget may not contain negative revenue. The estimates of traditional own resources will therefore have to be entered in the budget in net terms with effect from 2003. From then on, the amount of the costs incurred by the Member States in the collection of own resources will no longer appear separately in the budget.

3.2. New budget lines to be created on the revenue side

New lines will have to be inserted to adapt the present budget structure to the requirements of the new Financial Regulation. There will have to be new lines to accommodate interest yielded by pre-financing, interest on deposits and fines provided for by the Regulation to speed up and clarify implementation of the excessive deficit procedure as well as other contributions and refunds (assigned and non-assigned).

A new budget line has also been created to accommodate repayment of advances regarding the different Structural Funds and the Cohesion Fund.

3.3. References to the Financial Regulation in the budget remarks

A great many budget remarks in the statement of both revenue and expenditure contain references to articles of the Financial Regulation. They, of course, need to be adjusted one by one to the structure of the new Financial Regulation. This is a purely technical task and a number of standard remarks have been changed and harmonised.

3.4. Other changes

Article 46.1.3.d states that the budget must show "an establishment plan setting the number of posts by grade and by category for each body referred to in Article 185 which receives a grant charged to the budget" (the number of posts authorised for the financial year and for the preceding year).

For Article 185 of the Financial Regulation, the draft regulation laying down the rules for implementing the Financial Regulation explicitly mentions the European Reconstruction Agency as a body which may receive grants from the Community budget.

It is therefore proposed that the Agency's authorised establishment plan should be added to the remarks for Article B7-541 (and that it should be mentioned that this staff may also be used for the programmes administered by the European Reconstruction Agency under lines B7-542 and B7-546).

4. HARMONISATION OF COMMENTS OF BA-LINES RELATING TO EXTERNAL POLICIES (B7)

The discussions with the budget authority revealed that the budgetary remarks proposed in the PDB describe the activities under the BA lines in a variety of wordings. Further, the link between the various types of technical and administrative expenditure (ATA), as described in the detailed justifications in the working document on ATA accompanying the PDB, and the remarks is not always clear. Finally, discrepancies among the various linguistic versions crept into the texts.

The Commission therefore proposes to use the opportunity of Amending letter n° 4, to introduce harmonised remarks relating to the BA lines. These harmonised comments will facilitate interpretation and increase transparency around the use of BA lines. Basically, there are 5 general types of ATA-expenditure, which will appear, as and when applicable, under the BA-lines:

- expenditure on technical and administrative assistance which the Commission may delegate to an executive agency governed by Community law,
- expenditure on technical and administrative assistance not involving public authority tasks outsourced by the Commission under ad hoc service contracts,
- expenditure on temporary support staff (auxiliaries, detached national experts, staff from employment agencies) at headquarters intended to take over the tasks previously conferred on dismantled technical assistance offices,
- expenditure on temporary support staff in delegations (detached national experts, individual experts, local staff and local technical assistance staff) for the purposes of devolved programme management in the Commission's delegations in non-member countries or for internalisation of tasks of phased out technical assistance offices,
- expenditure on studies, meetings of experts, information and publications directly linked to the achievement of the objective of the programme.

For the exact provisions see the B7 part of the statement of expenditures by section, where detailed conditions of applicability are listed.

The amounts proposed on the lines and on the sub-ceilings remain unchanged (except for the technical correction for line B7-410A already introduced in the draft budget. When the remarks refer to expenditure 'for the purposes of devolved programme management in the Commission's delegations in non-member countries' the term devolved programme management covers the programme management functions exerted by the delegations in the various implementation models going from deconcentration to decentralisation.