



COMMISSION OF THE EUROPEAN COMMUNITIES

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**PRELIMINARY DRAFT AMENDING BUDGET No 7
TO THE BUDGET FOR 2003**

GENERAL STATEMENT OF REVENUE

**STATEMENT OF REVENUE AND 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, and in particular Article 37 thereof,

The European Commission hereby presents to the budgetary authority the preliminary draft amending budget No 7 to the 2003 budget for the reasons set out in the explanatory memorandum.

¹ OJ L 248, 16.9.2002, p. 1.

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GENERAL STATEMENT OF REVENUE

STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The general statement of revenue and the statement of revenue and expenditure by section are forwarded separately via the SEI-BUD system. A language version of the general statement of revenue and of the statement of revenue and expenditure by section is attached as a technical annex by way of example.

EXPLANATORY MEMORANDUM

1. INTRODUCTION

The present Preliminary Draft Amending Budget No 7 for the year 2003 covers two elements:

- The reduction of payment appropriations entered for the out-standing commitments of the pre-2000 programmes of the Structural Funds;
- The addition of a remark to budget line B7-811 – Contribution to international environmental activities, covering tasks resulting from the Commission's institutional prerogatives and thus implemented without a legal basis.

This results in a reduction on the revenue side of the budget and therefore in the contribution by Member States.

2. HEADING 2: UNDER-IMPLEMENTATION OF STRUCTURAL FUNDS IN 2003

At the end of 2001 the outstanding commitments for the pre-2000 programmes of the Structural Funds were € 17.24 billion, relating almost entirely to 1994-1999 programmes. When the Commission drew up the 2003 budget, it assumed that many claims would be submitted by Member States in 2002, before the ultimate deadline² (31.3.2003). This assumption was also justified by Member States' forecasts of payments in 2002 for these programmes, which amounted to € 7 billion. The payment appropriations for these programmes available in the 2002 budget matched closely Member States' payment forecasts.

However, the closure of most of these programmes was significantly delayed. Few final payment claims were received by the Commission in 2002. The actual payments in 2002 only amounted to € 1.2 billion.

The payment appropriations for these programmes entered in the 2003 budget closely matched, once again, the Member States' payment forecasts for this year. However, confronted with the paucity of payment claims actually received in 2002, and taking into account that the ultimate deadline for the closure of these programmes fell in 2003, the Commission carried forward 3 254 million € payment appropriations from 2002 to 2003 in order to be in a position to honour most of the remaining payments claims Member States had foreseen for 2002 and 2003 taken together. An appropriation of 1 043 million € (around 5% of the outstanding commitments at the end of 2001) for late payments of actions suspended on legal grounds and similar situations³ was included in the PDB 2004.

² Article 52(5) of Council Regulation n°1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds establishes that commitments in respect of which no application for final payment has been received by 31 March 2003 shall be decommitted.

³ In conformity with Commission Decision of 9.9.1999 approving Guidelines for the financial closure of the Structural Funds operational interventions (1994-1999), (SEC(1999) 1316 final).

The bulk of the final payment claims was only received just before the ultimate deadline of 31 March 2003. This extreme concentration of payment claims, together with the fact that many of these claims did not include all the necessary information has slowed down the processing of final payment claims. On detailed analysis of the supporting documentation accompanying these payment claims, it is clear that in some cases further information will have to be obtained from Member States and that even additional controls by Member States are necessary. As a result, the Commission will be unable to pay in 2003 all the payment claims received.

The table below provides an overview of the current situation of available appropriations and needs, and derives the volume of authorized appropriations that can be considered in surplus. Since the amount that is still expected to be paid until the end of the year, i.e., 4 108 million € (column (5)), can be covered in large part by the 3 254 million € of credits carried over from last year (column (6)), a surplus of 5 476 million € can be reckoned with (column (8)).

Overview of current payment appropriations' situation per fund of '1994-1999' Structural Fund programmes and calculation of authorized amounts for AB N°7

(in million € rounded to the nearest figure)

BUDGET LINE	RAL AT 31/12/2002	AUTHORIZED APPROPRIATIONS	PAYMENTS UNTIL 15/10/03	REMAINING AUTHORIZED APPROP.	EXPECTED FURTHER PAYMENTS UNTIL 31/12/2003	CARRY-OVERS	EXPECTED FURTHER NEEDS OF AUTHORIZED APPROP.	EXPECTED SURPLUS OF AUTHORIZED APPROP	PROBABLE DECOMMITM. IN 2003	PROBABLE RAL AT 31/12/2003
	1	2	3	4 = 2-3	5	6	7 = 5-6 IF (5-6) >0, OTHERWISE 0	8 = 4-7	9	10 = 1 - (3+5+9)
B2-105/EAGGF	1 162	597	24	573	189	307	0	573	210	739
B2-105/ESF	2 012	1 033	338	695	743	600	143	552	14	917
B2-105/FIFG	138	71	0	71	25	4	21	50	58	55
B2-105/ERDF	4 289	2 201	315	1 886	1 240	1 067	*) 55	1 831	810	1 924
SUB-TOTAL OBJ1	7 601	3 902	677	3 225	2 197	1 978	219	3 006	1 092	3 635
B2-112/AGRI	286	142	46	96	5	46	0	96	50	185
B2-112/EMPL	808	402	12	390	319	0	319	71	0	477
B2-112/REGIO	1 987	990	57	933	630	171	**) 418	515	496	804
SUB-TOTAL OBJ2	3 081	1 534	115	1 419	954	217	737	682	546	1 466
B2-121/EMPL	1 452	771	8	763	454	153	301	462	397	593
SUB-TOTAL OBJ3	1 452	771	8	763	454	153	301	462	397	593
B2-131/FISH	108	25	0	25	30	31	0	25	75	3
B2-132/AGRI	558	344	62	282	40	0	40	242	101	355
SUB-TOTAL OTHER outside OBJ1	666	369	62	307	70	31	40	267	176	358
B2-144/AGRI	295	123	3	120	51	97	0	120	55	186
B2-144/EMPL	785	328	34	294	185	259	0	294	81	485
B2-144/FISH	23	10	0	10	8	8	0	10	15	0
B2-144/REGIO	1 547	646	30	616	150	511	0	616	252	1 115
SUB-TOTAL CI	2 650	1 107	67	1 040	394	875	0	1 040	403	1 786
B2-164/AGRI	17	13	1	12	7	0	7	5	4	5
B2-164/EMPL	8	6	2	4	2	0	2	2	2	2
B2-164/FISH	6	5	4	1	1	0	1	0	0	1
B2-164/REGIO	84	64	22	42	29	0	29	13	10	23
SUB-TOTAL IA & TA	115	88	29	59	39	0	39	20	16	31
GRAND TOTAL SF	15 565	7 771	958	6 813	4 108	3 254	1 336	5 476	2 630	7 869

*) after allowing for a carry-over transfer, within the budget line, of 118 mio € from EAGGF to ERDF

**) after allowing for a similar transfer of 41 mio €

The stock of outstanding commitments, totalling 15 565 million € at the end of last year, is likely to decline by half to 7 869 million € at the end of this year (column (10)).

The surplus associated to the earlier programmes of the Structural Funds could be fully deducted from Payment Appropriations, thus reducing the contribution of Member States to the EU Budget, since a comprehensive review of the payments situation in preparation of the forthcoming global transfer indicates that any additional payment needs in the 2003 budget can be met through other parts of the budget displaying an under-execution.

On the revenue side, a deficit for 2003 stemming from own resources (traditional own resources, adjustments arising from the modification of the previous years' bases of VAT and GNP/GNI, differences arising from exchanges rates when registering VAT and GNI resources and the UK rebate, as well as reserves), leaving aside the outcome for miscellaneous revenue, could amount to about 500 million €. In order to avoid a net deficit of this magnitude, the Commission proposes to limit the amount to be handed back to the Budgetary Authority in relation to the under-implementation of the Structural Funds to 5 billion €, to be distributed by budget line as shown in the table below. As the table shows, the expected surplus in the budget lines for the earlier programmes of the Structural Funds was adjusted on a pro-rata basis.

Amounts to be deducted from payment appropriations

(in million € rounded to the nearest figure)

BUDGET LINE	EXPECTED SURPLUS	% OF TOTAL SURPLUS	PROPORTIONAL DECREASE	AMOUNTS TO BE DEDUCTED FROM PAYMENT APPROPRIATIONS
B2-105/EAGGF	573	10	50	523
B2-105/ESF	552	10	48	504
B2-105/FIFG	50	1	4	46
B2-105/ERDF	1 831	33	159	1 672
SUB-TOTAL OBJ1	3 006	55	261	2 744
B2-112/AGRI	96	2	8	88
B2-112/EMPL	71	1	6	65
B2-112/REGIO	515	9	45	470
SUB-TOTAL OBJ2	682	12	59	623
B2-121/EMPL	462	8	40	422
SUB-TOTAL OBJ3	462	8	40	422
B2-131/FISH	25	0	2	22
B2-132/AGRI	242	4	21	221
SUB-TOTAL OTHER outside OBJ1	267	5	23	243
B2-144/AGRI	120	2	10	110
B2-144/EMPL	294	5	26	268
B2-144/FISH	10	0	1	9
B2-144/REGIO	616	11	54	562
SUB-TOTAL CI	1 040	19	90	949
B2-164/AGRI	5	0	0	5
B2-164/EMPL	2	0	0	2
B2-164/FISH	0	0	0	0
B2-164/REGIO	13	0	1	12
SUB-TOTAL IA & TA	20	0	2	18
GRAND TOTAL SF	5 476	100	476	5 000
TOTAL DECREASE	476			

3. HEADING 3: TASK RESULTING FROM THE COMMISSION'S INSTITUTIONAL PREROGATIVE

The Financial Regulation, under article 49, paragraph 2 (c), provides for the possibility to implement without a basic act, *"actions carried out by the Commission by virtue of tasks resulting from its prerogatives at institutional level"*. In the Working Document, part IV (pages 131-133), transmitted to the budgetary authority in complement to PDB 2004, the Commission listed the budget lines and appropriations implemented under this possibility.

The appropriate reference to the Financial Regulation was however not systematically included in the budget remarks of the relevant lines. It is proposed to complete the budget remarks in question for the line B7-811 – Contribution to international environmental activities, so as to avoid any uncertainty when implementing the appropriations under this budget line.

4. FINANCING OF EU EXPENDITURE BY MEMBER STATE

The reduction in Payment Appropriations for Structural Actions results in a reduction on the revenue side of the budget and therefore in the contribution from Member States. The new distribution of the financing of EU expenditure by Member State is as follows:

<i>Amounts in €</i>						
Member States	Budget 2003 Financing by MS (Own resources) (1)	AB 4/2003 Financing by MS (Own resources) (2)	PDAB 7/2003 Financing by MS (Own resources) (3)	PDAB 7/2003 Financing by MS (% of total in column 3) (4)	Difference PDAB 7 vs AB 4/2003 (5)= (3) - (2)	Difference PDAB 7 vs Budget 2003 (6)= (3) - (1)
Belgium	3 666 955 348	3 536 350 815	3.390.431.535	4,04%	-145.919.280	-276.523.813
Denmark	2 016 942 481	1 910 771 567	1.810.445.636	2,16%	-100.325.931	-206.496.845
Germany	22 010 178 231	20 433 400 357	19.295.826.696	22,97%	-1.137.573.661	-2.714.351.535
Greece	1 639 409 765	1 602 929 385	1.522.016.337	1,81%	-80.913.048	-117.393.428
Spain	7 800 173 808	7 677 221 377	7.291.588.325	8,68%	-385.633.052	-508.585.483
France	16 576 518 208	15 904 748 785	15.066.962.460	17,94%	-837.786.325	-1.509.555.748
Ireland	1 252 466 203	1 185 711 158	1.126.427.559	1,34%	-59.283.599	-126.038.644
Italy	13 606 499 338	12 590 702 496	11.903.187.472	14,17%	-687.515.024	-1.703.311.866
Luxembourg	231 684 080	207 183 010	196.493.489	0,23%	-10.689.521	-35.190.591
Netherlands	5 741 874 717	5 147 004 869	4.904.511.077	5,84%	-242.493.792	-837.363.640
Austria	2 177 774 489	2 066 533 163	1.949.769.373	2,32%	-116.763.790	-228.005.116
Portugal	1 427 932 390	1 377 389 239	1.307.783.080	1,56%	-69.606.159	-120.149.310
Finland	1 448 590 212	1 403 281 884	1.326.628.944	1,58%	-76.652.940	-121.961.268
Sweden	2 550 949 391	2 466 467 776	2.326.345.586	2,77%	-140.122.190	-224.603.805
United Kingdom	13 517 628 203	11 479 350 240	10.570.628.552	12,59%	-908.721.688	-2.946.999.651
Total	95 665 576 864	88 989 046 121	83 989 046 121	100,00%	-5 000 000 000	11 676 530 743 -

SUMMARY TABLE PER HEADING OF THE FINANCIAL PERSPECTIVE

Financial perspective HEADING / Sub-heading	Financial perspective 2003		Budget 2003		PDAB 7/2003		Budget 2003 + PDAB 7/2003	
	CA	PA	CA	PA	CA	PA	CA	PA
1. AGRICULTURE								
-Agricultural expenditure	42 680 000 000		40 082 450 000	40 082 450 000			40 082 450 000	40 082 450 000
-Rural development and supporting measures	4 698 000 000		4 698 000 000	4 698 000 000			4 698 000 000	4 698 000 000
Total	47 378 000 000		44 780 450 000	44 780 450 000			44 780 450 000	44 780 450 000
Margin			2 597 550 000				2 597 550 000	
2. STRUCTURAL OPERATIONS								
-Structural fund	31 129 000 000		31 141 008 240	30 523 097 000		-5 000 000 000	31 141 008 240	25 523 097 000
-Cohesion fund	2 839 000 000		2 839 000 000	2 650 000 000			2 839 000 000	2 650 000 000
Total	33 968 000 000		33 980 008 240	33 173 097 000		-5 000 000 000	33 980 008 240	28 173 097 000
Margin			-12 008 240				-12 008 240	
3. INTERNAL POLICIES								
Margin	6 796 000 000		6 900 590 000	6 204 163 000			6 900 590 000	6 204 163 000
			-104 590 000				-104 590 000	
4. EXTERNAL ACTION								
Margin	4 972 000 000		4 949 362 000	4 843 756 000			4 949 362 000	4 843 756 000
			22 638 000				22 638 000	
5. ADMINISTRATION								
Margin	5 211 000 000		5 360 071 098	5 360 071 098			5 360 071 098	5 360 071 098
			20 928 902				20 928 902	
6. RESERVES								
-Monetary reserve	0		-	-			-	-
-Reserve for guarantees	217 000 000		217 000 000	217 000 000			217 000 000	217 000 000
-Reserve for emergencies aid	217 000 000		217 000 000	217 000 000			217 000 000	217 000 000
Total	434 000 000		434 000 000	434 000 000			434 000 000	434 000 000
Margin			0				0	
7. PRE-ACCESSION AID								
-Agriculture	564 000 000		564 000 000	442 900 000			564 000 000	442 900 000
-ISPA	1 129 000 000		1 129 000 000	717 500 000			1 129 000 000	717 500 000
-PHARE	1 693 000 000		1 693 000 000	1 547 000 000			1 693 000 000	1 547 000 000
Total	3 386 000 000		3 386 000 000	2 707 400 000			3 386 000 000	2 707 400 000
Margin			0				0	
TOTAL	102 145 000 000	102 767 000 000	99 790 481 338	97 502 937 098		-5 000 000 000	99 790 481 338	92 502 937 098
Margin			2 524 518 662	5 435 062 902			2 524 518 662	10 435 062 902