



COMMISSION OF THE EUROPEAN COMMUNITIES

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**AMENDING LETTER No 3
TO THE PRELIMINARY DRAFT BUDGET FOR 2005**

**VOLUME 1
GENERAL STATEMENT OF REVENUE**

**VOLUME 4
STATEMENT OF REVENUE AND EXPENDITURE BY SECTION
Section III – Commission**

(presented by the Commission)

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***VOLUME 1
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Section III - Commission***

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 34 thereof,

The European Commission hereby presents to the budgetary authority the amending letter No 3 to the preliminary draft budget for 2005 for the reasons set out in the explanatory memorandum.

¹ OJ L 248, 16.09.2002, p.1.

TABLE OF CONTENTS

1.	Introduction	4
2.	Heading 1: Agriculture.....	5
2.1.	Subheading 1a: CAP expenditure except for rural development.....	6
2.1.1.	The market organisations and related expenditure.....	6
2.1.2.	Euro-dollar exchange rate	7
2.1.3.	Sectoral Developments.....	7
2.2.	Subheading 1a: items under other policy areas.....	14
2.3.	Subheading 1b: rural development.....	14
2.4.	Changes in the nomenclature	15
3.	Heading 4: External actions	15
3.1.	International fisheries agreements.....	15
	Summary table by heading of the financial perspective	18

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 budgetary annex by way of example.

EXPLANATORY MEMORANDUM

1. INTRODUCTION

The Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure signed by the European Parliament, the Council and the Commission on 6 May 1999 provides that, "if it considers it necessary, the Commission may present to the budgetary authority an *ad hoc* letter of amendment to update the figures underlying the estimate of agricultural expenditure in the preliminary draft budget and/or to correct, on the basis of the most recent information available concerning fisheries agreements in force on 1 January of the financial year concerned, the breakdown between the appropriations entered in the operational items for international fisheries agreements and those entered in reserve." This letter of amendment must be sent to the budgetary authority by the end of October.

The Commission presents herewith this *ad hoc* amending letter (AL) to the preliminary draft budget 2005. It covers the following elements:

- (1) Agricultural expenditures: update on the estimated needs for heading 1.
- (2) External Actions: update on the international fisheries agreements concluded.

Agricultural expenditures

The Commission has carefully updated the agricultural budget on a line by line basis. In addition to changing market factors, the AL also incorporates legislative decisions adopted in the agricultural sector since the PDB was drawn up, as well as any proposals, which are expected to have effect during the coming budget year.

The AL is based, in the same way as the PDB itself, on the needs of the Community as a whole. As far as the market measures are concerned, no breakdown of the appropriations between Member States is available. In addition, it must be stressed that these appropriations are to be understood as a forecast and not as an objective of expenditure. The actual expenditure will depend, in particular, on real market conditions, on the actual rate of exchange EUR/USD and on the rhythm of the payments by Member States. Since this is compulsory expenditure, whatever the amount a Member State is obliged to pay in accordance with the regulations will be reimbursed in full.

The euro-dollar rate used, in accordance with the Council Regulation on Budgetary Discipline, is based on the actual rate observed between 1 July and 30 September 2004. It comes to 1.22 (EUR 1=USD1.22), and results in some economies (about EUR 84 million) compared to the preliminary draft, in particular for cereals, sugar and cotton.

Overall needs for *subheading 1a (CAP expenditure excluding rural development)* are estimated at EUR 43 610,5 million, EUR 224 million lower than in the preliminary draft, leaving a margin of EUR 987,5 million below the ceiling of the Financial Perspectives for EU-25.

This decrease is largely explained by reduced needs in three sectors. The most substantial change is that for milk and milk products (- EUR 367 million), where favourable market conditions have triggered lower expenses for the different market measures. Savings for 2005 have also been recorded in the case of sugar (- EUR 146 million), and for olive oil (-EUR

74 million). However, these savings have been partly offset by increased needs for other sectors, notably market measures for cereals (+ EUR 244 million), fruit and vegetables (+ EUR 85 million) and textile plants (+ EUR 30 million).

For *rural development (subheading 1b)*, the PDB estimates for commitment and payment appropriations remain unchanged at EUR 6 841 million and EUR 6 279 million respectively. The level of commitment appropriations is at the ceiling of the Financial Perspective..

Changes in nomenclature are also proposed to increase transparency in recoveries and clearance of accounts.

Fisheries Agreements

To take account of the latest information available on the international fisheries agreements, the Commission proposes to move EUR 2.5 million in commitment appropriations and EUR 3.6 million in payment appropriations from the reserve to the line.

2. HEADING 1: AGRICULTURE

The purpose of the AL n°3/2005 is to ensure that the agricultural budget is based on the most up-to-date economic data and legislative framework. By the month of October, the Commission has at its disposal a first indication of the level of production (harvests) for 2004, which is the basis for any reliable estimate of the budgetary needs for 2005.

As in the past, the Commission has carefully reviewed all its estimates of agricultural expenditure line by line. Besides taking into account market factors, AL n°3/2005 also incorporates any legislative decisions adopted in the agricultural sector since the PDB was drawn up, as well as proposals.

The following table sums up the budgetary forecasts for the various chapters of the EAGGF Guarantee Section, and shows the margins under the Financial Perspectives.

Letter of Amendment N° 3/2005
Heading 1, by ABB policy

		EUR-25	EUR-25	EUR-25
		PDB 2005 1€=1,25\$ (a)	AL 2005 1€=1,22\$ (b)	Difference (c)=(a)-(b)
Administrative expenditure of policy area 'Agriculture'				
05 01 04 01	Monitoring and prevention – Direct payments by EC	4,3	4,3	0,0
05 01 04 06	Pilot project on quality promotion	p.m.	0,5	0,5
Total		4,3	4,8	0,5
05 02 Plant products				
05 02 01	Market measures for cereals	395,0	639,0	244,0
05 02 02	Rice	469,0	473,0	4,0
05 02 03	Direct payments for arable crops	17.403,0	17.403,0	0,0
05 02 04	Food programmes	223,0	221,0	-2,0
05 02 05	Sugar	1.815,0	1.669,0	-146,0
05 02 06	Olive oil	2.355,0	2.281,0	-74,0
05 02 07	Textile plants	936,0	966,0	30,0
05 02 08	Fruit and vegetables	1.860,0	1.945,0	85,0
05 02 09	Products of the vine-growing sector	1.259,0	1.260,0	1,0
05 02 10	Tobacco	952,4	954,4	2,0
05 02 11	Other measures for plant products	737,0	733,0	-4,0
05 02 12	Direct aids of a horizontal nature	1.388,0	1.398,0	10,0
05 02 99	Recoveries	0,0	-26,0	-26,0
Total		29.792,4	29.916,4	124,0

05 03	Animal products			
05 03 01	Milk and milk products	3.901,0	3.534,0	-367,0
05 03 02	Beef and veal	8.088,0	8.114,0	26,0
05 03 03	Sheep meat and goat meat	1.840,0	1.841,0	1,0
05 03 04	Pig meat, eggs, poultry and others	197,0	203,0	6,0
05 03 99	Recoveries	0,0	-15,0	-15,0
	Total	14.026,0	13.677,0	-349,0
	Rural Development			
05 04 01	Rural Devel. in EAGGF-Guarantee	4.910,0	4.910,0	0,0
05 04 04	Transitional instrument in EAGGF-Guarantee for EUR-10	1.931,0	1.931,0	0,0
	Total	6.841,0	6.841,0	0,0
	Audit of Agricultural Expenditure			
05 07 01 01	Monitoring and prevention - payments by MS	16,0	16,0	0,0
05 07 01 02	Monitoring and prevention - Direct payments by EC	9,1	9,1	0,0
05 07 01 03	Clearance of previous years' accounts	-400,0	-	400,0
05 07 01 04	Clearance of previous years' accounts (rural development)	p.m.	-	-
05 07 01 06	Accounting clearance of previous' years accounts	-	-70,0	-70,0
05 07 01 07	Conformity clearance of previous' years accounts	-	-330,0	-330,0
05 07 01 08	Accounting clearance of previous' years accounts(rural dev.)	-	p.m.	0,0
05 07 01 09	Conformity clearance of previous' years accounts(rural dev.)	-	p.m.	0,0
05 07 02	Settlement of disputes	p.m.	p.m.	0,0
	Total	-374,9	-374,9	0,0
	Policy Strategy and co-ordination			
05 08 04	Promotion measures - MS	48,5	48,5	0,0
05 08 05	Promotion measures - EC	11,0	11,0	0,0
05 08 06	Public awareness of the CAP	6,5	6,5	0,0
05 08 99	Other promotion measures	p.m.	p.m.	0,0
	Total	66,0	66,0	0,0
	Other Policy Areas			
11 02	Fisheries markets	33,2	33,2	0,0
17 01 04 01	Plant-health measures - administration	0,7	0,7	0,0
17 01 04 04	Pilot study: risk financing model for livestock epidemics	p.m.	0,5	0,5
17 01 04 05	Feed and food safety and related activities - Administration	4,0	4,0	0,0
17 03 02	Community tobacco fund - Direct payments by EC	14,4	14,4	0,0
17 04 01	Animal disease eradication and monitoring programmes	203,5	203,5	0,0
17 04 02	Other veterinary/animal welfare/public health measures	10,0	10,0	0,0
17 04 03	Emergency fund (animal health/food safety)	48,0	48,0	0,0
17 04 04	Plant-health measures	3,0	3,0	0,0
17 04 05	Other measures	0,0	0,0	0,0
17 04 07	Control animal feed and food	3,9	3,9	0,0
	Total	320,7	321,2	0,5
Sub-Heading 1a – Agricultural expenditure-excl. rural development				
	Sub-total	43.834,5	43.610,5	-224,0
	Sub-ceiling	44.598,0	44.598,0	0,0
	Margin	-763,5	-987,5	
Sub-Heading 1b - Rural development and accompanying measures				
	Sub-total	6.841,0	6.841,0	0,0
	Sub-ceiling	6.841,0	6.841,0	0,0
	Margin	0,0	0,0	
Total Appropriations Heading 1		50.675,5	50.451,5	-224,0

2.1. Subheading 1a: CAP expenditure except for rural development

2.1.1. The market organisations and related expenditure

In the AL n°3/2005, the total appropriations for *subheading 1a (CAP expenditure excluding rural development)* are lower than estimated in the PDB (- EUR 224 million). This saving is the result of a combination of increases and reductions across the different sectors.

Most significant is the reduction in needs for milk and milk products. This is largely due to the favourable market conditions triggering lower expenses for the different market measures coupled with revised measures on the super levy from milk producers enabling the Commission to recover funds more easily. The combined savings to the 2005 budget in this sector are estimated at EUR 367 million. A reduction in credits is also entered for the sugar sector. Due to a higher price for sugar, a lower euro-dollar exchange rate and an increased

difference between the theoretical and real refunds, it is estimated that export refunds for sugar will cost EUR 146 million less than foreseen in the PDB 2005. The decrease in appropriations for olive oil (- EUR 74 million) is mainly due to an estimated decline in production levels in some Member States.

In contrast, there are increases in a number of sectors. Most striking is the increase for market measures for cereals, where an extra EUR 213 million will be needed to cover expenditure on intervention storage of cereals. Export refunds for cereals will cost EUR 36 million more than foreseen in the PDB 2005 as well. The increasing needs for production aid for processed tomatoes are responsible for higher expenses for the fruit and vegetable sector, where credits rise by EUR 85 million. For textile plants the lower world market price and the adjustment of the euro/dollar rate, result in EUR 30 million more in budgetary needs.

The Commission has also taken into account the opinions expressed by the budgetary authority during its first reading. In order to incorporate these wishes into the AL the Commission proposes the following modifications:

- EUR 500 000 will be made available under 05 01 04 06 Pilot project on quality promotion to enable further exploration of the possibility of establishing European quality labels, so as to ensure transparency for consumers.
- EUR 500 000 will be made available under 17 01 04 04 Pilot study: risk financing model for livestock epidemics.

2.1.2. Euro-dollar exchange rate

In accordance with Article 8(1) of Council Regulation (EC) n°2040/2000 on budgetary discipline, the euro-dollar rate to be used for the letter of amendment is the average rate over the most recent three-month period. In the case of this letter of amendment, this means the period between 1 July and 30 September 2004. The average exchange rate recorded is EUR1 = USD1.22 which is lower than the rate used for the preliminary draft (EUR1 = USD1.25). This leads to some decreases, particularly for sectors such as cereals, sugar and cotton.

2.1.3. Sectoral Developments

The comments below set out and explain the main differences between the appropriations of the PDB and those of the AL.

05 01 04 06 – Pilot project on quality promotion (appropriations + EUR 0.5 million)

appropriations in preliminary draft budget: p.m.

appropriations after letter of amendment : EUR 0.5 million

The Commission has begun implementing the pilot project in 2004. Taking into consideration the request of the European Parliament, further funding is proposed for 2005.

05 02 01 – Market measures for cereals (appropriations + EUR 244 million)

appropriations in preliminary draft budget: EUR 395 million

appropriations after letter of amendment: EUR 639 million

According to the latest forecasts, cereals production in EU-25 for 2004/5 is expected to be 8.6 million tonnes more than foreseen in the PDB. As this increase in output will not be used up by internal consumption or increased exports, this has had a significant effect on the budgetary needs for the sector. In particular, expenditure on **intervention storage** of cereals is estimated at a much higher level than in the PDB (+ EUR 213 million). The table below illustrates the present situation as compared to that of the PDB.

	PDB (million t)	AL (million t)
Opening Stocks	2.0	3.5
Purchases	2.6	7.6
Sales	1.3	1.1
Closing Stocks	3.3	9.9
Average Stocks	3.4	7.8

Despite a weaker euro, lower world dollar prices mean that budgetary needs for **export refunds** rise by a total of EUR 36 million. For instance, export refunds for soft wheat increase (+ EUR 18 million) because for marketing campaign 2004/2005, increased exports will be supported at a higher refund rate. Also export refunds for barley increase by EUR 28 million. Even though for the calculations in the AL a lower export level for barley has been taken into account for 2004/2005 than in the PDB, these exports are supported at a higher refund rate to compensate for the decrease in world market price.

Production refunds for starch are expected to decrease by EUR 2 million compared to the PDB 2005 as well as the needs for the non-annex 1 products which are lowered by EUR 3 million.

05 02 02 – Rice (appropriations + EUR 4 million)

appropriations in preliminary draft budget: EUR 469 million

appropriations after letter of amendment: EUR 473 million

The increase in budgetary needs for the rice sector can be explained by changing patterns in intervention aids. As the table below illustrates, levels of sales out of storage are now estimated at a lower level than foreseen in the PDB. This is expected to lead to increased budgetary needs of about EUR 4 million.

	PDB (tonnes)	AL (tonnes)
Opening Stocks	650 000	650 000
Purchases	75 000	75 000
Sales	295 000	255 000
Closing Stocks	430 000	470 000
Average Stocks	540 000	501 000

05 02 03 – Direct payments for arable crops (appropriations + EUR 0 million)

appropriations in preliminary draft budget: EUR 17 403 million

appropriations after letter of amendment: EUR 17 403 million

The latest information received from the member states, shows a small decrease in needs for area aid for producers of cereals, oilseeds, proteins, grass silage and set-aside (- EUR 1 million), specific regional aid for arable crops (- EUR 3 million) and the protein crop premium (- EUR 6 million). However, this is offset by the fact that the amount foreseen for recoveries (- EUR 10 million) has been transferred to the new line 05 02 99, which groups all

the recoveries of chapter 05 02. Consequently, the total appropriations for this line remain unchanged.

05 02 04 – Food programmes (appropriations – EUR 2 million)

appropriations in preliminary draft budget: EUR 223 million

appropriations after letter of amendment: EUR 221 million

Following the decrease in aid levels, a saving of EUR 2 million will be realised.

05 02 05 – Sugar (appropriations – EUR 146 million)

appropriations in preliminary draft budget: EUR 1 815 million

appropriations after letter of amendment: EUR 1 669 million

In the sugar sector estimated expenditure for refunds is EUR 146 million less than the appropriations foreseen in the 2005 preliminary draft budget. Three factors are responsible for this decrease. Firstly, the Commission expects market prices to recover from the low level foreseen in the PDB. To calculate refund rates, a world price of USD 230/tonne has been used instead of USD 190/tonne. Secondly the updated euro-dollar exchange rate induces additional savings. Thirdly, the difference between the theoretical export refund and the real one estimated by the Commission when establishing the PDB has increased from EUR 5 to EUR 13 per tonne. All these elements combined translate into a refund rate of EUR 480, instead of EUR 525 per tonne.

05 02 06 – Olive oil (appropriations – EUR 74 million)

appropriations in preliminary draft budget: EUR 2 355 million

appropriations after letter of amendment: EUR 2 281 million

The appropriations for the olive oil producers have been decreased by EUR 76 million mainly due to the updating of production levels. The AL requirements are based on the latest estimates of production sent by Member States for the campaign 2003/2004. In particular, production for Greece and Spain changes from 0,408 to 0,343 million tonnes and from 1,459 to 1,591 million tonnes respectively.

The amount foreseen for recoveries (- EUR 2 million) has been transferred to the new line 05 02 99 which groups all the recoveries of chapter 05 02.

05 02 07 – Textile plants (appropriations + EUR 30 million)

appropriations in preliminary draft budget: EUR 936 million

appropriations after letter of amendment: EUR 966 million

The overshoot of the Total Guaranteed Quantity for cotton in the three producing countries (Greece, Spain and Portugal) will be lower than envisaged at the time of the PDB. This causes a downward adjustment of the penalty-percentage applied, and thus a higher amount in aid per tonne, resulting in higher budgetary needs. Also the lower world market price for cotton increases the need for higher appropriations, which is only partially dampened by the more favourable euro-dollar rate, finally resulting in EUR 30 million more in appropriations.

05 02 08 - Fruits and vegetables (appropriations + EUR 85 million)

appropriations in preliminary draft budget: EUR 1 860 million

appropriations after letter of amendment: EUR 1 945 million

Forecast expenditure for fruit and vegetables is higher vis-à-vis the PDB due to increasing needs for production aid for processed tomatoes which are not sufficiently counterbalanced by savings for compensation for withdrawals and buying-in, and for bananas.

The appropriations for **compensation for withdrawals** show a saving of EUR 28 million because of the updating of the quantities of fruits and vegetables to be destroyed. They were 847 thousand tonnes for the PDB and are 572 thousand tonnes in this AL.

The appropriations for **bananas** show a saving of EUR 36 million because of the change in the amount of the compensatory aid for the campaign 2003 and 2004. The compensatory aid used in the establishment of the PDB was respectively EUR 324.6/tonne in 2003 and EUR 359.9/tonne in 2004. For the AL the rates are respectively EUR 294.6/tonne in 2003 and EUR 318.8/tonne in 2004.

The appropriations for **processed tomatoes** show an increase in the needs of EUR 149 million. The quantities for which an aid can be granted changed from 8.9 million tonnes in the PDB to 13.3 million tonnes in the AL following the latest estimate received from Member States.

The foreseen amount for recoveries (EUR 1 million) has been transferred to the new line 05 02 99 which groups all the recoveries of chapter 05 02.

05 02 09 – Products of the vine-growing sector (appropriations + EUR 1 million)

appropriations in preliminary draft budget: EUR 1 259 million

appropriations after letter of amendment: EUR 1 260 million

In 2004 less crisis distillation will take place, creating a saving of EUR 7 million.

For the coming year, it is expected that production will be somewhat higher than the previous year, together with an adjustment to the calculation of the depreciation of stocks this leads to extra storage costs of EUR 7 million.

The amount foreseen for recoveries (EUR 1 million) has been transferred to the new line 05 02 99 which groups all the recoveries of chapter 05 02.

05 02 10 – Tobacco (appropriations + EUR 2 million)

appropriations in preliminary draft budget: EUR 952.4 million

appropriations after letter of amendment: EUR 954.4 million

The increase is only due to the transfer of the amount for recoveries (- EUR 2 million) from article 05 02 10 99 to the new line 05 02 99 which groups all the recoveries of chapter 05 02.

05 02 11 - Other measures for plant products (appropriations - EUR 4 million)

appropriations in preliminary draft budget: EUR 737 million

appropriations after letter of amendment : EUR 733 million

The AL foresees a reduction in needs for seeds of EUR 6 million. Following most recent calculations on the production of seeds, a larger quantity of seeds (465 000 tonnes) would benefit from a lower average aid rate (222.8 EUR/tonne) leading to a total estimated expenditure for seeds of EUR 104 million instead of EUR 110 million as mentioned in the PDB 2005. A growth in estimated costs of the support measures for POSEIMA (+ EUR 1 million) and POSEICAN (+ EUR 1 million) leads to a small increase in needs for the ultra-peripheral regions.

05 02 12 – Direct aids of a horizontal nature (appropriations + EUR 10 million)

appropriations in preliminary draft budget: EUR 1 388 million

appropriations after letter of amendment : EUR 1 398 million

No substantial changes in needs are foreseen for this budget line. The transfer of the amount for recoveries (- EUR 10 million) from article 05 02 12 99 to the new line 05 02 99 is responsible for the apparent increase in needs for this line.

05 02 99 – Recoveries (appropriations – EUR 26 million) (NEW LINE)

appropriations in preliminary draft budget: none

appropriations after letter of amendment: - EUR 26 million

As from 2005 onwards, the accounting records of the Commission will be kept following the principles of 'accrual accounting'. For this reason budget lines used for expenditure need to be separated from lines used to take account of amounts recovered in cases of irregularities.

Furthermore, the negative expenditures linked to irregularities are to be booked at chapter level only.

This line will cover recoveries linked to frauds and irregularities for the chapter 05 02 (including penalties, guarantees, interests, multi-annual sanctions), while the various "Other measures" items at article level (05 xx xx 99) will cover other expenditure not included in the other items of the article concerned.

05 03 01 - Milk and milk products (appropriations – EUR 367 million)

appropriations in preliminary draft budget: EUR 3 901 million

appropriations after letter of amendment : EUR 3 534 million

Expenditure on milk and milk products is EUR 367 million lower compared to the PDB. This is largely due to the favourable market conditions triggering lower expenses for the different market measures coupled with revised measures on the super levy from milk producers enabling the Commission to recover funds more easily.

Because of the favourable development of international market conditions, exports are foreseen to increase albeit with significantly lower levels of export refunds; this results in savings of EUR 82 million.

The revised stock levels, again because of the favourable circumstances, are additional sources of savings. Some EUR 55 million less in appropriations is envisaged.

A decrease in the aid for milk powder used as feed for calves coupled with smaller quantities, leads to a decrease in needs of EUR 47 million.

Aid for milk powder for the production of casein has been cut substantially, because of the strong world market price, leading to EUR 106 million less in appropriations.

As for the intervention storage of butter and cream, stock levels are lower and sales from intervention, especially public intervention stocks, are higher resulting in EUR 36 million less in appropriations. Mainly the increased sales from public intervention stocks (72 000 tonnes instead of 35 000 tonnes) contributed to these savings.

A slight decrease in the volume (550 000 tonnes compared to 576 000 tonnes in the PDB) used for other measures relating to butterfat, together with the lower aid levels, gives a further saving of EUR 15 million.

By introduction of Council Regulation N° 1788/2003 the recovery of the super levy has become much more efficient. In addition, the structural surplus in the milk market is expected to be 100 000 tonnes higher compared to last year. These two factors combined result in a saving for the budget of EUR 32 million.

The needs for non-annex I products are revised slightly upwards by EUR1 million.

An amount of -€5 million is transferred from budget line 05 03 01 99 to the new line 05 03 99 which is to gather all the recoveries of chapter 05 03.

05 03 02 – Beef and veal (appropriations + EUR 26 million)

appropriations in preliminary draft budget: EUR 8 088 million

appropriations after letter of amendment: EUR 8 114 million

In anticipation of the implementation by the Member States of the single payment scheme, producers could bring forward, at the end of 2004, the slaughter of animals for the granting of the special premium. This involves an extra cost of EUR 18 million. If the Commission had not introduced these transitory measures it would have led to much higher expenses since in that case producers would also have been eligible for the slaughter premium, which was not foreseen in the hypothesis underling the 2005 budget.

An amount of – EUR 8 million is transferred from budget line 05 03 02 99 to the new line 05 03 99 which is to gather all the recoveries of chapter 05 03.

05 03 03 – Sheep meat and goat meat (appropriations + EUR 1 million)

appropriations in preliminary draft budget: EUR 1 840million

appropriations after letter of amendment: EUR 1 841 million

The small change in appropriations is only due to the transfer of – EUR 1 million to the new ‘Recoveries’ line 05 03 99.

05 03 04 – Pig meat, eggs, poultry and others (appropriations + EUR 6 million)

appropriations in preliminary draft budget: EUR 197 million

appropriations after letter of amendment : EUR 203 million

The avian flue outbreak led to temporary transport and trade prohibition causing economic problems, especially for the breeders. Exceptional support measures were introduced to alleviate the problems targeted for the Netherlands, Belgium and Italy. These measures are not yet implemented; therefore an amount of EUR 4 million must be entered in this amending letter.

Small adjustments in the quantity and refund level for the eggs under non-annex I, led to an increase of EUR 1 million.

- EUR1 million has been transferred from 05 03 04 99 to 05 03 99, ‘Recoveries’.

05 03 99 – Recoveries (appropriations – EUR 15 million) (NEW LINE)

Appropriations in preliminary draft budget: none

Appropriations after letter of amendment: - EUR 15 million

This budget line will cover recoveries linked to frauds and irregularities for the chapter 05 03 (including penalties, guarantees, interests, multi-annual sanctions), while the various 'Other measures' items at article level (05 xx xx 99) will cover expenditure not included in the other items of the articles concerned.

See line 05 02 99 as well.

05 07 01 06 – Accounting clearance of previous years' accounts and reduction/suspension of advances of shared management expenditure under heading 1a (appropriations – EUR 70 million) (NEW LINE)

Appropriations in preliminary draft budget: none

Appropriations after letter of amendment: - EUR 70 million

The line 05 07 01 03 is split into lines 05 07 01 06 and 05 07 01 07 in order to distinguish, at budget level, between accounting clearance and conformity clearance of previous years' accounts with regards to the activities under heading 1a.

05 07 01 07 – Conformity clearance of previous years' accounts of shared management expenditure under heading 1a (appropriations – EUR 330 million) (NEW LINE)

Appropriations in preliminary draft budget: none

Appropriations after letter of amendment: - EUR 330 million

See line 05 07 01 06

05 07 01 08 – Accounting clearance of previous years' accounts and reduction/suspension of advances of rural development under heading 1b (appropriations: pm) (NEW LINE)

Appropriations in preliminary draft budget: none

Appropriations after letter of amendment: p.m.

The line 05 07 01 04 is split into lines 05 07 01 08 and 05 07 01 09 in order to distinguish, at budget level, between accounting clearance and conformity clearance of previous years' accounts with regards to rural development (heading 1b).

05 07 01 09 – Conformity clearance of previous years' accounts of rural development under heading 1b (appropriations: pm) (NEW LINE)

Appropriations in preliminary draft budget: none

Appropriations after letter of amendment: p.m.

See line 05 07 01 08

05 08 04 - 05 08 99 – Promotion measures (appropriations + EUR 0 million)

Appropriations in preliminary draft budget: EUR 66 million

Appropriations after letter of amendment: EUR 66 million

2.2. Subheading 1a: items under other policy areas

17 01 04 04 – Pilot study: risk financing model for livestock epidemic (appropriations + EUR 0.5 million)

appropriations in preliminary draft budget: p.m.

appropriations after letter of amendment: EUR 0.5 million

The Commission has begun implementing the pilot project in 2004 and considers that a further funding is necessary for 2005.

2.3. Subheading 1b: rural development

05 04 01 – Rural development in the EAGGF-Guarantee EU-25

05 04 04 – Transitional instrument in the EAGGF-Guarantee for EU-10

(appropriations unchanged)

appropriations in preliminary draft budget: EUR 6 841 million

appropriations after letter of amendment: EUR 6 841 million

The Commission has not changed its position regarding the overall level of appropriations, which corresponds to the ceiling permitted by the Financial Perspective.

2.4. Changes in the nomenclature

Line	Action	Explanation	Credits 2005 EUR
05 02 07 99 Other measure for textile plants	Deleted.	The recoveries linked to irregularities and frauds, including penalties, interests received and securities forfeited, for this line, will be covered by the new line 05 02 99 (see below).	
05 02 99 Recoveries	New line.	To cover recoveries linked to fraud and irregularities for chapter 05 02.	-26.000.000
05 03 99 Recoveries	New line.	To cover recoveries linked to fraud and irregularities for chapter 05 03.	-15.000.000
05 07 01 03 Clearance of previous years accounts and reduction/suspension of advances under activities under heading 1a	Split line into two new lines: 05 07 01 06 Accounting clearance of previous years' accounts and reduction/ suspension of advances of shared management expenditure under heading 1a. 05 07 01 07 Conformity clearance of previous years' accounts of shared management expenditure under heading 1a.	To distinguish, at budget level, between accounting clearance and conformity clearance of previous years accounts with regard to the activities under heading 1a.	-70.000.000 -330.000.000
05 07 01 04 Clearance of previous years accounts and reduction/suspension of advances with regard to rural development	Split line into two new lines: 05 07 01 08 Accounting clearance of previous years' accounts and reduction/ suspension of advances with regard to rural development under heading 1b. 05 07 01 09 Conformity clearance of previous years' accounts and reduction/ suspension of advances with regard to rural development under heading 1b.	To distinguish, at budget level, between accounting clearance and conformity clearance of previous years accounts with regard to rural development (heading 1b).	p.m. p.m.

3. HEADING 4: EXTERNAL ACTIONS

3.1. International fisheries agreements

The Commission proposes to amend the Preliminary Draft Budget as follows:

- Budget item 11 03 01 International fisheries agreements: EUR 166 851 000 in commitment appropriations (compared to EUR 164 351 000 in the PDB) and EUR 171 666 000 in payment appropriations (compared to EUR 168 101 000 in the PDB) for agreements in force by 1 January 2005.
- Provisional appropriations chapter 31 02: EUR 28 475 000 in commitment appropriations (compared to EUR 30 975 000 in the PDB) and EUR 27 410 000 in payment appropriations (compared to EUR 30 975 000 in the PDB).

There is an increase on item 11 03 01 of EUR 2 500 000 in commitment appropriations and of EUR 3 565 000 in payment appropriations. The amounts entered in the reserve are decreased by the same amounts since the uncertainties that existed at the time of drafting the PDB have now been removed. Thus the net overall effect is zero since the increase on item 11 03 01 is made possible by a corresponding decrease of chapter 31 02.

11 03 01 for budget 2005

	CA	PA
Line PDB	164.351.000	168.101.000
Line PB (1 st reading Council)	164.351.000	168.101.000
Amending Letter	166.851.000	171.666.000
Increase item 11 03 01 from the PDB	2.500.000	3.565.000
Reserve 31 02 PDB	30.975.000	30.975.000
Reserve PB (1 st reading Council)	24.975.000	27.975.000
Amending Letter	28.475.000	27.410.000
Decrease reserve 31 02 from the PDB	2.500.000	3.565.000
Net total variation AL from the PDB	0	0

The major reasons for the proposed changes compared to the PDB are:

- An additional financial contribution will be needed for several existing protocols for which catches have exceeded the reference tonnage (plus EUR 2 500 000 in commitment and payment appropriations).
- The first payment related to the protocol with the Ivory Coast which was recently renewed for the period 01.07.2004-30.06.2007 will not be made in 2004 as initially foreseen, but only in 2005 to allow for the completion of the decisional procedure by Council and Parliament (plus EUR 1 065 000 in payment appropriations).

It is to be noted that, since the PDB, a protocol has been initialled with four countries (Seychelles, Micronesia, Solomon Islands and Tanzania). Those agreements will only enter into force in the beginning of 2005, after 1 January. The amounts involved (a total of EUR 5 684 000 in CA and PA) are therefore not transferred from Chapter 31 02 to line 11 03 01. Moreover, four protocols are to be renewed (Angola, Cape Verde, Comoros, and Sao Tome e Principe), and negotiations with several countries for new agreements are in an advanced state.

SUMMARY TABLE BY HEADING OF THE FINANCIAL PERSPECTIVE

Financial perspective Heading/subheading	2005 Financial perspective		APB 2005 and PDAL 1+2/2005		PDAL 3/2005		APB 2005 and PDAL 1, 2 and 3/2005	
	CA	PA	CA	PA	CA	PA	CA	PA
1. AGRICULTURE								
- Agricultural expenditure	44 598 000 000		43 834 450 000	43 834 450 000	-224 000 000	-224 000 000	43 610 450 000	43 610 450 000
- Rural development and accompanying measures	6 841 000 000		6 841 000 000	6 279 400 000			6 841 000 000	6 279 400 000
Total	51 439 000 000		50 675 450 000	50 113 850 000	-224 000 000	-224 000 000	50 451 450 000	49 889 850 000
Margin			763 550 000				987 550 000	
2. STRUCTURAL OPERATIONS								
- Structural funds	37 247 000 000		37 306 564 455	32 390 527 704			37 306 564 455	32 390 527 704
- Cohesion fund	5 194 000 000		5 131 932 989	3 005 500 000			5 131 932 989	3 005 500 000
Total	42 441 000 000		42 438 497 444	35 396 027 704			42 438 497 444	35 396 027 704
Margin			2 502 556				2 502 556	
3. INTERNAL POLICIES								
Margin	9 012 000 000		8 958 583 120	7 728 621 139			8 958 583 120	7 728 621 139
			53 416 880				53 416 880	
4. EXTERNAL ACTION								
Margin	5 119 000 000		5 169 000 000	5 000 179 000	0	0	5 169 000 000	5 000 179 000
			-50 000 000				-50 000 000	
5. ADMINISTRATION								
Margin	6 360 000 000		6 352 309 000	6 352 309 000			6 352 309 000	6 352 309 000
			7 691 000				7 691 000	
6. RESERVES								
- Guarantee reserve	223 000 000		223 000 000	223 000 000			223 000 000	223 000 000
- Emergency aid reserve	223 000 000		223 000 000	223 000 000			223 000 000	223 000 000
Total	446 000 000		446 000 000	446 000 000			446 000 000	446 000 000
Margin			0				0	
7. PREACCESSION STRATEGY								
Margin	3 472 000 000		2 075 000 000	3 225 090 000			2 075 000 000	3 225 090 000
			1 397 000 000				1 397 000 000	
8. COMPENSATIONS								
Margin	1 305 000 000		1 304 988 996	1 304 988 996			1 304 988 996	1 304 988 996
			11 004				11 004	
TOTAL	119 594 000 000	114 235 000 000	117 419 828 560	109 567 065 839	-224 000 000	-224 000 000	117 195 828 560	109 343 065 839
Margin			2 174 171 440	4 667 934 161			2 398 171 440	4 891 934 161