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REPORT

on Draft Amending Budget No 3/2002 of the European Union for the 2002 financial year
(SEC(2002) 626 – 00000/2002 – C5-0000/2002 – 2002/2128(BUD))

Rapporteurs: Guido Podestà
Kathalijne Maria Buitenweg

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PROCEDURAL PAGE

For the budgetary procedure for the 2002 financial year, the Committee on Budgets appointed Kathalijne Maria Buitenweg and Guido Podestà rapporteurs at its meetings of 4 December 2000 and 13 May 2002 respectively.

The Commission presented Preliminary Draft Amending Budget No 3/2002 of the European Union for the 2002 financial year and forwarded it to Parliament on 6 June 2002 (SEC(2002) 626).

On 27 June 2002 the Council will establish Draft Amending Budget No 3/2002 of the European Union for the 2002 financial year and will forward it to Parliament by letter of 27 June 2002.

At the sitting of 1 July 2002 the President of Parliament will announce that he has referred Draft Amending Budget No 3/2002 to the Committee on Budgets as the committee responsible (C5-0000/2002 – 2002/2128(BUD)).

At its meeting of 19 June 2002, the Committee on Budgets considered Draft Amending Budget No 3/2002 and the draft report, subject to the Council's adoption of the draft budget without amendment.

At that meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Terence Wynn (chairman), Anne Elisabet Jensen (vice-chairman), Guido Podestà and Kathalijne Maria Buitenweg (rapporteurs), Den Dover, Bárbara Dührkop Dührkop, Göran Färm, Markus Ferber, Salvador Garriga Polledo, Catherine Guy-Quint, Jutta D. Haug, María Esther Herranz García, Constanze Angela Krehl, Juan Andrés Naranjo Escobar, Joaquim Píscarreta, Per Stenmarck and Kyösti Tapio Virrankoski:

The report was tabled on 21 June 2002.

The deadline for tabling amendments will be 7 p.m. on Monday, 1 July 2002.

MOTION FOR A RESOLUTION

European Parliament resolution on Draft Amending Budget N° 3/2002 of the European Union for the 2002 financial year

(SEC(1992) 626 – 00000/2002 – C5-0000/2002 – 2002/2128 /BUD))

The European Parliament,

- having regard to Article 272 of the EC Treaty, Article 78 of the ECSC Treaty and Article 177 of the Euratom Treaty,
 - having regard to the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities, as last amended by Regulation (EC, ECSC, Euratom) No 762/2001¹, and in particular Article 15 thereof,
 - having regard to the general budget of the European Union for the 2002 financial year, as finally adopted on 13 December 2001²,
 - having regard to the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure³,
 - having regard to Draft Supplementary and Amending Budget No 2/2002, which was established by the Council on 12 March 2002 (7033/2002– C5-0131/2002),
 - having regard to its resolution of 30 May 2002 on Draft Supplementary and Amending Budget No 2/2002 of the European Union for the 2002 financial year⁴,
 - having regard to Preliminary Draft Supplementary and Amending Budget No 3/2002 of the European Union for the 2002 financial year, which was presented by the Commission on 5 June 2002 (SEC(2002) 626),
 - having regard to Draft Supplementary and Amending Budget No 3/2002 which was established by the Council on 27 June 2002 (0000/2002 - C5-0000/2002),
 - having regard to Rule 92 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgets (A5-0248/2002),
- A. whereas Supplementary and Amending Budget No 3/2002 enters the amounts carried over from 2001 as revenue in the 2002 budget, and whereas the total surplus of EUR 15 billion corresponds almost entirely to the under-implementation of payment appropriations in 2001,

B. whereas virtually all the EUR 15 billion surplus has already been repaid to the Member

¹ OJ L 111, 20.4.2001, p. 1.

² OJ L 56, 26.2.2001.

³ OJ C 172, 18.6.1999, p. 1.

⁴ Texts adopted (P5_TAPROV(2002)0263)

States in the form of provisional amounts approved when the 2002 budget was adopted (EUR 1.2 billion) and under Supplementary and Amending Budget No 2/2002 (EUR 10 billion); whereas the remaining amount contained in SAB No 3/2002 is therefore EUR 3.8 billion,

- C. whereas the issue of the problems caused by the under-implementation of the payment appropriations available has already been raised by Parliament in connection with the SAB No 2/2002 procedure,
 - D. whereas Supplementary and Amending Budget No 3/2002 also includes a number of adjustments to the 2002 budget which are necessary following the entry into force of the new Council decision on the Union's system of own resources and following the updating of the estimates relating to customs duties and the VAT and GNP bases of assessment,
1. Notes that the final surplus for the 2002 financial year was EUR 15 billion and calls once again on the Commission to present a detailed analysis of the causes of such a situation and to put forward proposals designed to remedy it;
 2. Recalls its concern (previously expressed in its resolution on SAB No 2/2002) regarding the accumulation of outstanding payments and its invitation to the Commission to assess the situation by 30 September 2002 with a view, where necessary, to making appropriate adjustments either under the general transfer procedure or by means of a supplementary budget;
 3. Approves without amendment Draft Supplementary and Amending budget No 3/2002, which was established by the Council on 27 June 2002;
 4. Instructs its President to forward this resolution to the Council, the Commission, the Court of Auditors and the Economic and Social Committee.

EXPLANATORY STATEMENT

On 5 June the Commission adopted its preliminary draft SAB No 3/2002. The document has been sent to the Council (which will adopt its draft SAB No 3/2002) and it will subsequently be sent to Parliament.

Timetable

According to the Council secretariat, the matter could be dealt with by Coreper on 19 June, in which case the Council could adopt the draft SAB on 24/25 June. Following receipt, Parliament has 45 days (Article 272 of the Treaty) within which either to approve the draft or to table amendments. The deadline to which Parliament is subject under the Treaty would therefore expire at the beginning of August, unless Parliament asks for the time limit to be suspended on account of the time of year (summer) [gentlemen's agreement].

Owing to the fact that the July part-session will take place before its meeting, the Committee on Budgets would have to approve or amend SAB No 3 at its meeting of 19-20 June. The SAB would then be put to plenary vote at the July part-session (1-4 July).

Aspects of SAB No 3 – Budget revenue

1. Incorporation of the 2001 final surplus into the budget

The closure of the accounts for the 2001 budget reveals an EUR 15 billion surplus which is to be entered in the 2002 budget as revenue. Consequently, the Member States' contributions to the financing of the 2002 budget can be reduced by EUR 15 billion. EUR 11.2 billion of that money has already been dealt with in the 2002 budget and under SAB No 2. The additional reimbursement to the Member States under SAB No 3 is therefore EUR 3.8 billion.

The 2001 surplus of EUR 15 billion has been entered in the 2002 budget as follows:

EUR 1.2 billion when the 2002 budget was adopted;
EUR 10 billion under SAB No 2;
EUR 3.8 billion under SAB No 3.

Where does the EUR 15 billion come from?

- (a) **from under-implementation of EU programmes: 15.337 billion.** The Commission itself states in its press release, with reference to the Structural Funds, that: '*...demand for Structural Fund appropriations was much lower (by EUR 10 billion) than expected. Once again the Member States are obviously waiting until the last possible moment – from a legal point of view – in order to implement their programmes and are drawing up rash estimates.*'

Table 1: Under-implementation in 2001 per financial-perspective heading

Heading	Payment appropriations	Expenditure, 2001	Difference	Appropriations carried over to 2002	Appropriations carried over from 2000 which lapse	Balance of expenditure, 2001
1. Agriculture	44.023.700.000,00	41.497.422.891,14	2.526.277.108,86	684.917.004,50	15.793.545,51	1.857.153.649,87
2. Structural operations	31.524.687.000,00	22.455.803.009,83	9.068.883.990,17	0	1.470.000.000,00	10.538.883.990,17
3. Internal policies	6.406.148.496,89	5.187.545.918,72	1.218.602.578,17	697.496.586,79	337.563.336,01	858.669.327,39
4. External action	4.720.779.168,54	4.145.832.175,66	574.946.992,88	229.976.445,39	96.048.290,70	441.018.838,19
5. Administration	4.946.901.424,13	4.430.875.100,66	516.026.323,47	465.696.882,66	71.395.371,12	121.724.811,93
6. Reserves	876.000.000,00	207.176.000,00	668.824.000,00	0	0	668.824.000,00
7. Pre-accession aid	2.120.572.544,10	1.401.312.619,69	719.259.924,41	11.601.040,20	143.544.328,51	851.203.212,72
Total	94.618.788.633,66	79.325.967.715,70	15.292.820.917,96	2.089.687.959,54	2.134.344.871,85	15.337.477.830,27

(b) from lower-than-expected revenue in 2001: - EUR 408 million

(c) from exchange-rate gains: EUR 73 million

a+b+c = final surplus for 2001: EUR 15.002 billion

2. Other 2002 budget revenue adjustments reflected in SAB No 3

- Adjustment in the cost of levying traditional own resources (TOR) following ratification of the new decision on own resources. A provisional amount has been incorporated into SAB No 2 and the final adjustment is now being made.
- Reimbursement of the External Measures Guarantee Fund surplus. A Fund surplus of EUR 373 million has been transferred to the 2002 revenue accounts.
- Competition. The Commission hopes that fines amounting to EUR 583 million will be paid, in particular by pharmaceutical companies. That amount will be entered under 2002 revenue.
- Administrative expenditure relating to the winding-up of the European Coal and Steel Community. EUR 1.46 million will be transferred from the Coal and Steel Research Fund to the general budget. The Commission is proposing to allocate this money to a number of 'A' headings which are used in order to administer that fund. (As soon as the ECSC is wound up the Commission will take responsibility for administering the remaining assets.)
- Contributions from Iceland and Norway relating to the joint project on the criteria and the mechanisms to be used in order to determine the State responsible for considering asylum applications (EURODAC).
- Revision of the VAT and GNP bases and of estimated revenue from customs duties. The Commission has revised these figures downwards in the wake of lower-than-expected growth. The adjustment in respect of GNP and VAT is insignificant but a 12.9% reduction is to be made in the case of customs duties (EUR 2.031 billion owing to lower growth in imports).
- Correction of budget imbalances in favour of the United Kingdom. A new method of calculation has been introduced in the wake of the new Council Decision on the Community's own resources. The technical calculations are extraordinarily complex but it may be said that they benefit net contributors.

Aspects of SAB No 3 – Budget expenditure

1. In the wake of Court of Justice rulings the Commission will have to repay more interest than expected to various companies. It is proposed that heading A-2340 (Damages) be increased by EUR 1.3 million.
2. Court of Auditors : As to Section V, the Court of Auditors, the proposal to include a remark in Title 2 to cover all expenditure linked to damage resulting from industrial conflicts and terrorist attacks is in line with decisions taken by the Budgetary Authority in the preparation of the 2002 Budget. Following the incidents of September 11th, the insurance companies revoked cover for the risk of industrial conflict and terrorist attack. Most institutions were affected by this move.

In view of the fact that some insurance companies were either not willing to assume these risks at that time or were willing to do so only at a very high price and on the basis of very restrictive conditions, the Budgetary Authority indicated to the institutions that it would give the possibility of 'self-insurance' favourable consideration. This concept, which is also applied by public authorities of some Member States, allows the budget to cover directly the damage that could be potentially caused to buildings by terrorist attack or industrial conflict. The Budgetary Authority approved the inclusion of such a remark in Parliament's budget for 2002. The Court of Auditors has now decided to take recourse to this alternative, which is also endorsed by the Rapporteurs. However, it remains to be examined how the EU Budget can be protected from the risk that this alternative poses, in particular if self-insurance is to be applied in the medium or long-term.

3. Economic and Social Committee : As to Section VI, the Economic and Social Committee (ESC), as regards the taking-over the tasks of the current ECSC Consultative Committee, Parliament has expressed its support for the continuation of the structured dialogue in this field after the expiry of the ECSC Treaty. In view of the fact that the discontinuation of this activity has been taken into account in the 2002 Budget of the Commission (and PDB 2003), and given that the ESC can take over the tasks at slightly reduced cost, the additional appropriations could be made available in the 2002 budget. It should be noted that, as a result, this activity will also have to be financed in the 2003 Budget of the ESC and in following years.

Financing of EU expenditure by the Member States

Taking into account all the various aspects of SAB No 3, the structure of the financing of EU new expenditure is as follows:

Member States	Budget 2002	SAB 2/2002	Difference SAB 2/2002 vs Budget 2002	PDSAB 3/2002	Difference PDSAB 3 vs SAB 2/2002	Difference PDSAB 3 vs Budget 2002
	(1)	(2)	(3) = (2) - (1)	(4)	(5) = (4) - (2)	(6) = (4) - (1)
B	3 713 190 931	3 232 729 989	- 480 460 942	3 051 559 001	- 181 170 988	- 661 631 930
DK	1 845 988 444	1 779 845 528	- 66 142 916	1 693 940 119	- 85 905 409	- 152 048 325
D	22 889 983 927	19 878 765 042	-3 011 218 885	18 425 510 852	-1 453 254 190	-4 464 473 075
EL	1 528 678 826	1 428 377 848	- 100 300 978	1 345 679 469	- 82 698 379	- 182 999 357
E	7 235 573 283	6 730 913 143	- 504 660 140	6 523 476 432	- 207 436 711	- 712 096 851
F	15 654 450 325	14 708 661 700	- 945 788 625	14 018 196 271	- 690 465 429	-1 636 254 054
IRL	1 308 323 385	1 140 866 160	- 167 457 225	1 026 804 924	- 114 061 236	- 281 518 461
I	12 205 757 092	11 618 012 369	- 587 744 723	11 454 804 663	- 163 207 706	- 750 952 429
L	231 471 360	209 886 933	- 21 584 427	190 711 740	- 19 175 193	- 40 759 620
NL	6 063 974 069	5 050 168 484	-1 013 805 585	4 675 371 513	- 374 796 971	-1 388 602 556
A	2 316 401 017	1 954 587 542	- 361 813 475	1 820 985 517	- 133 602 025	- 495 415 500
P	1 365 870 731	1 270 416 316	- 95 454 415	1 204 501 341	- 65 914 975	- 161 369 390
FIN	1 360 988 376	1 303 382 742	- 57 605 634	1 214 227 083	- 89 155 659	- 146 761 293
S	2 560 122 031	2 204 124 304	- 355 997 727	2 076 955 266	- 127 169 038	- 483 166 765
UK	13 363 421 207	11 133 456 904	-2 229 964 303	10 164 696 462	- 968 760 442	-3 198 724 745
Total	93 644 195 004	83 644 195 004	-10 000 000 000	78 887 420 653	-4 756 774 351	-14 756 774 351