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REPORT

on the Draft Amending Budget N° 6/2003 of the European Union for the
financial year 2003
(14836/2003 - C5-0567/2003 – 2003/2197(BUD))

Section III - Commission

Committee on Budgets

Rapporteur: Göran Färm

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PROCEDURAL PAGE

For the budgetary procedure for the financial year 2003, the Committee on Budgets appointed Göran Färm rapporteur at its meeting of 2 December 2002.

On 29 October 2003 the Commission presented the Preliminary Draft Amending budget N° 7/2003 of the European Union for the financial year 2003 and forwarded it to Parliament (SEC(2003) 1111).

On 25 November 2003 the Council established the Draft Amending Budget N° 6/2003 of the European Union for the financial year 2003 and forwarded it to Parliament by letter of 26 November 2003 (14836/2003).

At the sitting of 3 December 2003 the President will announce that he has referred the Draft Amending Budget N° 6/2003 to the Committee on Budgets as the committee responsible and to all the committees concerned for their opinions (C5-0567/2003 – 2003/2197(BUD)).

The Committee on Budgets considered the Draft Amending Budget N° 6/2003 and the draft report at its meeting of 26 November 2003.

At the last meeting the committee adopted the motion for a resolution unanimously.

The following were present for the vote: Terence Wynn (chairman), Reimer Böge (vice-chairman), Franz Turchi (vice-chairman), Göran Färm (rapporteur), Ioannis Averoff, Joan Colom i Naval, Den Dover, Bárbara Dührkop Dührkop, Salvador Garriga Polledo, Catherine Guy-Quint, Wilfried Kuckelkorn, Jan Mulder, Juan Andrés Naranjo Escobar, Joaquim Píscarreta, Esko Olavi Seppänen (for Chantal Cauquil), Per Stenmarck, Kyösti Tapio Virrankoski and Ralf Walter.

The report was tabled on 1 December 2003 .

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Draft Amending Budget N° 6/2003 of the European Union for the financial year 2003, Section III – Commission (14836/2003 - C5-0567/2003 – 2003/2197(BUD))

The European Parliament,

- having regard to Article 272 of the EC Treaty and Article 177 of the Euratom Treaty,
 - having regard to Council Regulation (EC, Euratom) No 1605 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹, and particularly Articles 37 and 38 thereof,
 - having regard to the general budget of the European Union for the financial year 2003, as finally adopted on 19 December 2002²,
 - 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 the preliminary Draft Amending Budget N° 7/2003 of the European Union for the financial year 2003, which the Commission presented on 29 October 2003 (SEC(2003) 1111),
 - having regard to the Draft Amending Budget No 6/2003 of the European Union for the financial year 2003, which the Council established on 25 November 2003 (14836/2003 - C5-0567/2003),
 - having regard to Rule 92 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgets (A5-0428/2003),
- A. whereas the proposal to reduce by EUR 5 billion the payment appropriations entered in the 2003 budget for the completion of pre-2000 structural fund programmes runs contrary to the priority of effectively implementing EU programmes rather than postponing them year after year or even cancelling them altogether,
- B. whereas such tendencies are particularly worrying in a situation where the political will to finally implement and close the pre-2000 programmes must now be questioned,
- C. whereas, however, a global agreement was reached on the 2004 budget, as well as on Amending budgets 7 and 8, at the Budgetary Conciliation between Parliament and Council on 24 November 2003,

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 54, 28.2.2003

³ OJ C 172, 18.6.1999, p. 1.

1. Reiterates its dissatisfaction with the under-implementation of payment appropriations for Structural Funds, particularly for the pre-2000 programmes, and points out that outstanding commitments at 7 November 2003 amount to EUR 12,8 billion;
2. Considers that the proposal to reduce by EUR 5 billion the payment appropriations for pre-2000 programmes in the 2003 budget weakens the political priority, which has been repeatedly expressed, to make headway in implementing and closing these programmes;
3. Points out that the Preliminary Draft Budget of the European Union for the financial year 2004 only contains EUR 984 million in payment appropriations for these programmes and questions whether all payment claims can be met under such circumstances; recalls that the Commission has been invited by the Budgetary Authority to present an Amending Budget, should payments needs exceed the appropriations entered in the 2004 Budget;
4. Approves without amendment the Draft Amending Budget No 6/2003;
5. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Background

1. On 29 October 2003, the Commission submitted to the budgetary authority the Preliminary Draft Amending Budget N° 7/2003¹, the main element of it being the reduction of payment appropriations entered for the outstanding commitments in the pre-2000 programmes of the Structural Funds.
2. In its explanatory memorandum, the Commission indicates that:
 - by the end of 2001, the outstanding commitments for the pre-2000 programmes amounted to € 17.24 billion;
 - Member States forecasts of payments in 2002 for these programmes amounted to € 7 billion;
 - in accordance with these forecasts, payment appropriations amounting to some € 7,3 billion were entered in the 2002 budget (cf. Table 1 below);
 - actual payments in 2002 only amounted to €1,2 billion;
 - taking into account the ultimate deadline for the financial closure of these programmes (i.e. 31 March 2003), the Commission had carried forward € 3.254 million of payment appropriations from 2002 to 2003, in order to be in a position to honour most of the remaining payment claims;
 - the bulk of these claims was received just before the ultimate deadline of 31 March 2003;
 - many claims did not include all the necessary information, and in some cases, additional information would have to be obtained from Member States.

Table 1 - 2002 Budget - Payment appropriations for completion of pre-2000 programmes

Post	Heading	€
B2-105	Completion of earlier programmes	3.385.000.000
B2-112	Completion of earlier programmes	1.600.000.000
B2-121	Completion of earlier programmes	500.000.000
B2-131	Completion of earlier FIG programmes	40.000.000
B2-132	Completion of earlier EAGGF programmes	200.000.000
B2-144	Completion of earlier programmes	1.477.000.000
B2-164	Completion of earlier programmes	120.000.000
Total		7.322.000.000

3. Consequently, the Commission states that it will be unable to pay in 2003 all payment claims received, i.e. an expected amount of € 4.108 billion at the end of 2003, leading to an estimated surplus of € 5.476 billion. As a result, the Commission is now proposing to reduce the 2003 budget by € 5 billion, which, in concrete terms, means that Member States contribution to the EU budget will be reduced by the same amount.

Analysis

¹ SEC(2003) 1111 of 29.10.2003

4. Parliament has repeatedly expressed great concerns about the under implementation of payment appropriations, in particular with regard to the pre-2000 programmes of the Structural Funds, and most recently in its Resolution on Structural Funds: trend in outstanding commitments and requirements for 2004. The present state of affairs, albeit deplorable, comes as no surprise.
5. Against this background, the Commission argumentation for justifying its inability to honour all payment claims is not entirely convincing. By the end of 2002, having only received payment claims amounting to € 1.2 billion, the Commission already knew that the bulk of the remaining claims would be submitted within the next three months, that is, before the ultimate deadline of 31 March 2003. Moreover, on 14 February 2003, on which date it took the decision to carry over € 3.254 billion from 2002 to 2003, the Commission was well aware that Member States only had another six weeks to submit their payment claims. In other words, this "extreme concentration of payment claims" right before the deadline could have been anticipated, in order to allocate the necessary resources for processing the claims before the end of 2003.
6. While the reduction of outstanding commitments remains a priority of the budgetary authority, your Rapporteur would like to stress that reduction should be achieved through implementation, rather than cancellation of payment appropriations. Such cancellations are indeed foreseen, under Art. 77 § 3 of the Financial Regulation¹, or under Art. 31 of Regulation No 1260/99² (the "n+2" rule). However, this legislation targets situations where payments are not submitted before a particular deadline. In the present case, payment claims were submitted on time, and the so-called "under implementation" resides essentially in the Commission's difficulty to provide an appropriate follow-up.
7. Nevertheless, your Rapporteur is aware that the Commission was not able to process certain claims because the necessary information was not included. Obtaining and processing this information might be a lengthy process, which might well extend over the next year.
8. With this in mind, and with regard to the 2004 budget, your Rapporteur would like to raise the following points:
 - the Commission claims that the outstanding commitments should amount to € 7.869 billion at 31/12/2003, taking account of payments to be made and additional decommitments. In any event, the outstanding commitments on pre-2000 programmes amount to date to € 12.839 billion (see details in table 2 below);
 - the 2004 PDB for these programmes foresees only € 984 million in payment appropriations, which might be insufficient
 - in that framework, the Budgetary Authority has invited the Commission to present an amending budget, should this situation arise in 2004.

Table 1 - 2002 Budget - Outstanding commitments to date Vs payments appropriations in 2004 PDB (€ million)

Post	RAL at 31/12/2002	Payments at 7/11/2003	Decommitments	RAL at 07/11/2003	PDB 2004 (PA)
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¹ Council Regulation (EC, Euratom) No 1605/2002, OJ L 248 of 16.9.2002 p. 1

² OJ L 161 of 26.6.1999 p. 1

B2-105	7.601	955	-288	6.359	359
B2-112	3.081	184	-345	2.551	178
B2-121	1.452	106	-301	1.044	74
B2-131	108	0	-38	70	5
B2-132	558	65	-9	483	214
B2-144	2.650	136	-232	2.282	144
B2-164	115	36	-31	50	11
Total	15.565	1.482	-1.246	12.839	984

9. Under these circumstances, your Rapporteur suggests that the draft Amending Budget 6/2003 be approved without amendment.