

# EUROPEAN PARLIAMENT

1999



2004

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*Committee on Regional Policy*

**2004/2001(BUD)**

6 September 2004

## **OPINION**

of the Committee on Regional Development

for the Committee on Budgets

on the draft general budget for the 2005 financial year  
(2004/2001 (BUD))

Draftsperson: Rolf Berend

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## SHORT JUSTIFICATION

### *Introduction and Overview*

There are three salient aspects to the budgetary procedure for 2005 as it concerns the Structural Funds and Regional Policy. Firstly, 2005 is the first full budgetary year for Europe 25. Secondly, as a consequence of this, the overall amounts available in the PDB<sup>1</sup> for Regional policy have been increased. The increase in payment appropriations outstrips the more modest increase in commitment appropriations. Thirdly the allocation of appropriations reflects the continuation of the transition from pre-accession instruments to receipt of Cohesion Fund support in the case of eight of the new Member States.

The changes in the pattern of Regional policy and Cohesion Fund expenditure should be set against developments in the overall levels of proposed budgetary expenditure. For the proposed budget as a whole the increase in payment appropriations is 9.7% to give a total expenditure of 109.5 billion Euros. Commitment appropriations for the budget as a whole rise to 117.2 billion, a 5.2% increase. Payment appropriations for the Structural Funds rise by 14.8% in the enlarged Union to 35.4 billion Euros and commitment appropriations by 3.3% to 42.4 billion Euros. Within this overall figure for the Structural Funds, Cohesion fund expenditure rises by 7.3% to just over 3 billion Euros while commitment appropriations for the Cohesion Fund fall by 9.7% to 5.1 billion Euros. The reduction in Cohesion Fund commitment appropriations is largely due to the fact that Ireland is no longer eligible.

A preliminary observation is that the slower rate of increase, or in the case of the Cohesion Fund, the reduction in commitment appropriations when set against the increases in payment appropriations should contribute to limiting the increase in the RAL (reste à liquider), the residue of outstanding commitment appropriations.

### *The Impact of Enlargement*

The 14.8% increase in expenditure on structural measures is largely due to the doubling of payment appropriations available for the new Member States. Structural Fund expenditure in EU 10 increases by 82% and Cohesion Fund expenditure by 330%, although of course in the new Member States, pre-accession structural expenditure is being phased out. For the Structural Funds payment appropriations in the new Member States will reach 3.09 billion Euros while commitment appropriations will be 5.3 billion Euros.

There are 0.7 billion Euros in payment appropriations for the Cohesion Fund in EU 10 and 2.39 billion in commitment appropriations.

### *Appropriations for EU 15*

Both commitment and payment appropriations for the Structural Funds in EU 15 are

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<sup>1</sup> Preliminary Draft Budget

increased in the Preliminary Draft Budget. Payment appropriations rise by 11.3% to 29.3 billion Euro and commitment appropriations rise to almost 33 billion Euros. Whereas this increase may seem adequate it is clear from the high rate of budgetary implementation in 2004 for the Regional Fund and the operation of the N+ 2 rule that a further increase in payment appropriations may be necessary. On the other hand it is not yet clear what the absorption capacity for Structural Fund expenditure is in the new Member States. In this regard it is essential that the Commission forward to the Parliament up-to-date information on 2004 budget expenditure forecasts.

### ***Evaluation and the Third report on Economic and Social Cohesion***

There is a regulatory requirement on the Commission to conduct a review of Structural Fund expenditure for each programming period. These ex-post reviews become available in 2004 for the programming period 1994 to 1999. The evaluations, which are generally favourable for the Structural Funds, feed into a mid-term review for the 2000-2006 programming period and the Third Report on Economic and Social Cohesion. It is to be regretted that weaknesses in target setting in 1994 means that in depth analysis of cost effectiveness has not been possible. Nevertheless your draftsman is conscious of the fact that the draft budget for 2005 should also be considered in the light of the General Regulation on Structural Funds and Cohesion Funds (2007-2013) replacing Regulation 1260/1999, when it finally becomes available. For the Cohesion Fund specifically it is to be regretted that ex- post evaluation will not be completed until November 2004.

### ***RAL- outstanding commitment appropriations***

As stated above the proposed increase in payment appropriations for Structural policy is greater than the proposed increase in commitment appropriations, which should slow down the increase in the RAL. It remains the case, however that on the basis of the PDB the RAL will increase. The "abnormal" RAL which relates to pre 1999 programmes should be eliminated in 2004.

### ***Particular issues and draft amendments***

Your draftsman will now indicate particular aspects of the Preliminary Draft Budget, which he considers might be subject to amendments to be proposed by the committee. This preliminary indication is not immutable. **The committee, of course, retains the right to propose or withdraw amendments in view of the Council's first reading of the budget and adoption of the Draft Budget on Friday 16 July, particularly in respect of restoring amounts reduced by the Council to those proposed in the Preliminary Draft Budget.**

In view of the high levels of implementation of payment appropriations in EU 15, your draftsman proposes an increase in the amounts allowed for objective 1-Regional policy (line 13-03-01) above that initially proposed in the PDB. An increase by amendment of 250 million Euros or a modest 0.2% above the 2004 level would bring the increase in payment appropriations for this line up to the average increase for non-compulsory expenditure in the PDB.

For commitment appropriations your draftsman does not believe that the reduction in funds in the PDB compared to the amount available in 2004 for Objective 2-Regional policy (line

13-3-04) should occur without this cut being clearly justified. No such justification is found in the PDB documentation. He would therefore propose restoring it to its 2004 level by way of amendment which adds 78.8 million Euros or 2 % to the line concerned.

More specifically there is a proposed reduction in the amounts available for the special programme for peace and reconciliation in Northern Ireland and the border counties of Ireland ( line 13-03-02). Pending a convincing case to support this reduction your draftsman would propose restoring appropriations for this programme to their 2004 levels. This entails amendments to increase payment appropriations by 6.87 million Euros.

All of these amendments are within the margin imposed by the Financial Perspective for 2005.

## PROCEDURE

<b>Title</b>	On the draft general budget for the 2005 financial year
<b>Procedure number</b>	2004/2001
<b>Committee responsible</b>	REGI
<b>Enhanced cooperation</b>	
<b>Drafts(wo)man</b> Date appointed	Rolf Berend 30.8.2004
<b>Discussed in committee</b>	31.8.04
<b>Date suggestions adopted</b>	31.8.04
<b>Result of final vote</b>	for: adopted unanimously with one against: abstention abstentions:
<b>Members present for the final vote</b>	Alfonso Andria, Stavros Arnaoutakis, Elspeth Attwooll, Jean Marie Beaupuy, Rolf Berend, Adam Jerzy Bielan, Jana Bobošíková, Bairbre de Brún, Giovanni Claudio Fava, Gerardo Galeote Quecedo, Iratxe García Pérez, Eugenijus Gentvilas, Lidia Joanna Geringer de Oedenberg, Ambroise Guellec, Gábor Harangozó, Marian Harkin, Konstantinos Hatzidakis, Jim Higgins, Alain Hutchinson, Carlos José Iturgaiz Angulo, Mieczysław Edmund Janowski, Gisela Kallenbach, Tunne Kelam, Miloš Koterec, Constanze Angela Krehl, Sérgio Marques, Yiannakis Matsis, Miroslav Mikolášik, Francesco Musotto, Lambert van Nistelrooij, Jan Marian Olbrycht, István Pálfi, Markus Pieper, Francisca Pleguezuelos Aguilar, Bernard Poignant, Sérgio Ribeiro, Elisabeth Schroedter, Alyn Smith, Grażyna Staniszevska, Catherine Stihler, Margie Sudre, Kyriacos Triantaphyllides, Oldřich Vlasák, Vladimír Železný
<b>Substitutes present for the final vote</b>	Philip Charles Bradbourn, Brigitte Douay, Emanuel Vasconcelos Jardim Fernandes, Ewa Hedkvist Petersen
<b>Substitutes under Rule 178(2) present for the final vote</b>	