

## **P5\_TA(2003)0333**

### **Implementation of 2003 budget**

#### **European Parliament resolution on the 2003 budget: implementation profile, transfers of appropriations and supplementary and amending budgets (2003/2026(BUD))**

*The European Parliament,*

- having regard to Articles 272 and 274 of the EC Treaty,
  - having regard to the general budget of the European Union for the financial year 2003<sup>1</sup>,
  - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>2</sup>,
  - 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 procedure<sup>3</sup>,
  - having regard to Rule 92 and Annex IV of its Rules of Procedure,
  - having regard to the report of the Committee on Budgets (A5-0233/2003),
- A. whereas it establishes, as one arm of the budgetary authority, the general budget of the European Union according to Article 272 of the Treaty,
- B. whereas the Commission implements the budget voted by the budgetary authority under its own responsibility and within the limits of the appropriations, according to Article 274 of the Treaty,
- C. whereas, in the context of the 2001 and 2002 budget procedures, it has already reinforced its monitoring over budget implementation in the course the budgetary year,
- D. whereas new tools and instruments to improve this follow-up have been set up at an interinstitutional level, such as weekly implementation tables and the Implementation Plan containing the implementation profile envisaged for various programmes,
- E. whereas the overall administrative reform of the Commission, ongoing since 2000, may have a major impact on the implementation of the budget and includes changes such as the introduction of Activity Based Management (ABM), Activity Based Budgeting (ABB), deconcentration of external delegations and a better matching of the tasks and resources at the Commission's disposal,

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<sup>1</sup> OJ L 54, 28.2.2003.

<sup>2</sup> OJ L 248, 16.9.2002.

<sup>3</sup> OJ C 172, 18.6.1999, p. 1.

- F. whereas both qualitative and quantitative analysis of implementation are important means of ensuring that resources (tax-payers' money) are used effectively to achieve established goals and to provide a link with next year's budget in the allocation of scarce resources,
- G. whereas point 37 of the Interinstitutional Agreement allows for the possibility of entering in the budget appropriations without legal bases for pilot projects and preparatory actions,
- H. whereas the new Financial Regulation entered into force on 1 January 2003.

***RAL and Implementation Plan***

- 1. Notes that, as at 30 April 2003, total outstanding commitments (RAL) had risen to EUR 126.1 billion from an amount of EUR 110.7 billion at the same date in 2002; notes that the breakdown is as follows:

(EUR million)

Heading	RAL 30 April 2002	RAL 30 April 2003	Difference	%
Structural Funds (2)	82 898	93 906	11 008	+ 13 %
Internal Policies (3)	8 838	10 761	1 923	+ 22 %
External Actions (4)	12 370	12 916	546	+ 4 %
Pre-Accession (7)	6 562	8 496	1 934	+ 29 %
<b>TOTAL</b>	<b>110 668</b>	<b>126 079</b>	<b>15 411</b>	<b>+ 14 %</b>

- 2. Is concerned at this general increase, although final opinion must be reserved until new information on the abnormal part of these RALs is available;
- 3. Recalls the Commission's undertaking to submit, with the PDB for 2004, an action plan examining all potentially abnormal outstanding commitments and a timetable for their elimination by the end of 2003; also recalls that these documents will contain information, broken down per Member State, on items falling under the N+2 rule and indicate the measures to be taken;
- 4. Recalls that the Implementation Plan for 2003 should take into account and reflect the political priorities of the European Parliament as set out in the already adopted 2003 budget;
- 5. Believes that there is a problem with the general debate on RALs (outside purely budgetary circles) as the total figures are so often confused with what is the "abnormal" part, even within the Institutions themselves, let alone by the general public; considers that the abnormal part of the RAL must be made more visible and, as a first step, that it should appear separately and regularly in documents produced by the Commission; in the medium term, new terminology and ways of presentation should be found to make the subject more accessible;
- 6. Notes with satisfaction that the Implementation Plan for 2003 will be broken down in greater detail, as agreed in the Joint Declaration on potentially abnormal RAL<sup>1</sup>, which will allow for monitoring of specific programmes rather than aggregate budgetary

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<sup>1</sup> P5\_TA(2002)0624.

headings; regrets that the Implementation Plan was not available with the PDB 2004 as had been agreed and urges the Commission to present it without delay;

7. Asks the Commission to provide an overview of the commitments that are not implemented, cancelled, de-committed and lapsed since 1999 (but that may refer to commitments from the previous programming period), so as to determine which percentage of the budget was not only delayed but not actually spent;

#### ***Preparation for enlargement***

8. Welcomes the fact that selection procedures for the 500 enlargement posts provided for 2003 are on schedule and that the staff should be contracted as planned;
9. Recalls that the Commission received additional human resources also in 2001 (400 posts) and 2002 (317 posts) and asks the Commission to provide the breakdown of where these posts have been allocated; will pay particular attention to whether the Parliament's priorities have been taken into account in the allocation of these posts;
10. Asks the Commission to clarify the future plans for DG Enlargement, especially as concerns staffing resources (taking into account the needs for Bulgaria, Romania, Croatia, etc.) once this enlargement has taken place, and to what extent and where resources could be redeployed;

#### ***Surplus 2002***

11. Deplores the fact that the surplus for 2002, to be presented by the Commission in Amending Budget No 3/2003, amounts to EUR 7,4 billion;
12. Reminds the Commission to take into consideration both the political priorities of the European Parliament and the implementation rates when proposing budgetary transfers in order to apply a more efficient budgetary policy;
13. Points out that this amount consists of approximately EUR 9 billion of under-implementation of EU programmes in 2002, EUR -1,3 billion in lower than forecast revenues and EUR -0,3 billion from exchange rate fluctuations;
14. Considers the 2002 surplus to be a step forward, taking into account the fact that the surplus for 2001, returned to Member States last year, amounted to more than the double at EUR 15 billion; considers, nevertheless, that EUR 9 billion of under-implementation is unacceptably high and draws particular attention to Structural Funds, internal policies, and pre-accession aid where implementation continues to fall short of expectations;

#### ***Impact of new Financial Regulation***

15. Notes with great concern that overall implementation in the first four months of 2003 is at a lower level than for the same period in 2002 and that the Commission has advanced the explanation that delays due to new procedures (Financial Regulation) are to blame;
16. Questions whether adequate training and information, which might have allowed this trend to be avoided, has been provided to the Commission services;

17. Is most worried that inadequate information to partner countries in the external programmes, and to Authorising Officers in the external delegations, could have a negative effect on implementation and work against the efficiency gains expected from the reform process and deconcentration; fears that a lack of timely information to partner countries might jeopardise significant amounts of ongoing programmes, especially in connection with Article 77 of the Financial Regulation;
18. Calls on the Commission to take all relevant steps to correct this situation so that the new provisions contribute to better implementation rather than slowing it down;

### *Various headings*

19. Notes with grave concern that, on 25 April 2003, the commitments implementation level for headings 3 and 4 is considerably lower than on the same date in 2002; notes with satisfaction that the situation for heading 7 is the opposite;

EUR million (Commitment appropriations)					
Heading	Implementation at 30 April 2003	%	Implementation at 30 April 2002	%	Difference
Structural Operations (2)	31.022,8	91%	30.462,2	90%	560,6
Internal Policies (3)	688,9	10%	2.403,1	24%	-1.714,2
External Policies (4)	1.071,1	21%	1.477,2	28%	-406,1
Pre-accession aid (7)	472,3	14%	277,3	8%	195

### *Agriculture and Fisheries*

20. Continues to be critical of the current system of export subsidies for transport of live animals and expresses its dissatisfaction that the Council did not accept the change in nomenclature for the budget lines concerned which would, at least, have made the system more transparent; intends to reintroduce this proposed change in future budgets;
21. Notes that, according to the report from the Commission to the European Parliament and the Council on EAGGF Guarantee section expenditure - early warning system No 4/2003<sup>1</sup>, the implementation of appropriations under subheading 1a (market support) was in line with the indicator in April 2003; is pleased that the implementation of subheading 1b (rural development) was EUR 216 million above the indicator;
22. Notes that the Council has not established its position on the financing of the reform of the Common Fisheries Policy and in particular has not yet agreed on financing the scrapping fund under the 2003 budget; expresses its readiness to provide for appropriations for the scrapping of fishing vessels in the context of the global evaluation of the implementation of the budget, ahead of the end-of-year transfer procedures, once the Member States have put forward their requests;

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<sup>1</sup> SEC(2003) 542.

### *Structural Operations*

23. Notes with concern that the rate of payment implementation in the first months of the year has deteriorated, standing at 10% (EUR 3,77 billion) as at 30 April 2003 compared to 14% (EUR 4,28 billion) at the same date in 2002; is alarmed at the rise in outstanding commitments to a total figure of EUR 93,9 billion, as at 30 April 2003, which represents an increase of EUR 11 billion compared to the same date in 2002;
24. Urges the Commission to effectively implement Article 31 ("N+2 rule") of Council Regulation (EC) No 1260/99 of 21 June 1999 laying down general provisions on the Structural Funds<sup>1</sup> and to abstain from any lenient approach towards the application of that rule; urges the Commission to ensure full application of the rule in addition to detailed and regular information (each quarter) on the risk of decommitment and to include an assessment of its impact;
25. In this connection also asks the Commission to explain how it intends to apply Article 77 of the Financial Regulation and in which respect this differs from the N+2 and the N + 3 rules;
26. Welcomes the simplification process initiated by the Commission at the interministerial meeting of 7 October 2002; urges the Commission to take that process forward within a clear timetable to ensure better implementation; believes that, firstly, more ambitious proposals are indispensable within the current regulation and, secondly, takes the view that preparations to overhaul the rules must be initiated in view of the future regulation, enabling the new Parliament, which is to be elected next year, to start working on that regulation as soon as it has been constituted; calls on the Member States and the Commission to do their utmost in this respect;

### *Internal Policies*

27. Notes with great concern that the commitment implementation under heading 3, as at 30 April 2003, has fallen to 10 % (EUR 688,9 million) compared to 24% (EUR 2.403 million) at the same time in 2002;
28. Notes that payment implementation for the first four months is standing at 16% compared to a rate of 15% last year;
29. Underlines that a major cause for this downward trend is the poor implementation, so far, of title B6 (research and technological development), by far the largest section of heading 3, where the implementation rate for commitments (end-April) has fallen from 29% in 2002 to 8% in 2003;
30. Expresses great worry at the downward trend for titles B3-1 (Education and Youth), B3-3 (Information and Communication) and B3-4 (Social Dimension and Employment) where commitment implementation in the first four months has fallen by nearly half compared to 2002;

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<sup>1</sup> OJ L 161, 26.6.1999, p. 1.

31. Notes, however, that payment implementation for the same titles is progressing significantly better than last year;
32. Welcomes the information supplied by the Commission on implementation of the budget headings given over to enterprise policy, in particular the launching of certain initiatives called for by Parliament to assist the craft trades, small businesses and microfirms;

### ***Pilot Projects and Preparatory Actions***

33. Welcomes the fact that pilot projects and preparatory actions will be included in the Implementation Plan for 2003 as agreed in the Joint declaration of 25 November 2002 concerning the implementation profile for the 2003 Budget<sup>1</sup>; intends to monitor closely the implementation of these;
34. Is concerned about the implementation rate at the end of April 2003 which, in the majority of cases, was extremely weak; recalls the positive dialogue with the Commission as to the "executability" of projects and that certain modifications were made after first reading to ensure better implementation;
35. Calls on the Commission to:
  - take the initiative to raise any implementation problems which might jeopardise the spending targets and communicate these to the Parliament according to an "early-warning-procedure" and based on the Implementation Plan,
  - provide a written evaluation of the pilot projects and preparatory actions before decisions are taken on whether to include them in future legal bases or to abandon them,
  - confirm which service has been assigned responsibility for each pilot project/preparatory action and to provide information as to the state of preparations/implementation, such as calls for tender, selection procedures, etc;
36. Welcomes the constructive replies from the Commission regarding the pilot projects for SMEs, among others line B5-514 Enlargement Programmes for SMEs; notes with worry, however, that there is a question mark over how coordination and synergies (avoiding duplication) with existing external programmes can be achieved (CARDS, MEDA, PHARE and TACIS) and how to ensure true cross-border visibility; asks the Commission to clarify whether co-financing from these external programmes is only a problem of internal management or whether it creates legal/budgetary problems of implementation and, in the latter case, what can be done to ensure a good level of coordination and cross-border visibility;

### ***External Policies***

37. Is most concerned that implementation in the first four months of 2003, for a significant number of both geographical and sectoral cooperation programmes, is significantly lower than for the same period in 2002;

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<sup>1</sup> P5\_TA(2002)0624.

38. Considers the situation particularly worrying for:
- the Asia and Latin America programmes which stood at 2% and 3%, respectively, of commitment implementation as at 30 April 2003, compared to 28% and 40% last year; therefore calls on the Commission to ensure efficient implementation guaranteeing project continuity in both regions;
  - CFSP implementation, which amounted to 4% at 30 April 2003 compared to 56% last year, despite the fact that additional appropriations were deemed necessary and finally granted by the budgetary authority for the 2003 budget;
39. Draws attention to the problem of the legal status for CFSP operations also in relation with budgetary implementation; considers it unacceptable that calls for tender and contracts, involving EU budgetary funds, are being issued with individual Heads of Mission as the CFSP party; asks the Commission to investigate whether a special provision needs to be inserted into the Financial Regulation to solve this problem;
40. Welcomes the rapid agreement on the mobilisation of EUR 79 million from the Emergency Aid Reserve as the main element of the Community's EUR 100 million aid package for Iraq; still underlines that the situation in Iraq and the possible consequences for the 2003 budget constitute elements of uncertainty that, in any case, should not be addressed at the expense of existing policies in heading 4;
41. Recalls its position that the budgetary authority should take action, using the most appropriate means available under the Interinstitutional Agreement, to reinforce the budget lines on food aid and humanitarian aid if this is deemed necessary following an assessment and a proposal from the Commission; points out that this would be done in light of the reduction made on these lines as part of the final package on heading 4 agreed at the Conciliation meeting of 25 November 2002;
42. Criticises the fact that the Commission had to cancel an amount of EUR 6,48 million of appropriations, that had been carried over from 2002, because the implementation deadline of 31 March was missed; is particularly disappointed that this deadline was missed by one single day for a number of projects, including EUR 2,7 million for uprooted people in Colombia; invites the Committee on Budgetary Control to examine how the Commission managed the carry-overs and why the deadline was missed on a number of occasions;
43. Welcomes the fact that commitment implementation for chapter B7-54 (Western Balkans) has improved over the first four months of the year compared to 2002 (22% compared to 6%) but is equally worried that payment implementation is falling behind (8% compared to 19%);
44. Takes note of the second annual report on the Stabilisation and Association Process for South-East Europe (COM(2003) 139) and is extremely worried at the assessment that the pace of reform is slow and that the internal capacity of the countries to take the lead in the reform process and in "ownership" of programmes is limited; underlines therefore the importance of capacity building and the strengthening of Institutions as part of the CARDS programme;

45. Takes the view, in light of the current situation, that a certain level of conditionality should be maintained in order to link the disbursement of EU funds with sufficient progress and genuine involvement by the Balkan countries themselves;
46. Asks the Commission to initiate a reflection/debate on the budgetary aspects of the post-CARDS situation in the Balkans, considering the fact that a "down-scaling" of CARDS has already begun and that other forms of support, including association processes with the EU, will be forthcoming;
47. Welcomes the Commission's intention to replace its current direct budgetary assistance programme to the Palestinian Authority by more targeted support to the private sector and social services, as well as support for specific projects; asks its Working Group on Direct Budgetary Assistance to Palestine to look further into this new strategy and evaluate the consequences for the 2003 budget;

### *Administration*

48. Is satisfied that the front-loading operation in the 2003 budget procedure, between and within the Institutions, safeguarded preparations for enlargement; considers however that front-loading of administrative expenditure should be used only when no other options are available and if it does not lead to an excessive administrative and procedural burden or to legal problems as regards the annuality principle.
49. Welcomes the fact that, thanks to the front-loading operation, there is a sufficient margin under heading 5 in 2003 instead of a deficit of EUR 66 million as was the case when the PDB 2003 was presented;
50. Considers that the optimal use of appropriations should not be hindered by excessive rigidity of the budgetary system, or by administrative problems between Institutions, and still considers that proposals to lessen the rigidity of the budget are necessary; considers that, as a result of the inflexibility of the current system, it may be necessary to use front-loading operations also in the future;

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51. Instructs its President to forward this resolution to the Council and Commission.