

# 2008 discharge: EU general budget, section III, Commission

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**PURPOSE:** to present the revenue and expenditure account and the balance sheet relating to the 2008 budget (Section III – Commission).

**CONTENT:** this document presents a political and detailed analysis of the use of payment appropriations by the Commission in 2008. The main information presented in this summary is extracted from the [EU Budget 2008 Financial Report](#).

**Main changes in 2008:** the Financial Report recall that the 2008 budget could not have been designed specifically to respond to a crisis which only took hold later that year. Yet, the increased focus on investment in Europe's competitiveness in 2008 and stable funding provided by the 2007–13 financial framework has played a positive role in helping Europe cope with the consequences of the economic crisis. The Commission's decisive action to help secure extra funding for priority measures in the area of energy links and broadband connections in autumn 2008, as well as the fast-tracking of Structural Fund payments, shows how the EU can react quickly and effectively to crisis situations. Moreover, **98% of payments were executed in 2008**, which sets the right target for EU spending in the years ahead.

- **Continuity in efficient budget management:** the 2008 budget focused on solid programme implementation and the areas of growth and jobs, with commitments on sustainable growth rising from EUR 53.7 billion to EUR 57.9 billion. For the second year in a row, spending on competitiveness and cohesion outstripped expenditure on agriculture and rural development (the heading for preservation and management of natural resources), which amounted to EUR 56.3 billion. Active budget management also continued, with Member States only making payments into the EU budget for what was strictly necessary and with only roughly 1.5 % of the budget end-of-year surplus being redistributed to national coffers.
- **Dealing with the consequences of the economic crisis:** whilst the 2008 budget followed the roadmap set out in the financial framework, a series of crises also called for the EU's intervention and budgetary support during the year. Active on the diplomatic front to halt the fighting during the war in Georgia, the EU intervened financially through the provision of humanitarian aid, peace monitors and a reconstruction aid package. In total, this aid amounted to EUR 168.8 million. In response to the dramatic rise in food prices in developing countries, the EU also acted decisively by agreeing on a EUR 1 billion food aid facility for 2008–10 to help developing countries access goods and services necessary to increase food production. The second half of the year was marked by the **severe economic situation** and the coordinated efforts at European level to counter its effects through the [European economic recovery plan](#). In November, the Commission proposed EUR 14.4 billion from the EU budget in 2009 and 2010, made up from an additional EUR 5 billion of funding to go to developing energy interconnections and broadband; EUR 6.3 billion was made up from accelerated Social and Cohesion Fund payments; EUR 2.1 billion in total redeployment from existing budgets for green cars, energy payments for trans-European transport networks; and EUR 0.5 billion for various other projects.
- **Strengthen transparency of budget expenditure:** the 2008 EU budget increased by 8% compared with 2007, reaching **EUR 130.9 billion** in executed commitment appropriations. 2008

saw the European Transparency Initiative bear its first important fruits. In October 2008, the Commission launched the online Financial Transparency System (FTS) — a web-based search engine allowing the public to find out who the recipients of EUR 10 billion of EU aid are.

**Focusing European Union spending on new challenges:** the budget implemented in 2008 has been structured around six headings as follows:

**Heading 1 - Sustainable growth** maintained its top position with EUR 57.919 billion (44.2% of the budget). This heading also includes:

- **Heading 1a. Competitiveness for growth and employment** with a budget of EUR 10.5 billion in commitments (+19.7% compared to 2007). Competitiveness is the key objective of the renewed Lisbon strategy on growth and jobs. The main expenditure area is research and development (R & D) (57%), followed by the trans-European networks programme (TENs), lifelong learning, and competitiveness and innovation (CIP). The 7<sup>th</sup> Framework Programme for research and technological development is the European Union's chief instrument for funding research over the period 2007–13. It bundles all research-related EU initiatives (nano-sciences, health, food, environment including climate change) together under a common roof playing a crucial role in reaching the goals of growth, competitiveness and employment. Over 2 500 grants were awarded and over 1 400 services and products were delivered in 2008.
- **Heading 1b. Cohesion for growth and employment** with a budget of EUR 47.4 billion (+ 5.5% compared to 2007). This heading aims to strengthen economic, social and territorial cohesion by reducing disparities in the level of development among regions and Member States. This heading is structured around 3 main objectives and supported by 3 funds;

**Heading 2 - Preservation and management of natural resources:** with EUR 56.7 billion in commitments (43% of the total budget) (+8% compared to 2007). This heading aims to manage natural resources while preserving landscape and jobs are the EU's most important objectives in the fields of agriculture, fisheries and the environment. This heading showed a shift of funds within the common agricultural policy from direct aid (the first pillar) to rural development (the second pillar).

**Heading 3 - Citizenship, freedom, security and justice** with EUR 1.521 billion in commitments. This heading comprises the 2 following sub-headings:

- **Heading 3a. Freedom, security and justice** with EUR 641 million (+13% compared to 2007): the development of a common asylum area, cooperation between law enforcement agencies and judicial authorities to prevent and fight terrorism and crime, respect for fundamental rights, and a global approach to drug issues are the main policies of this expenditure area focusing on the protection of life, freedom and property of citizens. Nearly half of the expenditure was allocated to Solidarity and management of migration -flows (through 4 specific Funds).
- **Heading 3b. Citizenship** with EUR 880.6 million (+10.11% compared to 2007): improving active citizenship, fostering European culture, identity and diversity, as well as promoting health, consumer and civil protection are the EU's objectives implemented in this expenditure area. In 2008, nearly 30% of expenditure under this sub-heading went to the Solidarity Funds.

**Heading 4 - the European Union as a global player** with EUR 7.3 billion (+13.5% compared to 2007): the EU's paramount objectives in foreign policy are stability, security and neighbourhoods' prosperity. The EU is the world's biggest provider of aid to developing countries. It has created a more proactive foreign and security policy with the capacity to carry out crisis management and peace-keeping missions within Europe and far beyond. Main interventions in 2008 concerned Kosovo, Georgia and Palestine. The

main expenditure of this year went to the following three programmes: Instrument for Pre-Accession; European Neighbourhood and Partnership Instrument Development Cooperation Instrument.

**Heading 5 - Administration:** this heading covers the expenditure of all EU institutions (EUR 7.2 billion, representing 5.5% of the EU budget).

**Heading 6 - Compensation:** this heading represents EUR 206.6 million. Compensation is a temporary measure ensuring that new Member States retain a positive budgetary balance during the first years of accession. Whereas in 2006 compensations were paid to the 10 countries that had joined in 2004, as of 2007 they only concerned Bulgaria and Romania, which received EUR 64 million and EUR 142.6 million in 2008 respectively.

**A budget directly implemented in the Member States:** in 2008, total executed EU expenditure amounted to EUR 116 544.5 million, of which EUR 104 962.0 million (i.e. 90.1 %) was allocated to Member States, EUR 5 603.9 million to third countries and EUR 5 978.6 was not allocated. In absolute terms, France is in 2008 as in 2007 the largest recipient of EU expenditure ahead of Spain, which was first in 2003, 2004 and 2005. Germany is in third position as in 2004, 2005, 2006 and 2007. Italy is in fourth position, followed by Greece. Poland, which now receives substantial EU cohesion and agricultural expenditure, is in sixth position as in 2007 (up from the eighth position in 2005 and 2006), ahead of the United Kingdom and Belgium.

**Budget implementation:** the Financial Report concludes by stating that budget implementation remained strong in 2008, confirming that the switch to a new multiannual financial framework (MAFF) in 2007 was well managed. The performance in terms of commitments' implementation was by 2 percentage points higher than in 2001, the second year of the previous financial framework, thus reaching 99 %. Some EUR 0.4 billion of unused commitment appropriations lapsed in 2008, thus confirming a positive trend if compared with the 0.5 and 0.6 billion lapsing in 2007 and 2006 respectively. The execution rate of payments grew by 14 percentage points on 2001, thus reaching 98 % after carry-over in 2008. The level of payments lapsing at the end of the year dropped from 16 % of the agreed budget in 2001 to 2 % in 2008.