2001 Budget: section III

1999/2190(BUD) - 23/05/2000

PURPOSE: to present the Preliminary Draft General Budget of the EC for the financial year 2001.
CONTENT: On the basis of several discussions with Parliament and the Council of Ministers, the Commission has drawn up the preliminary draft budget (PDB) for 2001. The PDB amounts globally to EUR 96.924 billion in commitment appropriations and EUR 93.874 billion in payment appropriations, under the overall ceilings. As with any national budget, most of the EU's budget is determined by contracts, precedents and legal bases from previous years. This is particularly the case with the organisation of agricultural markets - the largest expenditure heading in the 2001 budget - and the Structural Funde, but also for multiannual programmes in research, the promotion of young people and foreign policy. Despite the legacy from previous years, however, the 2001 budget also sets clear policy priorities. First, there is the priority of the second pillar of agricultural policy. Promotion of rural development has the highest rate of increase in the Commission preliminary draft. The Commission believes that this second pillar should constitute a priority in the 2001 budget. A second priority is the economic policy field, namely the development and promotion of Europe as a knowledge-based society. Accordingly, the Commission's PDB includes a marked increase in research expenditure and a revised version of the programme for promoting the small and medium-sized enterprises. It is also proposed that the latter should be combined with the promotion of technology, which was a particular concern of Parliament. The PDB establishes two other priorities: foreign policy, namely aid for the Balkans, and budgetary discipline, an objective with the Commission's preliminary draft fulfils. In the PDB (agricultural expenditure apart), provision is made for commitment appropriations, i.e. the financial commitments which can be entered into, to rise by 1% compared with the previous year. This shows that the PDB accords with the general political tendency for budgetary discipline. For payments (excluding agricultural expenditure), there is a 3% rate of increase. The average rate of growth forecast for Member States' budgets is 3.1%. One qualification must be added, however: the PDB provides for considerable growth in overall agricultural expenditure - 7.6% or, in absolute figures, EUR 3.12 billion. This is basically the result of the decisions which the Heads of State and Government took in 1999 at the Berlin Summit, and the financial perspective is part of the Inter-Institutional Agreement between Parliament, the Council and the Commission which was concluded in 1999. Nevertheless, the appropriation for agricultural policy remains below the ceiling set in Berlin for agricultural policy in the draft budget. To sum up, as far as the full figures are concerned, the PDB provides for an overall increasr of 3.9% in commitment appropriations and 5% in payments. The increase for payments is higher, because the Commission wants to reduce payment obligations further still, not let them grow. Thus the proportion of total Community GNP absorbed by the EU's budget is expected to decline from 1.11% in 2000 to 1.07% in 2001. The Kosovo crisis and the decisions concerning the stability pactin the Balkans have confronted the EU with a new task, the importance of which was again underlined by the Lisbon Council. As financial back-up, the Commission is proposing EUR 815 million in aid for the western Balkans in 2001, on top of 540 million in 2000. This aid is intended for the reconstruction of civil society and does not therefore include the Member States' expenditure on KFOR. The proposal provides for a fixed sum of EUR 40 million for Serbia in 2001. The Commission has proposed that, if political conditions in Serbia change, extra resources can be made available from the flexibility reserve. In addition, it has provided for substantial resources for Serbia in its proposal for the amendment of the financial perspective (2001-2006) as a signal to the political opposition in the country that the EU is ready to inject substantial financial aid, should democracy emerge there. This is the first time that the Commission has presented an activity based budget, i.e. where all expenditure is allocated to policy areas. It is a first, important step towards a structure which will make discussion of policy, including by the public, easier. The PDB provides Parliament and the Council with a good basis for drawing up the 2001 budget, so that resources can be used efficiently for the benefit of the EU and in support of its objectives.