2004 Budget: section III, Commission

2003/2001(BUD) - 13/06/2003

PURPOSE : presentation of the European Commission's preliminary draft budget (PDB) for 2004 (Section III). CONTENT: The Commission has adopted its budget proposals for 2004. The main feature of the 2004 budget is that it is split into two parts due to enlargement: from 1 January to 1 May 2004 the budget will include the credits necessary for 15 Member States (EU-15) and from 1 May onwards the budget will cover the 25 Member States of the EU (EU-25). Under the Commission's proposal the budget for EU-25 will reach a volume of expenditure of EUR 100 billion in payments and over EUR 112 billion in commitments. However, the EU's expenditure quota will drop to less than 1% of the Gross National Income (GNI) of the Union. This provides a firm foundation for the financing of enlargement thus reconciling ambitious expenditure programmes for the enlarged Union and budgetary discipline. The 2004 budget is also special in another respect: for the first time, it has been drawn up under the new activity-based structure. MAIN FEATURES OF THE PDB: The major priority for 2004 is enlargement and the PDB contains substantial increases for the Structural Funds and internal policies. As with agricultural expenditure, the PDB remains within the limits of the financial framework negotiated in Copenhagen. At EUR 100.7 billion, the volume of expenditure in payment appropriations proposed by the Commission for the enlarged Union in 2004 shows a moderate increase of only 3.2% over the 2003 budget, which covers only the current 15 Member States. This relatively small rise is due to the fact that the volume of expenditure for EU-15 is expected to drop by 2%. The estimated expenditure for the 10 new Member States in 2004 comes to EUR 5 billion. Estimated expenditure in the PDB for 2004 amounts to 0.99% of the gross national income of EU-25. Thus a considerable margin will exist under the ceiling of 1.10% of the GNI authorised by the budget authority for the EU budget even after enlargement: this margin amounts to EUR 10.9 billion. Despite enlargement, the volume of spending in the 2004 preliminary draft is significantly lower than the relative size of even the 2003 budget (1.04% of the GNI of EU-15). Commitment appropriations amount to EUR 112.2 billion for the enlarged Union ; of this total EUR 11.8 billion is for the new Member States. For EU-15 there will be no more than a very modest increase of 0.7% to EUR 100.4 billion in 2004. The total amount leaves a margin of EUR 3.3 billion under the ceiling for commitments in 2004. 1) Agriculture (heading 1): For EU-25, the proposed commitments amount to EUR 47.9 billion (+6.9%), and payments to EUR 46.9 billion (4.5%). Total requirements for EU-15 come to EUR 45.8 billion, of which EUR 4.8 billion is projected for rural development (2.2% up on 2003). The estimate for the new Member States comes to EUR 2,1 billion, of which EUR 1.7 billion is for rural development. The amount for market expenditure in the newMember States is relatively low, as direct aid will not have an impact until 2005. The increases in the preliminary draft for EU-15 are due in particular, firstly, to expenditure on arable crops because of the situation on the cereals market and, secondly, because 2003 was an exceptional year as payments had been brought forward to the previous year because of the floods. The Commission will present the latest estimates for agricultural expenditure in a letter of amendment in October 2003. 2) Structural measures (heading 2): Structural operations, consisting of the four structural funds (for regional policy, employment and social affairs, agricultural/rural development and fisheries) and of the Cohesion Fund, are of considerable significance in the enlarged Union and represent more than 36% of the global budget. The volume of commitment appropriations for the Structural operations shows an increase of 20.8% for the enlarged Union compared with the 2003 figure for EU15, up to EUR 41 billion. EUR 6.7 billion is planned for the new Member States in accordance with the decisions adopted at Copenhagen and EUR 34.3 billion are budgeted for the EU-15 (+1%). Payment appropriations on these operations come to EUR 30.7 billion for the enlarged Union, 7.5% less than in the 2003 budget. This significant drop is due to the fact that the closure of the pre-2000 programmes was financed in 2003. Thus, expenditure for EU-15 should decrease by 12.8% or EUR 4.2 billion, while EUR 1.8 billion should be paid to the ten new Member States in 2004 largely consisting of advances. Cohesion Fund payments for Spain, Portugal, Greece and Ireland in 2004 is projected at the same level as in 2003 (EUR 2.6 billion), and the enlargement related expenditure is based on the Copenhagen conclusions (EUR 58 million). 3) Internal policies (heading 3): The estimates for internal policies in 2004 are influenced by

all 3 political priorities proposed by the Commission: enlargement, stability and sustainable growth. Total commitment appropriations for EU-25 are put at EUR 8.64 billion (+27.3%), with payment appropriations at EUR 7.5 billion, an increase of 21%. For EU-15, the increase of the commitments is proposed to reach EUR 217 million (+3.2%), and EUR 378 million -in payments (+6.1%). The bulk of the increases is therefore related to the enlargement. EUR 958 million of commitment appropriations is planned for the inclusion of the new Member States in Community programmes that already exist. Most programmes had already been extended to the accession countries in past years. The programme for the application of the Schengen acquis, adopted for the new Member States in Copenhagen, however, is completely new and amounts to EUR 317 million. EUR 221 million is being made available for the strengthening of administrative structures in the new Member States in areas such as justice and EUR 138 million for nuclear reactor closures in Lithuania and Slovakia. Thus, a total of more than EUR 1.6 billion is to be committed for the new Member States, while EUR 920 million should be paid out. The PDB for 2004 also contains exceptionally large increases for measures to achieve an area of security (including health and consumer protection, food safety, transport safety, the security of financial transactions and telecommunications) and an area of freedom and justice. A preparatory measure is proposed for EUR 15 million to improve Europe's scientific, technological and industrial capacities in the field of security. Increases of 248% for justice and home affairs, 33% for transport and energy and 24% for health and consumer protection are foreseen. Some of these increases were possible only after Parliament pushed through an increase in the financial ceiling. EUR 4.8 billion in commitment appropriations is available for expenditure on research. 4) External aid (heading 4): In 2004, the Commission will be able to make financial commitments of almost EUR 5 billion for foreign policy measures, EUR 189 million (+ 3.9% than in 2003). However, the scope for external aid has been expanded, as the financial support for Cyprus, Malta and Turkey is no longer financed from this heading. The amount available for the other operations is thus 5.7% higher than in 2003. A margin of EUR 86 million is left for unforeseen events. Additional resources are proposed to boost neighbourhood policy. Appropriations are 14% higher for the Mediterranean countries (with a total of EUR 859 million for MEDA) and 6% higher for Eastern Europe and Central Asia (EUR 538 million). For the Balkans the level of aid will stabilise at EUR 675 million but appropriations for Asia have also been considerably increased to continue support for the reconstruction of Afghanistan (EUR 184 million). Co-operation with third countries in the field of migration, and humanitarian aid is to be increased by 11% (up to EUR 490 million). Assistance in the field of sustainable growth in 2004 will be concentrated on the environment and health programmes, which were already boosted in 2003. The Commission proposes that the appropriations for the CFSP be increased to EUR 51 million in commitment appropriations in particular to finance the joint police mission in Bosnia. The pre-accession strategy now covers only Romania, Bulgaria and Turkey, for a total in commitments of EUR 1.73 billion. Assistance to all 3 countries will be increased considerably from 2004 onwards. Pre-accession aid for Romania and Bulgaria will be increased by 20%. And Turkey will receive EUR 250 million in commitment appropriations. The level of payments in this category will still be influenced by the pre-accession aid to the Member States which will join the EU on 1 May 2004 as the current programmes will still have to be completed (EUR 2.96 billion). Extra appropriations are available for the closure of Kozloduy power station in Bulgaria. Since the budget authority has agreed not to change the overall ceiling of this heading, however renaming it "Pre-accession strategy", a margin of more than EUR 1.7 billion is thus left. 5) Administrative expenditure (heading 5): The estimated administrative expenditure of the institutions of the European Union comes to EUR 6.11 billion for the Commission (see BUD/2003/2002), an increase of EUR 752 million on 2003 (+14%) corresponding for the Commission to an increase of 9.8% (EUR 271 million). This will cover expenditure arising from the enlargement. As for human resources, the Commission is requesting 780 new posts for enlargement in 2004 in addition to the 500 temporary posts already approved in 2003. Some of these posts, 244 in all, will be needed by the language service, but most will be used for the additional operational duties resulting from enlargement. 6) Compensation: In accordance with the decisions adopted at Copenhagen, total payments of EUR 1.4 billion will be provided for the new Member States in the 2004 budget. These will ensure that the new Member States will continue to be net recipients after accession.