2004 Budget: section III, Commission

2003/2001(BUD) - 01/10/2003 - Document attached to the procedure

PURPOSE : to present the Amending Letter No 1 to the preliminary draft budget for 2004 (Volume 1 - General Statement of Revenue and Volume 4 Statement of revenue and expenditure by section - Section III - Commission). CONTENT : the present Amending Letter no 1 to the preliminary Draft Amending Budget for the year 2004 deals with of six elements : 1) The creation of a new article under Heading 4 of the Financial Perspective, with the provision of supplementary appropriations, for the support to the rehabilitation and reconstruction of Iraq. This element is based on the Commission's communication "The European Union and Iraq: Approach to the Madrid Ministerial Conference, 24 October 2003" on the role that the EU intends to play in the rehabilitation and reconstruction of Iraq. The Commission is amending its PDB 2004 in order to include EUR 160 million in commitment and EUR 128 in payment appropriations on a new dedicated budget line to finance rehabilitation and reconstruction actions in Iraq. This amount is part of a Community's package of EUR 200 million to be implemented in 2003-2004, with EUR 40 million in 2003 and EUR 160 million in 2004. 2) The creation of a new article under title 26 (administration), under Heading 5 of the Financial Perspective, to facilitate the implementation in 2004 of the non-differentiated appropriations contracted in 2003 and carried over automatically to 2004. This element is linked to the ABB structure of PDB 2004 and its consequences on the implementation of appropriations carried over from 2003: a number of budget lines covering administrative appropriations have been shared in PDB 2004 between the different titles of the budget, but the commitments registered in 2003 under the current nomenclature cannot be shared without great technical complexity. It is therefore proposed to create a temporary line, valid for 2004 only and acting as a 'receiving structure' for these carry-overs. 3) The adjustment of the headings of item 01 04 01 10 (expenditure, under Heading 6 of the Financial Perspective) and article 831 (revenue), concerning the guarantee provided by the Community to the European Investment Bank for loans, to adjust for the change of status of those Central and Eastern European Countries which become members in 2004. This element, under Heading 6 of the Financial Perspective, is linked to the enlargement and the change of status of acceding countries as regards EIB loans. The guarantee that the Commission has provided to the EIB needs to be covered even after the adhesion whereas the heading of the budget item refers only to "non-member" countries. It is proposed to amend the headings accordingly. 4) The addition or modification of budget remarks to a number of budget lines covering tasks resulting from the Commission's prerogatives at institutional level, where the appropriate reference is missing in the remarks included in PDB 2004. This element stems from the fact that a number of budget lines, under Headings 3 and 4 of the Financial Perspective, are implemented without legal basis in application of the Financial Regulation, article 49, paragraph 2 (tasks resulting from Commission's prerogatives at institutional level), and are listed as such in the Working Document, part IV, accompanying PDB 2004, but do not show the appropriate reference to the Financial Regulation inbudget remarks. In order to avoid any uncertainty when implementing these lines, it is proposed to adjust the budget remarks accordingly. 5) The adjustment of the Commission's establishment plan, table for research and technological development - indirect action, in application of article 47 of the new Financial Regulation. This element results from the application of article 47 of the new Financial Regulation, allowing institutions to modify their establishment plans within certain limits. The Commission has proposed a modification of the establishment plan for research and technological development - indirect actions, for the year 2003. This change having a permanent effect, the table included in PDB 2004 is modified accordingly so as to ensure the consistency with the establishment plan for 2003. 6) The revision of the Community participation in the capital increase of the European Investment Fund, under Heading 3 of the Financial Perspective, resulting in the withdrawal of the appropriations requested in PDB 2004 for this item. This modification, announced to the Budgetary Authority for 2003, will have permanent effects. To ensure consistency with 2003, the Budgetary Authority is invited to consolidate the modifications, intended for 2003, in the establishment plan of the year 2004. The Business Plan 2003-2005 of the European Investment Fund (EIF), which was discussed in the Board of Directors of the EIF in December 2002, indicated that the EIF would run out of own

resources before mid-2005. Therefore, the EIF management proposed that a capital increase take place end-2004. The Community was expected to contribute to the capital increase with EUR 100 million to be paid over four years. As a consequence, the Commission proposed a reserve of EUR 25 million in the 2004 preliminary draft budget (PDB) for the possible Community participation in the capital increase of the EIF. Based on the business plan projections presented to the Board meeting in July, it became clear that there is no prospect of Board agreement on an EIF capital increase effective from end-2004. The minutes of the July meeting, which were approved by the Board at its meeting on 15 September 2003, concluded that "for the time being the only proposal contained in the paper that should go forward would be the increase in Risk Capital Mandate; that other items be reviewed in the light of future discussions". Therefore, the reserve foreseen in the 2004 budget becomes redundant. It is proposed to withdraw the appropriations amounting to EUR 25 million, requested in PDB 2004 in reserve (chapter 31 02) for the line 01 04 09 01 (European Investment Fund - Provision of paid up shares of subscribed capital).