# Amending budget 6/2003: section III Commission, structural Funds and budget line B7-811

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PURPOSE : to present the Preliminary Draft Amending Budget No 7 for the year 2003 (Statement of revenue and expenditure by section - Section III - Commission). CONTENT : the present PDAB 7/2003 covers two elements: - The reduction of payment appropriations entered for the out-standing commitments of the pre-2000 programmes of the Structural Funds; - The addition of a remark to budget line B7-811 - Contribution to international environmental activities, covering tasks resulting from the Commission's institutional prerogatives and thus implemented without a legal basis. This results in a reduction on the revenue side of the budget and therefore in the contribution by Member States. 1) as regards Heading 2: under-implementation of Structural Funds in 2003 : at the end of 2001 the outstanding commitments for the pre-2000 programmes of the Structural Funds were EUR 17.24 billion, relating almost entirely to 1994-1999 programmes. When the Commission drew up the 2003 budget, it assumed that many claims would be submitted by Member States in 2002, before the ultimate deadline (31.3.2003). This assumption was also justified by Member States' forecasts of payments in 2002 for these programmes, which amounted to EUR 7 billion. The payment appropriations for these programmes available in the 2002 budget matched closely Member States' payment forecasts. However, the closure of most of these programmes was significantly delayed. Few final payment claims were received by the Commission in 2002. The actual payments in 2002 only amounted to EUR 1.2 billion. The payment appropriations for these programmes entered in the 2003 budget closely matched, once again, the Member States' payment forecasts for this year. However, confronted with the paucity of payment claims actually received in 2002, and taking into account that the ultimate deadline for the closure of these programmes fell in 2003, the Commission carried forward EUR 3 254 million payment appropriations from 2002 to 2003 in order to be in a position to honour most of the remaining payments claims Member States had foreseen for 2002 and 2003 taken together. An appropriation of EUR 1 043 million (around 5% of the outstanding commitments at the end of 2001) for late payments of actions suspended on legal grounds and similar situations1 was included in the PDB 2004. The bulk of the final payment claims was only received just before the ultimate deadline of 31 March 2003. This extreme concentration of payment claims, together with the fact that many of these claims did not include all the necessary information has slowed down the processing of final payment claims. On detailed analysis of the supporting documentation accompanying these payment claims, it is clear that in some cases further information will have to be obtained from Member States and that even additional controls by Member States are necessary. As a result, the Commission will be unable to pay in 2003 all the payment claims received. Since the amount that is still expected to be paid until the end of the year, i.e., EUR 4 108 million can be covered in large part by the EUR 3 254 million of credits carried over from last year, a surplus of EUR 5 476 million can be reckoned with. The stock of outstanding commitments, totalling EUR 15 565million at the end of 2002, is likely to decline by half to EUR 7 869 million at the end of 2003. The surplus associated to the earlier programmes of the Structural Funds could be fully deducted from Payment Appropriations, thus reducing the contribution of Member States to the EU Budget, since a comprehensive review of the payments situation in preparation of the forthcoming global transfer indicates that any additional payment needs in the 2003 budget can be met through other parts of the budget displaying an under-execution. On the revenue side, a deficit for 2003 stemming from own resources (traditional own resources, adjustments arising from the modification of the previous years' bases of VAT and GNP/GNI, differences arising from exchanges rates when registering VAT and GNI resources and the UK rebate, as well as reserves), leaving aside the outcome for miscellaneous revenue, could amount to about EUR 500 million. In order to avoid a net deficit of this magnitude, the Commission proposes to limit the amount to be handed back to the Budgetary Authority in relation to the under-implementation of the Structural Funds to EUR 5 billion. 2) concerning the heading 3 : task resulting from

the Commission's institutional prerogative. The Financial Regulation, under article 49, paragraph 2 (c), provides for the possibility to implement without a basic act, "actions carried out by the Commission by virtue of tasks resulting from its prerogatives at institutional level". In the Working Document, part IV (pages 131-133), transmitted to the budgetary authority in complement to PDB 2004, the Commission listed the budget lines and appropriations implemented under this possibility. The appropriate reference to the Financial Regulation was however not systematically included in the budget remarks of the relevant lines. It is proposed to complete the budget remarks in question for the line B7-811 - Contribution to international environmental activities, so as to avoid any uncertainty when implementing the appropriations under this budget line.