Amending budget 1/2004: section III Commission, supplementary expenditure for the 2004 enlargement

2004/2009(BUD) - 03/02/2004 - Commission preliminary draft budget

PURPOSE : to present the preliminary draft amending budget 1/2004 - Statement of Revenue and Expenditure - Section III (Commission). CONTENT : to recall, the financial package for enlargement of the European Union, decided in Copenhagen in December 2002 and included in the accession treaties signed in Athens in April 2003, will take effect on 1 May 2004. The significant impact of enlargement on the Union finances was taken into account in the revision of the Financial Perspective decided by the European Parliament and the Council of the European Union in May 2003. The present Preliminary Draft Amending Budget proposes the budgeting of the supplementary expenditure necessary for the year 2004, as provided for in the Treaty of Accession, Act of Accession, Article 28, and in conformity with the new framework set in the revised Financial Perspective. In order to secure the consistency and accuracy of the budget procedure 2004, the budget figures for the current Union with 15 member States (EU-15) and the ones for the enlarged Union of 25 member States (EU-25) have been discussed by the budgetary authority in parallel during the year 2003. Political agreement in the European Parliament and Council to the supplementary amounts in the EU Budget has already been reached in the budget procedure for the Budget 2004. It is states that expenditure for the 10 new Member States, around EUR 11.8 billion in commitments, is to be entered into the EU budget to make it ready for 1 May 2004. The Commission has adopted the proposal for amending the 2004 Budget as adopted in December with these figures, for which political agreement has already been reached. For 25 Member States, the budget stands at less than 1% of EU Gross National Income (GNI). These figures will obviously have to rise in the coming years to take account of the new funding challenges the EU faces. As regards the budget volume for the new Member States the additional expenditure for the 10 new Member States proposed in this PDAB is about EUR 5.105 billion in payments and EUR 11.771 billion in commitments. The new Member States will receive in the current year about EUR 1.7 billion of pre-accession aid because the projects of the PHARE, SAPARD and ISPA programmes will have to be completed in the next years. The total volume of the budget for EU 25 is EUR 99.724 billion in payments and EUR 111.3 billion in commitments. EU expenditure for 2004 is at 0.98% of EU Gross National Income. But there is still a considerable margin of EUR 11.8 billion under the financial perspectives ceiling for the EU budget even after enlargement. This Preliminary Draft Amending Budget responds to the call by the European Parliament and the Council to decide early in 2004 on an amending budget to cover the amounts for the ten new member States. This amending budget concerns only the headings agriculture, structural actions, internal policies and the lump-sum compensation payments to ensure a net beneficiary position for the new member States. For administrative expenditure, the enlargement related amounts have been included from 1 January to allow preparations to go ahead. As regards agriculture, the additional appropriations proposed for agriculture expenditure amount to EUR 287 million. These credits are, first and foremost, to cover market measures, suchas export refunds and intervention measures. Direct aids for the new Member States will be gradually phased in, and will only have a budgetary effect from 2005. For rural development, commitments are set at EUR 1.733 billion for the new Member States. The most important innovation here is that commitments under the EAGGF-Guarantee are not automatically equal to payments. Thus, payments for 2004 are set at EUR 645 million. This allows more time for the execution of available credits. The volume of commitment appropriations for Structural Actions shows an increase of 20.8% for the enlarged Union compared with the 2003 Budget for EU-15. About EUR 6.7 billion - of which almost EUR 2.9 billion goes to the Cohesion Fund (a much higher share than for EU-15) - is planned for the new Member States. This will allow structural operations to be kick-started. The payments budget is also substantial. For the Structural Funds, the payments correspond to 10% of the envelope for 2004-2006 (advance payment, again much higher than was the case for EU-15) plus 2% of the average yearly commitment over 2004-

2006. For the Cohesion Fund, 3% of the 2004 commitments have been planned for payments. Concerning internal policies, a total amount of EUR 1.633 billion is now foreseen for the integration of the new member States in existing and in new Community programmes. Most programmes had already been extended to the acceding countries in past years. Three new actions have been decided at the European Council in Copenhagen concerning the Schengen facility (EUR 317 million), transition facility for institution building measures after accession (EUR 221 million) and nuclear safety in Lithuania and Slovakia (EUR 138 million). On the issue of compensation, according to the political agreement that the new Member States should not become net-payers at the beginning of their membership, about EUR 1.409 billion will be paid as lump-sum transfers to the new Member States. As regards the changes in revenues, all Member States (the 15 'old' and the 10 'new' member States) will finance the budget according to the same rules. About EUR 3.2 billion will be contributed by the new Member States to the European Union. All 25 will pay EUR 98.9 billion. The breakdown between Member States is subsequently calculated according to the precise rules of the Own resources system. The traditional own resources will include EUR 1.219 billion agricultural duties and sugar levies, EUR 10.155 billion customs duties and EUR 14.324 billion from the VAT based resource and EUR 73.221 billion from the GNI resources. The table in Annex 2 illustrates the new allocation between member States. This Preliminary Draft Amending Budget should be adopted by the Budget Authority before 16 April 2004. The Commission will then endeavour to provide a consolidated version of the 2004 Budget including this Amending Budget, and have it published under its responsibility.