2003 discharge and follow-up of the 2002 discharge: EC general budget, section III Commission

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PURPOSE : to present the revenue and expenditure accounts and the financial statement concerning the 2003 budget - Section III - Commission : policy analysis of expenditure.

CONTENT : this document presents a summary of the use of the appropriations of the Commission in 2003. A separate summary (dated 11/01/2005) deals with the expenditure of each financial heading which should be read in parallel with this summary.

The EU budget 2003 was the first to be established, implemented and controlled according to the new Financial Regulation. This new regulation entered into force in January. It provides a comprehensive rulebook for modern financial management in all aspects of the EU budget.

For the budget year 2003, EUR 99.8 billion was committed from total available appropriations of EUR 101.2 billion, an implementation rate of 99 %, slightly better than the outcome for 2002. Payments amounted to EUR 90.6 billion from total available appropriations of EUR 98.3 billion, an implementation rate of 92 % compared with 86 % in 2002.

About EUR 5.4 billion more payments were made than last year, relating mostly to Structural Funds. Of the appropriations not used in 2003, the Commission decided to carry forward to 2004 EUR 155 million for commitments and EUR 348 million for payments.

This budget successfully combined budgetary rigour while meeting European policy priorities. The funds were used to prepare for enlargement, to foster stability and security in the EU and outside, as well as to encourage sustainable and inclusive economic development.

As in previous years specific new demands occurred in the field of foreign policy. Funding was secured for humanitarian aid and a first tranche of reconstruction aid for Iraq after the war. The role of the EU in foreign policy was strengthened when the EU budget took over financing of a joint European police force in Bosnia-Herzegovina, asserting the Community aspects of joint actions to ensure stability.

Moreover, the exceptional heat and drought in summer 2003 had an impact on spending on agriculture. To help farmers, payments normally scheduled for 2004 were advanced to 2003. The climatic conditions also caused major forest fires in Portugal, Spain and France. The new Solidarity Fund instrument, only created in 2002, provided Union aid for the affected regions.

At the end of 2003 a total of EUR 90.6 billion had been spent. EUR 5 billion was already handed back to Member States during the year, EUR 2.2 billion was carried over to 2004, and a surplus of EUR 5.5 billion entered into the 2004 budget thus lowering the contributions from Member States to that budget. Important steps for the preparation of enlargement to 10 new Member States were taken in 2003. In December 2002 agreement was reached at the Copenhagen European Summit on amounts for the new Member States for the period 2004-06. In spring 2003 the Financial Perspective was adjusted accordingly, to have all necessary preparations ready in time for the signing of the Accession Treaties in April 2003 in Athens as planned. The adjusted Financial Perspective also includes budgetary provisions for the Turkish Cypriot Community in the event of the settlement of the de facto division of the country.

In 2003 the Commission started to prepare the next financial framework for the years 2007-13 as the current financial perspective, decided at the 1999 Berlin Summit will expire at the end of 2006. The Commission has focussed on the objectives that the Union wishes to achieve in the next years. The EU is aiming to become the most competitive and dynamic knowledge-based economy in the world by 2010. It aims to create an area of freedom, security and justice. Europe has decided to take on more responsibilities in the wider world and the integration of the new Member States should make a success of enlargement. At the same time, the

proposal must respect budgetary discipline and rigour.

The Commission's proposed figures are both ambitious and sensible. Despite enlargement and a reorientation towards new priorities, they fully respect the ceiling for the size of the EU budget that currently applies, and which the Member States agreed for a Union of 15 several years ago. They even stay well below this maximum of 1.24 % of EU national income with an average of 1.14 % of EU GNI over the period.