2004 discharge: EC general budget, section III, Commission and ECSC in liquidation

2005/2090(DEC) - 07/10/2005 - Supplementary non-legislative basic document

PURPOSE : to present the revenue and expenditure accounts and the financial statement concerning the 2004 budget - Section III - Commission : **detailed synthesis of 2004 expenditure.**

CONTENT : this document presents a detailed breakdown of Commission expenditure in 2004. A more succinct political analysis can be found in summary (SEC(2005)1158) which should be read in parallel to this document. Moreover, the figures mentioned are also presented in the Commission Financial Report 2004.

DETAILED SYNTHESIS OF 2004 EXPENDITURE : this detailed synthesis analyses EU expenditure by heading and sub-category of expenditure. It highlights the main issues contributing to the underutilisation of budget appropriations (including, for EU-25, the initial budget appropriations, the initial reserve, amending budgets, transfers and carry-overs). Bearing in mind that the new Member States joined the EU on 1 May 2004, the budget includes the amounts for the EU-10 until April 2004 and EU-25 from 1 May.

Implementation of commitment and payment appropriations - Commission 2004 :

Commitments : **EUR 106.982.666.860,92** weremade out of a total of EUR109.025.085.582,01, that is a **98,13%** implementation rate.

Payments : **EUR 98.003.860.526,12** paid from a total of EUR 102.328.369.478,45, that is a **95,77%** implementation rate.

The 2004 implementation rates by heading (payment appropriations):

- Agriculture : 98% : EUR 43.6 billion;
- Structural operations: 99% : EUR 34.2 billion;

- Internal policies : 81% : EUR 7.3 billion;
- External action : 90% : EUR 4.6 billion;
- Administration : 85% : EUR 5.8 billion (all institutions);
- Reserves : 41% : EUR 182 million;
- Pre-accession strategy: 95% : EUR 3 billion;
- Compensation : 100% : EUR 1.4 billion.

Total : 95%.

Gross National Income (GNI) : compared with national budgets, which take an average of around 45 % of national income, the EU budget is tiny, only a little over 1 % of EU gross national income (GNI). The total appropriations for payments were EUR 9.7 billion below the 2004 financial perspective ceiling and represented 1.01 % of the gross national income of the EU-25, well under the Community ceiling of 1.24 % and even below the corresponding percentage in the 2003 budget (1.04 % of the GNI of the EU-15 when voted). The revenue required to finance the budget for 2004, representing 0.95 % of EU GNI, was below the level of payments because of the balance left over from the 2003 budget that reduced the budget resources needed from Member States in 2004.

Analysis of expenditure 2004, heading by heading :

Agriculture (Heading 1) : agricultural commitments made were EUR 44.8 billion, or in percentage terms similar to the 99 % outcome for the same period last year. For CAP-related expenditure (heading 1a), an underutilisation of EUR 270 million mainly concerns:

- EUR 140 million for plant products, primarily the cereals sector as the bad harvest in 2003 resulted in higher world prices in relation to the forecasts used at the time of establishing the 2004 budget, and export refunds for the sugar sector as less quantities were exported than provided for in the budget;
- EUR 60 million for animalproducts, due to various factors affecting the dairy and meat sectors.

For rural development, subheading 1b, underspending amounted to EUR 95 million, slightly higher than last year. Of the unused appropriations for the heading, EUR 49.5 million for rural development programmes is carried forward to 2005.

Structural operations (Heading 2) : almost full implementation of commitment appropriations was reached for this heading, with EUR 213 million unutilised that mainly relate to Structural Fund programmes under Objective 1 (EUR 70 million) and the Cohesion Fund (EUR 64 million). Of the unused appropriations in 2004, EUR 115.2 million is carried forward to 2005.

Regarding payments, in November, an amending budget (AB10/2004) increased the payment appropriations for the Structural Funds by EUR 3.7 billion to cover expected additional needs for the remainder of the year. This was funded by transfers of EUR 1.7 billion from agriculture (heading 1a), an increase of EUR 1.5 billion in the revenue forecast and a call on the Member States for new resources of EUR 500 million.

Total payments for the heading amounted to EUR 34.2 billion, or 99 % of available appropriations, an underutilisation of around EUR 435 million, of which- and excluding earmarked revenue - EUR 294 million relates to the Structural Funds mainly for programmes under Objective 1 (EUR 150 million). For the Cohesion Fund, EUR 135 million in payment appropriations was not used.

Of the unused payment appropriations under this heading in 2004, EUR 184.2 million is carried forward to 2005.

Internal policies (Heading 3) : from the initial reserve of EUR 151 million, EUR 132 million was released during the year to various budget lines within the heading. In addition, through AB 3/2004, EUR 21 million was transferred from the EU Solidarity Fund to cover emergency aid following the floods in France and Malta, and the forest fires in Spain. Commitments made amounted to EUR 9 billion, or 92 % of the total available appropriations, an underutilisation of aroundEUR 850 million. This compares with 93% for the same period last year. Of the unused appropriations, EUR 600 million relates to earmarked revenue, and mostly concerns the completion of previous framework programmes under research and technological development. Payments made amounted to EUR 7.3 billion from available appropriations of EUR 9 billion, an implementation rate of 81 %. This compares with EUR 5.7 billion, an implementation rate of 79 % in 2003. The under-implementation is mainly accounted for by EUR 980 million for earmarked revenue that mostly relates to:

- payments for the completion of earlier programmes under research and technological development;
- the remaining unused appropriations of around EUR 730 million are budget appropriations spread across the heading.

Of the total unused appropriations for the heading in 2004, EUR 36.4 million for payments is carried forward to 2005.

External actions (Heading 4) :of the initial EUR 177 million placed in reserve, EUR 176 million was transferred to the heading. Almost full implementation of commitment appropriations was reached for this heading. For total available appropriations of EUR 5.4 billion, EUR 5.2 billion commitments were made. This compares with EUR 4.9 billion in 2003, with a similar implementation rate. Earmarked revenue of around EUR 112 million accounted for most of the underutilisation and is spread across the heading. Of the budget appropriations that could not be used before end-year 2004, EUR 8.9 million is carried forward to 2005. Concerning the payments, of the initial EUR 118 million placed in reserve, EUR 117 million was transferred to the heading. EUR 4.6 billion payments were made in 2004 from total available appropriations of EUR 5.1 billion, an implementation rate of 90 %, an all-time record and a continuing improvement on the previous record levels of 87 % in 2003 and 89 % in 2002. Of the unused appropriations, almost EUR 120 million concerned earmarked revenue that is spread across the heading.

Of the remaining appropriations in 2004, EUR 6 million is carried forward to 2005. Through a combination of a sustained high level of payments and a continued effort in screening old and dormant commitments, RAL (*reste à liquider*) has again been stable for this heading as has been the case for the last several consecutive years, despite the continuous increase in commitment appropriations.

Administration (all institutions) :commitment appropriations for administrative expenditure had an implementation of 96% with 85% actually paid.

Pre-accession aid (Heading 7):of the initial EUR 40 million commitment appropriations placed in reserve for preaccession instruments under Phare, EUR 25 million was released to the heading. Almost full utilisation of commitment appropriations was achieved for the heading. From total available appropriations of EUR 1.8 billion, EUR 1.7 billion was committed, or 94 % implementation compared with 98 % for 2003. The EUR 120 million unused appropriations mainly concern earmarked revenue (EUR 90 million, essentially from programme closure). Payments amounting to EUR 3 billion were made, an implementation rate of 95 %, compared with EUR 2.3 billion or 80 % last year. Of the EUR 167 million unused appropriations, EUR 47 million concern earmarked revenue and the remainder EUR 120 million mainly relates to Phare programmes. Based on initial forecasts of the implementing authorities of the beneficiary countries, an additional EUR 113 million was transferred to this chapter during the global transfer procedure. RAL for this heading has started a downward trend, from EUR 10.3 billion at the start of 2004 to EUR 8.2 billion for the year-end, a decrease of EUR 2 billion.

ECSC LIQUIDATION: the European Coal and Steel Community (ECSC) was set up in 1951 and expired on 23 July 2002. The Treaty of Nice provided a special protocol, annexed to the Treaty of Nice, which set out provisions for the end of the ECSC, in particular :

- a protocol on the financial consequences of the expiry of the ECSC Treaty;
- the creation of a research fund for coal and steel.

Financial mechanism : the assets of the ECSC in liquidation, following expiry of the

Treaty, were reverted to the European Community and European Coal and Steel Research Fund as follows : assets managed directly by the Commission in the framework of financial liquidation procedures and reinvested in various investments for a maximum return; the revenue from the financial returns are reinvested in the EU budget and are used to fund research projects which are allocated as follows : 27% for coal and 72,8% for steel.

ECSC detailed synthesis for 2004 (figures rounded) :

2004 results of the financial liquidation: EUR 73 million;

2004 revenue (profits from ECSC assets which were reinvested) : EUR 53 million;

Implementation of coal and steel research commitments : - EUR 53 million.

TOTAL : EUR 72,953 million.