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

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

CONTENT : this document presents a political analysis of the Commission's expenditure. It should be read in parallel with the summary of SEC(2005)1159 which entails a detailed synthesis, heading by heading, of the Commission's expenditure in 2004.

Main axes of the budget expenditure policy in 2004 :

1) **The first EU-25 budget** :the 2004 budget - the first enlarged budget to include the 10 new Member States - did its job well, ensuring the smooth integration of the 10 new members and creating the conditions to fulfil expectations for the enlargement. It was also the first based on new principles set out entirely according to policy activities, which makes it possible to link clearly objectives and means, and shows how money is spent to meet citizens' expectations and to maximise added value for Europe.

2) **An improved budgetary implementation** : the 2004 budget was the most fully executed budget in the recent past. Through close monitoring of requests for structural funding in the Member States and an active management of the budget right until the end of the year — a reinforcement of EUR 3.7 billion in payments was voted for this sector in the last weeks of the year — overall results showed close to a balanced budget. Remembering that the EU budget cannot go into deficit, ending the year with a small surplus is prudent and inevitable. The end result will show a surplus of about EUR 2.8 billion, largely from other earmarked revenues for internal policies and agriculture, which has been entered into the 2005 budget, so reducing the Member States' contributions for the 2005 budgetary year. It was the lowest surplus since 1997. For the 2004 budget year, EUR 109 billion was committed from total available appropriations of EUR 111 billion, an implementation rate of 98 %. Payments made amounted to EUR 100 billion from total available appropriations of EUR 105 billion, an implementation rate of 95 % compared with EUR 91 billion or 92 % in 2003.

3) **Expenditure towards a competitive Europe** :compared to 2003, increased expenditure was given to drive the European economy to become an attractive, competitive, knowledge-based economy by the end of the decade. In addition, increased expenditure was also highlighted in the area of structural operations (from EUR 28.5 billion in 2003 to EUR 34.1 billion in 2004 (+19. 8%). An increase can also be seen within the internal policies heading, including the internal market and research. 2004 was also an important year in terms of the reform of the Commission. It carried out an intensive recruiting campaign in light of enlargement. National contributions (including VAT and GNI contributions) amounted to the largest source of revenue for the EU budget, reaching a total of EUR 82.9 billion in 2004. The rest emanates from traditional own resources (agricultural duties, sugar levies and customs duties) and other sources.

4) **Towards a new financial framework and a further enlargement** : 2004 was a year rich in historical events such as : the accession of 10 new Member States on 1 May 2004; adoption of the draft Constitutional Treaty; the delivery of the proposal on the new financial perspective for the period 2007–13; in December 2004, the European Council pursued further enlargement of the

Union by agreeing that Romania and Bulgaria could join the EU from January 2007, if accession preparations were complete, and that accession negotiations could start with Croatia and Turkey subject to certain conditions.