

2005 discharge: EC general budget, section III, Commission

2006/2070(DEC) - 26/07/2006 - Supplementary non-legislative basic document

PURPOSE : to present the revenue and expenditure accounts and the financial statement concerning the 2005 budget - Section III - Commission : **detailed synthesis of 2005 expenditure.**

CONTENT : this document presents a detailed breakdown of Commission expenditure in 2005. A more succinct political analysis can be found in summary (SEC(2006)0915) which should be read in parallel to this document.

Preliminary remark: 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). Moreover, the figures mentioned are also presented in the Commission Financial Report 2004.

Analysis of expenditure in 2005, heading by heading:

1) Agriculture: total agricultural expenditure (heading 1) for 2005 based on commitments made was EUR 48.5 billion (100 %), leaving only some EUR 157 million unused. This compares favourably with the 96 % outcome for the same period last year.

For CAP (common agriculture policy) – related expenditure (heading 1a), an underutilisation of EUR 1 048 million compared with the initial budget was recorded, of which EUR 650 million had already been included in AB 8/2005.

The under-implementation compared with the initial budget is a net result of:

- milk and milk products: – EUR 769 million, due to a more favourable internal and external market situation than expected;
- additional revenues: + EUR 458 million revenues, of which EUR 280 million extra super levy and EUR 178 million additional financial corrections as compared with the forecasts;
- euro/dollar exchange rate: some – EUR 100 million, due to an appreciation of the dollar compared with the estimates from October 2004;
- additional expenditure, mostly for plant products, due to extra storage and as a result of cuts in direct payments by the budget authority.

For rural development, subheading 1b, underspending amounted to EUR 44 million, which relates entirely to the new early retirement scheme. This compares with EUR 95 million last year. Of the unused appropriations for the heading, the full amount of EUR 44 million for rural development programmes was carried forward to 2006.

2) Structural operations: practically full implementation for commitment appropriations was reached, with EUR 46 million unutilised that relate to Structural Fund programmes under Objective 1 (EUR 20 million), innovative measures and technical assistance (EUR 12 million), and to Community initiatives (EUR 11 million). Of the unused appropriations in 2005, EUR 20 million (concerning the Objective 1 programmes, due to a programme modification in eastern Germany under EAGGF Guidance) was carried forward to 2006.

Overall, payments for the heading were increased by EUR 390 million as part of the global transfer procedure. Total payments for the heading amounted to EUR 32.8 billion, or 100 % of available appropriations, an underutilisation of around EUR 75 million. This mainly relates to: fisheries outside Objective 1 regions (EUR 30 million), innovative measures and technical assistance (EUR 25 million), and to Community initiatives (EUR 12 million). Given the practically full execution, no amounts for this heading are carried over to 2006. The trends underlying the high level of implementation are clear: the EU-15 2000–06 programmes in their sixth year had finally reached cruising speed, whereas the interim payments for the 2004–06 programmes for the new Member States started slowly, as the EU-10 programmes have been affected by start-up problems.

3) *Internal policies*: commitments amounted to EUR 9.5 billion, or 91 % of the total available appropriations, an underutilisation of around EUR 900 million. This compares with 92 % for the same period last year. Of the unused appropriations, EUR 564 million relates to earmarked revenue, and mostly concerns the completion of previous framework programmes under research and technological

development. The remaining EUR 344 million unused commitment appropriations are spread across the heading, but mainly concern AB 6/2005, under which EUR 93 million was transferred from the EU Solidarity Fund to cover emergency aid following the major storm in Estonia, Latvia, Lithuania and Sweden. Due to the late adoption of AB 6, the grant decisions and bilateral implementation agreements could not be completed before year-end. Therefore, the full amount of EUR 93 million had to be carried over to 2006. Apart from the commitments for the Solidarity Fund, another EUR 27 million of the appropriations that could not be used before end-year 2005 was carried forward to 2006.

Payments made amounted to EUR 8.0 billion from available appropriations of EUR 9.7 billion, an implementation rate of 82 %. This compares with EUR 7.3 billion in 2004, an implementation rate of 80 %. The underimplementation is mainly accounted for by earmarked revenues (over EUR 1 billion), mostly related to payments for the completion of earlier programmes under research and technological development (carried over completely). The remaining unused appropriations of EUR 725 million are budget appropriations spread across the heading, mostly for administrative expenditure related to specific operations. Of the total unused budget payment appropriations for the heading in 2005, an amount of EUR 273 million was carried forward to 2006.

4) *External actions*: out of total available appropriations of EUR 5.7 billion for the heading as a whole, commitments of EUR 5.5 billion were made. This compares with EUR 5.2 billion in 2004, with a similar implementation rate (97 %). The underutilisation mainly concerns earmarked revenues (of around EUR 100 million, spread across the heading and carried over completely). The unused budget commitments (EUR 41 million) partly relate to the cancelled macro-financial assistance to Georgia, and partly to the former BA lines. Of the budget appropriations that could not be used before end-year 2005, EUR 4 million was carried forward to 2006.

EUR 5 billion payments were made in 2005 from total available payment appropriations for this heading of EUR 5.4 billion, an implementation rate of 92 %, which reflects a continuing improvement on the previous levels of EUR 4.6 billion (90 %) in 2004, EUR 4.2 billion (88 %) in 2003 and 89 % in 2002. This continuous improvement shows the success of the deconcentration exercise and the reform of external aid.

Of the unused appropriations (EUR 282 million), EUR 80 million concerned earmarked revenues that are spread across the heading and were carried over completely. The remaining unused budget appropriations partly relate to administrative expenditure for the heading (former BA lines), and on the other hand to cooperation with the western Balkans (EUR 140 million), partly due to lower than expected payments for the Reconstruction Agency.

5) *Administration*: shows an 85% rate of implementation.

6) *Pre-accession aid*: implementation of commitment appropriations for this heading amounted to EUR 2 billion, from total available appropriations of EUR 2.2 billion, i.e. 89 %, compared with 94% for 2004. Part of the unused appropriations of EUR 237 million concern earmarked revenues (EUR 110 million, as last year essentially from programme closure). The remaining EUR 120 million relate to the cancelled financial assistance to the Turkish Cypriot community, as the legal basis could not be adopted.

Based on initial forecasts of the implementing authorities of the beneficiary countries, a net amount of EUR 41 million was transferred to this heading during the global transfer procedure. Payments amounting to EUR 3 billion were made, i.e. an implementation rate of 84 %, compared with EUR 3.1 billion or 95 % last year. Of the EUR 526 million remaining payment appropriations, EUR 18 million concern earmarked revenues (carried over completely to 2006). The under-implementation of budget appropriations is spread across the heading (Sapard EUR 73 million, ISPA EUR 43 million, Phare EUR 312 million, Turkey EUR 75 million and the Turkish Cypriot community EUR 27 million).

For details on the implementation rates heading by heading for 2005, please refer to the detailed synthesis report.