Basic information

2002/2004(BUD) BUD - Budgetary procedure	Procedure completed
2003 budget: section III, Commission **Subject** 8.70.60 Previous annual budgets	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	STENMARCK Per (PPE-DE) FÄRM Göran (PSE)	10/12/2001 10/12/2001

Former committee responsible	Former rapporteur	Appointed
BUDG Budgets	FÄRM Göran (PSE)	10/12/2001
BUDG Budgets	FÄRM Göran (PSE)	10/12/2001

Former committee for opinion	Former rapporteur for opinion	Appointed
AFET Foreign Affairs, Human Rights, Common Security, Defense	TITLEY Gary (PSE)	24/01/2002
AFET Foreign Affairs, Human Rights, Common Security, Defense	TITLEY Gary (PSE)	24/01/2002
CONT Budgetary Control	HEATON-HARRIS Christopher (PPE-DE)	17/04/2002
LIBE Citizens' Freedoms and Rights, Justice and Home Affairs	CEYHUN Ozan (PSE)	18/12/2001
ECON Economic and Monetary Affairs	GRÖNFELDT BERGMAN Lisbeth (PPE-DE)	22/01/2002
ECON Economic and Monetary Affairs	GRÖNFELDT BERGMAN Lisbeth (PPE-DE)	22/01/2002
JURI Legal Affairs and Internal Market		19/02/2002

	MACCORMICK Professor Sir Neil (V/ALE)	
ITRE Industry, External Trade, Research, Energy	RÜBIG Paul (PPE-DE)	24/01/2002
ITRE Industry, External Trade, Research, Energy	RÜBIG Paul (PPE-DE)	24/01/2002
EMPL Employment and Social Affairs	JENSEN Anne E. (ELDR)	24/01/2002
ENVI Environment, Public Health, Consumer Policy	GOODWILL Robert (PPE-DE)	21/11/2001
AGRI Agriculture and Rural Development	GRAEFE ZU BARINGDORF Friedrich-Wilhelm (V/ALE)	04/12/2001
AGRI Agriculture and Rural Development	GRAEFE ZU BARINGDORF Friedrich-Wilhelm (V/ALE)	04/12/2001
PECH Fisheries	FIGUEIREDO Ilda (GUE /NGL)	24/01/2002
RETT Regional Policy, Transport and Tourism	PUERTA Alonso José (GUE /NGL)	22/01/2002
RETT Regional Policy, Transport and Tourism	PUERTA Alonso José (GUE /NGL)	22/01/2002
CULT Culture, Youth, Education, Media and Sport	PERRY Roy (PPE-DE)	26/03/2002
DEVE Development and Cooperation	HOWITT Richard (PSE)	23/01/2002
AFCO Constitutional Affairs	DELL'ALBA Gianfranco (NI)	26/03/2002
FEMM Women's Rights and Equal Opportunities	SMET Miet (PPE-DE)	22/01/2002
FEMM Women's Rights and Equal Opportunities	The committee decided not to give an opinion.	22/01/2002

Council of the European Union

Council configuration	Meetings	Date
General Affairs	2447	2002-07-22

Economic and Financial Affairs ECOFIN	2414	2002-03-05
Economic and Financial Affairs ECOFIN	2466	2002-11-26
Economic and Financial Affairs ECOFIN	2424	2002-05-07
Economic and Financial Affairs ECOFIN	2446	2002-07-19

European Commission

Commission DG	Commissioner
Budget	

Key events

Date	Event	Reference	Summary
26/02/2002	Vote in committee		Summary
26/02/2002	Budgetary report tabled for plenary	A5-0068/2002	
05/03/2002	Debate in Council		Summary
12/03/2002	Decision by Parliament	T5-0096/2002	Summary
12/03/2002	Debate in Parliament		
07/05/2002	Debate in Council		
15/06/2002	Commission preliminary draft budget published	COM(2002)0300	Summary
30/07/2002	Council draft budget published	11138/2002	
10/10/2002	Vote in committee		Summary
10/10/2002	Budgetary report tabled for plenary	A5-0350/2002	
22/10/2002	Debate in Parliament		
24/10/2002	Decision by Parliament	T5-0509/2002	Summary
26/11/2002	Amended budget adopted by Council		Summary
26/11/2002	Debate/examination by Council scheduled	13829/2002	
04/12/2002	Committee referral announced in Parliament, 2nd reading		
10/12/2002	Vote in committee, 2nd reading		
10/12/2002	Budgetary report tabled for plenary, 2nd reading	A5-0440/2002	
17/12/2002	Debate in Parliament		
19/12/2002	Decision by Parliament, 2nd reading	T5-0624/2002	
19/12/2002	End of procedure in Parliament		
28/02/2003	Final act published in Official Journal		

Technical information

Procedure reference	2002/2004(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Budget
Legal basis	Euratom Treaty A 177 EC Treaty (after Amsterdam) EC 272
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/5/15661 BUDG/5/16188

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Budgetary report tabled for plenary, 1st reading		A5-0068/2002	26/02/2002	
Parliament's opinion on budgetary estimates/guidelines		T5-0096/2002 OJ C 047 27.02.2003, p. 0025-0072 E	12/03/2002	Summary
Budgetary report tabled for plenary, 1st reading		A5-0350/2002	10/10/2002	
Budgetary text adopted by Parliament		T5-0509/2002 OJ C 300 11.12.2003, p. 0441-0528 E	24/10/2002	Summary
Budgetary report tabled for plenary, 2nd reading		A5-0440/2002	10/12/2002	
Final budget adopted by Parliament		T5-0624/2002 OJ C 031 05.02.2004, p. 0185-0232 E	19/12/2002	

Council of the EU

Document type	Reference	Date	Summary
Council draft budget	11138/2002	30/07/2002	Summary
Document attached to the procedure	11143/2002	30/07/2002	Summary
Amending/supplementary letter on draft budget	12640/2002	08/10/2002	Summary
Council amended draft budget	13829/2002	26/11/2002	Summary
Amending/supplementary letter on draft budget	14847/2002	26/11/2002	Summary
Amending/supplementary letter on draft budget	15169/2002	06/12/2002	Summary

European Commission

Document type	Reference	Date	Summary
Document attached to the procedure	N5-0207/2002	29/04/2002	Summary
Commission preliminary draft budget	COM(2002)0300	15/06/2002	Summary
Document attached to the procedure	SEC(2002)0823	17/07/2002	Summary
	SEC(2002)0981		

Document attached to the procedure		18/09/2002	Summary
Document attached to the procedure	SEC(2002)1144	30/10/2002	Summary
Document attached to the procedure	SEC(2002)1286	28/11/2002	Summary

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Budget 2003/0094 OJ L 054 28.02.2003, p. 0001-0999	Summary

2003 budget: section III, Commission

2002/2004(BUD) - 18/09/2002 - Document attached to the procedure

PURPOSE : to present an amending letter 2/2003 to the draft budget 2003 (Section III - Commission). CONTENT : this amending letter 2/2003 sets out 3 types of amendments in Section III of the budget (Commission) : 1) to propose the creation of a Paymaster's Office responsible for determining, calculating and paying individual staff entitlements, and two Infrastructure and Logistics Offices responsible for all activities relating to buildings policy and the management of social infrastructure (one in Luxembourg and one in Brussels). 2) to create 3 Annexes to Part A of the budget each with their own lists of posts and a detailed description of their own resources and their expenses in order to take account of Article 172 of the New Financial Regulation. 3) to create two new lines, which will be able to accommodate the Solidarity Fund's own operations. They would carry token entries and would be endowed after the Fund has been mobilised. (See CNS/2002/0228). This new financial instrument is proposed in parallel and is intended to assist affected regions in Member States and other countries involved with accession negotiations in the event of major natural, technological and environmental disasters. (Refer also to BUD/2002/2204). It should be noted that all the current references to the different articles of the financial regulation should be adapted to the new text. This amending letter details the first series of amendments. With regard to the three new offices, the amending letter states that they will be responsible for some of the activities concerning the administrative management of the DG Personnel and Administration. Over the years the Offices should also help to achieve potential savings through: - the impact of the increased efficiency; - further economies of scale from an improved inter-institutional approach. Two of these offices shall be established in Brussels and one in Luxembourg. The Paymasters Office shall be for determining, calculating and paying individual staff entitlements and the two Infrastructure and Logistics Offices responsible for all activities relating to buildings policy and the management of social infrastructure, the housing of departments, technical maintenance, purchases, supplies, internal logistics and services. These new offices that could facilitate the reorganisation of the Commission in the light of Reform, and would be an appropriate instrument to prepare the evolution, in due course, towards a reinforced inter-institutional co-operation by pooling together a number of administrative and support tasks. The new offices would also represent a tool implemented by the Commission and/ or the other Institutions to meet the recognised demands for the optimal use of resources, for high quality services, notably through the development of visible centres of expertise. It should be noted that the Commission shall work towards the creation of these three Offices and ensure that no additional costs should arise.

2003 budget: section III, Commission

2002/2004(BUD) - 24/10/2002 - Budgetary text adopted by Parliament

The European Parliament adopted the report by Mr G·ran FARM (PES, S) concerning the general budget of the EU for the financial year 2003. The figures from Parliament's first reading show that Ç100.19bn has been allocated for commitments and Ç99.933bn for payments. During its first reading Council had proposed Ç99.548bn for commitments and Ç96.992bn for payments as against the Commission's figures of Ç99.99bn for commitments and Ç98.207bn for payments. Parliament outlined that the financial perspectives for 2000-2006 were insufficient for category 2 (Structural Funds) and for category 4 (Foreign Policy). Whilst it is possible for a technical solution to be found for problems relating to category 2 using the so-called "Flexibility Instrument", this is far from the case for Foreign Policy, with needs far outstripping available resources. It should be stated that the Parlaiment welcomes the new type of budgetary debate which allows it to express its concern to the Commission on budgetary issues and creating a new institutional dynamic in relation to the new provisions on the legislative programme and stocktaking procedure. It underlines the positive results of the

new implementation methods involving the specialised committees in a better quantitative and qualitative monitoring of the budget and lastly welcomes the preparatory work on the future activity based budgeting nomenclature. Parliament outlined a serious concern which is the Ç107bn of outstanding payments. It is said that this is largely due to inefficient absorption and the lack of matched funding from Member States. The Parliament underlines that the cut of EUR 1 215 million over the PDB made by the Council in the draft budget, is not in line with the aim to improve the implementation of Community funding as expressed by both arms of the Budgetary Authority in the respective guidelines. The Commission is called upon to submit before Parliament's second reading: - a report outlining how the Commission will meet its own objective to reduce the outstanding commitments to a normal level by December 2003; - a plan, modelled on the basis of the implementation plan, to clear the outstanding commitments; - a commitment to present an implementation plan at a lower level of the nomenclature, at the latest with the PDB and regular reporting about differences by comparison with the original profile, an appropriate account for them plus proposals for improvement; - a take-up plan based on a binding timetable to be approved by the budgetary authority. The breakdown by policy area is similar to that outlined in the summary dated 10 October 2002 and is as follows: - Agriculture (Heading 1) : Parliament recommends that EUR 40.476bn is spent on agriculture with Ç4.698bn in accompanying measures. Accompanying measures focus on the improvement of conditions for the transport of animals and finance to encourage tobacco growers to switch to other crops. - Structural Actions (Heading 2) : Once again commitments in this area posed difficulties. In Parliament's first reading, MEPsincreased the Council's figures to EUR 34.521bn whilst, at the same time, calling for full implementation of the Structural Funds. MEPs want to see a solution to the problem of how to find the agreed EUR 27m for restructuring the Spanish and Portuguese fishing fleets. - Internal Policies (Heading 3) : Here, MEPs voted for a total of EUR 6.793bn for commitments and EUR 6.233bn in payments, with 50% of credits allocated to decentralised agencies to be put in a reserve until a definite seat has been decided on. - Foreign Policy (Heading 4) : In exceeding the ceiling here, MEPs voted for a sum of EUR 5.047bn in commitments and EUR 4.956bn in payments. In effect, the House is making the point that the existing financial perspective is inadequate, when compared to the pressures on the Foreign Policy budget coming from so many different areas. It has therefore cut EUR 60m from the budget for Afghanistan, with a view to resolving this problem by negotiating a revision of the 1999 Inter-Institutional Agreement with Council before second reading. Similarly, MEPs voted for just Ç30m for the EU's emerging Common Foreign and Security Policy with a view to a possible increase at second reading, following negotiations with Council, where the aim is to involve MEPs in the decision making process here. Parliament also wants to see a significant EU contribution to the Global Health Fund. Parliament also reaffirms its intention to enter a budget heading for the rehabilitation and reconstruction of the territories administered by the Palestinian Authority, in line with the conclusions of its resolution of 12 March 2002 on the 2003 budget guidelines. - Administrative Expenditures (Heading 5) : Following a prior agreement with Council, MEPs respected the ceiling here and voted for a total of some EUR 5.362bn, enabling the funding of new posts in the Commission relating to enlargement to go ahead. This arrangement foresees the use of "front loading" i.e. anticipated savings from the 2002 budget and a contribution of some EUR 43m from the Parliament's own budget. - Pre-accession aid (Heading 7) : Parliament reinserted payments which were reduced by the Council for PHARE, SAPARD and ISPA. MEPs voted for EUR 3.256bn in payments, which is an increase on both the Council and Commission figures but maintained the EUR 3.386bn commitment figure. Lastly concerning the reform of the Commission, Parliament still fully supports this process. The Commission is called upon to submit to Parliament by 15 November 2002: a detailed report on the conclusions of the second report of the Committee of Independent Experts on reform of the Commission and Parliament's observations in its resolution of 19 January 20001 on that report and a table showing the results of the implemented reforms, the reforms under way and the measures which will still have to be taken along with a detailed calendar for implementation.

2003 budget: section III, Commission

2002/2004(BUD) - 29/04/2002 - Document attached to the procedure

In a letter from the European Commission to the Secretary-General of the Parliament, it is stated that, in accordance with Article 272(9) of the TEC, the maximum rate of increase of non-compulsory expenditure of the 2003 budget shall be 3,8%.

2003 budget: section III, Commission

2002/2004(BUD) - 28/11/2002

PURPOSE : to present the Communication from the Commission to the Council and the European Parliament on the letter of amendment No 4 to the preliminary draft budget 2003 (all sections together). CONTENT : the new Financial Regulation was adopted by the Council on 25 June 2002. It will apply from 1 January 2003 and appropriate changes will therefore need to be made to the PDB, which was adopted before the final decision on the new Financial Regulation. In its second letter of amendment (please refer to the summary dated 18 September 2002), the Commission had already drawn the budgetary authority's attention to this fact and had suggested that the budgetary authority gives its agreement on the principle so that the necessary changes can be incorporated into the budget by way of technical adjustments. However, in its draft letter of amendment (refer to summary 8 October 2002), the Council stated that 'from a legal point of view it is indispensable that the Commission officially refer a letter of amendment of this kind to the Council, in accordance with the Financial Regulation. Consequently, the Council requested the Commission to present it with a letter of amendment as soon as possible to enable the budgetary authority to finally adopt the 2003 budget in strict compliance with the new Financial Regulation. It is precisely the aim of this fourth letter of amendment to the PDB 2003. It contains the necessary adaptations to reflect in the 2003 budget the changes flowing from the Council's adoption of the new Financial Regulation on 25 June 2002. In addition, the Amending Letter proposes to harmonise the budgetary remarks relating to BA lines in sub-title B7. The purpose is to clarify the use of the technical and administrative assistance facility for the deconcentration and phasing out of technical assistance offices. This Letter of amendment is therefore budgetary neutral.

2003 budget: section III, Commission

2002/2004(BUD) - 30/07/2002

The Council reached an agreement on the draft general budget for 2003. The draft budget adopted for 2003 is based on the need to: - comply with the annual expenditure ceilings set by the financial perspective for 2000-2006; - leave, where possible, adequate margins below the ceilings for the various headings, except for headings 2 and 7; - provide adequate funding for the European Union's various priorities. The overall amounts of expenditure

resulting from the Council's deliberations are as follows : - appropriations for commitments (c/a) : EUR 99,548 billion. - payment appropriations (p/a) : EUR 96,992 billion. On the basis of the above overall approach the Council adopted a draft budget for 2003 which provides for an overall increase of 0,9% in commitment appropriations and 1,4% in payment appropriations, as compared with the budget for 2002. As a result, total payment appropriations represent 1,01% of Community GNP. In establishing the draft budget, particular account was taken of the assessment of the possibilities for utilising the commitment appropriations. For payment appropriations, growth in the volume of appropriations was controlled by taking into account in particular the capacity for utilisation, the likely rate of payments under outstanding commitments and constraints upon national budgets. Account was also taken of the coming examination, due to take place in the autumn in accordance with the Interinstitutional Agreement, of a letter of amendment concerning agricultural expenditure and expenditure arising from fisheries agreements, in order to take account of the updated estimates of requirements. The salient features of the various headings concerning operational and administrative expenditure are as follows: a) in the case of agricultural expenditure (heading 1 of the financial perspective): - an across-the-board reduction of the appropriations requested in the PDB by an amount of EUR 275 million in all budget chapters of subheading 1a (market expenditure) where the sum of appropriations is greater than EUR 1,5 billion. If the appropriations entered in the 2003 budget are insufficient to cover common agricultural policy expenditure under heading 1a of the financial perspective, the Commission should submit an amending budget. - a decision not to approve appropriations for two actions for which there is no legal basis (other actions in the veterinary, animal welfare and public health fields; genetic resources); - acceptance of the Commission's PDB as regards appropriations for rural development (subheading 1b). b) for structural operations expenditure (heading 2 of the financial perspective): - acceptance of the PDB as regards commitment appropriations; - an across-the-board reduction of EUR 525 million in the payment appropriations requested in the PDB for the Structural Funds because of the significant under-utilisation in recent years. The Commission is invited by the Council to submit an amending budget if the payment appropriations are insufficient to cover paymentsto be made. - a decision not to include at this stage the amount of EUR 27 million in commitment appropriations for the programme to restructure the Spanish and Portuguese fishing fleets, while proposing a draft joint statement with the European Parliament and the Commission at the conciliation meeting. c) regarding expenditure on internal policies (heading 3 of the financial perspective): - acceptance of the amounts proposed for multiannual programmes under the codecision procedure and an adjustment of the amounts for some of them in the light of the Council's common position or the outcome of proceedings within the Council. - the reductions in appropriations for trans-European transport networks will not affect projects relating to frontier regions bordering the candidate countries; - limitation of the appropriations for some budget headings not based on multiannual programmes, particularly for BA headings, and for some agencies, when a very significant increase is proposed in the PDB; - a decision not to approve for 2003 two preparatory actions relating to non-Community areas (sport and cultural cooperation); - an increase in appropriations for special annual events, relating to the world Special Olympics 2003. d) regarding external action (heading 4 of the financial perspective): - a reduction in appropriations achieved by small decreases spread over a limited number of budget headings; - an increase in the appropriations in the PDB for East Timor and the CFSP; - agreement to retain the appropriations for the pre-accession strategy for Mediterranean countries under heading 4 of the financial perspective and enter them in the Title "Pre-accession strategy" (it should be noted that the following statement was made by the Greek delegation: The Greek delegation insists, as an issue of priority, on the technical arrangement of classifying appropriations for Cyprus and Malta in the appropriate category 7 of the financial perspective (Pre-accession strategy), while it also underlines the political importance and neutral budgetary content of such a scheme. e) The administrative expenditure of the institutions was examined on the basis of the following principles: - observing the existing ceiling of heading 5 of the finacnial perspective and controlled growth of administrative expenditure excluding pensions, so as to leave an adequate margin within the ceiling for this heading in order to be able to meet any subsequent needs which may arise. The margin should in particular make it possible under this budgetary procedure to enter administrative appropriations for 2003 under Section VIII of the budget for the Data Protection Officer of the European Communities, since an amount of EUR 2,5 million has been earmarked for that purpose within the margin made available. The fixing of administrative budgets should be based on the following approach: - taking into account the pre-enlargement expenditure necessary for each of the institutions. In this context, the overall budget proposed for pre-enlargement allows new posts to be created or appropriations for auxiliary staff to be entered for all theinstitutions, with particular attention to language requirements; - spreading the costs of pre-enlargement. Institutions faced with high pre-enlargement costs have been granted a rate of increase above 3,5%; - postponing certain expenditure to the following year, in particular with regard to premises, computers and upgradings. The Council, the Economic and Social Committee and the Committee of the Regions have been asked to postpone certain expenditure on premises; - an abatement of 0,5% in the institutions operating expenditure resulting from enhanced efficiency as a result of interinstitutional cooperation; - curbing the institutions' operating expenditure by proposing an additional abatement of 0,5% on the requests submitted and by not creating new posts under current operating expenditure or making any conversions or upgradings which would have an impact on the budget in 2003. - acceptance of the amount proposed by the Commission in its preliminary draft budget with regard to pensions expenditure. f) regarding expenditure on pre-accession instruments (heading 7 of the financial perspective): - acceptance of the PDB for commitment appropriations; - a reduction of EUR 300 million in the payment appropriations requested in the PDB, to take account of under-utilisation in previous years. As regards the EDF, the following statement adopted by the Conference of Representatives of the Member States and annexed to the Final Act of the Treaty on European Union should be noted: The Conference agrees that the European Development Fund will continue to be financed by national contributions in accordance with the current provisions.

2003 budget: section III, Commission

2002/2004(BUD) - 06/12/2002

On 2 December 2002, the Commission sent the Council letter of amendment No 4 to the preliminary draft general budget of the EC for 2003. The letter of amendment seeks to amend the statements both of revenue and expenditure in the budget, so at to adapt the latter to the provisions of the new Financial Regulation which apply from 01/01/03 (please refer to the summary dated 28/11/2002). The amendments are summarised as follows: i) accommodation by the budget of the new "assigned revenue" concept deriving from the application of the new Financial Regulation and its impact on the relevant budget headings in the statements of both revenue and expenditure; ii) further effects of the new Financial Regulation regarding, inter alia: -net amounts of traditional own resources; -new budget headings to be created on the revenue side; -references to the Financial Regulation in the budget remarks; -lay-out changes to the establishment plans of the various bodies; iii) harmonisation of remarks under BA headings relating to external polices (Title B7) in order to clarify the use of the technical assistance system for phasing out the technical assistance offices (TAOs). During the procedure the Commission proposed a further technical adjustment to headings B7-541 and B7-030A concerning the amounts in the remarks as

follows: -heading B7-514A: replacement of the amount of EUR 200.000 by EUR 1.200.000, and; -heading B7-030A: replacement of the amount of EUR 1.745.000 by EUR 2.400.000. This letter of amendment is budgetarily neutral. On 6 December 2002, the Council established Letter of Amendment No 3 to the draft budget for the financial year 2003 as set out in the technical annex to the explanatory memorandum.

2003 budget: section III, Commission

2002/2004(BUD) - 26/11/2002

PURPOSE : to present the draft general budget of the European Communities for the financial year 2003 as amended and accompanied by proposed modifications. CONTENT : after the meeting with the European Parliament, and on the basis of the preparatory work done by the Permanent Representatives Committee as well as the agreements reached with the European Parliament at the conciliation meeting, the Council reached political agreement at second reading of the draft general budget for 2003 and on letter of amendment No 3 to the preliminary draft budget for 2003. The draft budget adopted for 2003 is based on the need to: - comply with the annual expenditure ceilings set by the financial perspective for 2000-2006; - leave, where possible, adequate margins below the ceilings for the various headings, except for headings 2 and 7; - provide adequate funding for the European Union's various priorities. In establishing the draft budget, account was taken of the assessment of the possibilities for utilising the commitment appropriations. For payment appropriations, growth in the volume of appropriations was controlled by taking into account in particular the capacity for utilisation, the likely rate of payments under outstanding commitments and constraints upon national budgets. On the basis of the above overall approach, the Council reached political agreement on the draft budget for 2003, which provides for an overall increase of 0,02% in commitment appropriations and 1,3% in payment appropriations, as compared with the budget for 2002.

2003 budget: section III, Commission

2002/2004(BUD) - 12/03/2002 - Parliament's opinion on budgetary estimates/guidelines

The European Parliament adopted a resolution on the 2003 budget guidelines, Section III, drafted by Göran Farm (PES, Sweden). (Please refer to the document dated 26/02/02). It regards enlargement as the top political priority for 2003, and stated its concern about the need to finance the preparatory work within the ceiling of heading 5. The other political priorities are reform of the institutions, external assistance with particular reference to Afghanistan, internal security and reform of the Commission. On sectoral issues: - Heading 1: agriculture. Apart from a mid-term review of Agenda 2000, and the issue of transferring unused funds, Parliament asked the Commission to allocate adequate funds to heading B1-332 (Emergency Fund for veterinary complaints). - Heading 2: Structural Funds. Bearing in mind the need to avoid a further increase in the backlog of payments, the Commission is asked to present an evaluation on the major problems and bottlenecks country by country in view of possible corrective measures by 30 June 2002. Parliament must be given a leading role in monitoring the implementation of funds. - Heading 3: Internal policies. The preparation of enlargement needs to be taken into account under heading 3, and adequate resources must be made available for the development of social dialogue in the accession countries. Parliament also expressed its determination to set up a WTO Parliamentary Assembly, and to ensure that sufficient appropriations become available to provide for the adequate preparation of its delegations in all preparatory meetings. - Heading 4:External actions. The importance of effective implementation of the budget was emphasised. With regard to development aid, the Commission must evaluate its impact on poverty eradication building on the agreed new benchmark system. Support for Afghanistan was also underlined. Parliament expressed its concern about developments in the Middle East, in particular the worsening of the Palestinian people's social and economic conditions and Israel's destruction of basic infrastructure, some financed by the EU, in the territories of the Palestinian Authority. - Heading 5: Administrative expenditure. There is a tight margin under heading 5 in 2003 and 2004 resulting from new needs, such as preparation for enlargement, future pension needs, Members' Statute, the functioning of new bodies (Convention, Data Protection) and the entry into force of the Nice Treaty creating new structures and bodies. There must be immediate action on finding methods for savings through interinstitutional cooperation as well as for the pensions problem. Agreement must be reached with the Council on the consideraiton of enlargement expenditure in relation to the current ceiling of heading 5. Significant savings from negative priorities should be found, but a secure level of functioning for the institutions must be maintained. - Heading 6: reserves. Parliament believes that the ceiling fixed by the IIA for the guarantee reserve can no longer cover the needs. The likely margin in 2003 only leaves a limited lending capacity for new developments. - Heading 7: Pre-accession. The Commission must accelerate the procedures for SAPARD and ISPA in cooperation with the relevant administrative bodies in the candidate countries.

2003 budget: section III, Commission

2002/2004(BUD) - 19/12/2002

PURPOSE : to adopt the general budget of the European Union for the financial year 2003. COMMUNITY MEASURE : 2003/94/EC, Euratom. CONTENT : the budget of the European Union for the financial year 2003 has been finally adopted in accordance with the budgetary procedure closed on the 19 December 2002. The budget has therefore been adopted in accordance with the priorities defined by the budgetary authorities at the budget conciliation meeting on 25 November 2002 and by Parliament at its plenary session (see the text dated 19.12.2002). It takes account of the mobilisation of the flexibility instrument for the financing of certain actions in the area of fishing.

2003 budget: section III, Commission

2002/2004(BUD) - 05/03/2002

The Council reiterates its view that the Community budget must suitably cover all real needs and the resources required to implement the various policies of the Union effectively. It emphasises that this includes applying the same degree of budgetary restraint as exercised by Member States of the Union. In this context, compliance with the financial perspective remains a key objective. Community expenditure must stay within the limits fixed by

the financial perpsective and sufficient margins must be maintained under the ceilings of the various headings, except under heading 2, notably to cater for unforeseen circumstances. The Council reaffirms the value of financial programming, in particular for headings 3 and 4 of the financial perpsective. It points to the importance of the budgetary authority having, in good time for its budgetary procedure discussions, sufficient financial information on legislative proposals. The Council stresses once again the importance of keeping a tight grip on payment appropriations for 2003. The Council regrets the shortcomings in budgetary implementation for 2000 which resulted in the figure for that year greatly overshooting that of the previous years. The Council points to the need to keep the level of outstanding commitments under control. It welcomes the agreement reached in November 2001 between the two arms of the budgetary authority and the Commission aimed at eliminating abnormal outstanding commitments in the medium term. In this context, the Council stresses the fact that the reduction of abnormal outstanding commitments can be achieved not only by an increase of appropriations for payments but also by a significant resource to decommitments. In this agreement, the Commission made a commitment to submit, with the preliminary draft budget for 2003, an action plan that foresees examining all the potentially abnormal files. The Council invites the Commission to undertake this task without delay. It intends to pay close attention to the monitoring of the action plan. As regards certain specific headings of the financial perspective, the Council identifies the following elements as crucial in preparing the 2003 budget: - at the beginning of the second half of 2002, the Council expects from the Commission a mid-term review of the CAP reform implemented in the framework of Agenda 2000, which it must take into account in the autumn letter of amendment if necessary; - given the discussions on 18 February 2002, the Council states its intention of staying within the reference amounts for multiannual programmes and the ceiling under heading 4. In determining budget allocations, accounts must also be taken of the Community's development policy, of information on other contributors and on the capacity of the partner countries to absorb funds, and of the annual priorities which the Council has set itself; - it advocates that the support for Afghanistan and neighbouring countries under the 2002 budget be continued in an appropriate way in 2003, in accordance with the financial framework laid down by the financial perspective; - following the cuts to CFSP budgetary allocations in the last two years, it stresses the importance of funding measures under the CFSP and would like to see the budgetary allocation for 2003 geared towards potential needs. - the Council highlights the importance of measures relating to the conclusions of the most recent European Councils, especially those drawn at the Lisbon European Council. - before any proposal for a new programme or a new budget heading is submitted to the budgetary authority, there must, in accordance the Interinstitutional Agreement, be a report on the pilot projects and preparatory measures, containing inter alia an evaluation of the results. - given the information currently available in the report of the Secretaries-General which was forwarded to the budgetaryauthority at the last budget Council, in November 2001, the Council believes that particular heed must be paid to the worrying situation of heading 5 of the financial perspective in 2003 and to its evolution in the coming years; - in particular, it expects the search for potential savings to continue so that the ceiling under heading 5 is not overstepped and calls on all institutions to work to this end and to submit forecasts for 2003 showing a growth rate compatible with the adjustment rate agreed for the financial perspective and the forecast increase in pensions. Moreover, it believes that better multiannual programming of their property expenditure by the institutions is one way of keeping administrative under the ceiling for heading 5; - the Council is actively pursuing its work with a view to preparing the enlargement of the European Union to include the candidate countries and emphasises the need for precise evaluation of future budgetary implications. The Council wishes these guidelines to be taken into account in the budget procedure, particularly in the preparation of the preliminary draft budget for 2003.

2003 budget: section III, Commission

2002/2004(BUD) - 15/06/2002 - Commission preliminary draft budget

PURPOSE : to present the preliminary draft budget for 2003 (Section III - Commission). CONTENT : the Commission adopted its proposals for the 2003 budget (Preliminary Draft Budget) characterised by a sound balance between financing new tasks and budgetary discipline. At just over EUR 98 billion in payments, the proposed 2,7 % increase for 2003 over 2002 is lower than the announced average increase of the member states' budgets. The proposed 2003 budget stays well under the financial planning ceiling for the EU budget in the Agenda 2000. Compared to this ceiling the proposed budget saves EUR 4,7 billion and accounts for 1,03% of the EU's gross national income. The budget proposals allocate the financial means to the Commission's policy priorities for 2003, the preparation for enlargement, stability and security, and sustainable and inclusive economic development. The main characteristics of the preliminary draft budget 2003 (Volume O of the budgetary document COM(2002)0300) : the rise in payment appropriations has been kept down to 2,7% (or some EUR 98.218 billion). This amount is the result of a rigorous analysis of the volume of 2003 commitments, which will be paid in 2003, and the volume of commitments outstanding from previous years, which will be settled during 2003. The 2003 PDB in payment appropriations represents 1.03% of Community GNI, less than that in the 2002 Budget (1.05%). Payments leave a margin of EUR4. 720 billion, thus well below the ceiling set by the financial perspective 2000-2006, decided in the May 1999 interinstitutional agreement (IIA) following the Berlin opean Council of March 1999 (commonly known as 'Agenda 2000'). The overall increase compares with the increase of 2% for 2002, which was considered a successful outcome of the budget negotiations last year. Commitment appropriations - what is foreseen for the legal obligations assumed by the Union budget in 2003 - amount to some EUR 100.006 billion (+1,4% on 2002). This leaves a margin of some EUR 2.308 billion below the ceiling set for 2003 in the financial perspective. 1) Agriculture (heading 1): the 2003 budget (EUR 45.118 billion, +1,9% on 2002) is the fourth consecutive budget covering the needs of the Agenda 2000 reforms. The gradually increasing needs arise both from the increase for rural development subsidies and, mainly, from the switch from a system of price support to a system of income support for sheep and goats. The overall request for agriculture expenditure in 2003 however leaves a margin of a little less than EUR 2.3 billion under the ceiling of the financial perspective. The Commission intends to use the facility offered by the Interinstitutional Agreement to reassess needs in a Letter of Amendment to be brought forward in October 2002. Changes arising from the mid-term review may also need to be incorporated at that time. 2) Structural measures (heading 2): the proposed commitment appropriations for the structural operations respect the updated financial programming. However, the figure slightly exceeds the ceiling due to the specific measure aiming to promote the conversion of vessels and of fishermen that were, up to 1999, dependent on the fishing agreement with Morocco. EUR 27 million is to be included in the budget for this. The use of theflexibility instrument, as provided for under the IIA, is proposed to cover this. Payment appropriations for heading 2 amount to EUR 33 538 million, i.e. an increase of 4.4 % on 2002. As all payments on account have been paid in between 2000 and 2002, the amount foreseen in 2003 covers only two elements. The main part will be devoted to the new programmes, which will increase by 4 % in comparison to 2002. Payments on outstanding commitments from the former period up to 1999 (the RAL) require a significantly higher increase of 8 % over 2002, as the end of March 2003 is the deadline for sending the last payment requests to the Commission for the previous programming period. 3) Internal policies (heading 3): the current proposal foresees a total of EUR 6 714 million in commitment appropriations and EUR 6 131 million in payment appropriations for expenditure on internal policies in the financial year 2003, an increase of 2.4% and a decrease of 0.4% respectively compared with the 2002 budget. It covers actions under all three political priorities identified by the Annual Policy Strategy (APS) for 2003. Preparations for an enlarged Europe are helped by associating the candidate countries with the community

programmes before 2004, as well as by specific actions in the area of Trans-European networks, education and culture. This heading also caters for the preparation for enlargement of small and medium-sized enterprises in the regions bordering on the candidate countries. Internal policies contribute to stability and security through funding actions concerning the opean area of security. Health and consumer protection measures, food security, transport safety and security, financial transactions, and communication networks are funded, as are actions to create an area of freedom and justice. EUR 16 million is foreseen, for example, for the European Food Safety Agency in 2003, and EUR 30 million for Eurojust. It should also be noted that the priority for a sustainable and inclusive economy aims at combining economic development with respect for the environment and social aspects. Not only does it strengthen the measures targeted at environmental protection (notably implementing the Kyoto agreements), but it also promotes the e-Europe initiatives, and launches of the new programmes Customs 2007 and Fiscalis 2007. A reorientation of the European strategy for employment is foreseen, as is the relaunch of the social dialogue, and of certain other policies, such as the Trans-European networks, to take into account the impact of the next enlargement. The largest increase in this heading goes to a new energy programme for Europe (+45%). Internal policies cover the promotion of a knowledge-based society. They include the launch of the sixth framework programme for research and technological development, and the promotion of the information society. More than EUR 4 billion is foreseen for the 6th research and development framework programme in 2003. Measures to stimulate innovation and the entrepreneurial spirit are funded, and the programmes on education and training, in particular encouraging life-long learning and e-learning, find their place here. 4) Aid to non-EU countries (heading 4): the commitment appropriations proposed in the preliminary draft budget for 2003 for external actions amount to EUR 4 912 million. This is an increase of 2.3% compared to the 2002 budget. Thus the margin left beneath this ceiling amounts to EUR 60 million. The overalllevel of payment appropriations proposed is nearly the same as in 2002, and will allow the Commission to carry on its efforts to absorb the outstanding commitments (RAL). As in earlier years this century, the need to foresee funding for new external aid measures is very strong in 2003. The Commission proposes to allocate in 2003 EUR 685 million for the Balkans, EUR 546 million for Asia and EUR 932 million for the Mediterranean region, as examples. The Commission thus continues with its priorities, set with the economic and political stabilisation in the Balkans and is responding to the decisions for the reinforcement of the Barcelona process. Aid for Afghanistan is assured up to the level of the European Union's commitment made in Tokyo in December 2001. In addition, the Commission commits more than ever before from the budget for fighting major diseases affecting many parts of the world. The PDB 2003 proposes an increase of about EUR 55 million for the external health priority, including EUR 35 million proposed for the continuation of the opean Union's contribution to the Global Health Fund. This could again be topped up by a contribution from the EDF. The proposed increase of commitments for the common foreign and security policy gives another clear signal for the priority concerning stability and security. Part of the costs of the common police undertaking in Bosnia should be financed from the EU budget. The preparation for enlargement is the overriding priority in 2003. Key actions fall under heading 7 (pre-accession aid). These include the strengthening of the future Member States' administrative and judicial capacities through the PHARE programme. The PDB proposes a very important increase in payment appropriations for SAPARD and ISPA, aimed at preparing the candidate countries in the areas of agriculture, environment and infrastructure. 5) Administrative expenditure (heading 5): the budget proposals for the European institutions' administrative expenditure amount to EUR 5 447 million (+5.2 % on 2002). Excluding the additional costs related to enlargement, the growth rate (+3,3%) is in line with the growth of the ceiling excluding pensions (+3.44%). Only the costs for the preparations for enlargement led the Commission to exceed this ceiling, fixed in the Interinstitutional Agreement, which did not however take the cost of these preparations into account. The key priority has been to take account of the administrative repercussions of the enlargement. For many departments, additional human resources are needed early in 2003 to help prepare for enlargement. The Commission thus requests appropriations for outside personnel (including from the candidate countries) equivalent to 500 additional posts. As the acquis has to be published in the new languages, special commitment appropriations of EUR11 million have been foreseen for the Official Journal, in addition to the reinforcement for proof-readers and print production agents in the Publications Office. Administrative expenditure thus exceeds the ceiling of heading 5 in 2003 by EUR 66 million. With the Preliminary Draft Budget 2003 the Commission proposes to use the flexibility instrument to cover the additional administrative costs of enlargement preparations for all institutions. Well-established priorities are maintained, such as the need to continue the deconcentration to delegations, as initially scheduled, of management of external aid programmes, and to include the means for the continuation of the reform process. The creation of the Interinstitutional Recruitment Office has also been foreseen.

2003 budget: section III, Commission

2002/2004(BUD) - 17/07/2002 - Document attached to the procedure

PURPOSE : to present the amending letter No 1 to the preliminary draft budget 2003 - Section III Commission. CONTENT : Article 14 of the Financial Regulation provides that the Commission can present an amending letter to the PDB on the basis of new elements which were not known at the time of the drafting the preliminary budget. Even if the reform of the Common Fisheries Policy was already announced in Volume 0 of the PDB, the proposal on the legal basis was still under examination within the Commission. This proposal aims to present the amending letter No 1 to the preliminary draft budget 2003, which covers one single element: i.e. to create the own budgetary structure to accompany the proposal for the legal basis of the reform of the CFP, through a separate proposal (please refer to ACI/2002/0157), the flexibility instrument for financing the proposed measures. CONTEXT : according to Commission proposals of 28 May 2002 for reform of the Common European Fisheries Policy to safeguard the future of this sector and in particular the Community emergency measure for the scrapping of fishing vessels for 2003, a reduction in the fishing capacity by means of scrapping of vessels is required. The Financial Instrument for Fisheries Guidance will therefore be reprogrammed and it is necessary to provide for a supplementary measure for an amount of EUR 32 million for 2003 to accompany and encourage these measures. These actions falls under heading 2 "structural measures", sub-heading "Structural Funds" of the financial perspectives. In accordance with point 12, paragraph 2 of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, the appropriations foreseen for actions covered by the heading 2 "structural measures" of the financial perspectives do not leave any margin under the ceiling. Consequently, it is necessary to use the flexibility instrument to cover these expenditure. This text proposes that EUR 32 million be used for the financing of supplementary measures for the demolition of the fishing vessels in the framework of the reform of the common fisheries policy, to be covered by a new budget line B2-201, which is to be created by a letter of amendment in the 2003 budget.

2003 budget: section III, Commission

2002/2004(BUD) - 30/07/2002

At the time of the adoption of the draft 2003 budget by the Council, a declaration was made relating to the nomenclature of the EDF and its possible integration in the Community budget. The Council thus decided that, as in the past, the nomenclature of the European Development Funds (EDF) would not be modified and that the EDF would continue to be financed by national contributions. It should be noted that the declaration adopted by Conference of Representatives of the Governments of the Member States and annexed to the final decision relating to the Treaty on the European Union states: "the Conference is of the opinion that the EDFs will continue to be financed by national contributions in accordance with the current provisions". It should also be noted that the Council congratulates the good level of good level of payments in 2001. With a level of payments reaching 2.067,86 mios EUR in 2001, the execution of the EDF recorded the highest level which has never been reached and confirms the recovery of the payments started in 1998, thanks to the entry into force of 8th FED. On the other hand, commitments are very weak with a net value of 1.554 mios EUR compared to the achievements in 2000 (3.757 mios EUR) which was a record. The provisions for 2002 were revised, mainly for the payments. It is revealed that the level, envisaged in November of 2001, may not be able to be reached. On the basis of an analysis of the documents in progress, the Commission is counting on an amount of 2.000 mios EUR for the payments as well as for the decisions, against respectively 2.345 mios EUR and 2.100 mios EUR estimated at the end of 2001. The reductions relate to programmable assistance and also to a lack of financial resources, following the delay in the ratification of the Cotonou agreement. Consequently, whereas the Commission had foreseen to have to call on national contributions for the sum of 2.000 mios EUR, it now considers that an amount of 1.800 mios EUR should be sufficient to cover the needs. Lastly, for the year 2003, the Commission expects decisions and payments in the order of about 2.500 mios EUR. By taking account of the balances at the beginning and the end of the financial year considered to be necessary, the amount of the contributions which the Member States should transfer in 2003 is estimated at 2.300 mios EUR.

2003 budget: section III, Commission

2002/2004(BUD) - 19/07/2002

After the meeting with the European Parliament, and on the basis of the preparatory work done by the Permanent Representatives Committee as well as the agreements reached with the European Parliament at the conciliation meeting, the Council reached agreement on the draft general budget for 2003. The main issues discussed concern the following: 1) Agriculture : After an exchange of views the Council and the Parliament agreed to resume examination of agricultural expenditure in November on the basis of the letter of amendment which the Commission would put forward in the autumn. The Council and the European Parliament noted that the Commission would examine, at a later stage, whether the amount proposed in the Commission's preliminary draft budget (PDB) for the eradication of animal diseases was sufficient. 2) International fisheries Agreements : the Council and the European Parliament proposed to accept the preliminary draft presented by the Commission. 3) Common Foreign and Security Policy (CFSP) : the European Parliament, the Council and the Commission agreed on the need for funding for civilian actions within the framework of the financial perspective. While recalling point 23 of the interinstitutional agreement, which remains fully applicable, they also agreed on the use of the emergency aid reserve for humanitarian aid and, where circumstances so require, for civil crisis management. As part of a global agreement on the budget for 2003, the Parliament and the Council agreed to continue their discussions on questions relating to the CFSP. 4) Administrative expenditure (heading 5) : taking into account the specific situation regarding heading 5 of the financial perspective in 2003, due in particular to the increase in expenditure to prepare for enlargement, the Council and the Parliament reached agreement on the administrative expenditure of the institutions, based on the following principles: - that preparing for enlargement is a key priority for 2003. The budgetary authority agrees, within the constraints set by the financial perspective, to provide Community institutions with adequate appropriations and incentives to prepare for enlargement in 2003. To respect the ceiling of heading 5 of the financial perspective in 2003 and not to use the flexibility instrument for administrative expenditure. - to endeavour to finance the publication of the acquis communautaire by means of frontloading and anticipating expenditure in the 2002 budget with the corresponding reduction of pressure in the 2003 budget, while respecting the Gentlemen's Agreement. Both arms of the budgetary authority undertake to facilitate the frontloading procedure, consisting of mopping up transfers within institutions and, where appropriate, a Supplementary and Amending Budget. To reserve, at this stage, EUR 11 m in the Commission's part of the budget for enlargement (including the acquis) and, for purely legal reasons, EUR 18 m in a specific and ringfenced reserve in the Council's budget. This specific reserve for the acquis in the Council's budget will be transferred to the Commission's budget in accordance with the frontloading operation, as if it were part of the Commission's budget. To respect the amount entered in heading 5 in the draft budget for the Council of EUR 430 m (without taking account ofthe specific reserve for the acquis mentioned above) and the European Parliament in accordance with the Gentlemen's Agreement. It is also necessary to leave an appropriate margin under the ceiling, in accordance with Article 12 of the Interinstitutional Agreement.

2003 budget: section III, Commission

2002/2004(BUD) - 26/11/2002

During the conciliation meeting, the Parliament and the Council reached overall agreement on the 2003 budget, particularly as regards appropriations for the Common Foreign and Security Policy (CFSP); The summary of the agreement reached during the conciliation meeting is as follows: The budgetary authority agrees: a) Heading 1 (Agriculture): - to accept Amending Letter No 3/2003 as submitted by the Commission; - to recall the declaration of the European Parliament and the Council on the recovery of beef and veal export refunds agreed on 21/22 November 2001 and to invite the Commission to take the conclusions of the requested report into account when preparing the PDB for 2004. b) Heading 2 (Structural operations): - to accept transfer No 51/2002 of EUR 14.991.760 in 2002 and to enter into the 2003 budget EUR 12.008.240 on the line B2-200; - to mobilise the flexibility instrument for an amount of EUR 12.008.240 in order to finance the restructuring of the Spanish and Portuguese fleets. c) Heading 3 (Internal Policies): - to accept the Parliament's proposal for a joint declaration on pilot projects. d) Heading 4 (External action): - to enter into the budget a total amount of EUR 47,5 million for CFSP securing the financing of the EU police mission in Bosnia-Herzogovina; - on a joint declaration on the financing of the CFSP; - to enter into the budget a total amount of EUR 42 million for the Global Health Fund; - to agree on a Joint Declaration on the Global Health Fund; - to accept the Amending Letter No 3/2003 concerning International Fisheries Agreements as amended by the Commission (reduction of the reserve of EUR 1,5 million); - to speed up implementation of aid for the Horn of Africa by using available means under the 2002 budget. This will reduce pressure on heading 4 of the 2003 budget by an amount of EUR 27,5 million on budget line B7-200 and by EUR 27,5 million on budget line B7-210 in the 2003 budget and the need for using the flexibility instrument in 2003. To this effect, the Parliament and the Council will agree to implement

an urgent procedure for aid of up to EUR 55 million in the 2002 budget based on the necessary proposal from the Commission containing the appropriate justification for the needs. This agreement is conditional upon agreement on the point below; - if a situation arises that will necessitate the reinforcement of budget lines B7-200 and B7-210 in 2003, the budget authority will take the necessary action to reinforce these lines, using the most appropriate means available under the IIA, on a proposal from the Commission. e) Heading 5 (Administrative expenditure): - on the budgets of Section I (European Parliament) for an amount of EUR 1.086.644.375 and Section II (Council) for an amount of EUR 431.673.000 respecting the Gentlemen's Agreement; - the Council invites the Parliament to keep a total margin ofEUR 30 million under Heading 5 at the end of the 2003 budgetary procedure. f) Payment appropriations: - on a rate of growth of the overall payment appropriations of 1,9% based on the 2002 budget and SAB Nos 1 to 5/2002, at the end of 2003 budgetary procedure. g) Balance: - to enter an estimated provisional surplus for the financial year 2002 of EUR 1.000 million in the 2003 budget via Amending Letter No 3/2003. Finally, the Parliament, the Council and the Commission agreed to a number of statements.

2003 budget: section III, Commission

2002/2004(BUD) - 30/10/2002 - Document attached to the procedure

PURPOSE : to propose the amending letter No 3 to the preliminary draft budget 2003 (Section III-Commission). CONTENT : in accordance with the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure of 6 May 1999, the Commission presents its amending letter to the draft budget 2003 in order to update the agricultural expenditure. This ad-hoc amending letter of the budget 2003 covers issues such as agricultural expenditures; an update on the international fisheries agreement concluded and a provisional estimation of the budget surplus from the 2002 implementation. For subheading 1a (CAP expenditure except for rural development), the new assessment leads to lower needs than estimated in the PDB (- EUR 337.4 million). This saving, however, is the result of sizeable increases in some sectors, countered by reductions in others. The most substantial increase in needs is in the dairy sector, where needs increase by EUR 560 million. In the sugar sector a combination of lower world market prices and the appreciation of the euro against the dollar has led to increased needs. The need for cotton are also increased by the effect of a stronger euro on world prices. On the other hand savings have been recorded in other sectors, notably in Chapter B1-10 Arable Crops, which can be reduced by EUR 974 million, primarily as a result of advances of direct aids, that have been paid from the 2002 budget. Overall needs for subheading 1a are estimated at around EUR 40 082.45 million, EUR 337.4 million lower than in the preliminary draft, leaving a margin of approximately EUR 2 597.55 million below the ceiling in the Financial Perspectives. Concerning an update on the concluded international fisheries agreements, the report states that the Commission is correcting the breakdown for appropriations for the international fisheries agreements between the amounts in the reserve and on the line. The operational item B7-8000 is increased by around EUR 30.1 million for both commitment appropriations and payment appropriations. Three agreements have been initialled during 2002 (Angola, Senegal, Sao Tomé & Principe) that either have already been proposed or will soon be proposed to the Budget Authority. With regards to a provisional estimation of the budget surplus from the 2002 implementation, the report shows that the Commission considers that a prudent estimate of the balance of EUR 500 million can at this stage be included in the PDB 2003. As last year, this does not result from a surplus in revenues but from savings in the 2002 budget, in heading 1, agriculture, where the budget year is finalised, except for measures directly managed by the Commission. For the structural funds the Commission will aim at paying as much as possible, even if Member States introduce their claims very late. Some amount to be used for the EU solidarity Fund will also have to be subtracted. This is why for the moment no estimate of underspending in heading 2 has been included in the provisional estimate for the surplus.

2003 budget: section III, Commission

2002/2004(BUD) - 26/11/2002 - Amending/supplementary letter on draft budget

PURPOSE : to present the letter of amendment No 2 to the draft general budget of the European Communities for the financial year 2003 established by the Council. CONTENT : on 31 October 2002 the Commission forwarded to the Council letter of amendment No 3 to the preliminary draft general budget of the European Communities for the financial year 2003. The letter of amendment concerns expenditure and revenue and comprises the following : - Expenditure : the Commission has made a new estimate of agricultural expenditure and expenditure relating the fisheries agreements as compared with the preliminary draft budget. 1) agricultural expenditure : an established overall saving of EUR 337,4 million as regards the market organisations (sub-heading 1a) is therefore proposed in relation to the preliminary draft budget. With regard to expenditure relating to rural development (sub-heading 1b), the Commission is proposing a new allocation of the amount entered in the preliminary draft budget among the various headings, while respecting the overall ceiling. Lastly, the letter of amendment contains some amendments to the nomenclature. 2) expenditure relating to fisheries agreements: the transfer of reserve B0-40 (Item B0-4011, point 1 of the remarks) to operational heading B7-8000 (International fisheries agreements) of EUR 30 097 million in c/a and p/a, following renewal of the Agreements with Angola, Senegal and Sao Tomé and Principe. - Revenue: the estimated provisional surplus for the financial year 2002, in accordance with the wish voiced by the Council when drawing up the draft budget for the financial year 2003, on 22 July 2002. The Commission is proposing to enter under the provisional available surplus for the previous financial year a balance of EUR 500 million resulting from estimated under-implementation in the 2002 budget. Following conciliation with the Parliament delegation on 25 November 2002, prior to the meeting of the Budget Council, the Council, in the framework of an overall agreement with the European Parliament and the Commission, established letter of amendment No 2 to be adopted at a single reading, as follows: 1) under heading 1 of the financial perspective, letter of amendment No 3 to the preliminary draft budget for the financial year 2003 is accepted as presented by the Commission. The creation of heading B1-2101 (Refunds on live animals) is accepted in the interests of budget transparency, in accordance with the principle of budget accuracy. This amendment to the nomenclature affects neither the amount of the appropriation, nor the content of the measure. 2) under heading 4 of the financial perspective, letter of amendment No 3 to the preliminary draft budget is accepted as proposed by the Commission, with the following exceptions: - the appropriations entered in reserve B0-40, heading B7-8000 (International fisheries agreements) have been reduced by EUR 1.5 million in c/a and p/a; - the appropriations entered under heading B7-200 (Products mobilised under the Food Aid Convention) have been reduced by EUR 27,5 million in c/a; - the appropriations entered under heading B7-210 (Aid, includingemergency food aid, to help the populations of the developing countries and other third countries hit by disasters or serious crises) have been reduced by EUR 27,5 million in c/a and p/a. 3) as regards revenue, there is a change to letter of amendment No 3 to the preliminary draft budget: an estimated balance of EUR 1.000 million has been entered under Article 300 as surplus available from the previous financial year.

2003 budget: section III, Commission

2002/2004(BUD) - 19/12/2002

By adopting the report by Mr Göran FÄRM and Mr Per STENMARCK (EPP-ED, S), the Plenary voted through the general budget for the financial 2003 (please refer to the previous document). Thus, according to the terms of the draft approved at Plenary, the budget for 2003 amounts to EUR 99 685 692 338 in commitments, which represents an increase of 0.25 % on the 2002 budget, and EUR 97 502 937 098 in payments, which represents an increase of 1.9 % on the 2002 budget. The House underlines once again its concerns about the high level of RALs and the low level of budget implementation as regards payments. Parliament also points out that Council and Parliament can only adjust the financial framework together and, therefore, the Council and the Commission must take Parliament's position regarding the financial framework for enlargement into account, in order to avoid delays in the negotiation on the adjustment of the financial perspective after completion of the accession negotiations. Parliament welcomes the joint declaration by the three institutions annexed to this resolution to reconsider the methodology used by the Commission for the Solidarity Fund before the end of 2003. As regards the various budgetary headings, Parliament confirms most of the recommendations made by the committee responsible (refer to the previous document). However, the following can also be noted: - agriculture : the Parliament reiterates its request for a review of the funding provided for rural development; urges the Council to adopt, without delay, the legal basis regarding genetic resources. Moreover, the Commission is asked to support measures by producers in Member States who introduce integrated quality control of the food chain intended to guarantee quality and complete transparency throughout the whole production cycle and ensure the marketing of agricultural products, foodstuffs and feedingstuffs which comply with the most stringent health and quality criteria; to promote policy measures to improve the quality and monitoring of the food chain and also to adopt measures to promote consumer awareness of a quality label. - structural actions : Parliament agreed with the conclusions made by the committee responsible; - internal policies : Parliament recalls its wish to reduce the number of experiments on animals and, if possible, to replace them with alternative testing. In this context, Parliament requests the Commission to delegate to the European Centre for Validation of Alternative Methods the tasks of verifying whether all tests done at the primate centre in the Netherlands are truly necessary. Parliament also expresses its determination to end the European funding for the BPRC if the ECVAM replies in the negative; - external actions : Parliament stresses that, if a situation arises that will necessitate the reinforcement of budge lines B7-200 (Food Aid) and B7-210 (Humanitarian Aid) in 2003, the budgetary authority will take the necessary action to reinforce these lines. The Parliament invites the Commission to present at the latest at the conciliation meeting in July 2003, a report on the implementation and expected needs for these lines and, if appropriate, the necessary proposal for a transfer. - Pre-accession aid: the Parliament expresses its concern at thelow level of implementation of pre-accession funds and calls on the Commission to fill without delay the 500 enlargement posts that are being made available for 2003. Lastly, Parliament instructs its Conference of Presidents to examine carefully all financial implications before taking its political decisions and to consult the Committee on Budgets in those cases in which the proposed measures go beyond the programming and the level of appropriations of the budget line with a view to ensuring that the necessary funding can be made available. It should be noted that the budget contains a series of joint declarations made at the conciliation meeting of 25/11/2002. These concern: - the recovery of beef and veal export refunds : the Parliament and the Council request the Commission to submit to the budgetary authority an annual report by 31 May starting in 2002 on the implementation of and compliance with Community legislation and in particular on the recovery of refunds due to non-compliance with Commission Regulation 615/1998/EC laying down specific detailed rules of application for the export refund arrangements as regards the welfare of live bovine animals during transport; - pilot projects : pilot projects to test the feasibility of new actions, such as for example, to prepare SMEs for enlargement, the programme for the exchange of elderly people - Enea and the one on the cooperation with third countries on immigration; - the financing of the common foreign and security policy (CFSP): the European Parliament, the Council and the Commission agree on the need to ensure the necessary funding for common foreign and security policy within the framework of the financial perspectives and in respect of the provisions of the Treaty, taking into account that the development of the common foreign and security policy is a priority for the European Union. The European Parliament, the Council and the Commission therefore agree that the budget of the common foreign and security policy should be dealt with in a transparent, efficient and operational manner. Information and consultation of the European Parliament will respect the necessary conditions of confidentiality, in particular the Interinstitutional Agreement between the European Parliament and the Council of 21 November 2002 concerning access by the European Parliament to sensitive information of the Council in the field of security and defence policy; - on the Global Fund to fight HIV/AIDS, tuberculosis and malaria: this declaration confirms the amounts set out in the draft 2003 budget (refer to summary dated 26/11 /2002); - potentially abnormal RAL : the Commission should present, at the latest at the same time as the preliminary draft budget for 2004, an action plan under which all potentially abnormal items in the budget at the beginning of the 2003 financial year will be examined. This plan will set out for each of the budget headings listed below: - the number of potentially abnormal items as at 31 December2002, together with the amounts involved; - a schedule for examination on the following dates: 31 March 2003; 31 July 2003, 31 December 2003; - financial consequences of enlargement : this proposal provides that the Commission should present, early in 2003, the proposal of adjustment of the financial perspectives; - SAB 5/2002 : this declaration specifies that the methodology which the Commission has applied for the calculations of SAB 5, constitutes a point of reference but does not constitute a binding precedent for future decisions. The three institutions agree to evaluate the actual implementation of the Fund and the methodology that the Commission has applied for the calculations of SAB 5, taking into account new situations arising, at the latest before the end of 2003.

2003 budget: section III, Commission

2002/2004(BUD) - 08/10/2002 - Amending/supplementary letter on draft budget

PURPOSE : to present the letter of amendment No 1 to the draft general budget of the European Communities for the financial year 2003, as established by the Council. CONTENT : this letter of amendment concerns expenditure and revenue under Section III - Commission - of the Community budget and involves two types of amendment: a) establishing the budgetary structure to accommodate three Commission administrative offices: a Paymaster Office, an Infrastructure and Logistics Office in Brussels and an Infrastructure and Logistics Office in Luxembourg; b) the creation of two new lines, with token entries, which could if necessary accommodate appropriations for the new European Union Solidarity Fund in accordance with the structure recently proposed under draft supplementary and amending budget No 4 for the financial year 2002. The Commission is also requesting agreement in principle to making the technical amendments only at the time of publication of the 2003 budget relating to the effects of the entry into force as of 1 January 2003 of the new Financial Regulation adopted by the Council on 25 June 2002, mainly on the statement of revenue and the remarks on revenue and expenditure headings for all the institutions. On 8 October 2002 the Council established letter of amendment No 1 to the

draft budget for the financial year 2003. In establishing this letter of amendment, the Council requests the Commission to present it with a letter of amendment as soon as possible to enable the budgetary authority to finally adopt the 2003 budget in strict compliance with the new Financial Regulation. The Council has also agreed: - to accept the proposal in the letter of amendment described in point 2(a) above relating to the establishment of three new Commission Offices on the basis of the amounts included in the draft budget established by the Council on 22 July 2002; - to adopt the proposal in point 2(b) relating to the structure to accommodate appropriations for the European Union Solidarity Fund, with the exception of the last phrase in the first sentence of the remarks relating to headings B2-400 and B7-090"... in the event of natural, environmental or technological disasters", in accordance with the text adopted for supplementary and amending budget No 4 for the financial year 2002, approved on 26 September 2002. This letter of amendment No 1 to the draft 2003 budget does not alter the appropriations provided for in the draft budget for the financial year 2003 as established by the Council on 22 July 2002.