Basic information

2004/2001(BUD) BUD - Budgetary procedure	Procedure completed
2005 budget: section III, Commission **Subject** 8.70.60 Previous annual budgets	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	GARRIGA POLLEDO Salvador (PPE-DE) JENSEN Anne E. (ELDR)	25/11/2003 01/12/2003

Former committee responsible	Former rapporteur	Appointed
BUDG Budgets	GARRIGA POLLEDO Salvador (PPE-DE)	25/11/2003
BUDG Budgets	GARRIGA POLLEDO Salvador (PPE-DE)	25/11/2003

Former committee for opinion	Former rapporteur for opinion	Appointed
AFET Foreign Affairs	SALAFRANCA SÁNCHEZ-NEYRA José Ignacio (PPE-DE)	28/07/2004
DEVE Development	WIJKMAN Anders (PPE-DE)	27/07/2004
INTA International Trade	MARTIN David (PSE)	28/07/2004
CONT Budgetary Control	HEATON-HARRIS Christopher (PPE-DE)	27/07/2004
ECON Economic and Monetary Affairs	GUY-QUINT Catherine (PSE)	28/07/2004
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	

ENVI Environment, Public Health and Food Safety	HAUG Jutta (PSE)	27/07/2004
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	27/07/2004
IMCO Internal Market and Consumer Protection	WUERMELING Joachim (PPE-DE)	28/07/2004
TRAN Transport and Tourism	GROSCH Mathieu (PPE-DE)	28/07/2004
REGI Regional Development	BEREND Rolf (PPE-DE)	30/08/2004
AGRI Agriculture and Rural Development	HERRANZ GARCÍA Esther (PPE-DE)	26/07/2004
PECH Fisheries	FRAGA ESTÉVEZ Carmen (PPE-DE)	28/07/2004
CULT Culture and Education	TRÜPEL Helga (Verts/ALE)	26/07/2004
JURI Legal Affairs	The committee decided not to give an opinion.	27/07/2004
LIBE Civil Liberties, Justice and Home Affairs	DEPREZ Gérard (ALDE)	26/07/2004
AFCO Constitutional Affairs	ONESTA Gérard (Verts/ALE)	27/07/2004
FEMM Women's Rights and Gender Equality	GRÖNER Lissy (PSE)	26/07/2004
PETI Petitions	The committee decided not to give an opinion.	
AFET Foreign Affairs, Human Rights, Common Security, Defense	SALAFRANCA SÁNCHEZ-NEYRA José Ignacio (PPE-DE)	21/01/2004
LIBE Citizens' Freedoms and Rights, Justice and Home Affairs	CEYHUN Ozan (PSE)	02/12/2003
ITRE Industry, External Trade, Research, Energy	RÜBIG Paul (PPE-DE)	21/01/2004

EMPL Employment and Social Affairs	PRONK Bartho (PPE-DE)	22/01/2004
ENVI Environment, Public Health, Consumer Policy	GOODWILL Robert (PPE-DE)	20/11/2001
AGRI Agriculture and Rural Development	HERRANZ GARCÍA Esther (PPE-DE)	22/01/2004
PECH Fisheries	LANGENHAGEN Brigitte (PPE-DE)	20/01/2004
RETT Regional Policy, Transport and Tourism	GUY-QUINT Catherine (PSE)	21/01/2004
DEVE Development and Cooperation	WIJKMAN Anders (PPE-DE)	26/11/2003
FEMM Women's Rights and Equal Opportunities	GRÖNER Lissy (PSE)	13/01/2004

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2598	2004-07-16
Economic and Financial Affairs ECOFIN	2569	2004-03-09
Justice and Home Affairs (JHA)	2600	2004-07-19
Transport, Telecommunications and Energy	2625	2004-11-29

Key events

Date	Event	Reference	Summary
09/03/2004	Debate in Council		
05/04/2004	Vote in committee		Summary
05/04/2004	Budgetary report tabled for plenary	A5-0269/2004	
20/04/2004	Debate in Parliament		
22/04/2004	Decision by Parliament	T5-0369/2004	Summary
28/04/2004	Commission preliminary draft budget published	COM(2004)0350	
19/07/2004	Council draft budget published	11445/2004	Summary
21/07/2004	Committee referral announced in Parliament		
13/10/2004	Vote in committee		Summary
19/10/2004	Budgetary report tabled for plenary	A6-0021/2004	

26/10/2004	Debate in Parliament		
28/10/2004	Decision by Parliament	T6-0038/2004	Summary
28/10/2004	Results of vote in Parliament		
29/11/2004	Amended budget adopted by Council		
29/11/2004	Debate/examination by Council scheduled	15178/2004	Summary
06/12/2004	Vote in committee, 2nd reading		
08/12/2004	Budgetary report tabled for plenary, 2nd reading	A6-0068/2004	
14/12/2004	Debate in Parliament		
14/12/2004	Committee referral announced in Parliament, 2nd reading		
16/12/2004	Decision by Parliament, 2nd reading	T6-0103/2004	
16/12/2004	Results of vote in Parliament		
16/12/2004	End of procedure in Parliament		
08/03/2005	Final act published in Official Journal		

Technical information

Procedure reference	2004/2001(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Budget
Stage reached in procedure	Procedure completed

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Budgetary report tabled for plenary, 1st reading		A5-0269/2004	05/04/2004	
Budgetary text adopted by Parliament		T5-0369/2004 OJ C 104 30.04.2004, p. 0747-1009 E	22/04/2004	Summary
Committee opinion	ECON	PE346.865	01/09/2004	
Committee opinion	AFCO	PE346.931	03/09/2004	
Committee opinion	TRAN	PE346.878	06/09/2004	
Committee opinion	REGI	PE346.891	06/09/2004	
Committee opinion	PECH	PE346.966	09/09/2004	
Committee opinion	CULT	PE334.078	14/09/2004	
Committee opinion	INTA	PE346.913	14/09/2004	

Committee opinion	LIBE	PE346.948	14/09/2004	
Committee opinion	IMCO	PE347.010	17/09/2004	
Committee opinion	ENVI	PE346.917	21/09/2004	
Committee opinion	AGRI	PE346.897	22/09/2004	
Committee opinion	FEMM	PE346.953	24/09/2004	
Committee opinion	DEVE	PE347.084	07/10/2004	
Committee opinion	AFET	PE347.016	11/10/2004	
Budgetary report tabled for plenary, 1st reading		A6-0021/2004	19/10/2004	
Budgetary text adopted by Parliament		T6-0038/2004 OJ C 174 14.07.2005, p. 0062-0166 E	28/10/2004	Summary
Budgetary report tabled for plenary, 2nd reading		A6-0068/2004	08/12/2004	
Motion for a resolution		B6-0204/2004	16/12/2004	
Final budget adopted by Parliament		T6-0103/2004 OJ C 226 15.09.2005, p. 0242-0336 E	16/12/2004	Summary

Council of the EU

Document type	Reference	Date	Summary
Council draft budget	11445/2004	19/07/2004	Summary
Document attached to the procedure	11446/2004	26/07/2004	Summary
Council amended draft budget	15178/2004	29/11/2004	Summary
Amending/supplementary letter on draft budget	15180/2004	29/11/2004	Summary
Amending/supplementary letter on draft budget	15181/2004	29/11/2004	Summary
Amending/supplementary letter on draft budget	15182/2004	29/11/2004	Summary

European Commission

Document type	Reference	Date	Summary
Commission preliminary draft budget	COM(2004)0350	28/04/2004	Summary
Document attached to the procedure	SEC(2004)0531	30/04/2004	Summary
Document attached to the procedure	SEC(2004)0660	18/06/2004	Summary
Document attached to the procedure	SEC(2004)1235	13/10/2004	Summary
Document attached to the procedure	SEC(2004)1324	26/10/2004	Summary
Document attached to the procedure	SEC(2004)1346	29/10/2004	Summary

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

Final act	
Budget 2005/0141 OJ L 060 08.03.2005, p. 0001-1599	Summary

2005 budget: section III, Commission

2004/2001(BUD) - 26/10/2004 - Document attached to the procedure

PURPOSE : to present the amending letter No 3 to the preliminary draft budget (PDB) for 2005.

CONTENT : in accordance with the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure signed by the European Parliament, the Council and the Commission on 6 May 1999, the Commission may present to the budgetary authority an ad hoc letter of amendment to update the figures underlying the estimate of agricultural expenditure in the preliminary draft budget and/or to correct, on the basis of the most recent information available concerning fisheries agreements in force on 1 January of the financial year concerned, the breakdown between the appropriations entered in the operational items for international fisheries agreements and those entered in reserve. This letter of amendment must be sent to the budgetary authority by the end of October.

The Commission presents herewith this ad hoc amending letter to the preliminary draft budget 2005. It covers the following elements:

1) Agricultural expenditures: update on the estimated needs for heading 1 : the Commission has carefully updated the agricultural budget on a line by line basis. In addition to changing market factors, the AL also incorporates legislative decisions adopted in the agricultural sector since the PDB was drawn up, as well as any proposals, which are expected to have effect during the coming budget year.

The amending letter is based, in the same way as the PDB itself, on the needs of the Community as a whole. As far as the market measures are concerned, no breakdown of the appropriations between Member States is available. In addition, it must be stressed that these appropriations are to be understood as a forecast and not as an objective of expenditure. The actual expenditure will depend, in particular, on real market conditions, on the actual rate of exchange EUR/USD and on the rhythm of the payments by Member States. Since this is compulsory expenditure, whatever the amount a Member State is obliged to pay in accordance with the regulations will be reimbursed in full.

The euro-dollar rate used, in accordance with the Council Regulation on Budgetary Discipline, is based on the actual rate observed between 1 July and 30 September 2004. It comes to 1.22 (EUR 1=USD1.22), and results in some economies (about EUR 84 million) compared to the preliminary draft, in particular for cereals, sugar and cotton.

Overall needs for subheading 1a (CAP expenditure excluding rural development) are estimated at EUR 43 610,5 million, EUR 224 million lower than in the preliminary draft, leaving a margin of EUR 987,5 million below the ceiling of the Financial Perspectives for EU-25.

This decrease is largely explained by reduced needs in three sectors. The most substantial change is that for milk and milk products (- EUR 367 million), where favourable market conditions have triggered lower expenses for the different market measures. Savings for 2005 have also been recorded in the case of sugar (- EUR 146 million), and for olive oil (-EUR 74 million). However, these savings have been partly offset by increased needs for other sectors, notably market measures for cereals (+ EUR 244 million), fruit and vegetables (+ EUR 85 million) and textile plants (+ EUR 30 million).

For rural development (subheading 1b), the PDB estimates for commitment and payment appropriations remain unchanged at EUR 6 841 million and EUR 6 279 million respectively. The level of commitment appropriations is at the ceiling of the Financial Perspective.

Changes in nomenclature are also proposed to increase transparency in recoveries and clearance of accounts.

2) External Actions: update on the international fisheries agreements concluded : To take account of the latest information available on the international fisheries agreements, the Commission proposes to move EUR 2.5 million in commitment appropriations and EUR 3.6 million in payment appropriations from the reserve to the line. There is an increase on item 11 03 01 of EUR 2 500 000 in commitment appropriations and of EUR 3 565 000 in payment

appropriations. The amounts entered in the reserve are decreased by the same amounts since the uncertainties that existed at the time of drafting the PDB have now been removed. Thus the net overall effect is zero since the increase on item 11 03 01 is made possible by a corresponding decrease of chapter 31 02.

2005 budget: section III, Commission

2004/2001(BUD) - 28/10/2004 - Budgetary text adopted by Parliament

In adopting by 439 votes for, 94 against and 7 abstentions the report by Salvador GARRIGA POLLEDO (EPP-ED, ES) accompanying the first reading of the 2005 Budget. Following this vote, commitment appropriations amount to EUR 117 195 256 630 and payment appropriations to EUR 111 263 911 793, in each case below the ceilings of the Financial Perspective. Parliament increased the figure for payment appropriations, which the Council had slashed in its draft budget in July (when it suggested EUR 4 billion less than the Commission's preliminary draft). One major change is the sizeable hike proposed for Structural Measures, largely because the funding for this policy area was well spent during the current financial year. These increases are justified by the need for the EU to provide the necessary budgetary means to meet its stated ambitions. These are to speed up implementation of the Lisbon Strategy so as to boost sustainable development and employment, enha! nce co-operation on asylum and immigration policies, strengthen cohesion and external policies and improve the information targeted at the European public by the EU.

It is noted that the foreseen expenditure package, initiated by the Council, to encourage the economic development of the Turkish Cypriot community is not explicitly covered by any existing heading of the financial perspective and that a political agreement on where such appropriations should be found is necessary, including the possibility of revising the financial perspective.

In this context, the Parliament amends the draft 2005 budget as follows :

- Heading 1: the Parliament objects to the fact that in its draft budget the Council has adopted an initial common position which calls for an EUR 1 billion reduction in the funding proposed by the Commission under the agriculture section of its preliminary draft budget for the coming year without any justification relating to the management of agricultural policies and measures. It stresses the need to encourage young farmers, in particular, and to adapt the funds available to the number of young farmers in need of assistance in the enlarged Union.

- Heading 2: the Parliament welcomes the improvements in the implementation of the Structural Funds. It increases payment appropriations, which will also facilitate the reduction of outstanding commitments and it invites the Commission to present an updated estimate of the needs for 2005, in the light of Member States' forecasts and the serious payment deficits already flagged for 2004.

- Heading 3: Parliament decides to contribute to speeding up the achievement of the objectives set by the Lisbon Strategy, by reinforcing a set of budget lines concerning SMEs' industrial competitiveness, trans-European transport networks, development of the internal market, the Community action programme in the field of environment and the Leonardo Da Vinci programme. Equally, it considers that the EU and its Member States need to strengthen their internal security and safeguards for the welfare of European citizens; increases the appropriations for Eurojust and the pilot project supporting the victims of terrorist acts. In addition, it urges the Council to transform Europol into a decentralised agency of the Union, as envisaged in the draft Constitutional Treaty.

- Heading 4:Parliament deplores the fact that the Council has failed to recognise the seriousness of the unprecedented challenges the EU faces in external policy, by introducing unacceptable across-the-board cuts which further weaken the already inadequate proposals made by the Commission in the PDB. It decides to enter appropriations at a level which will secure new international undertakings and safeguard traditional priorities such as human rights and democracy programmes, humanitarian and food aid, geographical cooperation programmes and the global fight against poverty and HIV/AIDS. Parliament points out that the fight against drugs and drug addiction, and hence the Community's policy in this area, continue to be of prime importance. Moreover, Parliament points out that the fight against drugs and drug addiction. It notes that, in the context of the external action aspect of operations coming under this policy, there is an urgent need to tackle the si! tuation in Afghanistan which is once again the largest producer of opium poppies in the world and the country where 90% of the heroin on Europe's streets originates.

On the CFSP, Parliament welcomes the progress achieved with the Irish and Dutch presidencies in developing the political dialogue with the European Parliament on CFSP through regular meetings. It recalls however that Council should justify its proposed increases for CFSP not only from the point of view of the specific actions but also taking into account the available margin under heading 4 and the possible impact on other actions.

- Heading 5: Parliament recalls its willingness to provide sufficient means for this expenditure, in order to enable the institutions of the enlarged Union to function properly, but is not in favour of using the flexibility instrument of the financial perspective for this purpose. Furthermore, it considers it desirable to create for 2005 an adequate margin under the ceiling of heading 5 of the financial perspective but cannot, at present, achieve this without additional efforts from the institutions themselves. It decides, therefore, to increase the draft budget by some EUR 48.7 million in first reading, leaving a limited margin. All the institutions are called upon to examine all possibilities for further savings before the second reading, including a critical review of budget requests and the possibility of reprogramming and internal or interinstitutional frontloading.

Lastly, Parliament calls on all the EU institutions to make savings so as to keep within the ceiling for administrative expenditure. It nevertheless proposes that Parliament should approve the request to fund 700 extra posts at the Commission, although 150 posts would be kept in the reserve. These reserve posts could be released provided the Commission meets certain conditions, in particular by allocating more money to the Infopoints. Another bone of contention between Parliament and Council is that there is no margin within the heading Internal Policies from which the funding proposed for the decentralised EU agencies could come. When the ceilings for the various headings were established in 1999, no one foresaw the explosion in the number of agencies (23 now as opposed to 7 just six years ago), with the impact this would have on staff levels (2,695 posts, including the 418 new posts requested for 2005). The funds that need to be earmarked for this purpose are so great that they are jeopardising funding for other key areas. Parliament, while keen for the agencies to have the resources to function properly, wants their funding to be made the subject of an agreement with Council, so that the EU's priorities as described above are observed.

2005 budget: section III, Commission

2004/2001(BUD) - 13/10/2004 - Document attached to the procedure

PURPOSE : to present the Amending Letter No 1 to the Preliminary Draft Budget for the year 2005 (Section III - Commission).

CONTENT : this amending letter 1/2005 covers the following issues :

-The request for supplementary appropriations under heading 7 of the Financial Perspective to finance actions encouraging the economic development of the Turkish Cypriot community : the margin available under heading 7 of PDB 2005 amounts to EUR 1 616 million. The Commission is proposing to use part of this margin for supplementary commitment appropriations amounting to EUR 219 million to finance the specific programme for the Turkish Cypriot community (EUR 114 million) and the pre-accession strategy for Croatia (EUR 105 million). The corresponding supplementary payment appropriations necessary amount to EUR 45,24 million (EUR 26,84 million and EUR 18,4 million respectively).

-The request for supplementary appropriations under heading 7 of the Financial Perspective to finance the pre-accession strategy for Croatia and the removal of the appropriations initially budgeted for Croatia in the framework of the CARDS programme under heading 4 of the Financial Perspective : the inclusion of Croatia in heading 7 implies the removal of the budgeted appropriations for Croatia under heading 4, which amount to EUR 65 million in commitment appropriations and EUR 10 million in payment appropriations. It is proposed to amend the corresponding budget lines to deduct these amounts. This implies a corresponding reduction in the amounts requested under the flexibility instrument.

-The proposal to extend PEACE II to cover 2005-2006. Thus aligning it with the other structural actions: the prolongation of PEACE II for two further years will only necessitate in this instrument a change in commitment appropriations for 2005. The total amount to be made available is EUR 60 million, of which EUR 36,6 million from the ERDF, and EUR 23,4 million under the ESF. This increase is made possible by the margin under heading 2, created by the end of Ireland's eligibility for the Cohesion Fund. Accordingly, the Commission intends to adjust the corresponding sub-headings in a separate proposal.

-The proposal for the Publications Office (OPOCE) to take over activities and posts linked to CORDIS (Community Research and Development Information Service) formerly belonging to DG ENTR : CORDIS as the information platform for research and innovation is considered as a valuable complement to the public services already being offered by the Publications Office, and a "preliminary" transfer of CORDIS was agreed between the two services concerned with effect from 1 May 2004. To definitively integrate CORDIS into OPOCE requires changes to the establishment plans (18 posts) and a transfer of appropriations.

-The creation of a new budget article to allow for the accession of the European Community to the International Convention for the Protection of New Varieties of Plants (UPOV).

-The updating of revenue in the context of Switzerland's association with the application of the Schengen agreement and Eurodac.

- A number of technical corrections to the budget remarks in order to take account of the legal bases adopted since the presentation of PDB 2005.

This amending letter to the preliminary draft budget 2005 implies a modification of the PDB as follows:

- EUR 214 million in additional commitment appropriations;

- EUR 35,24 million in additional payment appropriations.

The PDB (comprising the amending letter 1/2005) is presented as follows :

- commitment appropriations : EUR 117.427.519.560;

- payment appropriations : EUR 109.574.756.839.

2005 budget: section III, Commission

2004/2001(BUD) - 18/06/2004

In this strategy paper, the European Commission outlines its political and financial priorities for 2005.

This will be the guideline for the Commission's legislative programme and the allocation of resources. The top operational priority is the integration of the new Member States. Politically, the Commission wants to ensure that in the EU of 25 Member States and 450 million citizens competitiveness and cohesion are enhanced, security and European citizenship are guaranteed for a greater number of more mobile citizens, and that the Union will be able to take on more external responsibility.

The Annual Policy Strategy decision for 2005 is exceptional in that the current Commission will establish a framework to be considered by the next Commission. This decision will ensure consistency with the priorities for the post 2006 period covered by the new financial perspectives.

For 2005, the overriding priority is to make enlargement a success and shape the future of Europe. 2005 will be a key year for negotiations on the next financial perspectives, new programmes, such as structural funds, education and training etc. and, in all probability, the ratification of the new Treaty.

The Commission's work shall be determined by three priorities for 2005:

1) Competitiveness and cohesion : an upturn in growth will be the central policy objective of the Commission, striving constantly to improve the competitiveness of the European model while maintaining prosperity, employment, cohesion and environmental protection, as integral elements of the sustainable development agenda. The proper functioning of the enlarged internal market and the full implementation of the acquis are crucial in this context.

Particular emphasis should be placed on industrial policy; reducing the persistent gap between Europe and its main partners in terms of the effort put into research and the development of human and technological capital (including information and communication technologies, information society, lifelong learning and Erasmus Mundus); reinforcement of consumers' confidence in the field of transborder transactions and electronic trade; reducing disparities within the enlarged Union.

2) Security and European citizenship : the enlarged EU will require new effort to guarantee free and secure mobility, and must manage a land border of 6,000 km and a sea border of 85,000 km. The total of third-country nationals living in the EU exceeds 14 million, while around 1,5 million are arriving each year. Moreover, enlargement will accentuate the diversity of cultures and peoples, and will present a new challenge in the form of European citizenship as a new EU dimension.

Enlargement of the Union's territory and the increased population will require a greater effort and better coordination from the point of view of managing the new common borders, dealing with the increased mobility of individuals within this area and the need to ensure their security. In this field, the Commission has taken steps to create a European area of freedom, security and justice in accordance with the instructions given by the Tampere European Council in October 1999. This strategy will enter a second phase in 2005.

After 11 September 2001 and the devastating train bombings in Madrid, the European Union faced a mounting concern about the threat of terrorism, which has further sharpened this need for security. This was confirmed by the European leaders' summit on 25 and 26 March 2004 along with the decision of naming the first counter-terrorism coordinator and vowing to share intelligence better than in the past.

Moreover, for the purpose of protecting Europe's citizens from risks associated with natural disasters and environmental or epidemiological crises, the Union is being called upon more and more to assist or take over from the Member States when problems assume a pan-European dimension. To this end, the Commission manages a large number of programmes geared to protection, safety, public health, food safety, prevention and control, together with solidarity and crisis-management funds.

3) External responsibility and neighbourhood dimension : the Union's new dimension and the new external borders resulting from enlargement will make it necessary to put in place a stable, comprehensive political framework with the neighbouring countries of the south and the east. Once enlargement becomes a reality, the implementation of this second sphere of prosperity and stability will be the central external priority.

With this in mind, the Commission will implement a new EU neighbourhood policy and will strive to promote intra-regional cooperation. This new policy is aimed at neighbouring States which are not (with the exception of Balkan countries) candidates for EU accession. As far as the countries of the western Balkans are concerned, the stabilisation and association process will remain the policy cornerstone. Furthermore, in 2005, the Commission's external action will be geared to achieving further objectives, namely: contributing to the completion of the ongoing enlargement process, entailing preparation for the accession of Romania and Bulgaria. In addition, and in the light of decisions taken in 2004, the Commission will continue implementing the preaccession strategy with Turkey and might enter into an active phase of negotiation with Croatia. The Commission will be required to play a greater role in promoting sustainable development in line with Europe's international commitments, including the Millennium Development Goals, which will need to be reviewed in 2005. The Union's integrated commercial policy and its vital role in promoting development will lead it to take on greater responsibility in multilateral governance. Lastly, the Union's expansion will go hand in hand with increased international responsibility and will require even more coherence in its external actions, using all the instruments available. This increased coherence will allow the EU to better address Europe's challenges and threats as set out, inter alia, in the European security strategy and will include the establishment of appropriate crisis-management capacity combining civilian and military means, while ensuring that humanitarian aid remains independent from political considerations.

2005 budget: section III, Commission

2004/2001(BUD) - 29/11/2004 - Amending/supplementary letter on draft budget

PURPOSE : to present the amending letter No 2 to the draft general budget of the European Communities for the financial year 2005 as established by the Council.

CONTENT : to recall, on 29 October 2004, the Commission forwarded to the Council Amending Letter No. 2 to the Preliminary Draft Budget for the financial year 2005.

This Amending Letter concerns expenditure and revenue under Section III - Commission - of the

Community budget and covers the following elements:

- establishment of an Executive Agency for Education and Culture to implement programmes in that field. The Commission proposes a total amount of EUR 24 660 000 for the creation of the Agency by transferring the appropriations proposed in the PDB 2005 for Headings 3, 4 and 5 to the appropriate budget lines. The savings achieved, compared to the PDB 2005, amount to EUR 6 764 000 that include in particular the dismantling of three technical assistance offices and the withdrawal of the appropriations corresponding to the frozen posts;

- creation of an Executive Agency for the Public Health Programme (2003-2008), intended to support the Commission services in the implementation of the programme. The Commission proposes to transfer from the budget line reserved for the resources of administrative management allocated to the Public Health programme the amount of EUR 4 756 000 to budget line 17 01 04 30 of the Agency.

The saving achieved, compared to the PDB 2005, amounts to EUR 927 000 that include in particular the withdrawal of the appropriations corresponding to the frozen posts;

- establishment of a Supervisory Authority for the European Global Navigation Satellite System (GNSS) to supervise the next phases of the European satellite radio-navigation programmes. For the establishment of the Supervisory Authority at the beginning of 2005 the Commission proposes a transfer of the amount of EUR 1 657 000 in a budgetary neutral way from the budget line of "Transport Safety" to the line 06 02 09;

Following conciliation with the Parliament delegation on 25 November 2004 prior to the Budget Council meeting, the Council decided, as part of an overall agreement with the European Parliament and the Commission involving adoption of the Letter at a single reading, to accept Amending Letter 2 /2005 as proposed by the Commission, accompanied by a joint statement : "The Budgetary Authority invites the Commission to present each year, together with its PDB, an updated situation of those posts that cannot be occupied or have been redeployed as a result of the creation of Executive Agencies".

2005 budget: section III, Commission

2004/2001(BUD) - 16/12/2004

PURPOSE: the final adoption of the general budget for the European Union (EU25) for the 2005 financial year.

LEGISLATIVE ACT: 2005/141/EC, Euratom.

CONTENT: the general budget of the Union for the 2005 financial year is definitively adopted in accordance with the budgetary procedure completed on 16 December 2004. The Union's budget as adopted is in line with the priorities defined by the budgetary authorities at their consultative meeting on 25 November 2004 and the European Parliament's vote in plenary session on the second reading (please refer to the summary of the Parliament's resolution of 16.12.2004).

This is the first budget drawn up for the 25 Member States that covers a complete financial year and amounts to a total of EUR 116.554 billion in commitment appropriations and EUR 106.3 billion in payment appropriations, thus an increase 6.2% in the former and 4.4% in the latter. This level of payment appropriations is equivalent to 1.004% of GNI of the enlarged Union. The margins left under the ceilings set by the financial perspectives amount to EUR 3.04 billion for commitments and EUR 7.935 billion for payments.

By budgetary heading, the 2005 budget is as follows:

Agriculture and rural development: EUR 49.676 billion in commitments which leaves a margin of EUR 1.763 billion under the ceiling for this item. The payment appropriations amount to EUR 49,115 billion, which is an increase of 11.6% in comparison with 2004. The increases may be explained by the second phase of the gradual application of direct aids to the new Member States and by the effects of the reform of the CAP. Of the total commitment appropriations, EUR 6.841 billion are for rural development actions, while the corresponding payment appropriations amount to EUR 6.279 billion.

Structural actions: the 2005 budget comprises EUR 42.423 billion in commitment appropriations – a rise of 3.4% compared with 2004. For payments, there has been a decrease of 6.2% compared with 2004: EUR 32.396 billion - EUR 2.126 billion less than in 2004. However, if the Commission considers that these credits are insufficient, it can present an amending budget to the budgetary authorities, on which a decision will be taken in a single reading. It should also be noted that the PEACE II Programme was extended in 2005 (and in 2006). In 2005, this will receive EUR 50 million.

Internal policies: EUR 9.052 billion in commitment appropriations and EUR 7.923 billion in payment appropriations, an increase of 4% and 5.5% respectively in comparison with 2004. Given that this level of commitments exceeds the financial perspective ceilings, EUR 3.4 million of the necessary amount for financing the decentralised agencies will have to come from the flexibility instrument. The main priorities concern the Lisbon Strategy and the AFSJ.

External actions: EUR 5.219 billion in commitment and EUR 5.476 billion in payment appropriations, which corresponds with the respective increases of 0.8% and 11% compared with 2004. Aid to Iraq remains at EUR 200 million. Of this amount, EUR 100 million will have to be funded from outside heading 4, using the flexibility instrument. For priority actions, such as combating diseases related to poverty, combating drugs and regional programmes – in particular in Asia and in Latin America – funding has increased by almost 2%. The CFSP budget is EUR 62.2 million.

Administrative expenditures: EUR 6.351 billion, an increase of 3.7% so as to fund 1,250 new posts (700 of which for the Commission to cover requirements resulting from enlargement).

Pre-accession strategy: EUR 2.081 billion, representing an increase of 20.1% in comparison with 2004. Payment appropriations are at a considerably higher level – EUR 3.287 billion – an increase of 15.1% compared with 2004. This is due in part to payments under way to the new Member States for pre-accession progammes in which they participated before becoming EU members. Pre-accession aid continues for Romania and Bulgaria (EUR 1.552 billion in commitments) and for Turkey (EUR 286.2 million). For the first time, Croatia is part of the pre-accession strategy – taking into account its status as a candidate country. The sum available for this country has increased by 60% in comparison with 2004 amounting to EUR 105 million. Heading 7 also includes commitment appropriations of EUR 120 million to fund the economic development of the Turkish Cypriot community, placed in reserve awaiting the adoption of the appropriate legal base.

In line with the political agreement in terms of which the new Member States should not become net contributors to the budget at the very beginning of their membership, a compensatory amount of EUR 1.305 billion is provided for under heading 8. This amount will be made available in the form of transfers to the new Member States, in order to balance their budgetary receipts and contributions.

2005 budget: section III, Commission

2004/2001(BUD) - 16/07/2004

Before studying and establishing the draft budget for the financial year 2005, the Council held its

customary meeting with a delegation from the European Parliament, in the framework of the 1999

Interinstitutional Agreement on budgetary discipline.

The conciliation meeting, which had been prepared by a trialogue on 5 July 2004, covered six topics

relating to the budgetary procedure for 2005, namely:

-Agriculture : the European Parliament and the Council agreed to resume examination of agricultural

expenditure on the basis of the Letter of Amendment in the autumn. The Commission confirmed that it will issue a report in September on the two 2004 pilot projects (on risk financing model for livestock epidemics and on quality schemes) raised by the European Parliament, which will include if appropriate amounts to be inserted in the Letter of Amendment in the autumn.

-International fisheries agreements: the Council and the European Parliament agreed to resume discussion of this question in November on the basis of the Letter of Amendment that the Commission would be submitting in autumn.

The Council took note of the concerns expressed by the European Parliament and the Commission concerning the reduction of EUR 6 million in commitment appropriations for fisheries (EUR 196 million at first reading instead of EUR 202 million in the preliminary draft budget 2005).

-Common foreign and security policy (CFSP): the European Parliament took note of the increase of EUR 7,6 million in the CFSP budget proposed by the Council (EUR 62,6 million at the first reading instead of EUR 55 million in the preliminary draft budget 2005). The Council also took note of the request expressed by the European Parliament concerning the information to be provided as regards the

budgetary impact of the EU Special Representatives.

-External actions and pre-accession strategy (headings 4 and 7): as regards the use of the flexibility instrument, the Council reaffirmed its exclusion of the flexibility instrument from the financing of external actions and recalled that it had created a positive margin of EUR 14,4 million instead of the EUR - 115 million initially submitted in the PDB 2005.

Concerning the financing of assistance to Northern Cyprus - EUR 259 million - and the relevant heading of the Financial Perspective, the European Parliament and the Council agreed to find an appropriate solution and to work on this issue on the basis of a future Council position.

-Administrative expenditure (heading 5): the European Parliament and the Council agreed to respect the existing ceiling and maintain a sufficient margin for unforeseen events. The Council justified the 4,9% increase in the EU Council's budget, inter alia, by the costs of the European Security and Defence Policy and the creation of the Civil-Military Cell decided on by the European Council. The Council took note of the concerns expressed by the European Parliament and the Commission as regards the reduction of EUR 54,2 million in the Commission's budget (excluding pensions) affecting in particular the financing of new staff.

-Payment appropriations: the European Parliament and the Council agreed to come back to this issue at the next Council meeting in November. The Council insisted on the need for a limited and controlled increase of payment appropriations in 2005.

2005 budget: section III, Commission

2004/2001(BUD) - 22/04/2004 - Budgetary text adopted by Parliament

In adopting the report by Salvador GARRIGA POLLEDO (EPP-ED, E), the European Parliament gives a broad welcome to the new method of presenting an Annual Policy Strategy as a way of bringing together the legislative and budgetary cycles and making political priorities more visible. (Please refer to the previous document).

Parliament notices that in the presentation of the three priorities included in the APS for 2005 - competitiveness and cohesion, security and European citizenship, and external responsibility: neighbourhood and partnership - the Commission is setting similar priorities to those laid down in its Communication on the financial framework beyond 2006.

Parliament is aware that, as a result of the additional budgetary constraints caused by the adjustment of the ceilings in heading 3,4 and 5 of the Financial Perspective, the budgetary authority may have to review the priorities set out in the Commission's annual policy strategy. It expects the Commission to re-allocate budgetary and human resources in accordance with the decisions of the budgetary authority.

On agriculture, Parliament notes that there should be greater support for young farmers, for the rural environment, for the fight against animal diseases and for European quality labels - all this is particularly important in the light of EU enlargement.

With regard to structural operations, Parliament states that the Member States should provide their forecasts for 2005; while there has been an improvement in the implementation of structural fund payment appropriations, there is a persistently large volume of outstanding commitments.

Concerning internal policies, Parliament is worried by the recent assessment by the Commission, in the progress report on implementing the Lisbon strategy. It highlights the need to concentrate its efforts and, within the 2005 budget, prioritise the key Lisbon strategy measures with budget relevance in order to speed up the achievement of the objectives set. It reiterates its support for Community measures targeted at SMEs especially in view of promoting competitiveness in a fully integrated single market and in the pursuit of the Lisbon strategy. Parliament urges that finance and guarantee instruments for SMEs be further developed and strengthened. It also emphasises the need, following the accession of 10 new Member States, to

ensure the continuity of the LIFE III programme and to bridge the gap between the expiry of LIFE and the new financial perspectives. A high priority must also be given to the Commission initiatives concerning Natura 2000.

On the issue of external actions, the Parliament is concerned at the current situation in Iraq and considers that measures to improve the prospects for a free and democratic Iraq must be supported. Aware of the serious budgetary constraints, it intends to carefully assess the possibility of recourse to the Interinstitutional Agreement instruments.

Fundamental support for establishing a New Neighbourhood Policy is expressed by the Parliament which helps to provide a sphere of prosperity and stability to the South and the East of the current EU borders. It emphasises that in the context of the Partnership between the EU and the Mediterranean it is necessary to strengthen all measures contributing to the full development of the Barcelona process. These objectives must be equally pursued in relation to the Eastern neighbours of the EU, with a view to establishing the Northern dimension.

Parliament stresses that the external priorities of the Union are not solely dependent on geographical proximity, and that the strategic efforts for co-operation and solidarity with other regions of the world must be maintained and strengthened; in this context, emphasises that the bilateral and multilateral relations between the EU and Latin America must be reinforced, especially in the light of the Third EU-Latin America Summit

Lastly, Parliament points out, in a context in which the significance of the EU as a Global Partner must be strengthened, that steps in the direction of establishing a European common diplomacy and towards the creation of a European external action service would directly contribute to the achievement of this goal. It equally notes that it intends to analyse future needs and current implementation of the CFSP, taking into account the major financial increase granted under this section for 2004.

2005 budget: section III, Commission

2004/2001(BUD) - 16/12/2004

The European Parliament adopted a resolution, by 477 votes for, 106 against and 5 abstentions, based on the draft by Salvador GARRIGA POLLEDO (EPP-ED, ES) and Anne Elisabet JENSEN (ALDE,DK)adopting the EU budget for 2005. Parliament decided to reconfirm its first reading priorities and amendments with the adjustments resulting from the agreement with the Council reached at the budget conciliation on 25 November 2004. The Budget for 2005 as adopted by the Parliament amounts to EUR 116 554 135 698 in commitments, which represents an increase of 6.1% on the 2004 Budget, and EUR 106 300 million in payments, which represents an increase of 4.4% on the 2004 Budget. This level of payments represents 1.004% of estimated GNI for the year 2005, compared to 1.08% as established by the Financial Perspective, a difference of EUR 7,935 million.

With regard to the specific headings, the following should be noted:

- Agriculture: Parliament regretted the Council's horizontal reduction on payments in accordance with its prerogative for compulsory expenditure. The Council has agreed, however, to finance the pilot project on quality promotion and the pilot project on a risk financing model for livestock epidemics as a continuation of initiatives undertaken in 2004.

- Structural Actions: In accordance with the conciliation agreement, the Parliament has not restored amendments aimed at increasing payment appropriations under this heading. Despite this, in the light of the utilisation level of these funds in 2004, Parliament insisted that new payment appropriations should be made available, if required, through an amending budget during the 2005 budget year. The PEACE II programme, which aims to support the Northern Ireland peace process, has been prolonged until 2006. EUR 50 million will be made available for 2005, EUR 45 million of which is to be made available through the mobilisation of the flexibility instrument.

- Internal Policies: Parliament welcomed the agreement reached at the conciliation of 25 November 2004 whereby an additional EUR 40 million will be made available for 2005 in order to finance decentralised agencies while safeguarding and reinforcing Parliament's priorities, notably in the areas of the Lisbon Strategy, Justice and Home Affairs (including the fight against terrorism) and Communication Policy (including information to citizens and the debate on the future of the Union). Parliament confirmed its rejection of the drastic reductions proposed by the Council for actions linked with the Lisbon Strategy and added an additional EUR 62 million above the Council's proposal, of which EUR 42 million will be used for SMEs and EUR 20 million to boost other actions. It attached some importance to anti-pollution measures to protect the seas and has entered EUR 17.8 million in both commitment and payment appropriations for the programme managed by the European Maritime Safety Agency.

- External Policies: the funds available were insufficient to meet new needs while also respecting the Parliament's traditional priorities, so the funding for 2005 has been increased by an exceptional increase in the budgetary ceiling. Parliament welcomed the agreement reached on the overall funding for the external policies, including the mobilisation of the flexibility instrument for an amount of EUR 100 million for the financing of reconstruction and humanitarian measures in Iraq. It supported a preparatory action to encourage vaccine development and fight serious poverty-related diseases in developing countries and therefore entered EUR 10 million against that budget line. It entered EUR 6 million against the budget line on fighting drugs.

- Administrative Expenditure: Parliament stated its willingness to provide the EU institutions with the necessary means for 2005 to address the needs created by enlargement, and restored a significant part of the appropriations cut by the Council in its second reading. It agreed to create almost all posts requested by the Institutions in their estimates for 2005. Parliament also pointed out that the 2004 salary adjustment is only 0.7% instead of 2.6% as initially envisaged. Appropriations in the 2005 budget must be adjusted to take account of this lower than expected salary adjustment level.

- Pre-Accession Strategy: The Council and the Parliament have agreed to include EUR 120m for promoting the economic development of the Turkish Cypriot community. Financing for Croatia amounts to some EUR 105m, reflecting the pre-accession strategy for that country.

2005 budget: section III, Commission

2004/2001(BUD) - 30/04/2004

In a letter from the European Commission to the Secretary General of the European Parliament, it is stated that pursuant to Article 272(9) of the EC Treaty, the maximum rate of increase for 'non-compulsory' expenditure for the 2005 budget is set at 3.4%.

2005 budget: section III, Commission

2004/2001(BUD) - 29/11/2004 - Amending/supplementary letter on draft budget

PURPOSE : to present the amending letter No 1 to the draft general budget of the European Communities for the financial year 2005 as established by the Council.

CONTENT : to recall, on 15 October 2004, the Commission forwarded to the Council Amending Letter No. 1 to the Preliminary Draft Budget for the financial year 2005. This Amending Letter concerns expenditure and revenue under Section III – Commission – of the Community budget and covers the following elements:

- request for supplementary appropriations under Heading 7 of the Financial Perspective to finance actions encouraging the economic development of the Turkish Cypriot community. The Commission proposes to endow the new budget lines created by its Preliminary Amending Budget 9/2004 with EUR 114million in commitment appropriations and EUR 26.84 million in payment appropriations;

- request for supplementary appropriations under Heading 7 of the Financial Perspective to finance the pre-accession strategy for Croatia. The Commission has estimated the amount necessary for the pre-accession instruments PHARE and ISPA in 2005 at EUR 105 million for commitment appropriations and EUR 18.4 million for payment appropriations relating to these new commitments;

- removal of the appropriations initially budgeted for Croatia in the framework of the CARDS programme under Heading 4 of the Financial Perspective, which amount to EUR 65 million in commitment appropriations and EUR 10 million in payment appropriations;

- proposal to extend the PEACE II programme to cover the period 2005-2006, thus aligning it with the other structural actions of the European Investment Fund. For 2005, this prolongation will only necessitate in this instrument a change in commitment appropriations. The total amount to be made available is EUR 60 million, of which EUR 36.6 million from the ERDF and EUR 23.4 million under the ESF;

- proposal for the Publications Office (OPOCE) to take over activities and posts linked to CORDIS. To integrate CORDIS into OPOCE requires changes to the establishment plans (18 posts) and a transfer of EUR 1 965 600 from the Commission budget 2005 to the OPOCE budget 2005;

- creation of a new budget article to allow for the accession of the European Community to the International Convention for the Protection of New Varieties of Plants (UPOV);

- updating of revenue in the context of Switzerland's association with the application of the Schengen agreement and Eurodac.

Following conciliation with the Parliament delegation on 25 November 2004 prior to the Budget

Council meeting, the Council, as part of an overall agreement with the European Parliament and the

Commission involving adoption of the letter at a single reading, decided as follows:

- as regards the financing of the Turkish Cypriot Community, a higher total amount of EUR 120 million in commitment appropriations (+ EUR 6 million compared to the Commission proposal) is agreed, thereby merging the request for Preliminary Amending Budget 9/2004 with the one for Amending Letter 1/2005. However, the amount is put in reserve, pending the adoption of the legal basis;

- as regards the prolongation of the PEACE II programme (point 2d) within a 2 year funding scheme, commitment appropriations for a total amount of EUR 50 million were accepted for 2005. It was therefore agreed to fund an amount of EUR 45 million through the mobilisation of the flexibility instrument. A further amount of EUR 5 million is to be financed by reallocation within the 2005 budget: 2.5 million from line 13 03 08 (European Regional Development Fund (ERDF) - Technical assistance and innovative measures) and EUR 2.5 million from line 04 02 10 (European Social Fund (ESF) - Operational technical assistance and innovative measures).

2005 budget: section III, Commission

2004/2001(BUD) - 29/11/2004 - Council amended draft budget

On 29 November 2004, after having deliberated with the Commission, the Council of the European Union carried out a second reading of the draft general budget of the European Communities for 2005.

In assessing the outcome of the Parliament's first reading of the Draft Budget for 2005, the Council was guided by the following principles:

- it ensured compliance with the annual expenditure ceilings set by the Financial Perspective;

- it adopted a limited and controlled growth of the volume of payment appropriations by maintaining the agreed level of payment appropriations of the Council first reading, taking into account in particular the level of surpluses of the past years and the constraints upon national budgets;

- it ensured compliance with the relevant provisions regarding the placing of appropriations in reserve, the classification of expenditure, legal bases, preparatory measures and pilot programmes; in this context, it restated the Council's opposition to the European Parliament using conditional reserves in

breach of the Financial Regulation.

It also restored the first reading of the Draft Budget for Articles 21 03 01 to 21 03 16 related to EDF, since the inclusion of funding, or even just a budgetary structure to cover it, would not have the necessary legal basis and would therefore not be justified. It also constitutes, by its very nature, compulsory expenditure. Before proceeding with the second reading of the Draft Budget, the Council held its customary conciliation meeting with a delegation from the European Parliament on 25 November 2004. The European Parliament, the Council and the Commission have agreed:

- to accept Amending Letter No. 1/2005 concerning: the pre-accession strategy for Croatia as proposed by the Commission; appropriations for the Turkish Cypriot Community being of EUR 120 million and put in the reserve; this latter amount includes appropriations proposed by the Commission in Preliminary Draft Amending Budget No. 9/2004; EUR 50 million for the PEACE II programme, of which EUR 5 million redeployed from innovative measures. For 2006 the Commission will redeploy EUR 16 million for the PEACE II programme;

- to accept to finance actions encouraging the economic development of the Turkish Cypriot community and pre-accession strategy for Croatia under Heading 7 of the Financial Perspective;

- to accept Amending Letter No. 2/2005 concerning inter alia Executive Agencies. The following joint statement on the management of the relevant posts has been agreed: "The Budgetary Authority invites the Commission to present each year, together with its PDB, an updated situation of those posts that cannot be occupied or have been redeployed as a result of the creation of Executive Agencies";

- to accept Pilot Projects on quality promotion and risk financing model for livestock epidemics as proposed by the Commission in its Amending Letter No. 3/2005;

- to accept the mobilisation of the flexibility instrument for an amount of EUR 45 million under Sub-Heading 2a) of the Financial Perspective for the PEACE II programme, EUR 40 million under Heading 3 for Decentralised Agencies and EUR 100 million under Heading 4 for Iraq;

- to fix the amount of the CFSP budget at EUR 62.6 million for 2005;

- to accept Preliminary Draft Amending Budget No. 11/2004 with a total amount of payment appropriations for Structural Funds of EUR 3.7 billion and a call for additional own resources of EUR 500 million;

- the total amount for payment appropriations decided at the end of the 2005 budgetary procedure in December shall not exceed EUR 106.3 billion.

The main results of the Council's discussions at second reading are as follows:

- with regard to CAP expenditure (sub-Heading 1a of the Financial Perspective), to reinstate the amounts retained in the Draft Budget established by the Council and not to accept Amending Letter No. 3 apart from the changes of nomenclature and two pilot projects on quality promotion and on risks financing model for livestock epidemics. The following Council statement on agricultural expenditure was agreed: "The Council invites the Commission to submit an Amending Budget if the appropriations entered in the 2005 Budget are insufficient to cover expenditure under Heading 1a (Agricultural expenditure excluding rural development) and payments under Heading 2 (Structural operations) and Heading 7 (Pre-accession strategy) of the Financial Perspective";

- to maintain the Draft Budget established by the Council with regard to rural development expenditure (sub-Heading 1b of the Financial Perspective);

- as regards internal policies (Heading 3 of the Financial Perspective), to accept the amendment on anti-pollution measures, putting the relevant amount in reserve, and to maintain the Draft Budget established by the Council for other budget lines;

- regarding external action (Heading 4 of the Financial Perspective), to maintain the Draft Budget established by the Council. It also accepted Amending Letter No. 1/2005 concerning Croatia and Amending Letter No. 3/2005 regarding International Fisheries Agreements;

- with regard to administrative expenditure (Heading 5 of the Financial Perspective), to maintain the Draft Budget established by the Council apart from amendments to the European Parliament budget section which were accepted.

2005 budget: section III, Commission

2004/2001(BUD) - 28/04/2004

PURPOSE : to present the Commission's preliminary draft budget for 2005 (Section III – Commission).

CONTENT : the Commission adopted today its proposal for the European 2005 budget. It will be the first budget covering the expenditure for 25 Member States over the whole year. The room for new initiatives in 2005 is rather small as most expenditures are already fixed by prior decisions of the Council and EP.

The Commission proposes a budget volume of EUR 109.5 billion. The current Financial Perspectives would provide for a maximum of EUR 114.2 billion.

This volume of expenditure (payment appropriations) proposed by the Commission is equivalent to 1.03% of the gross national income of the EU-25. The financial framework agreed for the enlarged Union provides for a maximum of 1.08% of GNI for the EU budget. The preliminary draft is far lower - by EUR 4.7 billion - than the ceiling agreed for 2005.

This rise of EUR 9.7 billion is due to the full incorporation of the new Member States (+EUR 3.9billion), the reform of the Common Agricultural Policy (+EUR 1.3 billion) and the improved use of the structural funds (+EUR 2.7 billion).Thus, these three factors explain more than 80% of the total increase in payments.

The commitment appropriations come to EUR 117.2 billion for the enlarged Union. For the EU-25, this results in an increase of 5.2% over 2004. The total amount leaves a margin of EUR 2.4 billion under the ceiling for 2004.

MAIN BUDGETARY CHARACTERISTICS :

- Agriculture: Total requirements for the EU-25 come to EUR 50.7 billion, of which EUR 6.8 billion is projected for rural development (15% more, the largest increase). The estimate for the new Member States comes to EUR 3.6 billion, of which EUR 1.9 billion is for rural development. The amount for market and veterinary expenditure in the new Member States has substantially increased but is still relatively low as direct aid is being phased in. This is the first year for the payment of direct aids to the new Member States.

The increases (+EUR 4.42 billion in payments) are due in particular to enlargement (EUR 2.1billion), but also the exchange rate between the EUR and the USD (1EUR = 1.25 USD), which entails supplementary costs of 240 million. Additionally, the CAP reform will add 1.3 billion in 2005. The bulk of the rest of the increase is explained by a return to normal conditions after the drought in summer 2003 (EUR 400 million).

The Commission will present the latest estimates for agricultural expenditure in a letter of amendment in October 2004.

- Structural measures: The Structural Funds are the second biggest spending area in the enlarged Union. The volume of commitment appropriations for the Structural Funds shows an increase of 3.3% for the enlarged Union. Out of a total of EUR 42.4 billion, EUR 7.7 billion will be allocated to the new Member States.

Expenditure (payment appropriations) on the Structural Funds comes to EUR 35.4 billion for the enlarged Union, 14.8% more than in the 2004 budget. This significant increase is mainly due to the doubling of the amount to be spent in the new Member States. Cohesion Fund expenditure is lower for both old and new Member States, following the terms of the agreement reached in Copenhagen and Ireland's loss of eligibility for the Cohesion Fund.

- Internal policies: compared to the increases in the two categories described above the levels of estimates for internal policies in 2005 are relatively stable. Total commitment appropriations are put at EUR 8.95 billion, with payment appropriations at EUR 7.7 billion, an increase of 2.8%. EUR 5 billion in commitment appropriations is available for expenditure on research. This shows that support for the Lisbon objectives will continue to be given a high priority in the enlarged Union. Education and culture, also of key importance for competitiveness, are proposed to be allocated EUR 885 million.

The concept of safety and protection will financially be supported in the energy and transport area. Decommissioning of the nuclear installations of the Joint Research Centre will receive EUR 67 million. Additional EUR 139 million are budgeted for the dismantling of the nuclear power stations of Ignalina (Lithuania) and Bohunice (Slovakia) Consumer policy, public health and food safety and the launch of the new European Centre for disease prevention and control will be supported by a combined EUR 120 million.

The new external borders and the bigger area of free movement will be protected by actions supported from the customs programme, and over EUR 530 million for justice and home affairs, including the visa information system and the refugee fund. EUR 336 million remain available for the new Member States' control of external borders, and EUR 13 million for a transitional facility for Kaliningrad.

- External aid: for 2005, the Commission proposed to make financial commitments of just above EUR 5.2 billion for foreign policy measures, approximately the same level as in 2004. And as in 2004, the Commission intends to go beyond the maximum amount of the financial framework for exceptional expenditure for the continued support for stabilisation and reconstruction in Iraq, which was not initially programmed. This amount will allow the stabilisation of aid to Eastern Europe and Central Asia (515 million) and Latin America (315 million) and boost the neighbourhood policy with the Mediterranean countries and Middle East (with a total of EUR 1070 million, allowing 200 million for Iraq). After the years of reconstruction in the Balkans, the level of aid will decrease to EUR 554 million. The European Union will thus be able to continue to fulfil its political commitments in this region of Europe. The appropriations for Asia still continue to support the reconstruction of Afghanistan (EUR 648 million for the region).

In thematic programmes, the cooperation with non-member countries on migration questions shall be increased to 45 million, food-aid will be increased by 4% (up to EUR 436 million) and the health budget lines will be consolidated. In all, over EUR 1 billion is proposed from the EU budget for development policy for the poorest countries, not taking account of the over EUR 3.4 billion foreseen from the European Development Fund. The Commission proposes that the appropriations for the Common Foreign and Security Policy be programmed at EUR 55 million EUR million in commitment appropriations. The joint police mission in BiH and FYROM still play a considerable role in this field.

- Concerning the pre-accession strategy now embraces Romania, Bulgaria and Turkey. Assistance to all three countries will be increased considerably from 2004 onwards. The pre-accession aid for Romania and Bulgaria will be increased to 1 550 million, while EUR 300 million in commitment appropriations are available for Turkey. Payments of some EUR 1.538 million will still flow to the new Member States from this heading, for terminating pre-accession programmes begun in 2003 or earlier. As regard support to Northern Cyprus, the Commission will have to come back soon with appropriate proposals.

In accordance with the decisions adopted at Copenhagen, total payments of EUR 1.3 billion will be provided for the new Member States in the 2005 budget as compensation. These will ensure that the new Member States will still be net recipients after accession, and is roughly 100 million lower than in 2004.

- Administrative expenditure : the estimated administrative expenditure of the institutions of the European Union (refer to BUD/2004/2002) comes to EUR 6.36 billion, 3.9% higher than in 2004. The Commission is asking for 700 new posts as part of the medium term adjustment to enlargement. Approximately half of the new staff will be devoted to linguistic services. The number of Commissioners will be reduced from 30 to 25.

The entry into force of the new staff regulation will bring savings of about 40million for the Commission's administrative budget.

Lastly, the return to the Berlaymont building will cause rent costs of EUR 32 million in 2005.

2005 budget: section III, Commission

2004/2001(BUD) - 26/07/2004

This document is to be annexed to the draft budget for 2005, in accordance with the 1979 agreements on budgetary procedure. Article 8(3) of the Financial Regulation of 27 March 2003 applicable to the 9th European Development Fund (EDF) requires the Commission to make this document available to the Council by 15 June, stipulating that this information serves as a basis for an interim estimate of commitments and payments.

As in previous years, this document shows EDF implementation at 31 December 2003; financial implementation forecasts for the current year (2004) and expenditure forecasts for 2005.

More specifically, the initial estimates put the total for 2005 at EUR 2 975 million, EUR 240 million of it for the EIB (9thEDF instruments), EUR 2 585 million for traditional instruments managed by the Commission and EUR 150 million provisionally earmarked for the Water Facility. As for the Peace Facility, the Commission has yet to make any allocations for 2004 because there is still no sign of practical operations.

Though the total volume of payments in 2004 has been revised upwards, this increased volume can currently be implemented without increasing the overall volume of contributions to be paid by the Member States in 2004 (EUR 2 440 million). There are two reasons for this: (i) the EIB ended 2003 with a relatively large amount of unused financial resources, so reducing needs for 2004, and (ii) the Commission revised its cash position at the end of 2004 downwards. Maintaining the overall level of contributions set out in the communication of November 2003 should cover the current estimated needs of both the EIB (in view of the reserves built up at the end of 2003) and the Commission. If payment forecasts hold good, the EIB's needs in 2004 will be covered by the first tranche already received. The Commission is asking the Member States to pay EUR 1 100 million for the second 2004 tranche and the balance (EUR 490 million) for the final 2004 tranche.

Concerning the future, the Commission and the EIB renew their pledge to do everything they can to commit the funds made available by the Cotonou Agreement (including the balances remaining from the 6th, 7th and 8th EDFs transferred to the 9th EDF) by the end of 2007. This, however, presupposes that the political situation in all ACP countries is such that the conditions required for disbursing the funds are met. The co-operation agreements (Lomé and Cotonou) are rooted in the principle of partnership between the Union and the ACP countries, which means that implementation of the EDF depends on the absorption capacity (political stability, quality of governance, etc.) of the ACP countries. As regards the budget aid (structural adjustment programmes and the HIPC debt-relief instrument) which accounts for a growing proportion of aid, payments are conditional on the ACP countries' compliance with certain macroeconomic conditions. Last but not least, utilisation of funds provided by the Cotonou Agreement will also depend on the results of any reallocation of funds following the mid-term and final reviews scheduled for 2004 and 2006 respectively.

2005 budget: section III, Commission

2004/2001(BUD) - 19/07/2004 - Council draft budget

The Council established, by a qualified majority, the draft budget for the enlarged Union for the financial year 2005.

The draft budget at first reading amounts to:

- EUR 115 976 999 217 in commitment appropriations;

- EUR 105 221 196 496 in payment appropriations.

Compared with the 2004 budget, these amounts represent a 4,11% increase in commitment appropriations and a 5,43% increase in payment appropriations.

To recall, the rectified PDB takes into account the final figures for estimates for institutions other than the Commission, forwarded to the Council by the Commission, comprises budget estimates totalling:

- EUR 117 242.21 million in appropriations for commitments;

- EUR 109 568.21 million in appropriations for payments.

This rectified preliminary draft general budget shows a 5.2% increase in appropriations for commitments and a 9.8% increase in appropriations for payments compared to the amounts authorised in the 2004 budget.

This draft budget leaves adequate margins below the ceilings for the headings of the Financial Perspective, in order to cope with unforeseen situations; provides adequate funding for the European Union's various priorities; provides for a limited and controlled growth of payment appropriations in comparison with 2004 and confirms Copenhagen commitments as taken on board in the preliminary draft budget.

The draft budget can be summarised as follows:

a) Agricultural expenditure (Heading 1):

- an across-the-board reduction in commitment and payment appropriations requested in the PDB by an amount of EUR 1 billion under all budget articles of subheading 1a (market expenditure for agriculture and rural development) where the sum of appropriations is greater than EUR 800 million; this reduction is in line with the overall approach of controlled growth of payment appropriations, in which it is proposed to include compulsory expenditure (subheading 1a) and non-compulsory expenditure (other headings); it represents a 6,4% increase compared to 2004.

- acceptance of the Commission's PDB as regards appropriations for rural development (subheading 1b).

b) Structural operations (Heading 2):

- acceptance of the PDB as regards commitment appropriations;

- an across-the-board reduction of EUR 3 billion in the payment appropriations requested in the PDB under the budget headings concerning Structural Funds (EUR 2 446 million), Community initiatives (EUR 253 million) and completion of earlier programmes prior to 2000 (EUR 301 million), taking into account the foreseeable implementation rate.

c) Internal policies (Heading 3):

- acceptance of the amounts proposed for multiannual programmes under the codecision procedure as agreed following enlargement and of specific amounts related to Copenhagen commitments;

- limitation of the appropriations for some budget headings not based on multiannual programmes, in particular regarding press and communication and preparatory action for security research; appropriations have also been reduced for subsidies for certain agencies, taking account of the situation of agencies that are being started up;

- not approving appropriations for the European Police College and anti-pollution measures; regarding anti-pollution measures, the situation will be reconsidered in the course of the budgetary procedure in the light of additional information on the implementation of the amending Regulation establishing the European Maritime Safety Agency of March 2004 and on the feasibility studies;

- the margin available under heading 3 is of EUR 108,6 million.

d) External action (Heading 4):

- an across-the-board reduction in the main headings, with co-decided programmes, international agreements and reconstruction in Iraq being excluded;

- increase of the amount for CFSP proposed in the PDB to the level of the amount of EUR 62,6 million entered in the 2004 budget in commitments appropriations, which represents an increase of EUR 7,6 million compared to the PDB 2005;

- no recourse to the flexibility instrument;

- the margin now available under this heading is EUR 14,4 million in commitment appropriations

(- EUR 115,5 million in PDB 2005).

e) regarding expenditure on administrative expenditure :

- setting an adequate margin within the ceiling under heading 5 of the Financial Perspective in the interest of sound financial management; the margin now available under this heading is of EUR 51,88 million.

- applying a reduction of 1.5% on current expenditure, taking into account the impact of development of information technologies and interinstitutional co-operation;

- fixing a minimum standard flat rate on salaries of 4%, taking into account the current vacancy rate;

- accepting new posts requested for enlargement and certain new tasks and applying a reduction of 5% on appropriations for these accepted posts, taking into account specific recruitment schedules;

- accepting conversions and upgradings, in particular related to career development under the new Staff Regulations. The Council allocated an overall amount of EUR 3 960 672 051 for the Commission

budget (including OPOCE, OLAF, EPSO (with EAS), PMO, OIB, OIL and pensions), which represents an increase of EUR 113 418 927 (+ 2.95%) over the 2004 budget. The nomenclature proposed by the Commission in the preliminary draft budget was accepted. The 774 transformations requested for career development following the revised Staff Regulation were approved by the Council as well as 25 upgradings. Moreover, the Council also accepted for the Joint Research Centre 27 new posts and 56 transformations as requested.

f) Pre-accession instruments: acceptance of the PDB for commitment appropriations and a decrease in the payment appropriations of EUR 200 million requested in the PDB (Sapard and Turkey).

2005 budget: section III, Commission

2004/2001(BUD) - 29/10/2004 - Document attached to the procedure

PURPOSE : to present the Amending Letter No 2 to the Preliminary Draft Budget for the year 2005.

CONTENT : this Amending Letter No 2 to the Preliminary Draft Budget for the year 2005 covers the following elements:

- the establishment of an Executive Agency for Education and Culture to implement programmes in that field : in accordance with the provisions of Article 12.3 of Regulation 58/2003/EC, the Agency will receive an operating subsidy entered in the general budget of the European Communities and taken from the budget of the programmes which it will manage. The PDB 2005 contains two budget lines, endowed with a "pm", corresponding to the parts of the subsidy justified by the intervention of the Agency in the management of programmes in the field of education and culture involving, respectively, heading 3 and heading 5 of the Financial Perspective: item 15 01 04 30 "Executive Agency for Education and Culture – Subsidy for the programmes of the heading 3" and 15 01 04 32 "Executive Agency for Education and Culture – Subsidy for the programmes of heading 5". With this letter of amendment, the Commission proposes the creation of an additional budget heading 19 01 04 30 "Executive Agency for Education and Culture – Subsidy for the programmes of heading 4" as a reception facility for the part of the operating subsidy of the agency justified by its involvement in the management of projects financed from programmes in the area of External Relations.

These budget lines are fed by appropriations taken from the lines of the programmes concerned. With regard to administrative expenditure this includes the lines financing the management of the programmes. As mentioned above, the creation of the agency allows for the dismantling of three technical assistance offices, for which the appropriations foreseen in the PDB 2005 are no longer necessary. Likewise, it will no longer be necessary to finance external personnel, thus liberating additional appropriations foreseen in the PDB. Finally, other support expenditure, which will now be needed by the agency rather than by the Commission should be transferred to the lines concerned with the subsidy to the Agency.

Reductions will also be applied to those lines carrying the operational appropriations of the programmes in order to supply the Agency subsidy lines. To ensure the complete financing of the operating subsidy of the Agency, a deduction from the operational appropriations of the programmes has to supplement the appropriations corresponding to expenditure for administrative management.

The adjustments to the appropriations of the budget headings mentioned above take account of the fact that the Executive Agency should start its activities during the year 2005. It was considered that the operational costs of the agency during this first year would amount to 75 % of the cost of a full year, i.e. EUR 24 660 000. This cost will be financed by means of the transfers proposed in this amending letter. The decrease under heading 5 is greater than the amount transferred to the Agency due to the savings in administrative expenditure arising for the management of the programmes by the Agency. The final outcome is a saving compared to the PDB 2005 of EUR 6 764 000;

- the creation of an Executive Agency for the Public Health Programme (2003-2008), intended to support the Commission services in the implementation of the programme : It responds to a strong demand from EP and Council made during the adoption procedure of the programme, in order to reinforce the technical and financial expertise of the Commission. The Executive Agency will be in charge of managing all phases of the public health programme cycle, in relation with specific projects, together with the necessary monitoring; adopting budgetary implementation measures for income and expenditure and executing all operations necessary for the management of the programme, particularly those linked to the award of contracts and grants; providing logistical and technical support.

The Commission should approve the proposal for a decision to create the Agency. The Executive Agency should start by January 2005 and should receive a grant from the resources for administrative management allocated to the Public Health programme. The Commission proposes to enter the amount of the 2005 subsidy to the Agency in budget line 17 01 04 30 "Executive Agency for the Public health programme" and to reduce by a corresponding amount the budget line 17 01 04 02 "Public health - Expenditure on administrative management". As foreseen by Regulation 58/2003 /EC, the appropriations corresponding to the detached posts will be withdrawn from heading 5 and the Commission will freeze the posts. The net effect on the PDB 2005 is a saving of EUR 927 000.

- the establishment of a Supervisory Authority for the European Global Navigation Satellite System (GNSS) to supervise the next phases of the European satellite radio-navigation programmes : beyond the political motivation to complete the institutional setting in order to give the programme a definite character, the following urgent tasks necessitate the establishment of the Supervisory Authority at the beginning of 2005: establishment of the Security and Safety Committee and definition of the relevant procedures with the Secretary General of the Council in terms of consultation and modification/interruption of the signals, and relations with the future operator; establishment of the appropriate arrangements in order to become the depositary of the frequencies necessary to ensure the operation of the system and to co-ordinate Member States actions in this respect; initiation of the standardisation and certification activities; the Authority should be established for the signature of the concession contract. The amounts necessary to set up the Galileo Supervisory Authority will be taken from article 06 02 03 – Transport Safety. The transferred amount is EUR 1 657 000, and the net effect on the budget is neutral;

- Budgetary remarks : in order to facilitate the repayment of any positive balance arising from the subsidised Agencies, it is necessary to enter the following in the budgetary remarks, on all the relevant budget lines. The amounts repaid constitute assigned revenue to be charged to article 6600 of the general statement of revenue;

- an addition to the budgetary comment of line 08 14 01 "Preparatory action for the enhancement of European Security Research", to enable this action to receive the contributions from the EFTA States.

To conclude, the PDB 2005 is reduced by EUR 7 691 000 within Heading 5.

2005 budget: section III, Commission

2004/2001(BUD) - 29/11/2004 - Amending/supplementary letter on draft budget

PURPOSE : to present the amending letter No 3 to the draft general budget of the European Communities for the financial year 2005 as established by the Council.

CONTENT : to recall, 29 October 2004, the Commission forwarded to the Council Amending Letter No. 3 to the Preliminary Draft Budget for the financial year 2005.

Following conciliation with the Parliament delegation on 25 November 2004 prior to the Budget Council meeting, the Council, as part of an overall agreement with the European Parliament and the Commission involving adoption of the letter at a single reading, decided as follows:

- to accept the expenditure related to International Fisheries Agreements as proposed in Amending Letter 3 to the Preliminary Draft Budget for the financial year 2005 : the Commission is proposing to transfer an amount of EUR 2.5 million in commitment appropriations and EUR 3.56 million in payment appropriations from the reserve 31 02 to the relevant budget heading (11 03 01 - "International fisheries agreements"), in order to reinforce several existing protocols for which catches have exceeded the reference tonnage and to allow the postponement to 2005 of the first payment related to the protocol with the Ivory Coast, initially foreseen for 2004;

- in addition, the Amending Letter contains some amendments to the nomenclature to increase transparency in recoveries and clearance of accounts;

- taking into account the level of surpluses of the past years and the constraints upon national budgets, not to accept the proposals regarding the agricultural expenditure, apart from the two pilot projects on quality promotion and on a risk financing model for livestock epidemics. To recall, the new assessment leads to lower needs than estimated in the PDB (- EUR 224 million) in sub-heading 1a). However, these savings have been partly offset by increased needs for other sectors, notably market measures for cereals (+ EUR 224 million), fruit and vegetables (+ EUR 85 million) and textile plants (+ EUR 30 million).

With regard to expenditure relating to rural development (sub-heading 1b), the Commission is proposing to maintain the commitment appropriations in the 2005 budget at the ceiling of the Financial Perspective. Overall, payment appropriations remain unchanged.