

2006 discharge: EC general budget, Section III, Commission

2007/2037(DEC) - 30/03/2007 - Supplementary non-legislative basic document

PURPOSE: to present the revenue and expenditure accounts and the financial statement concerning the 2006 budget - Section III - Commission: **detailed synthesis of 2006 expenditure.**

CONTENT: this document presents a detailed breakdown of Commission expenditure in 2006. A more succinct political analysis can be found in summary (SEC(2007)1055) which should be read in parallel to this document.

Preliminary remark: the main information presented in this summary is extracted from the [EU Budget 2006 Financial Report](#). This report marks an important development in terms of reporting on the EU budget. For the first time, a single report provides an overview of how the budget was spent and managed. It offers two angles of analysis on the implementation of the budget: first by main heading of the financial perspectives 2000–06, then by heading and Member State. Information is given on the procedure leading to the adoption of the budget, as well as on the annual accounts and treasury management. Annexes provide you with detailed historical data both on the revenue and expenditure side of the budget, including Member State-specific allocated expenditure records.

Analysis of expenditure in 2006, heading by heading: expenditure in 2006 was divided into 8 spending categories, known as ‘headings’, which were defined in the financial framework 2000–2006. The ‘Structural actions’ and ‘Agriculture (including rural development)’ headings received the lion’s share in 2006, corresponding to almost 80 % of total EU expenditure. The remaining 20 % of the EU budget was divided among other headings, among which were ‘Internal policies’, ‘External actions’, ‘Pre-accession strategy’ and ‘Administration’. This summary only focuses on the main areas of expenditure for the main headings of the EU budget.

1) Structural actions: around 37% of EU expenditure in 2006, some **EUR 44.555 billion** (+5% compared to 2005), was available to generate and spread prosperity across the Union through 4 Structural Funds and the Cohesion Fund:

- some EUR 38.5 billion was made available to all regions across the EU through the Structural Funds, which in turn distributed the aid in accordance with specific objectives and initiatives. Out of this total, EUR 28.5 billion was earmarked for the least prosperous (**Objective 1** — with income per capita levels below 75 % of the EU average) regions in the EU. About EUR 6.4 billion of the Objective 1 funds were put aside for the least prosperous regions in the EU-10, while the remaining EUR 22 billion was made available to those in the EU-15, including regions benefiting from transitional support;
- without any restrictions linked to regional income levels, all areas facing structural difficulties were eligible to benefit from Objective 2 allocations, aimed at promoting their economic and social conversion. The total for 2006 amounted to EUR 3.4 billion;
- **Objective 3**, entirely financed by the European Social Fund (ESF), provided around EUR 4 billion in 2006 for education, training and employment activities across the Union.

In addition, the Cohesion Fund earmarked EUR 6 billion in 2006 to complement infrastructure investments in **transport and energy** in those EU countries with an income per capita below 90 % of the EU average.

2) **Internal policies:** commitments **EUR 9.4 billion**; +2.7% from 2005. Internal policies ‘Internal policies’ cover a large variety of EU policies, such as research, energy and transport, information society, media, education and culture, health and consumer protection, security and justice:

- **Research and innovation:** some EUR 5.3 billion was earmarked for research activities, mainly through the 6th framework programme for research and technological development. Around EUR 1.2 billion of this total was put aside to develop the ‘information society’ related programmes.
- **Trans-European transport and energy networks:** around EUR 800 million was allocated to priority projects connecting and improving major infrastructures in the areas of transport (e.g. roads, railways, inland waterways, airports, ports, traffic management systems) and energy (gas, electricity).
- **Environment:** around EUR 275 million was made available to this end, mainly through the LIFE programme with EUR 150 million.
- **Education and culture:** education and culture activities across the EU were allocated around EUR 950 million for new projects, with a particular focus on lifelong learning, developing European cultural diversity and active citizen participation. These activities were carried out mainly through EU programmes such as Lingua (learning European languages), Erasmus (higher education), Leonardo da Vinci (vocational training), Youth, and Dialogue with citizens.
- **Public health and consumer protection:** the EU budget allocated more than EUR 140 million in 2006 to public health and consumer protection activities. In addition to improving consumer protection rules and consumers’ awareness of their rights, EU funded projects in this field aimed at managing risks and providing quick responses to public health threats such as SARS, avian influenza and bioterrorism, often in conjunction with other policies.
- **Freedom, security and justice:** more than EUR 580 million was made available for developing cooperation among EU countries in such areas as immigration, the fight against crime, the fight against terrorism, drug and human trafficking, as well as external border controls. In 2006, the EU’s external borders agency Frontex started conducting its first operations on the ground with funds under this heading.
- **Other actions:** this heading also covers actions to support the internal market (EUR 240 million), the European social dimension and employment (EUR 260 million), the promotion of the EU’s energy policy and energy safety (EUR 230 million), etc. All together these activities represented over EUR 1 billion.

3) **Agriculture and rural development:** commitments: **EUR 50.191 billion**; +2.4% from 2005. In 2006, the EU budget put aside around **EUR 42.4 billion as direct aid to farmers and market expenditures**, at the same level as in 2005. More than EUR 34.2 billion of this amount was allocated as direct aid, of which around half was delivered in accordance with recent reforms under the single payment scheme and therefore not linked to quantities produced. Such aid directly focuses on providing stability of income for producers while ensuring the enforcement of environmental rules. The remaining direct aids were linked to specific products.

Market expenditure, corresponding to some EUR 8.2 billion in 2006, covers EU payments to market organisations for agricultural products such as cereals, rice, sugar, olive oil, fruit and vegetables, beef and veal, and milk and milk products. To ensure stability and growth in primarily agricultural areas, the emphasis is now put on rural development, mainly through diversification of local economies. Some EUR 7.8 billion was made available in this area in 2006, to which EUR 3.9 billion funded under structural actions must be added. Rural development programmes aim at boosting job creation outside of urban areas, thus contributing significantly to the growth and jobs agenda. Compliance with strict environmental rules has also become a ‘must’ to benefit from EU aids.

4) **External action:** commitments: **EUR 5.724 billion**; + 5.2 % from 2005. The EU budget allocated more than EUR 5.7 billion to support a wide variety of external policies, ranging from development, humanitarian aid, democracy and human rights to cooperation programmes with specific regions.

With some EUR 1.7 billion, the largest share was devoted to enhancing cooperation with the Union's neighbours in eastern Europe and around the Mediterranean basin. EU projects in this region focused on sustainable development, human rights and the rule of law.

An additional EUR 1.3 billion was allocated from the EU budget to help developing countries in Africa, the Caribbean and the Pacific regions (the ACP States). A part of this assistance went to sugar-producing ACP States, affected by the sugar reform in the EU.

More than EUR 530 million was made available through the CARDS programme in 2006 to foster relations with the western Balkans. EU expenditure under this heading covered other regional programmes, such as cooperation with Asia (EUR 840 million) and Latin America (EUR 330 million), as well as thematic programmes, including democracy and human rights (EUR 130 million), and humanitarian aid (EUR 630 million). Some EUR 100 million was made available for the EU's common foreign and security policy, and EUR 120 million for external aspects of certain Community policies. Finally, EUR 430 million went to food aid and support operations.

The financial framework 2000–06 included a special heading, 'Reserves', comprising two reserve funds: the 'Emergency aid reserve' and the 'Guarantee reserve', which could be called on only if the need arose during a particular year. The use of these reserves requires approval by the European Parliament and the Council of the European Union. In 2006, EUR 180 million was mobilised as emergency aid in response to humanitarian crises in the West Bank and Gaza, Lebanon and Darfur.

5) Pre-accession strategy: commitments **EUR 2.692 billion**; +29.4% from 2005. The 2006 budget provided the **last pre-accession aid to the acceding countries Bulgaria and Romania**, which joined the Union on 1 January 2007. A total of EUR 1 700 million was available for Bulgaria and Romania to help with their efforts before their accession. Some EUR 875 million of this total came from Phare (institution building, economic and social cohesion, transposition of the EU *acquis*), EUR 275 million from Sapard (rural and agricultural development) and another EUR 550 million from ISPA (environment and transport infrastructures).

Croatia has also benefited from these three pre-accession instruments (Phare: EUR 80 million, ISPA: EUR 35 million, Sapard: EUR 25 million) and continued to be eligible for funds under the CARDS regional programme. In line with the new accession partnership agreed in February 2006, EU assistance to Croatia is not only geared to foster economic and social development but also to better prepare the country for the technical and administrative aspects of EU membership.

Pre-accession aid to **Turkey** amounted to EUR 460 million in 2006, including technical assistance aid TAIEX (technical assistance and information exchange for institution building) and other aid from horizontal programmes. In addition to institution building and economic and social development, EU funds were used in developing civil society dialogue and in strengthening the rule of law in Turkey.

An ad hoc financial instrument under this heading started channelling assistance to the Turkish community in Cyprus. In October 2006, the Council approved the first part of the EU aid programme to the **Turkish Cypriot community**, amounting to some EUR 120 million.

6) Administration (all institutions): this heading covers the expenditure of all EU institutions, such as salaries and pensions of the staff, buildings and infrastructure, information technology activities and security. In 2006, **EUR 6.7 billion** was available under this heading, representing less than 6 % of total spending. Despite recent enlargements and the related increases in human resources, the share of administrative expenditure has remained and will remain stable at around this level.

The level of administrative expenditure by each institution is as follows:

- Parliament: EUR 1.322 billion,
- Council: EUR 592 million,
- Commission: EUR 3.162 million,
- Court of Justice: EUR 250 million,
- Court of Auditors: EUR 113 million,
- European Economic and Social Committee: EUR 108 million,
- Committee of the Regions: EUR 63 million,
- European Ombudsman: EUR 8 million,
- European Data Protection Supervisor: EUR 4 million,
- Pensions: EUR 908 million,
- European Schools: EUR 127 million.

Implementation rate 2006: thanks to active budget management on the part of the Commission, the execution of the budget was the highest of 2000–06. This resulted in an end of year outturn (i.e. the difference between total revenue received and total payments made) of only **EUR 1.857 billion**, by far the smallest of any budget for the whole programming period 2000–06. The surplus is down from EUR 2.410 billion in 2005 and EUR 11.613 billion in 2000.

The detailed synthesis of expenditure by the main budget headings are as follows (implementation rate in brackets):

- Agriculture (including rural development): EUR 50.191 billion (99%),
- Structural actions: EUR 44.555 billion (100%),
- Internal policies: EUR 9.4 billion (94%),
- External action: EUR 5.724 billion (98%),
- Administration: EUR 6.657 billion (97%),
- Reserves: EUR 278 million (46%),
- Pre-accession strategy: EUR 2.692 billion (98%),
- Compensations: EUR 1.074 billion (100%).

Overall, the rate of implementation amounts to 99% in 2006 (the same as 2005). The overall implementation rate of payments amounts to 96%.