




Procedure file

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

Key players			
European Parliament	Committee responsible		Rapporteur
	BUDG Budgets	Appointed	
		10/12/2001	
		PPE-DE STENMARCK Per	
	Former committee responsible	10/12/2001	
		PSE FÄRM Göran	
	BUDG Budgets	10/12/2001	
		PSE FÄRM Göran	
	Former committee for opinion	24/01/2002	
		AFET Foreign Affairs, Human Rights, Common Security, Defense	
		PSE TITLEY Gary	
	AFET Foreign Affairs, Human Rights, Common Security, Defense	24/01/2002	
		PSE TITLEY Gary	
	CONT Budgetary Control	17/04/2002	
		PPE-DE HEATON-HARRIS Christopher	
	LIBE Citizens' Freedoms and Rights, Justice and Home Affairs	18/12/2001	
		PSE CEYHUN Ozan	
	ECON Economic and Monetary Affairs	22/01/2002	
		PPE-DE GRÖNFELDT BERGMAN Lisbeth	
	ECON Economic and Monetary Affairs	22/01/2002	
		PPE-DE GRÖNFELDT BERGMAN Lisbeth	
	JURI Legal Affairs and Internal Market	19/02/2002	
		V/ALE MACCORMICK Professor Sir Neil	
	ITRE Industry, External Trade, Research, Energy	24/01/2002	

		PPE-DE RÜBIG Paul	
	ITRE Industry, External Trade, Research, Energy		24/01/2002
		PPE-DE RÜBIG Paul	
	EMPL Employment and Social Affairs		24/01/2002
		ELDR JENSEN Anne E.	
	ENVI Environment, Public Health, Consumer Policy		21/11/2001
		PPE-DE GOODWILL Robert	
	AGRI Agriculture and Rural Development		04/12/2001
		V/ALE GRAEFE ZU BARINGDORF Friedrich-Wilhelm	
	AGRI Agriculture and Rural Development		04/12/2001
		V/ALE GRAEFE ZU BARINGDORF Friedrich-Wilhelm	
	PECH Fisheries		24/01/2002
		GUE/NGL FIGUEIREDO Ilda	
	RETT Regional Policy, Transport and Tourism		22/01/2002
		GUE/NGL PUERTA Alonso José	
	RETT Regional Policy, Transport and Tourism		22/01/2002
		GUE/NGL PUERTA Alonso José	
	CULT Culture, Youth, Education, Media and Sport		26/03/2002
		PPE-DE PERRY Roy	
	DEVE Development and Cooperation		23/01/2002
		PSE HOWITT Richard	
	AFCO Constitutional Affairs		26/03/2002
		NI DELL'ALBA Gianfranco	
	FEMM Women's Rights and Equal Opportunities	The committee decided not to give an opinion.	
	FEMM Women's Rights and Equal Opportunities		22/01/2002
Council of the European Union		PPE-DE SMET Miet	
	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2466	26/11/2002
	General Affairs	2447	22/07/2002
	Economic and Financial Affairs ECOFIN	2446	19/07/2002
	Economic and Financial Affairs ECOFIN	2424	07/05/2002
European Commission	Economic and Financial Affairs ECOFIN	2414	05/03/2002
	Commission DG	Commissioner	
	Budget		

Key events			
26/02/2002	Vote in committee		Summary
26/02/2002	Budgetary report tabled for plenary	A5-0068/2002	
05/03/2002	Debate in Council	2414	Summary
12/03/2002	Debate in Parliament		
12/03/2002	Decision by Parliament	T5-0096/2002	Summary
07/05/2002	Debate in Council	2424	
15/06/2002	Commission preliminary draft budget published	COM(2002)0300	Summary
30/07/2002	Council draft budget published	11138/2002	Summary
10/10/2002	Vote in committee		Summary
10/10/2002	Budgetary report tabled for plenary	A5-0350/2002	
22/10/2002	Debate in Parliament		
24/10/2002	Decision by Parliament	T5-0509/2002	Summary
26/11/2002	Amended budget adopted by Council		Summary
26/11/2002	Council amended draft budget published	13829/2002	Summary
04/12/2002	Committee referral announced in Parliament, 2nd reading		
10/12/2002	Vote in committee, 2nd reading		Summary
10/12/2002	Budgetary report tabled for plenary, 2nd reading	A5-0440/2002	
17/12/2002	Debate in Parliament		
19/12/2002	Decision by Parliament, 2nd reading	T5-0624/2002	
19/12/2002	End of procedure in Parliament		
28/02/2003	Final act published in Official Journal		

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

Documentation gateway					
Budgetary report tabled for plenary, 1st reading		A5-0068/2002	26/02/2002	EP	
Parliament's opinion on budgetary		T5-0096/2002	12/03/2002	EP	Summary

estimates/guidelines		OJ C 047 27.02.2003, p. 0025-0072 E			
Document attached to the procedure		N5-0207/2002	29/04/2002	EC	Summary
Commission preliminary draft budget		COM(2002)0300	15/06/2002	EC	Summary
Document attached to the procedure		SEC(2002)0823	17/07/2002	EC	Summary
Document attached to the procedure		11143/2002	30/07/2002	CSL	Summary
Council draft budget		11138/2002	30/07/2002	CSL	Summary
Document attached to the procedure		SEC(2002)0981	18/09/2002	EC	Summary
Amending/supplementary letter on draft budget		12640/2002	08/10/2002	CSL	Summary
Budgetary report tabled for plenary, 1st reading		A5-0350/2002	10/10/2002	EP	
Budgetary text adopted by Parliament		T5-0509/2002 OJ C 300 11.12.2003, p. 0441-0528 E	24/10/2002	EP	Summary
Budgetary text adopted by Parliament		T5-1000/2002	24/10/2002	EP	
Document attached to the procedure		SEC(2002)1144	30/10/2002	EC	Summary
Council amended draft budget		13829/2002	26/11/2002	CSL	Summary
Amending/supplementary letter on draft budget		14847/2002	26/11/2002	CSL	Summary
Document attached to the procedure		SEC(2002)1286	28/11/2002	EC	Summary
Amending/supplementary letter on draft budget		15169/2002	06/12/2002	CSL	Summary
Budgetary report tabled for plenary, 2nd reading		A5-0440/2002	10/12/2002	EP	
Final budget adopted by Parliament		T5-0624/2002 OJ C 031 05.02.2004, p. 0185-0232 E	19/12/2002	EP	
Final budget adopted by Parliament		T5-1002/2002	19/12/2002	EP	Summary

Final act

[Budget 2003/94](#)
[OJ L 054 28.02.2003, p. 0001-0999](#) Summary

2003 budget: section III, Commission

In adopting the report by Göran FÄRM (PES, S) on the guidelines for the 2003 budget procedure for the Commission, the committee confirmed that preparations for enlargement would be the top priority. It was concerned about the need to finance these preparations within the ceiling of Heading 5 and called on the Commission to evaluate the budgetary consequences resulting from possible staffing and structures duplication, particularly as enlargement would increase the geographical area of the common policies. It reiterated its support for the Commission's administrative reform and stressed its intention of controlling the output over the 2003 budget and ensuring that Parliament's opinions were respected. On the question of institutional reform, the report stressed that the Convention represented an opportunity to introduce the reforms needed to reduce the democratic deficit, by extending codecision as a general rule and doing away with the distinction between compulsory and non-compulsory expenditure. MEPs called on the Commission to launch the mid-term review of Agenda 2000 as soon as possible, with a view to "substantial CAP reform" which would gradually move away from market support towards strengthening rural development, while nevertheless taking account of the difficult situation of certain regions. The Commission was also asked to present proposals which would allow unused funds in subheading 1a (market support) to be transferred to subheading 1b (rural development) during the same budget year. The committee also wanted funding to be used under the SAPARD programme for carrying out rural development measures modelled on the Leader+ programme in the candidate countries. Turning to Heading 4 (external actions), the committee underlined its commitment to providing substantial financial assistance for the reconstruction of Afghanistan, as part of as large an international coalition as possible, under strong political conditions (in accordance with the goals agreed in Bonn). However, it was also concerned to maintain Community aid programmes in other parts of the world and, inter alia, to maintain the level of assistance foreseen by the MEDA and CARDS programmes. The other key points raised by the committee included: concern about the delays in payments under the Structural Funds

(Heading 2) and the pre-accession programmes SAPARD and ISPA (Heading 7), support for the fight against terrorism while nevertheless ensuring respect for human rights, and the importance of developing coherent asylum and immigration policies (Heading 3 - internal policies). Lastly, still under Heading 3, the Commission was urged to make the utmost effort to ensure dynamic economic growth and full employment by supporting, inter alia, education, lifelong learning, e-learning, e-Europe and the new information technologies.?

2003 budget: section III, Commission

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

2003 budget: section III, Commission

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

2003 budget: section III, Commission

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

2003 budget: section III, Commission

PURPOSE : to present the preliminary draft budget for 2003 (Section III - Commission). CONTENT : the Commission adopted its proposals for the 2003 budget (Preliminary Draft Budget) characterised by a sound balance between financing new tasks and budgetary discipline. At just over EUR 98 billion in payments, the proposed 2,7 % increase for 2003 over 2002 is lower than the announced average increase of the member states' budgets. The proposed 2003 budget stays well under the financial planning ceiling for the EU budget in the Agenda 2000. Compared to this ceiling the proposed budget saves EUR 4,7 billion and accounts for 1,03% of the EU's gross national income. The budget proposals allocate the financial means to the Commission's policy priorities for 2003, the preparation for enlargement, stability and security, and sustainable and inclusive economic development. The main characteristics of the preliminary draft budget 2003 (Volume O of the budgetary document COM(2002)0300) : the rise in payment appropriations has been kept down to 2,7% (or some EUR 98.218 billion). This amount is the result of a rigorous analysis of the volume of 2003 commitments, which will be paid in 2003, and the volume of commitments outstanding from previous years, which will be settled during 2003. The 2003 PDB in payment appropriations represents 1.03% of Community GNI, less than that in the 2002 Budget (1.05%). Payments leave a margin of EUR 4.720 billion, thus well below the ceiling set by the financial perspective 2000-2006, decided in the May 1999 interinstitutional agreement (IIA) following the Berlin opean Council of March 1999 (commonly known as 'Agenda 2000'). The overall increase compares with the increase of 2% for 2002, which was considered a successful outcome of the budget negotiations last year. Commitment appropriations - what is foreseen for the legal obligations assumed by the Union budget in 2003 - amount to some EUR 100.006 billion (+1,4% on 2002). This leaves a margin of some EUR 2.308 billion below the ceiling set for 2003 in the financial perspective. 1) Agriculture (heading 1): the 2003 budget (EUR 45.118 billion, +1,9% on 2002) is the fourth consecutive budget covering the needs of the Agenda 2000 reforms. The gradually increasing needs arise both from the increase for rural development subsidies and, mainly, from the switch from a system of price support to a system of income support for sheep and goats. The overall request for agriculture expenditure in 2003 however leaves a margin of a little less than EUR 2.3 billion under the ceiling of the financial perspective. The Commission intends to use the facility offered by the Interinstitutional Agreement to reassess needs in a Letter of Amendment to be brought forward in October 2002. Changes arising from the mid-term review may also need to be incorporated at that time. 2) Structural measures (heading 2): the proposed commitment appropriations for the structural operations respect the updated financial programming. However, the figure slightly exceeds the ceiling due to the specific measure aiming to promote the conversion of vessels and of fishermen that were, up to 1999, dependent on the fishing agreement with Morocco. EUR 27 million is to be included in the budget for this. The use of the flexibility instrument, as provided for under the IIA, is proposed to cover this. Payment appropriations for heading 2 amount to EUR 33 538 million, i.e. an increase of 4.4 % on 2002. As all payments on account have been paid in between 2000 and 2002, the amount foreseen in 2003 covers only two elements. The main part will be devoted to the new programmes, which will increase by 4 % in comparison to 2002. Payments on outstanding commitments from the former period up to 1999 (the RAL) require a significantly higher increase of 8 % over 2002, as the end of March 2003 is the deadline for sending the last payment requests to the Commission for the previous programming period. 3) Internal policies (heading 3): the current proposal foresees a total of EUR 6 714 million in commitment appropriations and EUR 6 131 million in payment appropriations for expenditure on internal policies in the financial year 2003, an increase of 2.4% and a decrease of 0.4% respectively compared with the 2002 budget. It covers actions under all three political priorities identified by the Annual Policy Strategy (APS) for 2003. Preparations for an enlarged Europe are helped by associating the candidate countries with the community programmes before 2004, as well as by specific actions in the area of Trans-European networks, education and culture. This heading also caters for the preparation for enlargement of small and medium-sized enterprises in the regions bordering on the candidate countries. Internal policies contribute to stability and security through funding actions concerning the opean area of security. Health and consumer protection measures, food security, transport safety and security, financial transactions, and communication networks are funded, as are actions to create an area of freedom and justice. EUR 16 million is foreseen, for example, for the European Food Safety Agency in 2003, and EUR 30 million for Eurojust. It should also be noted that the priority for a sustainable and inclusive economy aims at combining economic development with respect for the environment and social aspects. Not only does it strengthen the measures targeted at environmental protection (notably implementing the Kyoto agreements), but it also promotes the e-Europe initiatives, and launches of the new programmes Customs 2007 and Fiscalis 2007. A reorientation of the European strategy for employment is foreseen, as is the relaunch of the social dialogue, and of certain other policies, such as the Trans-European networks, to take into account the impact of the next enlargement. The largest increase in this heading goes to a new energy programme for Europe (+45%). Internal policies cover the promotion of a knowledge-based society. They include the launch of the sixth framework programme for research and technological development, and the promotion of the information society. More than EUR 4 billion is foreseen for the 6th research and development framework programme in 2003. Measures to stimulate innovation and the entrepreneurial spirit are funded, and the programmes on education and training, in particular encouraging life-long learning and e-learning, find their place here. 4) Aid to non-EU countries (heading 4): the commitment appropriations proposed in the preliminary draft budget for 2003 for external actions amount to EUR 4 912 million. This is an increase of 2.3% compared to the 2002 budget. Thus the margin left beneath this ceiling amounts to EUR 60 million. The overall level of payment appropriations proposed is nearly the same as in 2002, and will allow the Commission to carry on its efforts to absorb the outstanding commitments (RAL). As in earlier years this century, the need to foresee funding for new external aid measures is very strong in 2003. The Commission proposes to allocate in 2003 EUR 685 million for the Balkans, EUR 546 million for Asia and EUR 932 million for the Mediterranean region, as examples. The Commission thus continues with its priorities, set with the economic and political stabilisation in the Balkans and is responding to the decisions for the reinforcement of the Barcelona process. Aid for Afghanistan is assured up to the level of the European Union's commitment made in Tokyo in December 2001. In addition, the Commission commits more than ever before from the budget for fighting major diseases affecting many parts of the world. The PDB 2003 proposes an increase of about EUR 55 million for the external health priority, including EUR 35 million proposed for the continuation of the opean Union's contribution to the Global Health Fund. This could again be topped up by a contribution from the EDF. The proposed increase of commitments for the common foreign and security policy gives another clear signal for the priority concerning stability and security. Part of the costs of the common police undertaking in Bosnia should be financed from the EU budget. The preparation for enlargement is the overriding priority in 2003. Key actions fall under heading 7 (pre-accession aid). These include the strengthening of the future Member States' administrative and judicial capacities through the PHARE programme. The PDB proposes a very important increase in payment appropriations for SAPARD and ISPA, aimed at preparing the candidate countries in the areas of agriculture, environment and infrastructure. 5) Administrative expenditure (heading 5): the budget proposals for the European institutions' administrative expenditure amount to EUR 5 447 million (+5.2 % on 2002).

Excluding the additional costs related to enlargement, the growth rate (+3,3%) is in line with the growth of the ceiling excluding pensions (+3.44%). Only the costs for the preparations for enlargement led the Commission to exceed this ceiling, fixed in the Interinstitutional Agreement, which did not however take the cost of these preparations into account. The key priority has been to take account of the administrative repercussions of the enlargement. For many departments, additional human resources are needed early in 2003 to help prepare for enlargement. The Commission thus requests appropriations for outside personnel (including from the candidate countries) equivalent to 500 additional posts. As the *acquis* has to be published in the new languages, special commitment appropriations of EUR11 million have been foreseen for the Official Journal, in addition to the reinforcement for proof-readers and print production agents in the Publications Office. Administrative expenditure thus exceeds the ceiling of heading 5 in 2003 by EUR 66 million. With the Preliminary Draft Budget 2003 the Commission proposes to use the flexibility instrument to cover the additional administrative costs of enlargement preparations for all institutions. Well-established priorities are maintained, such as the need to continue the deconcentration to delegations, as initially scheduled, of management of external aid programmes, and to include the means for the continuation of the reform process. The creation of the Interinstitutional Recruitment Office has also been foreseen. ?

2003 budget: section III, Commission

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

2003 budget: section III, Commission

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

2003 budget: section III, Commission

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

institutions. On 8 October 2002 the Council established letter of amendment No 1 to the draft budget for the financial year 2003. In establishing this letter of amendment, the Council requests the Commission to present it with a letter of amendment as soon as possible to enable the budgetary authority to finally adopt the 2003 budget in strict compliance with the new Financial Regulation. The Council has also agreed: - to accept the proposal in the letter of amendment described in point 2(a) above relating to the establishment of three new Commission Offices on the basis of the amounts included in the draft budget established by the Council on 22 July 2002; - to adopt the proposal in point 2(b) relating to the structure to accommodate appropriations for the European Union Solidarity Fund, with the exception of the last phrase in the first sentence of the remarks relating to headings B2-400 and B7-090"... in the event of natural, environmental or technological disasters", in accordance with the text adopted for supplementary and amending budget No 4 for the financial year 2002, approved on 26 September 2002. This letter of amendment No 1 to the draft 2003 budget does not alter the appropriations provided for in the draft budget for the financial year 2003 as established by the Council on 22 July 2002.?

2003 budget: section III, Commission

The committee adopted the report by Göran FÄRM (PES, S) finalising its position for the first reading of the 2003 budget (Section III). The breakdown by policy area is as follows (in commitment appropriations unless stated otherwise): - Agriculture (heading 1): the committee proposed 40.6 bn for market expenditure (subheading 1a) and 4.718 bn for rural development and accompanying measures (subheading 1b); this would leave a margin of 2.059 bn within heading 1. Among agricultural guidance measures, the committee wanted in particular to promote animal welfare (including a reduction in the transport of live animals) and to allocate funding to convert tobacco farms to other crops; - Structural Operations (heading 2): the committee said that the Council's cut of 525 m in payment appropriations was unacceptable and argued that full use must be made of the Structural Funds and that the way they operate must be simplified. It also pointed out that a way must be found to finance the outstanding commitments of 27 m for the programme to restructure the Community fishing fleet that used to operate in Moroccan waters. For this, the committee did not rule out the use of the flexibility instrument; - Internal Policies (heading 3): here the committee increased most of the figures in the Commission's PDB with a view to reinforcing the contribution of the EU budget to migration and asylum policy, preparations for enlargement and an EU information policy at the service of citizens. It suggested 6.793 bn in commitments and 6.233 bn in payments, leaving a margin of 2.681 m in this heading; - External Action (heading 4): this heading once again showed up the inadequate level of funding allowed under the financial perspective. The committee stressed the impossibility of funding all the EU's external action requirements because of the constraints imposed on heading 4. Indeed, in order to finance the EU's traditional funding priorities, the committee was having to reduce funding for the reconstruction of Afghanistan by 60m. However, it was keen to find the funding for this area, within the limits of the Interinstitutional Agreement (IIA) of 6 May 1999, and therefore called on the Council to start serious negotiations with Parliament on this point before 2nd reading. Elsewhere, the committee recalled that no agreement on CFSP figures was reached at the conciliation of 19 July 2002 and proposed a figure of just 30 m for Chapter B8 (CFSP), in line with the IIA. It called for an interinstitutional agreement to be reached by the second reading which provides for practical arrangements for informing and involving Parliament in foreign policy. Lastly, the committee wanted sufficient EU funding for the Global Health Fund. Thus, for heading 4, the committee proposed a total of 5.044 bn in commitments (72.082 m above the ceiling) and 4.947 bn in payments; - Administrative expenditure (heading 5): the committee welcomed the agreement reached between Council and Parliament providing for administrative expenditure for 2003 to be funded by front-loading anticipated savings from 2002 and proposed a total of 5.374 bn for this heading. It confirmed its determination to give priority to the preparation of enlargement and also urged the Commission to come forward with a proposal to establish a pension fund for EU officials; - Pre-accession aid (heading 7): the committee restored the payment appropriations for the PHARE, SAPARD and ISPA programmes, which had been cut by the Council, and also created a p.m. line for a new programme for the uptake of pre-accession measures in the field of rural and community development. It proposed a total of 3.256 bn in payments for heading 7. In its general remarks, the committee expressed concern at the continuing backlog of payments and called on the Commission to report, before the EP's second reading, on how exactly it intended to clear the outstanding commitments and to submit a take-up plan based on a binding timetable to be approved by the budgetary authority. ?

2003 budget: section III, Commission

The European Parliament adopted the report by Mr Göran FARM (PES, S) concerning the general budget of the EU for the financial year 2003. The figures from Parliament's first reading show that €100.19bn has been allocated for commitments and €99.933bn for payments. During its first reading Council had proposed €99.548bn for commitments and €96.992bn for payments as against the Commission's figures of €99.99bn for commitments and €98.207bn for payments. Parliament outlined that the financial perspectives for 2000-2006 were insufficient for category 2 (Structural Funds) and for category 4 (Foreign Policy). Whilst it is possible for a technical solution to be found for problems relating to category 2 using the so-called "Flexibility Instrument", this is far from the case for Foreign Policy, with needs far outstripping available resources. It should be stated that the Parliament welcomes the new type of budgetary debate which allows it to express its concern to the Commission on budgetary issues and creating a new institutional dynamic in relation to the new provisions on the legislative programme and stocktaking procedure. It underlines the positive results of the new implementation methods involving the specialised committees in a better quantitative and qualitative monitoring of the budget and lastly welcomes the preparatory work on the future activity based budgeting nomenclature. Parliament outlined a serious concern which is the €107bn of outstanding payments. It is said that this is largely due to inefficient absorption and the lack of matched funding from Member States. The Parliament underlines that the cut of EUR 1 215 million over the PDB made by the Council in the draft budget, is not in line with the aim to improve the implementation of Community funding as expressed by both arms of the Budgetary Authority in the respective guidelines. The Commission is called upon to submit before Parliament's second reading: - a report outlining how the Commission will meet its own objective to reduce the outstanding commitments to a normal level by December 2003; - a plan, modelled on the basis of the implementation plan, to clear the outstanding commitments; - a commitment to present an implementation plan at a lower level of the nomenclature, at the latest with the PDB and regular reporting about differences by comparison with the original profile, an appropriate account for them plus proposals for improvement; - a take-up plan based on a binding timetable to be approved by the budgetary authority. The breakdown by policy area is similar to that outlined in the summary dated 10 October 2002 and is as follows: - Agriculture (Heading 1) : Parliament recommends that EUR 40.476bn is spent on agriculture with €4.698bn in accompanying measures. Accompanying measures focus on the improvement of conditions for the transport of animals and finance to encourage tobacco growers to switch to other crops. - Structural Actions (Heading 2) : Once again commitments in this area posed difficulties. In Parliament's first reading, MEPs increased the Council's figures to EUR 34.521bn whilst, at the same time, calling for full implementation of the Structural Funds. MEPs want to see a solution to the problem of how to find the agreed EUR 27m for restructuring the Spanish and Portuguese fishing fleets. - Internal Policies (Heading 3) : Here, MEPs voted for a total of EUR 6.793bn for commitments and EUR 6.233bn in payments, with 50% of

credits allocated to decentralised agencies to be put in a reserve until a definite seat has been decided on. - Foreign Policy (Heading 4) : In exceeding the ceiling here, MEPs voted for a sum of EUR 5.047bn in commitments and EUR 4.956bn in payments. In effect, the House is making the point that the existing financial perspective is inadequate, when compared to the pressures on the Foreign Policy budget coming from so many different areas. It has therefore cut EUR 60m from the budget for Afghanistan, with a view to resolving this problem by negotiating a revision of the 1999 Inter-Institutional Agreement with Council before second reading. Similarly, MEPs voted for just €30m for the EU's emerging Common Foreign and Security Policy with a view to a possible increase at second reading, following negotiations with Council, where the aim is to involve MEPs in the decision making process here. Parliament also wants to see a significant EU contribution to the Global Health Fund. Parliament also reaffirms its intention to enter a budget heading for the rehabilitation and reconstruction of the territories administered by the Palestinian Authority, in line with the conclusions of its resolution of 12 March 2002 on the 2003 budget guidelines. - Administrative Expenditures (Heading 5) : Following a prior agreement with Council, MEPs respected the ceiling here and voted for a total of some EUR 5.362bn, enabling the funding of new posts in the Commission relating to enlargement to go ahead. This arrangement foresees the use of "front loading" i.e. anticipated savings from the 2002 budget and a contribution of some EUR 43m from the Parliament's own budget. - Pre-accession aid (Heading 7) : Parliament reinserted payments which were reduced by the Council for PHARE, SAPARD and ISPA. MEPs voted for EUR 3.256bn in payments, which is an increase on both the Council and Commission figures but maintained the EUR 3.386bn commitment figure. Lastly concerning the reform of the Commission, Parliament still fully supports this process. The Commission is called upon to submit to Parliament by 15 November 2002: a detailed report on the conclusions of the second report of the Committee of Independent Experts on reform of the Commission and Parliament's observations in its resolution of 19 January 20001 on that report and a table showing the results of the implemented reforms, the reforms under way and the measures which will still have to be taken along with a detailed calendar for implementation.

2003 budget: section III, Commission

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

2003 budget: section III, Commission

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

aid, to help the populations of the developing countries and other third countries hit by disasters or serious crises) have been reduced by EUR 27,5 million in c/a and p/a. 3) as regards revenue, there is a change to letter of amendment No 3 to the preliminary draft budget: an estimated balance of EUR 1.000 million has been entered under Article 300 as surplus available from the previous financial year.?

2003 budget: section III, Commission

During the conciliation meeting, the Parliament and the Council reached overall agreement on the 2003 budget, particularly as regards appropriations for the Common Foreign and Security Policy (CFSP); The summary of the agreement reached during the conciliation meeting is as follows: The budgetary authority agrees: a) Heading 1 (Agriculture): - to accept Amending Letter No 3/2003 as submitted by the Commission; - to recall the declaration of the European Parliament and the Council on the recovery of beef and veal export refunds agreed on 21/22 November 2001 and to invite the Commission to take the conclusions of the requested report into account when preparing the PDB for 2004. b) Heading 2 (Structural operations): - to accept transfer No 51/2002 of EUR 14.991.760 in 2002 and to enter into the 2003 budget EUR 12.008.240 on the line B2-200; - to mobilise the flexibility instrument for an amount of EUR 12.008.240 in order to finance the restructuring of the Spanish and Portuguese fleets. c) Heading 3 (Internal Policies): - to accept the Parliament's proposal for a joint declaration on pilot projects. d) Heading 4 (External action): - to enter into the budget a total amount of EUR 47,5 million for CFSP securing the financing of the EU police mission in Bosnia-Herzegovina; - on a joint declaration on the financing of the CFSP; - to enter into the budget a total amount of EUR 42 million for the Global Health Fund; - to agree on a Joint Declaration on the Global Health Fund; - to accept the Amending Letter No 3/2003 concerning International Fisheries Agreements as amended by the Commission (reduction of the reserve of EUR 1,5 million); - to speed up implementation of aid for the Horn of Africa by using available means under the 2002 budget. This will reduce pressure on heading 4 of the 2003 budget by an amount of EUR 27,5 million on budget line B7-200 and by EUR 27,5 million on budget line B7-210 in the 2003 budget and the need for using the flexibility instrument in 2003. To this effect, the Parliament and the Council will agree to implement an urgent procedure for aid of up to EUR 55 million in the 2002 budget based on the necessary proposal from the Commission containing the appropriate justification for the needs. This agreement is conditional upon agreement on the point below; - if a situation arises that will necessitate the reinforcement of budget lines B7-200 and B7-210 in 2003, the budget authority will take the necessary action to reinforce these lines, using the most appropriate means available under the IIA, on a proposal from the Commission. e) Heading 5 (Administrative expenditure): - on the budgets of Section I (European Parliament) for an amount of EUR 1.086.644.375 and Section II (Council) for an amount of EUR 431.673.000 respecting the Gentlemen's Agreement; - the Council invites the Parliament to keep a total margin of EUR 30 million under Heading 5 at the end of the 2003 budgetary procedure. f) Payment appropriations: - on a rate of growth of the overall payment appropriations of 1,9% based on the 2002 budget and SAB Nos 1 to 5/2002, at the end of 2003 budgetary procedure. g) Balance: - to enter an estimated provisional surplus for the financial year 2002 of EUR 1.000 million in the 2003 budget via Amending Letter No 3/2003. Finally, the Parliament, the Council and the Commission agreed to a number of statements.?