


Procedure file



Basic information		
BUD - Budgetary procedure	2003/2001(BUD)	Procedure completed
2004 Budget: section III, Commission		
Subject 8.70.60 Previous annual budgets		

Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	BUDG	Budgets		02/12/2002
			PSE GILL Neena	02/12/2002
			ELDR MULDER Jan	
	Former committee responsible			
	BUDG	Budgets		02/12/2002
			ELDR MULDER Jan	
	BUDG	Budgets		02/12/2002
			ELDR MULDER Jan	
	Former committee for opinion			
	AFET	Foreign Affairs, Human Rights, Common Security, Defense		05/11/2002
			ELDR VAN HECKE Johan	
	AFET	Foreign Affairs, Human Rights, Common Security, Defense		05/11/2002
			ELDR VAN HECKE Johan	
	CONT	Budgetary Control		22/01/2003
			PPE-DE HEATON-HARRIS Christopher	
LIBE	Citizens' Freedoms and Rights, Justice and Home Affairs		18/02/2003	
		PSE CEYHUN Ozan		
LIBE	Citizens' Freedoms and Rights, Justice and Home Affairs		18/02/2003	
		PSE CEYHUN Ozan		
ECON	Economic and Monetary Affairs		15/01/2003	
		PPE-DE GRÖNFELDT BERGMAN Lisbeth		
JURI	Legal Affairs and Internal Market		28/01/2003	
		PSE ROTHLEY Willi		
ITRE	Industry, External Trade, Research, Energy		23/01/2003	
		PSE MCNALLY Eryl Margaret		

	EMPL Employment and Social Affairs		12/11/2002
		PSE WEILER Barbara	
	EMPL Employment and Social Affairs		12/11/2002
		PSE WEILER Barbara	
	ENVI Environment, Public Health, Consumer Policy		11/06/2003
		PPE-DE GOODWILL Robert	
	AGRI Agriculture and Rural Development		03/12/2002
		PPE-DE MAAT Albert Jan	
	AGRI Agriculture and Rural Development		03/12/2002
		PPE-DE MAAT Albert Jan	
	PECH Fisheries		23/01/2003
		PPE-DE LANGENHAGEN Brigitte	
	RETT Regional Policy, Transport and Tourism		28/11/2002
		UEN COLLINS Gerard	
	RETT Regional Policy, Transport and Tourism		28/11/2002
		UEN COLLINS Gerard	
	CULT Culture, Youth, Education, Media and Sport		12/06/2003
		PPE-DE PERRY Roy	
	DEVE Development and Cooperation		21/01/2003
		ELDR SANDERS-TEN HOLTE Maria Johanna (Marieke)	
	AFCO Constitutional Affairs		23/01/2003
		NI DELL'ALBA Gianfranco	
	FEMM Women's Rights and Equal Opportunities		23/01/2003
		PPE-DE SMET Miet	
Council of the European Union	Council configuration	Meeting	Date
	Agriculture and Fisheries	2524	25/11/2003
	Economic and Financial Affairs ECOFIN	2521	16/07/2003
	Economic and Financial Affairs ECOFIN	2506	13/05/2003
	Economic and Financial Affairs ECOFIN	2493	07/03/2003
European Commission	Commission DG	Commissioner	
	Budget		

Key events

18/02/2003	Vote in committee		Summary
18/02/2003	Budgetary report tabled for plenary	A5-0039/2003	
07/03/2003	Resolution/conclusions adopted by Council		Summary
11/03/2003	Debate in Parliament		

11/03/2003	Decision by Parliament	T5-0079/2003	Summary
13/05/2003	Debate in Council	2506	
13/06/2003	Commission preliminary draft budget published	COM(2003)0400	Summary
18/07/2003	Council draft budget published	11357/2003	Summary
22/09/2003	Committee referral announced in Parliament		
09/10/2003	Vote in committee		Summary
09/10/2003	Budgetary report tabled for plenary	A5-0349/2003	
21/10/2003	Debate in Parliament		
23/10/2003	Decision by Parliament	T5-0449/2003	Summary
25/11/2003	Amended budget adopted by Council		Summary
25/11/2003	Council amended draft budget published	14840/2003	
04/12/2003	Vote in committee, 2nd reading		Summary
04/12/2003	Budgetary report tabled for plenary, 2nd reading	A5-0473/2003	
15/12/2003	Committee referral announced in Parliament, 2nd reading		
16/12/2003	Debate in Parliament		
18/12/2003	Decision by Parliament, 2nd reading	T5-0588/2003	Summary
18/12/2003	End of procedure in Parliament		
23/02/2004	Final act published in Official Journal		

Technical information

Procedure reference	2003/2001(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/5/19367; BUDG/5/16893

Documentation gateway

Budgetary report tabled for plenary, 1st reading		A5-0039/2003	18/02/2003	EP	
Parliament's opinion on budgetary estimates/guidelines		T5-0079/2003 OJ C 061 10.03.2004, p. 0026-0128 E	11/03/2003	EP	Summary
Document attached to the procedure		SEC(2003)0495	30/04/2003	EC	Summary
Commission preliminary draft budget		COM(2003)0400	13/06/2003	EC	Summary
Council draft budget		11357/2003	18/07/2003	CSL	Summary

Document attached to the procedure	SEC(2003)1058	01/10/2003	EC	Summary
Budgetary report tabled for plenary, 1st reading	A5-0349/2003	09/10/2003	EP	
Budgetary text adopted by Parliament	T5-0449/2003 OJ C 082 01.04.2004, p. 0318-0457 E	23/10/2003	EP	Summary
Document attached to the procedure	SEC(2003)1175	29/10/2003	EC	Summary
Document attached to the procedure	SEC(2003)1251	11/11/2003	EC	Summary
Council amended draft budget	14840/2003	25/11/2003	CSL	
Amending/supplementary letter on draft budget	14837/2003	25/11/2003	CSL	Summary
Amending/supplementary letter on draft budget	14838/2003	25/11/2003	CSL	
Amending/supplementary letter on draft budget	14839/2003	25/11/2003	CSL	Summary
Budgetary report tabled for plenary, 2nd reading	A5-0473/2003	04/12/2003	EP	
Final budget adopted by Parliament	T5-0588/2003 OJ C 091 15.04.2004, p. 0521-0608 E	18/12/2003	EP	Summary

Final act

[Budget 2004/132](#)
[OJ L 053 23.02.2004, p. 0001-0999](#) Summary

2004 Budget: section III, Commission

The committee adopted the report by Jan MULDER (ELDR, NL) on the 2004 budget - Section III (Commission). It said that changes were needed to the 2004 EU budget guidelines if the new Member States were to be integrated into all the Community's policies. In a difficult economic climate, MEPs focused on the need to complete the single market, the Lisbon strategy and the sustainable development strategy. They also pointed out that next year's budget would have to contribute to regional and social cohesion in a wider Europe. However, the current limits of the financial perspective only allowed these ambitions to be satisfied to an extremely limited degree. Moreover, the outcome of the accession negotiations did not amount to an agreement on the figures needed to adjust the financial perspective, which were currently being reviewed. In more detail, the committee highlighted the need to: - increase rural development aid under the CAP, especially given the disparities between current and future Member States; - guarantee the safety of food products from both Community and non-Community countries; - increase coordination of security measures at the EU's external borders and improve immigration and asylum policy; - provide for the humanitarian needs likely to emerge in Iraq and the Middle East while preserving sufficient capacity to fund the EP's priorities, particularly in the Balkans and the Mediterranean countries; - enable the EP to be more closely involved in planning, decision-making and funding of common foreign and security policy measures.?

2004 Budget: section III, Commission

The Council has adopted the following conclusions on the guidelines for the 2004 EU budget. Firstly, it underlines the fact that the budgetary procedure for 2004 will be marked by two important challenges. Also, that this budget will be the first one adopted in accordance with the provisions of the new Financial Regulation and its establishment will require dealing with a new presentation on the basis of the "Activity Based Budgeting" method. It will also be the first budget that takes fully into account the forthcoming enlargement in the course of the year 2004. The Council underlines the need to respect the Financial Perspective. The Council stresses once again the importance of keeping a tight grip on payment appropriations for 2004, which should reflect a level of budgetary rigour similar to that being applied at national level. The level of payment appropriations entered in the budget should be based on realistic forecasts while being sufficient for fulfilling the different commitments undertaken by the European Union, in particular as regards the European Council of Berlin of March 1999. It should take into account past uptake and the genuine possibilities for future uptake of appropriations, while endeavouring to maintain a reasonable relationship between commitment appropriations and payment appropriations. Therefore, the Council reiterates its request to the Commission to equip itself with suitable instruments for improving its budget forecasts. In this context, it recalls the joint declaration of the European Parliament, the Council and the Commission of 25 November 2002 on the implementation profile for the budget 2003 and the action plan to put an end to abnormal outstanding commitments. The Council regrets the overbudgetising of payments in the budgetary procedure of the last three years, which resulted in a significant surplus each year. The Commission should carry out as soon as possible a preliminary assessment of the 2002 surplus and explore the necessary measures to prevent a significant surplus from recurring. This should be taken into consideration by the Commission when preparing the preliminary draft budget for 2004. The Council stresses the importance of taking into account in an appropriate way the consequences of enlargement. In this context, it underlines the need to facilitate a smooth transition from an European

Union of fifteen Member states to an European Union of twenty five Member States. One of the Council's main priorities is the implementation, through the budget for 2004, of the financial conclusions drawn by the European Council of Copenhagen of December 2002 in order to achieve the accession of the ten new countries under the best circumstances. It recalls the need for a swift completion of the technical adjustment of the Financial Perspective to cater for enlargement in accordance with point 25 of the Interinstitutional Agreement of 6 May 1999. In order to facilitate this approach, the Council invites the Commission to present a preliminary draft budget for 2004 including all the financial elements required for having a comprehensive overview of a budget for 2004 covering the needs for twenty five Member States, while ensuring comparability with the 2003 budget. This should be done without prejudice to the final procedure to be used for the adoption of the budget for 2004. The Council considers that the excellent spirit of co-operation prevailing in the work of the preparation of the budget during the previous three years, was a key factor in the smooth working of the budgetary procedure and emphasises the importance of continuing the good collaboration between the two arms of the budgetary authority and the Commission, especially on such a crucial budgetary procedure. The Council welcomes the implementation of the new Financial Regulation; in particular as regards the presentation of the budget for 2004 on the basis of the "Activity Based Budgeting" principles (ABB), which will lay the foundation for all budgetary work from now on. It recalls that this budget should also be established in the light of the principles of sound financial management as defined in the new Financial Regulation which foresees inter alia the strengthening of the principle of individual financial management responsibility, and also the setting of objectives and the obligation to provide to the budgetary authority all information as well as the corresponding evaluation results together with the preliminary draft budget. As regards certain specific Headings of the Financial Perspective, the Council identifies the following elements as crucial in preparing the 2004 budget: - the Commission is invited to take into account, in the autumn letter of amendment if necessary, the financial consequences of a possible agreement on the mid-term review of the CAP. As regards the financing of expenditure related to rural development, particular attention should be given to an accurate level of payment appropriations in 2004; - while fully respecting the commitments undertaken by the European Council of Berlin of March 1999 and in order to avoid an overbudgeting of payment appropriations in the field of Structural Funds, an appropriate level of payment appropriations should be fixed taking into account in particular the consequences in terms of payment appropriations of the closure of the programmes related to the 1994-1999 period and the state of implementation of the programmes related to the 2000-2006 period. The Council calls on the Commission to communicate as soon as possible its forecast of possible decommitments resulting from the closure procedure for programmes related to the 1994-1999 period. It welcomes the work initiated by the Commission on the simplification of the procedures in the field of Structural Funds aiming at facilitating the implementation of the programmes in respecting of the legislation in force. It recalls that the consequences of the reform of the Common Fisheries Policy on Heading 2, adopted in December 2002, should be budgetarily neutral and based on reallocations of appropriations. - as regards Heading 3 (internal policies), sufficient margins should be maintained under this Heading. It highlights the importance of the measures relating to the conclusions of the Lisbon European Council of March 2000. Particular attention should be given to the financing of actions within available resources concerning immigration and external border co-operation and control. Noting the increasing number of agencies, it considers that the financial consequences should be carefully examined in the context of the budgetary procedure for 2004 on the basis of appropriate information provided to the budgetary authority. - in determining budget allocations under Heading 4 (external action), it underlines the need for setting priorities linked to the evolution of the international context and leaving sufficient margins under this Heading. Particular account should also be taken of the Community's development policy and information on contributions of international bodies. It recalls the conclusions of the Copenhagen European Council of December 2002 on the enlarged Union and its neighbours. It welcomes the increase of the budget allocations concerning the Common Foreign and Security Policy (CFSP) in 2003. It considers that appropriate funding should be allocated in 2004. It recalls the need for the European Union to be able to finance its priorities and all joint actions and stresses in this respect the importance of adequate figures presented by the Commission in its preliminary draft budget. - due to the constraints of Heading 5 (administrative expenditure), institutions are invited to establish rigorous draft estimates using, as much as possible, the redeployment of existing resources in order to leave sufficient margins under this Heading. In this context, the institutions should also be encouraged to strengthen their arrangements for interinstitutional co-operation. Taken together, these measures should result in budgetary savings and efficiency gains. It underlines the fact that the draft estimates presented by the institutions should clearly identify all costs related to the enlargement, in particular in the field of buildings and staff resources. It attaches great importance to the Commission's reform programme, including its financial implications, which should be guided by the principle of budgetary discipline. It furthermore recalls the principle of budgetary neutrality that was retained for the creation of executive agencies and European offices. - on the eve of the forthcoming enlargement, it considers appropriate that an assessment of the implementation of the pre-accession aid financed under Heading 7 and its effectiveness should be made. To this end, the preliminary draft budget for 2004 should be accompanied by information about past implementation of pre-accession aid in each candidate country.?

2004 Budget: section III, Commission

The European Parliament adopted a resolution based on the report by Jan MULDER (ELDR, Netherlands) on the guidelines for the 2004 budgetary procedure. (Please refer to the document dated 18/02/03.) Parliament pointed out that adopting a budget for 25 Member States in December 2003 for 2004 will give a positive political signal and be in line with the budgetary principles reflected in the Treaty. The Commission is asked to make the appropriate proposals to allow the budgetary authority to adopt a single budget for 25 Member States, taking into account the fact that the 2004 budget will cover only 15 Member States for the first four months of the year. Parliament stressed that its assent to the outcome of the accession negotiations does not imply an agreement on figures for adjustment of the financial perspective. It is prepared to reject any attempt, now that the new Financial Regulation has entered into force, to restrict Parliament's powers granted by the Treaty, in particular the right to amend the draft budget to the same extent as before, including in respect of administrative expenditure. The successful integration of the new Member States will depend, amongst other things, on further improvements in administration and governance. Parliament announced that it would support the institution-building measures under headings 2 and 3, given that the administrative structures of the new Member States must have sufficient resources and technical assistance to facilitate management of structural actions and to avoid delays in launching programmes. New Member States must be promptly integrated into existing EU programmes. Parliament felt that particular importance is attached to the exchanges of employees between administrations and to training measures to prepare the departments concerned for participation in the employment strategy. The Commission is urged to improve the implementation of EU programmes and substantially reduce the administrative burden, not only in connection with the Structural Funds. This exercise must be speeded up and extended to other policy areas such as the framework programme for research and technological development, trans-European networks, education and training, employment and other activities, particularly those relevant to SMEs and NGOs. With regard to internal policies, Parliament mentioned the importance of combating terrorism without jeopardising civil rights, nuclear safety and the situation in Cyprus. On external actions, Parliament expressed concern about the humanitarian needs after conflict in Iraq. It stated its commitment to the financing of its external action priorities in cooperation with regions such as the Balkans and the Mediterranean third countries, as well as the reconstruction of Afghanistan without reducing the support to other regions. Due to serious budgetary constraints, it intends to evaluate the possibility of redeployment and flexibility inside the budget, as well as the recourse to the Interinstitutional Agreement, if the financing of

additional needs cannot be covered otherwise. Finally, on the staff reform programme, Parliament underlined the need for an instrument to secure pensions, and cautioned against the increasing trend towards making agency staff officials.?

2004 Budget: section III, Commission

PURPOSE : to present the Amending Letter No 1 to the preliminary draft budget for 2004 (Volume 1 - General Statement of Revenue and Volume 4 Statement of revenue and expenditure by section - Section III - Commission). **CONTENT :** the present Amending Letter no 1 to the preliminary Draft Amending Budget for the year 2004 deals with of six elements : 1) The creation of a new article under Heading 4 of the Financial Perspective, with the provision of supplementary appropriations, for the support to the rehabilitation and reconstruction of Iraq. This element is based on the Commission's communication "The European Union and Iraq: Approach to the Madrid Ministerial Conference, 24 October 2003" on the role that the EU intends to play in the rehabilitation and reconstruction of Iraq. The Commission is amending its PDB 2004 in order to include EUR 160 million in commitment and EUR 128 in payment appropriations on a new dedicated budget line to finance rehabilitation and reconstruction actions in Iraq. This amount is part of a Community's package of EUR 200 million to be implemented in 2003-2004, with EUR 40 million in 2003 and EUR 160 million in 2004. 2) The creation of a new article under title 26 (administration), under Heading 5 of the Financial Perspective, to facilitate the implementation in 2004 of the non-differentiated appropriations contracted in 2003 and carried over automatically to 2004. This element is linked to the ABB structure of PDB 2004 and its consequences on the implementation of appropriations carried over from 2003: a number of budget lines covering administrative appropriations have been shared in PDB 2004 between the different titles of the budget, but the commitments registered in 2003 under the current nomenclature cannot be shared without great technical complexity. It is therefore proposed to create a temporary line, valid for 2004 only and acting as a 'receiving structure' for these carry-overs. 3) The adjustment of the headings of item 01 04 01 10 (expenditure, under Heading 6 of the Financial Perspective) and article 831 (revenue), concerning the guarantee provided by the Community to the European Investment Bank for loans, to adjust for the change of status of those Central and Eastern European Countries which become members in 2004. This element, under Heading 6 of the Financial Perspective, is linked to the enlargement and the change of status of acceding countries as regards EIB loans. The guarantee that the Commission has provided to the EIB needs to be covered even after the accession whereas the heading of the budget item refers only to "non-member" countries. It is proposed to amend the headings accordingly. 4) The addition or modification of budget remarks to a number of budget lines covering tasks resulting from the Commission's prerogatives at institutional level, where the appropriate reference is missing in the remarks included in PDB 2004. This element stems from the fact that a number of budget lines, under Headings 3 and 4 of the Financial Perspective, are implemented without legal basis in application of the Financial Regulation, article 49, paragraph 2 (tasks resulting from Commission's prerogatives at institutional level), and are listed as such in the Working Document, part IV, accompanying PDB 2004, but do not show the appropriate reference to the Financial Regulation in budget remarks. In order to avoid any uncertainty when implementing these lines, it is proposed to adjust the budget remarks accordingly. 5) The adjustment of the Commission's establishment plan, table for research and technological development - indirect action, in application of article 47 of the new Financial Regulation. This element results from the application of article 47 of the new Financial Regulation, allowing institutions to modify their establishment plans within certain limits. The Commission has proposed a modification of the establishment plan for research and technological development - indirect actions, for the year 2003. This change having a permanent effect, the table included in PDB 2004 is modified accordingly so as to ensure the consistency with the establishment plan for 2003. 6) The revision of the Community participation in the capital increase of the European Investment Fund, under Heading 3 of the Financial Perspective, resulting in the withdrawal of the appropriations requested in PDB 2004 for this item. This modification, announced to the Budgetary Authority for 2003, will have permanent effects. To ensure consistency with 2003, the Budgetary Authority is invited to consolidate the modifications, intended for 2003, in the establishment plan of the year 2004. The Business Plan 2003-2005 of the European Investment Fund (EIF), which was discussed in the Board of Directors of the EIF in December 2002, indicated that the EIF would run out of own resources before mid-2005. Therefore, the EIF management proposed that a capital increase take place end-2004. The Community was expected to contribute to the capital increase with EUR 100 million to be paid over four years. As a consequence, the Commission proposed a reserve of EUR 25 million in the 2004 preliminary draft budget (PDB) for the possible Community participation in the capital increase of the EIF. Based on the business plan projections presented to the Board meeting in July, it became clear that there is no prospect of Board agreement on an EIF capital increase effective from end-2004. The minutes of the July meeting, which were approved by the Board at its meeting on 15 September 2003, concluded that "for the time being the only proposal contained in the paper that should go forward would be the increase in Risk Capital Mandate; that other items be reviewed in the light of future discussions". Therefore, the reserve foreseen in the 2004 budget becomes redundant. It is proposed to withdraw the appropriations amounting to EUR 25 million, requested in PDB 2004 in reserve (chapter 31 02) for the line 01 04 09 01 (European Investment Fund - Provision of paid up shares of subscribed capital).?

2004 Budget: section III, Commission

The committee unanimously adopted the report by Jan MULDER (ELDR, NL) on the 2004 budget (Section III, Commission). As in 2003, MEPs' central concern was that the Community should have sufficient funding to make a success of enlargement. The key points of the report were as follows: - regarding agricultural expenditure (former Heading 1), far more emphasis should be placed on the tie-in between agriculture and the environment. Greater transparency was also needed, both on the origin of products and for consumer information. Funds should be earmarked for estimating whether part of the cost of eradicating contagious animal diseases can be covered by an insurance system, as already happens in some Member States. Funding should also be made available for European-level research into vaccines for such diseases. Animal welfare was a further area of concern to MEPs, who wished to retain the distinction between export refunds for live cattle and export refunds for beef and veal; - structural measures (Heading 2) should receive increased payment appropriations, despite the endemic problem of "outstanding commitments". Parliament was still awaiting information from the Commission as to what payments could still be made under the Structural Funds and what payments would be "decommitted"; - with regard to internal policy (Heading 3), the committee said that efforts should be made to improve the financial environment for SMEs in the accession countries. MEPs were also worried about the EU information offices, known as "Info Points", several of which were due to close on 1 January 2004. The Commission was asked to take immediate steps to find a solution that would enable the Info Points to continue operating, particularly given that the European elections would be taking place in June 2004. Research also remained a priority for Parliament, which wanted to reinstate the amounts originally proposed by the Commission for research policy; - external action (Heading 4) remained a source of tension. The report said that funding for reconstruction in Iraq must reflect the needs of the Iraqi people and be provided in the context of a political agreement under United Nations auspices. MEPs also stressed that previous priorities (Afghanistan, measures to fight poverty and AIDS) must not suffer as a result of constraints caused by the need to fund new areas of concern. In addition, they wanted funding to be substantially increased for measures to foster respect for human rights, consolidation of the rule of law and the development of civil rights, which were crucial for maintaining peace and security and preventing

conflicts; - as regards administrative expenditure (Heading 5), the committee wanted the funding earmarked for 272 new posts at the Commission to be placed in the reserve. These funds would be released only when guarantees were provided that all the posts would be filled and that they would be used entirely to recruit staff from the accession countries. Another condition was that planned pilot projects and preparatory measures should be carried out, as Parliament had frequently urged; - lastly, the committee wanted to provide "an appropriate level" of payments for pre-accession funds (Heading 7) and reiterated Parliament's financial commitment to Bulgaria and Romania, aimed at enabling them to complete their pre-accession work and be ready to join the EU in 2007. ?

2004 Budget: section III, Commission

By adopting the report by M Jan MULDER (ELDR, NL), the European Parliament has given, in its first reading, its opinion on the 2004 draft budget. Parliament closely followed the decision of the committee responsible (please refer to the summary dated 9 October 2003) and adopted a series of budgetary amendments. In particular, the Parliament has included in Annex 2 the proposed adjustment of the reference amounts of programmes adopted under the co-decision procedure for the period 2004-2006 and in view of the enlargement process. The following programmes are therefore strengthened: IDA (2001-2004); actions combating and preventing exclusion (2002-2006); Forest Protection (2003-2006); Community Action Programme to promote NGOs primarily active in the field of environmental protection (2002-2006); LIFE III (Financial Instrument for the Environment (2000 to 2004) ; Community cooperation in the field of marine pollution (2001-2006); Action against illegal and harmful content on the Internet (2003-2004); Socrates (2000-2006); Community activities in favour of consumers (2004-2007); Daphne II (2004-2008); Public health (2003 to 2008) for an additional total amount of EUR 43,070 million. The parliament approves the above as a basis for discussion and possible agreement with Council. It also stresses that the amounts beyond 2006 will be decided by the budgetary authority. Parliament reiterates that the main goal of the 2004 budget is to make provision for all those measures that will contribute to making enlargement a success and it considers that integrating 10 new Member States is an unprecedented challenge for the European Union's budget and the most important political priority at the moment; has decided, therefore, to ensure that the appropriate level of funding to cater for enlargement is entered in the 2004 budget and to endorse a series of other measures, such as, inter alia, the targeted topping-up of EU-10 appropriations in specific cases and adapting co-decided programmes to cater for enlargement. It has also decided to endorse measures to improve the financial environment for SMEs with particular attention being paid to needs in the new Member States, to which great importance is attached, since such measures will contribute to achieving more social and regional cohesion. Parliament, on the other hand, notes with great concern the ongoing discussion in the Commission about future political priorities for a revised financial framework post 2006. It considers that this debate is relevant but that no decision should be taken at this stage, particularly in view of the imminence of the enlargement of the Union on 1 May 2004 and of the European elections in June 2004. Parliament believes the decision should be the prerogative of an incoming Commission once constituted and with its own priorities established, with the final decision being taken by the budgetary authority. - Heading 1 : other than the issues set out in the decision of the committee responsible, the Parliament is also aware that, in recent years, animal diseases have had a huge impact on the agricultural sector, with adverse effects for consumers, farmers and other operators. Therefore, it has decided to make appropriations available to study the possibility of introducing, on the basis of the experience of a number of Member States, European-level insurance schemes to cover a share of the cost of eradicating certain contagious animal diseases; - Heading 2 : Parliament: the Parliament has decided to increase the payment appropriations in heading 2 to better reflect Member States' forecasts and to take account of the level of old outstanding commitments, payments for the current year, enlargement-related requirements and the outstanding commitments situation concerning the previous period. It invites the Commission to present a fresh estimate of what is needed for 2004, including for completion of 1994-1999 payments. The Commission is also invited to examine the extent to which 1994-1999 commitments are still valid. - Heading 3 : Parliament underlines the importance of Community support to small and medium-sized enterprises especially in view of the completion of the internal market, the realisation of the Lisbon strategy and the requirements of the Basel II rules. The Parliament also notes that the share of heading 3 given over to the decentralised agencies has been growing as the number of new agencies has increased recently; is of the opinion that the level of subsidy entered in the DGB by the Council should allow the agencies to fulfil their tasks in the enlarged Union; proposes in this context to accept the Commission's forecasts for EU-10. It proposes to enter 10% of the operational expenditure in the reserve pending the evaluation of the preliminary work programme by the competent committee, so as to ensure that the policy in relation to agencies reflects a rigorous budgetary approach and remains under the democratic control of the political and budgetary authorities; is willing to examine the impact of these amendments before second reading. In addition, the Parliament notes with concern that the agencies' staff levels have increased far beyond the average for the Institutions in recent years and asks the Commission, when it takes the initiative to create a new agency, to examine beforehand all risks of duplication of effort and to propose a corresponding redeployment of resources; asks the Commission to submit a report to Parliament by 1 November 2003 providing information on the impact of this development and on the medium-term consequences for heading 3. Moreover, the Commission should submit a report to Parliament by 1 November 2003 explaining the big increase in staff and in appropriations, the transformation of agency staff into officials. Parliament has decided to reinstate the amounts proposed by the Commission in the PDB for research policy, which remains a priority for Parliament; has also decided to earmark EUR 31 million for cancer research and EUR 4 million for a Member State cancer research initiative under Article 169 of the Treaty. It expresses its concern about the possible closure of the Info Points throughout the European Union as from 1 January 2004 and alerts the Working Group on Information about this issue. The conclusions of the Thessaloniki European Council concerning the management of external borders have been welcomed. The Parliament considers, however, that the Council's decision to increase the amount in the PDB to EUR 19.8 million is not justified; has decided, therefore, to enter an allocation of EUR 9 million in commitments and EUR 10 million in payments for this purpose. The parliament is concerned over the problems and irregularities at the Statistical Office and it has decided to place 50% of the administrative expenditure for the Office in the reserve until the Commission has given Parliament sufficient reassurances that the problems have been solved, that those responsible have been identified and penalised as appropriate, and that measures have been taken to prevent any recurrence of such incidents; - Heading 4 : Parliament recalls that it is the responsibility of the Union to base its contribution (EUR 200 million) on the needs of the Iraqi people and, in the context of a political agreement, on the conditions necessary for its implementation within a United Nations framework. Parliament calls on the Commission to maintain the level of funding for East Timor, so as to take account, in particular, of the reconstruction needs and international commitments in relation to that country. The Parliament has decided to enter 5% of appropriations in the reserve for the main geographical programmes and for the NGO co-financing line, with the intention of analysing the Commission's procedures vis-à-vis NGOs. Parliament insists that the importance of protecting and promoting children's rights be taken into account when planning geographical programmes and other Commission development policy activities, and that special emphasis should be placed on the search for ways and means of including education for children affected by war or natural disasters in external aid programmes. It also considers it imperative that particular attention be paid in Union measures for poverty eradication to the special situation of disabled people. Parliament has decided to enter Common Foreign and Security Policy (CFSP) appropriations at a similar level to the 2003 budget pending the receipt of further information from the Council on, in particular, the nonprogrammed appropriations and a commitment from the Council to transmit, from now on, a separate and qualitatively improved document containing its priorities and their financial implications for 2004. It has also provided for some appropriations for the new

EU Police Mission (Proxima) in FYROM; - Heading 5 : Parliament has decided to make appropriations available in the reserve for the creation of 272 new posts for the Commission's establishment plan in order to incorporate staff from the new Member States. The Parliament recalls that over the course of previous years, it has asked in several resolutions for steps to be taken towards the establishment of a European common diplomacy; points out that the draft Treaty establishing a Constitution for Europe provides for the creation of a European external action service under the authority of the future Union Minister for Foreign Affairs; therefore considers it essential that diplomats from the Member States should be closely involved with the nascent Community service by means of temporary secondment to the Commission's external service; - Heading 6 : the Parliament has invited the Council to explore the possibility of establishing a special loan facility for reconstruction measures in Iraq, but also to ensure that this facility is not provided for at the expense of other existing initiatives under the current ceiling; - Heading 7 : the Parliament has reiterated its financial commitment to Bulgaria and Romania, aimed at enabling them to complete their pre-accession work and be ready to join the European Union in 2007.?

2004 Budget: section III, Commission

PURPOSE : to present the amending letter No 2 to the preliminary draft budget for 2004 (Volume 1 - General Statement of revenue and Volume 4 - Statement of revenue and expenditure by Section - Section III - Commission). **CONTENT** : the regular update of the estimate for next year's budget related to the Common Agricultural Policy (CAP) revealed lower needs than initially thought. Therefore, the Commission has proposed this amending budget to modify the budget proposal for 2004, and to reduce it by around EUR 1 billion. To recall, the period update of the budget 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 provides that, "if it considers it necessary, 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. Concerning agricultural expenditures : the Commission has carefully updated the agricultural budget on a line by line basis. In addition to changing market factors, the letter of amendment 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. For subheading 1a (CAP expenditure except for rural development), the new assessment leads to lower needs than estimated in the PDB (- EUR1 092.5 million). This sizeable decrease is largely explained by decreased needs in three sectors. The most substantial change is that of market measures for cereals (- EUR741 million). Drought during the summer of 2003 has meant a dramatic decline in harvests, which in turn means lower quantities for export, and an important reduction in the estimates for intervention stocks. Also as a result of the adverse climatic conditions, some direct aids in the animal sector were advanced, and paid from the 2003 budget. Thus savings for 2004 have been recorded in the case of beef and veal (- EUR107 million), and for sheep and goat meat (- EUR303 million). These savings have been slightly offset by increased needs for other sectors, notably dried fodder (+ EUR64 million). 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 2003. It comes to 1.12 (EUR 1= \$1.12), and results in some increases compared to the preliminary draft for export sectors, in particular sugar. The Commission has also taken into account the opinions expressed by the Budgetary Authority during its first reading. In order to incorporate these wishes into the amending letter the Commission proposes the following modifications: - EUR 500 000 will be made available under 05 01 04 01 Support expenditure to enable further examination of the environmental indicators to be used in the context of the cross-compliance rules, as adopted under the mid-term review of the CAP. A new budget line 05 01 04 06 with credits of EUR500 000 will be created. The purpose is to enable the exploration of the possibility of establishing European quality labels, so as to ensure transparency for consumers. - Budget line 05 03 02 01 Export refunds for beef and veal shall be subdivided to ensure transparency between those credits intended for export refunds for meat, and those for live exports. The increase in costs related to animal diseases, and the different approaches of MS to compensation for those costs not covered by the Community has given rise to concern. - The Commission proposes the creation of a new line 17 01 04 04 for a pilot study on the financing of risks for livestock epidemics. The appropriations of EUR 500 000 are intended to cover further studies and a conference in this domain. The Commission also updates the estimates for International Fisheries Agreements (heading 4), leading to the transfer of EUR 3 million from the reserve to the line dedicated to EU contributions provided for international agreements. The update integrates the renewal and/or extension of four protocols in 2003 (Madagascar, Mauritius, Republic of Guinea and Ivory Coast) and the downwards adaptation of the agreement with Guinea-Bissau. This will limit the overall increase of the 2004 budget proposed by the Commission from EUR 99 in 2003 to EUR 111 billion (+11.6%) including the accession of 10 new Member States on 1 May. It will also leave a margin of EUR 4.3 billion under the maximum ceiling.?

2004 Budget: section III, Commission

Before proceeding with the second reading of the draft budget for 2004, the Council held a conciliation meeting with a delegation from the European Parliament under the Interinstitutional Agreement of 6 May 1999 on budgetary discipline. The European Parliament, the Council and the Commission agreed on the following: - to accept amending letter No 3/2004 as proposed by the Commission; - to accept amending letter No 2/2004 concerning agricultural expenditure and international fisheries agreements as proposed by the Commission; - to accept amending letter No 1/2004 with the mobilisation of the flexibility instrument for an amount of EUR 95 million for Iraq; - to confirm the global amount of EUR 200 million for 2003 and 2004. The Commission will seek reallocation of appropriations under Heading 4 in 2003 for between EUR 5 and 10 million in order to allow for a corresponding reduction in the 2004 budget; - to fix the amount of the CFSP budget at EUR 62,6 million for 2004, following an exchange of letters between the European Parliament and the Council; - to accept preliminary draft amending budget No 8/2003 as proposed by the Commission and to reduce the 2004 budget accordingly. A joint statement on administrative expenditure in 2005 and 2006 has been agreed; - to accept preliminary draft amending budget No 7/2003 as proposed by the Commission; - the increased rate of payment appropriations with respect to 2003 (AB 1 to 5 included) shall not exceed 2,3% for EU 25 at the end of the 2004 budgetary procedure in December. The European Parliament and the Council invite the Commission to propose a preliminary draft amending budget in 2004 in the event of a shortage of payment appropriations; The following statements have been made: 1) concerning the programmes adopted under the codecision procedure : referring to the joint statement of 16 July 2003, the Parliament and the Council, having reached a political agreement on the indicative reference amounts to be included in the basic acts of Community programmes decided under the codecision procedure following enlargement, invite the Commission to present without delay the appropriate legislative proposal(s) and confirm that they will make every effort to take duly into consideration, in the codecision procedure, the amounts attached to this statement, in time for their possible application as from the date of entry into force of the Accession Treaty. 2) as regards the basic acts for grants (ex A-30), the following statement has been included: The European Parliament, the Council and the Commission will continue their cooperation in order to adopt the

basic legal acts before the end of 2003 or at the latest at the very beginning of 2004. They will do their utmost to speed up institutional procedures at the second reading of proposals in codecision and avoid further conciliation, in order to adopt the legal basis formally in March 2004 at the latest. Their agreement on the legislative acts will be based on compliance with the following elements, agreed upon at the conciliation meeting on 24 November 2003: - the duration of all the programmes will be limited to the period 2004-2006; - the amounts agreed for this period are those detailed in the annex; - the list of beneficiaries should be included in the legal basis for the programmes concerning civic participation and culture for the years 2004 and 2005, as adopted by the European Parliament at its first reading of the draft budget for 2004. 3) on info-points and rural carrefours : the two institutions confirm the importance that they attach to the functioning of the Info-Points system and Carrefours and to the solution of the current problems. Within this framework the Parliament and the Council approve the intention of the Commission to take a transitional decision in order to maintain for the year 2004 the grants to the Info-Points and the rural Carrefours which are currently receiving financial aid from the EU budget. This decision would be accompanied by specific monitoring and control measures.?

2004 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 2004 (Section III - Commission). **CONTENT** : on 6 October 2003, the Commission forwarded to the Council letter of amendment No 1 to the preliminary draft general budget of the European Communities for the financial year 2004 (please refer to the summary dated 01/10/2003). This letter of amendment concerns expenditure and revenue under Section III - Commission - of the Community budget and covers the following six elements: - the creation of a new article under Heading 4 of the Financial Perspective to finance the rehabilitation and reconstruction of Iraq. The Commission proposes to endow this new article with EUR 160 million in commitment appropriations and EUR 128 million in payment appropriations; - the creation of a new article under Title 26 (Administration) under Heading 5 of the Financial Perspective, to facilitate the implementation in 2004 of the non-differentiated appropriations contracted in 2003 and carried over automatically to 2004; - the adjustment of the Commission's establishment plan for research and technological development (indirect action); - the withdrawal of appropriations amounting to EUR 25 million from the European Investment Fund. The Commission also requests the adjustment of the budgetary headings to reflect the change of status of those Central and Eastern European countries which become members in 2004, and the modification of remarks against a number of budget lines covering tasks resulting from the Commission's prerogatives at institutional level. Following conciliation with the Parliament delegation on 24 November 2003 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.?