COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Technical adjustment of the financial perspective for 2005 in line with movements in GNI and prices

(Point 15 of the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure)

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1. INTRODUCTION

The Interinstitutional Agreement (IIA) of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure[1], as adjusted for enlargement[2], contains the financial perspective table for EU-25 (Table 1a).

Point 15 of the Interinstitutional Agreement states that each year the Commission will, ahead of the budgetary procedure for year n+1, make a technical adjustment to the financial perspective in line with movements in the EU's gross national income (GNI) and prices.

The purpose of this communication is to present to the budgetary authority the result of this technical adjustment (EU-25) for 2005.

2. TERMS OF THE ADJUSTMENT OF THE FINANCIAL PERSPECTIVE TABLE (TABLES 1-3)

Table 1 shows the financial perspective for EU-25 at 2005 prices.

Table 2 shows the financial perspective for EU-25 at 2005 prices, including the budgetary implications of a political settlement in Cyprus.

Table 3 presents the economic parameters used for this adjustment exercise. They are based on data drawn up by Eurostat and on the most recent forecasts made by the Commission in conjunction with national experts (budget forecasts, autumn 2003). The figures and forecasts are based on the European System of Accounts revised in 1995 (ESA 95).

2.1. Adjustment of expenditure ceilings by heading

The adjustment is calculated by applying the following deflators to the financial perspective (at 1999 prices):

– a cumulative deflator of 12,62% for the period 2000-2005 to the ceiling for heading 1 and to the figure for the Structural Funds in heading 2, in accordance with point 15 of the Interinstitutional Agreement (fixed rate of 2% a year).

[1] OJ C 172, 18.6.1999, p. 1.
[2] OJ L 147, 14.6.2003, p. 31.

– the GNI deflator in euros for 2000-2005 (11,28%) to the other ceilings (actual deflator).

In accordance with point 23 (a) of the Interinstitutional Agreement of 6 May 1999, the monetary reserve has been eliminated as from 2003.

To ensure consistency with the Cohesion Fund allocations for the ten new Member States enshrined in the Accession treaties, the overall figure for the Cohesion Fund in 2005 prices has been rounded up to the superior unit.

As regards payments, the adjustment is based on the appropriations for payments estimated for each expenditure heading when the financial perspective was drawn up (1999 prices). The method of calculation is set out in the following table:

<table>
<tr><th colspan="2"></th><th>EU-25: appropriations for payments 2005 at 1999 prices (€ million)</th><th>Cumulative deflator 2000-2005 (%)</th><th>Appropriations for payments 2005 at 2005 prices (€ million)</th></tr>
<tr><td colspan="2">Appropriations for payments (Heading 1)</td><td>45.179</td><td>12,62</td><td>50.879</td></tr>
<tr><td colspan="2">Appropriations for payments (Heading 2-Structural Funds)</td><td>29.592</td><td>12,62</td><td>33.325</td></tr>
<tr><td colspan="2">Appropriations for payments (Heading 5)</td><td>5.558</td><td>11,28</td><td>6.185</td></tr>
<tr><td rowspan="2">Appropriations for payments (Heading 6)</td><td>Monetary reserve</td><td>-</td><td>-</td><td>0</td></tr>
<tr><td>Other reserves</td><td>400</td><td>11,28</td><td>445</td></tr>
<tr><td colspan="2">Other appropriations for payments (Heading 2-Cohesion Fund + Heading 3 + Heading 4 + Heading 7 + Heading 8)</td><td>20.871</td><td>11,28</td><td>23.225</td></tr>
<tr><td colspan="2">TOTAL appropriations for payments</td><td>101.600</td><td></td><td>114.059</td></tr>
</table>

Appropriations for payments concerning the ten new Member States - whose accession to the European Union will occur on May 1st, 2004 - have been added to appropriations for payments concerning current Members, in 1999 prices and for each sub-category of the table above. Sub-totals in 1999 prices are then adjusted in 2005 prices according to the relevant deflator: heading 1 and the Structural Funds share of heading 2 have been adjusted by means of a 12,62% cumulative deflator; other headings or expenditure have been adjusted by means of a 11,28% cumulative deflator.

2.2. Main results of the technical adjustment of the Financial Perspective for 2005 (EU-25)

The overall ceiling on appropriations for commitments for 2005 comes to €119.419 million, equivalent to 1,14% of GNI.

The corresponding overall ceiling on the appropriations for payments comes to €114.060 million, i.e. 1,09% of GNI. On the basis of current economic forecasts, this leaves a margin beneath the own resources ceiling of €15.732 million (0,15% of GNI for EU-25).

For 2001, 2002, 2003 and 2004, the size of the margin has been updated from the previous technical adjustment using the most recent GNI estimates so that comparisons can be made over a number of years. However, the ceilings in commitments and payments resulting from the adjustments made do not change.

2.3. The financial perspective adjusted in 2005 prices including budgetary implications of a political settlement in Cyprus

Table 2 presents the financial framework EU-25 adjusted in 2005 prices including the budgetary implications of a political settlement in Cyprus.

This table has been adjusted in the same way as Table 1 and will apply in the event that a unified Cyprus enters the European Union on May 1st, 2004.

3. OTHER ELEMENTS LINKED TO THE EXERCISE OF TECHNICAL ADJUSTMENT

3.1. The agricultural guideline

The agricultural guideline has been calculated in accordance with Article 3 of the new Council Regulation on budgetary discipline[3] (see Table 4).

The figures for sugar and isoglucose levies, food aid refunds and ACP sugar refunds are based at this stage on the forecasts for the 2005 budget. In accordance with the regulation on budgetary discipline, the final level of these specific items in the guideline will be fixed when the preliminary draft budget for 2005 is presented.

In 2005 the agricultural guideline is provisionally estimated at € 55.545 million[4].

3.2. Heading 5 (Administration)

In the case of heading 5, a footnote to the financial perspective states that the figures for pensions included under the ceiling for this heading are to be calculated net of staff contributions to the pension scheme, up to a maximum of € 1.100 million (1999 prices) for the period 2000-2006. As stated in the Commission communication on the

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3 OJ L 224, 29.9.2000, p.27. Council Regulation No 2040/2000 of 26 September 2000.

4 This leaves a margin of € 3.856 million in relation to all the expenditure which, in accordance with the regulation on budgetary discipline, is included under the guideline (heading 1 and the 'agriculture' expenditure of the pre-accession aid under heading 7, i.e. € 250 million foreseen for Bulgaria and Romania in 2005).

technical adjustment for 2000[5], "this provision should be interpreted as imposing a dual limit on the amounts deducted from expenditure on pensions when applying the ceiling of the heading":

– This amount may not exceed the contributions actually entered as budget revenue in any one year;

– The accumulated total of deductions for the period 2000-2006 may not exceed € 1.100 million at 1999 prices, equivalent to an average of € 157 million (€ 175 million at 2005 prices).

As administrative expenditure is, as a rule, recurrent, the lowest limit – i.e. a maximum of € 175 million at current prices for 2005 – should be adopted each year to avoid using a margin at the start of the period which will no longer be fully available afterwards.

3.3. Operations outside the budget

The fifth subparagraph of point 10 of the Interinstitutional Agreement states that information relating to operations not included in the general budget and the foreseeable development of the various categories of own resources is to be set out in tables, as an indication, and updated annually when the technical adjustment is made to the financial perspective.

This information, updated in line with the latest estimates available, is set out in Tables 5.1 to 5.2. It covers the EDF and the structure of own resources.

5 SEC (1999) 847 final, paragraph 6.

ANNEX

TABLE 1: FINANCIAL PERSPECTIVE (EU-25) ADJUSTED FOR ENLARGEMENT AT 2005 PRICES

	Current prices						2005 prices
COMMITMENT APPROPRIATIONS	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
1. AGRICULTURE	**41.738**	**44.530**	**46.587**	**47.378**	**49.305**	**51.439**	**51.587**
1a Common Agricultural Policy	37.352	40.035	41.992	42.680	42.769	44.598	44.610
1b Rural development	4.386	4.495	4.595	4.698	6.536	6.841	6.977
2. STRUCTURAL ACTIONS	**32.678**	**32.720**	**33.638**	**33.968**	**41.035**	**42.441**	**43.701**
Structural funds	30.019	30.005	30.849	31.129	35.353	37.247	37.768
Cohesion fund	2.659	2.715	2.789	2.839	5.682	5.194	5.933
3. INTERNAL POLICIES	**6.031**	**6.272**	**6.558**	**6.796**	**8.722**	**9.012**	**9.138**
4. EXTERNAL ACTIONS	**4.627**	**4.735**	**4.873**	**4.972**	**5.082**	**5.119**	**5.130**
5. ADMINISTRATION (1)	**4.638**	**4.776**	**5.012**	**5.211**	**5.983**	**6.185**	**6.356**
6. RESERVES	**906**	**916**	**676**	**434**	**442**	**446**	**446**
Monetary reserve	500	500	250				
Emergency aid reserve	203	208	213	217	221	223	223
Guarantee reserve	203	208	213	217	221	223	223
7. PRE-ACCESSION AID	**3.174**	**3.240**	**3.328**	**3.386**	**3.455**	**3.472**	**3.472**
Agriculture	529	540	555	564			
Pre-accession structural instrument	1.058	1.080	1.109	1.129			
PHARE (applicant countries)	1.587	1.620	1.664	1.693			
8. COMPENSATION					**1.410**	**1.305**	**1.046**
TOTAL APPROPRIATIONS FOR COMMITMENTS	**93.792**	**97.189**	**100.672**	**102.145**	**115.434**	**119.419**	**120.876**
TOTAL APPROPRIATIONS FOR PAYMENTS	**91.322**	**94.730**	**100.078**	**102.767**	**111.380**	**114.060**	**116.555**
Ceiling, approps for payments as % of GNI (ESA 95)	**1,07%**	**1,07%**	**1,09%**	**1,11%**	**1,11%**	**1,09%**	**1,08%**
Margin for unforeseen expenditure	**0,17%**	**0,17%**	**0,15%**	**0,13%**	**0,13%**	**0,15%**	**0,16%**
Own resources ceiling	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of staff contributions to the pension scheme, up to a maximum of 1 100 million euros at 1999 prices for the period 2000-2006.

TABLE 2: FINANCIAL PERSPECTIVE (EU-25) ADJUSTED FOR ENLARGEMENT AT 2005 PRICES
(including budgetary implications of a political settlement in Cyprus)

	Current prices						2005 prices
COMMITMENT APPROPRIATIONS	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
1. AGRICULTURE	**41.738**	**44.530**	**46.587**	**47.378**	**49.297**	**51.437**	**51.584**
1a Common Agricultural Policy	37.352	40.035	41.992	42.680	42.772	44.608	44.621
1b Rural development	4.386	4.495	4.595	4.698	6.525	6.829	6.963
2. STRUCTURAL ACTIONS	**32.678**	**32.720**	**33.638**	**33.968**	**41.094**	**42.528**	**43.827**
Structural funds	30.019	30.005	30.849	31.129	35.395	37.319	37.875
Cohesion fund	2.659	2.715	2.789	2.839	5.699	5.209	5.952
3. INTERNAL POLICIES	**6.031**	**6.272**	**6.558**	**6.796**	**8.737**	**9.027**	**9.154**
4. EXTERNAL ACTIONS	**4.627**	**4.735**	**4.873**	**4.972**	**5.082**	**5.119**	**5.130**
5. ADMINISTRATION (1)	**4.638**	**4.776**	**5.012**	**5.211**	**5.983**	**6.185**	**6.356**
6. RESERVES	**906**	**916**	**676**	**434**	**442**	**446**	**446**
Monetary reserve	500	500	250				
Emergency aid reserve	203	208	213	217	221	223	223
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7. PRE-ACCESSION AID	**3.174**	**3.240**	**3.328**	**3.386**	**3.455**	**3.472**	**3.472**
Agriculture	529	540	555	564			
Pre-accession structural instrument	1.058	1.080	1.109	1.129			
PHARE (applicant countries)	1.587	1.620	1.664	1.693			
8. COMPENSATION					**1.410**	**1.305**	**1.046**
TOTAL APPROPRIATIONS FOR COMMITMENTS	**93.792**	**97.189**	**100.672**	**102.145**	**115.500**	**119.519**	**121.015**
TOTAL APPROPRIATIONS FOR PAYMENTS	**91.322**	**94.730**	**100.078**	**102.767**	**111.380**	**114.060**	**116.555**
Ceiling, approps for payments as % of GNI (ESA 95)	**1,07%**	**1,07%**	**1,09%**	**1,11%**	**1,11%**	**1,09%**	**1,08%**
Margin for unforeseen expenditure	**0,17%**	**0,17%**	**0,15%**	**0,13%**	**0,13%**	**0,15%**	**0,16%**
Own resources ceiling	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of staff contributions to the pension scheme, up to a maximum of 1 100 million euros at 1999 prices for the period 2000-2006.

TABLE 3: GNP-GNI - FIGURES AND FORECASTS

	2000	2001	2002	2003	2004	2005
Real growth rate (%) (EU-15)						
- Adjustment for 2000	2,7					
- Adjustment for 2001	3,1	3				
- Adjustment for 2002	3,3	3,1	3,1			
- Adjustment for 2003	3,4	1,7	1,2	2,9		
- Adjustment for 2004	3,5	1,2	0,9	1,9	2,6	
- Adjustment for 2005	3,6	1,7	1	0,7	1,9	2,5
GNP-15 deflator in euros (%)						
- Adjustment for 2000	1,7					
- Adjustment for 2001	2,0	1,8				
- Adjustment for 2002	2,7	1,8	2			
- Adjustment for 2003	2,9	1,7	2	1,7		
- Adjustment for 2004	3	1,6	2,2	1,8	1,7	
- Adjustment for 2005	2,9	1,7	2,3	0,5	1,7	1,7

Comparison between the deflators in national currencies and the deflators in euros (EU-15)	2000	2001	2002	2003	2004	2005
Deflators in national currency (weighted average)	1,4%	2,4%	2,5%	2,2%	2,0%	1,7%
Deflators en euros	2,9%	1,7%	2,3%	0,5%	1,7%	1,7%

GNP-15 at current prices (EUR billion) ESA 79	2000	2001	2002	2003	2004	2005
- Adjustment for 2000	8.058,5					
- Adjustment for 2001	8.138,6	8.533,3				
- Adjustment for 2002	8.275,0	8.682,5	9.127,3			
- Adjustment for 2003	8.333,2	8.621,1	8.908,7	9.320,2		
GNI-15 at current prices (EUR billion) ESA 95						
- Adjustment for 2003	8.501,2	8.794,3	9.087,4	9.506,6		
- Adjustment for 2004	8.527,0	8.775,0	9.056,0	9.400,0	9.815,0	
- Adjustment for 2005	8.544,0	8.841,0	9.144,0	9.256,0	9.603,0	10.014,0

GNI-10 at current prices (EUR billion)					2004	2005
- Adjustment for 2004					512,4	
- Adjustment for 2005					443,0	474,3

TABLE 4 : CALCULATION OF THE AGRICULTURAL GUIDELINE FOR 2005

EUR million

		2005
BASE EXPENDITURE (1995 budget)		**36.394**
ANNUAL GNP GROWTH RATE		
1996	1,7%	
1997	2,6%	
1998	2,9%	
1999	2,9%	
2000	3,6%	
2001	1,7%	
2002	1,0%	
2003	0,7%	
2004	1,9%	
2005	2,50%	
Cumulative growth rate	23,66%	
74 % of cumulative growth rate	17,51%	
CORRECTED EXPENDITURE (1995 prices)		**42.766**
GNP DEFLATOR		
1996	3,4%	
1997	2,7%	
1998	1,7%	
1999	2,3%	
2000	2,9%	
2001	1,7%	
2002	2,3%	
2003	0,5%	
2004	1,7%	
2005	1,7%	
Cumulative growth rate	22,94%	
CORRECTED EXPENDITURE (2005 prices)		**52.578**
IMPACT OF ENLARGEMENT		
GNI growth rate in 2004	4,61%	
74 % of cumulative growth rate	3,41%	
CORRECTED EXPENDITURE		**54.373**
Plus Estimated needs (*) for		
- sugar and isoglucose levy		359,9
- food aid refunds		10
- ACP sugar refunds		802,2
- subtotal		1172,1
AGRICULTURAL GUIDELINE		**55.545**

(*) Previsions for the 2004 budget

TABLE 5 : INDICATIVE PROGRAMME OF EXPENDITURE NOT ENTERED IN THE GENERAL BUDGET AND PROSPECTIVE TREND IN THE VARIOUS OWN RESOURCES

TABLE 5.1. EUROPEAN DEVELOPMENT FUND (1)

Decisions (D) and Payments (P)
EUR million - current prices

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	D	P	D	P	D	P	D	P	D	P	D	P	D	P	D	P	D	P
TOTAL	4007	1640	1921	2124	2115	1902	3200	2500	3275	2500	4350	2875	2650	3200	2450	3050	p.m.	2475

(1) Commission Communication COM (2003) 720 final, 21.11.2003

Amounts entered for 2004 and the following years are based upon a 'conservative scenario'. The Commission is currently implementing measures (i.e. reorganization of external aid, systematic follow-up of old commitments, launch of new initiatives in the areas of debt relief, health, etc.) that should accelerate the use of EDF funds.

TABLE 5.2. OWN RESOURCES BY CATEGORY

% of total	2000	2001	2002	2003	2004	2005	2006
Traditional own resources	17	16	14	12	12	11	11
VAT	40	40	28	25	14	15	14
GNI	43	44	58	63	74	74	76

2000-2002 : bugdet implementation, included the retroactive adjustment of 15% TOR in 2002
2003 : amending budget 4/2003
2004 : PDB 2004, EU-25
2005-2006 : previsions