COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Technical adjustment of the financial perspective for 2004 in line with movements in GNI and prices

(Paragraph 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] contains the financial perspective table for EU-15 (Annex I) and the indicative financial framework for EU-21 (Annex II) based on the assumption of an enlarged Union with six new Member States from 2002.

Paragraph 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 product (GNP) and prices.

The purpose of this communication is to present to the budgetary authority the result of this technical adjustment (EU-15) for 2004.

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

Table 1 shows the financial perspective for EU-15 at 2004 prices.

Table 2 is included for information and concerns the financial framework for EU-21 established at the European Council in Berlin in March 1999.

Table 3 presents the macroeconomic 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 the national experts (budget forecasts, autumn 2002). The figures and forecasts are based on the European System of Accounts revised in 1995 (ESA 95).

2.1. Own resources ceiling

The Council Decision of 29 September 2000 on the system of the European Communities' own resources[2] has entered into force, after its ratification by the Member States' parliaments, on 1 March 2002, with effect as from 1 January 2002, except Article 2(3), and except Article 4, which take effect as from 1 January 2001.

[1] OJ C 172, 18.6.1999, p. 1.
[2] Council Decision of 29 September 2000 on the system of the European Communities' own resources (2000/597/EC, Euratom) - OJ L 253, 7.10.2000, p.42.

This decision states that, for the purposes of its application, GNP (gross national product) is to be defined as GNI (gross national income), as determined in accordance with ESA 95[3]. It also states that the own resources ceiling, expressed as a percentage of GNI, should be adjusted in order to maintain unchanged the amount of financial resources put at the disposal of the Communities under ESA 95. In accordance with this decision, the Commission made this adjustment in December 2001 and communicated the result to the budgetary authority[4]. The own resources ceiling of 1,27% of GNP-15 is changed to 1,24% of GNI-15.

For the purposes of clarity, Tables 1 and 2 set out until 2003 the figures relating to the technical adjustment in line with both the ESA (second edition) and the new system (ESA 95).

2.2. 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 10,41% for the period 2000-2004 to the ceiling for heading 1 and to the figure for the Structural Funds in heading 2, in accordance with paragraph 15 of the Interinstitutional Agreement (fixed rate of 2% a year).

– The GNP deflator in euros for 2000-2004 (10,72624%) to the other ceilings (actual deflator).

– In accordance with the financial perspective adopted at the Berlin European Council, the monetary reserve has been eliminated from 2003.

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

3 Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community - OJ L 310, 30.11.1996.

4 Communication from the Commission to the Council and the European Parliament - Adaptation of the ceiling of own resources and of the ceiling for appropriations for commitments following the entry into force of Decision 2000/597/EC, Euratom (COM(2001) 801 final of 28.12.2001).

		EU-15: appropriations for payments 2004 at 1999 prices (€ million)	Cumulative deflator 2000-2004 (%)	Appropriations for payments 2004 at 2004 prices (€ million)
Appropriations for payments (Heading 1)		42.760	10,41	47.211
Appropriations for payments (heading 2-Structural Funds)		28.035	10,41	30.953
Apppropriations for payments (Heading 5)		4.900	10,72624	5.426
Appropriations for payments (Heading 6)	Monetary reserve	0	0	0
	Other reserves	400	10,72624	442
Other appropriations for payments (Heading 2 - Cohesion Fund + Heading 3 + Heading 4 + Heading 7)		15.815	10,72624	17.511
Total appropriations for payments		91.910		101.543

As regards the appropriations for payments available for accession, those coming under heading 1 have been adjusted by means of a 10,41% cumulative deflator. For "other expenditure", a distinction is made between payments for structural operations, to which the cumulative deflator 10,41% is applied, and payments under headings 3 and 5, for which the cumulative 10,72624% deflator has been used.

2.3. Main results of the technical adjustment of the Financial Perspective for 2004 (EU-15)

The overall ceiling on appropriations for commitments for 2004 comes to €102.995 million, equivalent to 1,05% of GNI.

The corresponding ceiling on the appropriations for payments comes to €101.543 million, i.e. 1,03 % of GNI.

Allowing for the amount available for accession, the overall ceiling on appropriations for payments is €111.362 million (1,13% of GNI for EU-15), which, on the basis of current economic forecasts, leaves a margin beneath the own resources ceiling of €10.344 million (0,11% of GNI for EU-15).

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

2.4. The Financial Framework for the Enlarged Union

The Financial Framework EU-21 (Table 2) is presented only as a reminder of the scenario laid down at the Berlin European Council and presented in the IIA of 6 May 1999.

Since then, the Brussels European Council of 24 and 25 October 2002 confirmed that the enlargement of the Union could concern up to ten new Members (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia).

At the beginning of 2003 the Commission will present an indicative financial framework for EU-25 at 2004 prices together with the adjustment of the financial perspective to cater for enlargement (Point 25 of the IIA of 6 May 1999), taking into account the conclusions of the Copenhagen European Council of 12 and 13 December 2002.

The indicative table for the financial framework for EU-21 has been adjusted in the same way as the EU-15 table. In heading 8 (Enlargement), the commitment appropriations for agriculture and structural operations have been adjusted by means of the cumulative 10,41% deflator and those for internal policies and administration by means of the cumulative 10,72624% deflator. Payments under heading 8 have been adjusted using the same method of calculation as for the payments available for accession in the financial perspective.

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[5] (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 2003 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 2004 budget is presented.

In 2004 the agricultural guideline is provisionally €53.622 million.[6]

5 Council Regulation (EC) No 2040/2000 of 26 September 2000, OJ L 224, 29 September 2000, p.27

6 This leaves a margin of €3.130 million in relation to all the expenditure which, in accordance with the Regulation on budgetary discipline, is included under the guideline (heading 1, the "agriculture" section of the pre-accession aid under heading 7, the amounts left available for accession in respect of agriculture.

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 technical adjustment for 2000,[7] this provision should be interpreted as imposing a dual limit on the amounts deducted from expenditure on pensions when applying the ceiling for the heading:

– this amount may not exceed the contributions actually entered as budget revenue in any one year. For 2004 these contributions are provisionally estimated[8] at €187 million, i.e. €166 million at 1999 prices with the cumulative deflator of 10,72624% applied for the adjustment to the ceiling for the heading;

– 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 (€174 million at 2004 prices).

As administrative expenditure is, as a rule, recurrent, the lowest limit - i.e. a maximum of €174 million at current prices for 2004 - 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 paragraph 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.

4. Final Remark

The Commission will present to the budgetary authority its proposal for the adjustment of the financial perspective to cater for enlargement, in compliance with Point 25 of the Interinstitutional Agreement, at the beginning of 2003.

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7 SEC(1999)847 final, paragraph 6.

8 The rate of increase envisaged for 2004 for expenditure on remunerations has been applied to the amount of contributions entered in the Amending Letter n°4/2003 (€184 million).

TABLE 1: FINANCIAL PERSPECTIVE (EU-15) - ADJUSTED TO 2004 PRICES

	Current prices					2004 prices	
APPROPRIATIONS FOR COMMITMENTS	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
1. AGRICULTURE	**41.738**	**44.530**	**46.587**	**47.378**	**47.211**	**46.294**	**45.996**
CAP (not including rural development)	37.352	40.035	41.992	42.680	42.408	41.480	41.171
Rural development and accompanying measures	4.386	4.495	4.595	4.698	4.803	4.814	4.825
2. STRUCTURAL OPERATIONS	**32.678**	**32.720**	**33.638**	**33.968**	**34.326**	**34.053**	**33.240**
Structural Funds	30.019	30.005	30.849	31.129	31.541	31.268	30.461
Cohesion Fund	2.659	2.715	2.789	2.839	2.785	2.785	2.779
3. INTERNAL POLICIES (1)	**6.031**	**6.272**	**6.558**	**6.796**	**7.053**	**7.175**	**7.308**
4. EXTERNAL ACTION	**4.627**	**4.735**	**4.873**	**4.972**	**5.082**	**5.093**	**5.104**
5. ADMINISTRATION (2)	**4.638**	**4.776**	**5.012**	**5.211**	**5.426**	**5.536**	**5.647**
6. RESERVES	**906**	**916**	**676**	**434**	**442**	**442**	**442**
Monetary reserve	500	500	250	0	0	0	0
Emergency aid reserve	203	208	213	217	221	221	221
Guarantee reserve	203	208	213	217	221	221	221
7. PRE-ACCESSION AID	**3.174**	**3.240**	**3.328**	**3.386**	**3.455**	**3.455**	**3.455**
Agriculture	529	540	555	564	576	576	576
Pre-accession structural instrument	1.058	1.080	1.109	1.129	1.152	1.152	1.152
PHARE (applicant countries)	1.587	1.620	1.664	1.693	1.727	1.727	1.727
TOTAL APPROPRIATIONS FOR COMMITMENTS	**93.792**	**97.189**	**100.672**	**102.145**	**102.995**	**102.048**	**101.192**
TOTAL APPROPRIATIONS FOR PAYMENTS	**91.322**	**94.730**	**100.078**	**102.767**	**101.543**	**99.612**	**99.017**
Appropriations for payments as % of GNP (ESA 79)	***1,10%***	***1,10%***	***1,13%***	***1,12%***			
Appropriations for payments as % of GNI (ESA 95)	**1,07%**	**1,08%**	**1,11%**	**1,09%**	**1,03%**	**0,99%**	**0,96%**
AVAILABLE FOR ACCESSION (approps for payments)			**4.397**	**7.266**	**9.819**	**12.634**	**15.704**
Agriculture			1.698	2.197	2.705	3.235	3.754
Other expenditure			2.699	5.069	7.114	9.399	11.950
CEILING, APPROPRIATIONS FOR PAYMENTS	**91.322**	**94.730**	**104.475**	**110.033**	**111.362**	**112.246**	**114.721**
Ceiling, payments as % of GNP (ESA 79)	***1,10%***	***1,10%***	***1,18%***	***1,20%***			
Margin for unforeseen expenditure	***0,17%***	***0,17%***	***0,09%***	***0,07%***			
Own resources ceiling	***1,27%***	***1,27%***	***1,27%***	***1,27%***			
Ceiling, approps for payments as % of GNI (ESA 95)	**1,07%**	**1,08%**	**1,15%**	**1,17%**	**1,13%**	**1,12%**	**1,11%**
Margin for unforeseen expenditure	**0,17%**	**0,16%**	**0,09%**	**0,07%**	**0,11%**	**0,12%**	**0,13%**
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 at 1999 prices for the period 2000-06.

TABLE 2: FINANCIAL FRAMEWORK (EU-21*) - ADJUSTED TO 2004 PRICES

	Current prices					2004 prices	
APPROPRIATIONS FOR COMMITMENTS	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
1. AGRICULTURE	**41.738**	**44.530**	**46.587**	**47.378**	**47.211**	**46.294**	**45.996**
CAP (not including rural development)	37.352	40.035	41.992	42.680	42.408	41.480	41.171
Rural development and accompanying measures	4.386	4.495	4.595	4.698	4.803	4.814	4.825
2. STRUCTURAL OPERATIONS	**32.678**	**32.720**	**33.638**	**33.968**	**34.326**	**34.053**	**33.240**
Structural Funds	30.019	30.005	30.849	31.129	31.541	31.268	30.461
Cohesion Fund	2.659	2.715	2.789	2.839	2.785	2.785	2.779
3. INTERNAL POLICIES	**6.031**	**6.272**	**6.558**	**6.796**	**7.053**	**7.175**	**7.308**
4. EXTERNAL ACTION	**4.627**	**4.735**	**4.873**	**4.972**	**5.082**	**5.093**	**5.104**
5. ADMINISTRATION (**)	**4.638**	**4.776**	**5.012**	**5.211**	**5.426**	**5.536**	**5.647**
6. RESERVES	**906**	**916**	**676**	**434**	**442**	**442**	**442**
Monetary reserve	500	500	250	0	0	0	0
Emergency aid reserve	203	208	213	217	221	221	221
Guarantee reserve	203	208	213	217	221	221	221
7. PRE-ACCESSION AID	**3.174**	**3.240**	**3.328**	**3.386**	**3.455**	**3.455**	**3.455**
Agriculture	529	540	555	564	576	576	576
Pre-accession structural instrument	1.058	1.080	1.109	1.129	1.152	1.152	1.152
PHARE (applicant countries)	1.587	1.620	1.664	1.693	1.727	1.727	1.727
8. ENLARGEMENT			**6.851**	**9.778**	**12.822**	**15.682**	**18.530**
Agriculture			1.698	2.197	2.705	3.235	3.754
Structural operations			3.980	6.311	8.744	11.041	13.337
Internal policies			778	825	875	908	941
Administration			395	445	498	498	498
TOTAL APPROPRIATIONS FOR COMMITMENTS	**93.792**	**97.189**	**107.523**	**111.923**	**115.817**	**117.730**	**119.722**
TOTAL APPROPRIATIONS FOR PAYMENTS	**91.322**	**94.730**	**104.475**	**110.033**	**111.362**	**112.246**	**114.721**
Ceiling, payments as % of GNP (ESA 79)	*1,10%*	*1,10%*	*1,13%*	*1,15%*			
Margin for unforeseen expenditure	*0,17%*	*0,17%*	*0,14%*	*0,12%*			
Own resources ceiling	*1,27%*	*1,27%*	*1,27%*	*1,27%*			
Ceiling, payments as % of GNI (ESA 95)	**1,07%**	**1,08%**	**1,11%**	**1,12%**	**1,08%**	**1,07%**	**1,06%**
Margin for unforeseen expenditure	**0,17%**	**0,16%**	**0,13%**	**0,12%**	**0,16%**	**0,17%**	**0,18%**
Own resources ceiling	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**	**1,24%**

(*) The Financial Framework is included for information in relation with the scenario defined at the European Council in Berlin (March 1999).

(**) 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 at 1999 prices for the period 2000-06.

TABLE 3: GNP/GNI - FIGURES AND FORECASTS (EU-15)

	2000	2001	2002	2003	2004
Real growth rate (%)					
-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
GNP 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
GNP at current prices (EUR billion) ESA 79					
-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 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

Comparison between deflator in national currency and deflator in euros	2000	2001	2002	2003	2004
Deflators in national currency (weighted average)	1,5%	2,3%	2,3%	2,0%	1,9%
Deflators in euros	3,0%	1,6%	2,2%	1,8%	1,7%

TABLE 4: CALCULATION OF THE AGRICULTURAL GUIDELINE FOR 2004

€ million

		2004
BASE EXPENDITURE (1995 budget)		**36.394**
ANNUAL GNP GROWTH RATE		
1996	1,7%	
1997	2,7%	
1998	2,9%	
1999	2,8%	
2000	3,5%	
2001	1,2%	
2002	0,9%	
2003	1,9%	
2004	2,6%	
Cumulative growth rate	22,08%	
74% of cumulative growth rate	16,34%	
CORRECTED EXPENDITURE (1995 prices)		**42.340**
GNP DEFLATOR		
1996	3,4%	
1997	2,7%	
1998	1,8%	
1999	2,4%	
2000	3,0%	
2001	1,6%	
2002	2,2%	
2003	1,8%	
2004	1,7%	
Cumulative growth rate	22,57%	
CORRECTED EXPENDITURE (2003 prices)		**51.896**
Plus		
Estimated needs (*) for		
- sugar and isoglucose levy		1000
- food aid refunds		24
- ACP sugar refunds		702
- Subtotal		1726
AGRICULTURAL GUIDELINE		**53.622**

(*) Previsions for the 2003 budget

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

5.1. EUROPEAN DEVELOPMENT FUND (1)

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

	2000		2001		2002		2003		2004		2005		2006		2007	
	D	P	D	P	D	P	D	P	D	P	D	P	D	P	D	P
TOTAL	3757	1548	1920	2068	2000	1850	2300	2350	3275	2700	3350	2925	1625	2475	2250	3125

(1) Commission communication COM (2002) 673 final of 28.11.02.

Amounts entered for 2003 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.

5.2. OWN RESOURCES BY CATEGORY

% of total	2000	2001	2002	2003	2004	2005	2006
Traditional own resources	17	16	14	12	12	12	12
VAT	40	40	28	25	13	13	13
GNP	43	44	58	63	75	75	75

2001 : Budget Implementation, included the retroactive adjustment of 15% TOR in 2002
2002 : (SAB 3/2002 as adopted)
2003 : PDB 2003
2004-2006 : Estimate