

Financial Resources



Finance

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Income and Expenditure

The Agency's overall budget for 2002 (including supplementary and revised 2002 budgets and appropriations carried forward from 2001) for the financing of its programmes and other activities was:

- 5245 MEuro in Contract Authority.
- 3648 MEuro in Payment Appropriations.

Approximately 20.5% of the total was devoted to the Mandatory Activities, 75.3% to the Optional Programmes, and 4.2% to Programmes for, and financed by, third parties. Compared to former years, there was a minor increase in the Mandatory Activities' share within the overall budget, and a corresponding decrease for the Optional Programmes. Programmes financed by third parties remained stable.

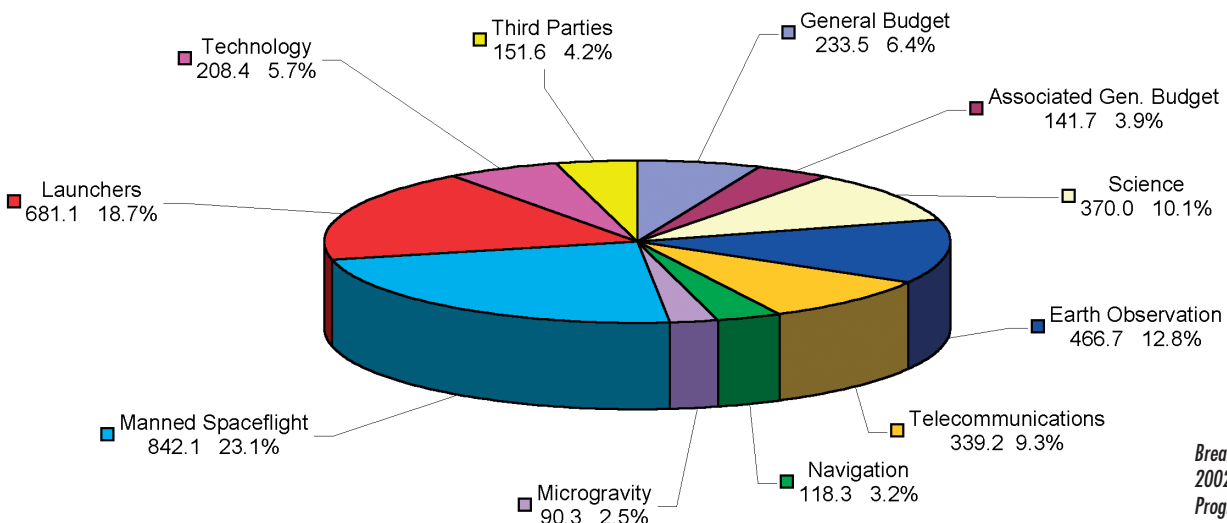
The Science Programme, the Technology Research Programme and the Agency's technical and administrative infrastructure form the core of the Mandatory Activities and enable ESA to fulfil its role as a scientific and technical organisation. The funds for development activities are largely provided by the Agency's so-called 'Optional Programmes', to which Participating States may subscribe voluntarily.

In 2002, about 18.7% of the total budget, e.g. 681.1 MEuro, was allocated to the Launchers Programme. The continuation of development work for Ariane-5 and the new subscriptions to the Small Launcher Programme ensured budgetary stability in this important domain. The financial consequences of the failure of the qualification flight of Ariane-5 Evolution ECA at the end of 2002 will be assessed in 2003.

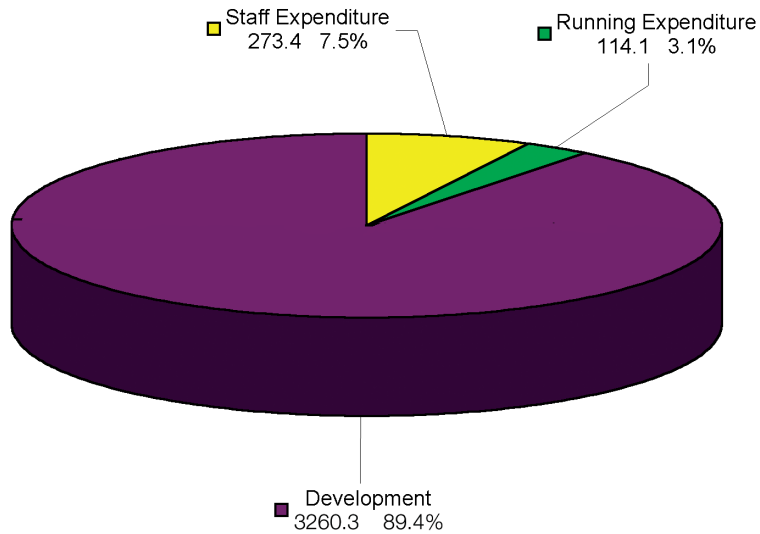
Almost 25.6% of the budget was devoted to the Human Spaceflight and Microgravity Programme, at 932.4 MEuro. This represented an increase of 15% over 2001 and reflected the lifecycle stages of the International Space Station and Microgravity programmes.

The Earth Observation Programme represented 12.8% of the total budget, at 466.7 MEuro. The budgetary decrease compared to 2001 was due to the conclusion of two programmes with the successful launches of the Envisat and Meteosat Second Generation satellites during the year, and the fact that the newly approved Earth Watch programmes were still in their initial development stages.

The Telecommunications Programme achieved a 9.3% share of the Agency's expenditure in 2002, with 339.2 MEuro. This represented a



Breakdown of the Agency's 2002 expenditure by Programme, in MEuro



Breakdown of the Agency's 2002 expenditure by function, in M€uro

34% decrease compared to 2002, due to completion of the development and the launch of the Artemis satellite.

The Navigation Programme represented 3.2% of total expenditure at 118 M€uro, compared with 3.6% in 2001, as it awaited upcoming programmatic decisions.

In 2002 approximately 89.4% of the Agency's budget was returned to Industry in the Member and Cooperating States in the form of research or project-related activities, the running of technical or operational facilities, and the financing of capital expenditure and industrial development. Member States also benefited at national level from the investment multipliers resulting from their industrial companies' commercial relationship with the Agency.

Enhancing Efficiency

Throughout 2002 the Director General vigorously continued efforts to further implement efficiency-oriented management plans applicable to expenditure profiles and available financial resources in order to provide Member States with greater value for money. This was achieved whilst fully preserving R&D and programme operations with 1917 permanent and advanced-recruitment staff.

Provisional budgetary figures indicate that staff costs in 2002 amounted to 7.5% of the Agency's overall budgeted expenditure, and that running costs represented 3.1%. The

definitive figures will be published in the 2002 Annual Accounts, but the fact that internal costs remained stable around the 10% benchmark reflect the Agency's clear commitment to the efficient use of public funds.

There were several reforms pertaining to the Agency's financial system during the year. In November 2001, Council had adopted a new set of Financial Regulations and invited the Director General to pursue reforms leading to closer alignment of internal procedures with European best practice. In this context, in December 2002 Council adopted a three-year budgetary system that will provide a better medium-term planning base, greater consistency with long-term planning figures and increased transparency of budgetary data. This management tool will also cater for a better matching of programme needs with Member States' annual contributions, whilst still respecting the principles of efficient conduct of programmes and no transfer of funds between States.

The Budgetary Management System, designed to optimise the deployment of budgetary credits and Member States' funding, was applied to almost 60% of expenditure (1.5 BEuro) on Optional Programmes in 2002. The resulting flexibility introduced with this management tool enabled improved allocation of budgetary resources between the Optional Programmes and more efficient utilisation of the related contributions by the Participating States.

Contributions to Mandatory Activities (%)	
AUSTRIA	2.48
BELGIUM	3.27
DENMARK	1.90
FINLAND	1.34
FRANCE	17.05
GERMANY	25.00
IRELAND	0.72
ITALY	13.46
NETHERLANDS	4.65
NORWAY	1.67
PORTUGAL	1.31
SPAIN	6.85
SWEDEN	2.65
SWITZERLAND	3.68
UNITED KINGDOM	13.97
Total Member States	100.00
CANADA	3.01
CZECH REPUBLIC	-
HUNGARY	-
LUXEMBURG	-
GREECE	-
Total Cooperating States *	3.01
TOTAL ESA	-

Contributions to Optional Programmes (%)	
AUSTRIA	0.72
BELGIUM	7.71
DENMARK	0.91
FINLAND	0.43
FRANCE	31.05
GERMANY	25.68
IRELAND	0.28
ITALY	15.11
NETHERLANDS	2.21
NORWAY	0.81
PORTUGAL	0.13
SPAIN	3.84
SWEDEN	2.09
SWITZERLAND	2.32
UNITED KINGDOM	4.62
Total Member States	98.91
CANADA	0.81
CZECH REPUBLIC	0.01
HUNGARY	0.05
LUXEMBURG	0.15
GREECE	0.07
Total Cooperating States*	1.09
TOTAL ESA	100.0

* Participating non-Member States linked to ESA by a Co-operation Agreement

ESA Financial and Invoicing System (EFIS)

The phased implementation of EFIS progressed as planned, with completion foreseen for 2003. This now-operational integrated information system combines project-management and tele-invoicing system features that provide a European solution for the overall management of ESA's space projects. It is accessible by Industry, including SMEs, using Internet as the communication tool.

Calculation of the Contribution Scale for Mandatory Activities

The ESA Convention dictates that the Agency's Mandatory Programme be financed using a contribution scale based on the national incomes of Member States for the last

three years for which statistics are available. In June 1999, the ESA Council adopted a new scale for the period 2000-2002, calculated on the basis of the revised method decided at the March 1997 Ministerial Council. The calculations are based on national-income statistics expressed in national currencies and converted into Euros using average annual conversion rates. An equal weighting is applied to all three years of the statistical reference period (1995-1997). This scale was reviewed by Council in March 2000 to take into account Portugal's accession to ESA. The resulting total contributions from Member and Cooperating States for the three-year period 2000-2002 for the Agency's Mandatory Activities and for 2002 for the Optional Programmes are shown in the accompanying tables.