EUROPEAN UNION

FINANCIAL REPORT
1999

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FOREWORD

Negotiations on Agenda 2000, for which the Commission had made a whole series of legislative and financial proposals since 1997, were completed in 1999. The scope of these negotiations was wide-ranging and complex, since new guidelines had to be formulated for two Community policies — the common agricultural policy and the cohesion policy — which dominate the budget. These had to be reconciled with the impact of the future enlargement of the Union and the demands of budget discipline within a medium-term perspective, stretching to 2006, while also addressing the problem of dividing costs between the Member States.

The agreement reached at the Berlin European Council in March marked a new stage in the reform of the common agricultural policy, which started in 1992 with the aim of avoiding fresh surpluses, which would be increasingly difficult to dispose of, and of embarking on the next series of WTO negotiations in ideal conditions. Another objective of the reform is to accompany market organisation measures with a stronger and more uniform set of measures to boost rural development.

The reform of structural operations draws on the results of the cohesion policy which was introduced in 1988 and for which the allocations have increased considerably over the last 10 years. The new guidelines agreed aim to concentrate aid by reducing the proportion of the population eligible and the number of objectives to be assisted and to simplify the management rules.

Most of the countries covered by future enlargements of the European Union will still lag far behind the current Community average in terms of economic structures and levels of income. It has therefore been decided to introduce pre-accession aid for applicant countries to support the adjustment programmes they will have to implement, to take over the body of Community law.

On this basis the Council, the European Parliament and the Commission reached agreement on a new financial framework for 2000–06. The ceiling fixed for the increase in total expenditure is substantially lower than the own resources ceiling of 1.27 % of the European Union's GNP. Some of the margin still available has been earmarked to cover any enlargement-related costs which arise during this period. While the current own resources ceiling has thus been retained, changes have been made to the system for financing the budget to ensure a more balanced division of costs between the Member States.

The 1999 budget — which this report covers — was the last under the financial perspective adopted at the Edinburgh European Council for 1993 onwards. The debate leading up to its adoption was therefore also influenced by the discussions on preparations for the next programming period.

Compared with the previous year, commitment appropriations increased by 6.91 % and payment appropriations by 2.43 %, reaching a level of 1.10 % of GNP which left a comfortable margin under the own resources ceiling of 1.27 %. This increase was largely accounted for by the increase in allocations for structural operations in accordance with the timetable laid down and following the transfer of appropriations not used in previous years.

The increase was far more modest in the other headings, with priority being given to trans-European networks and research under the internal policies heading and, as regards external action, to strengthening the Phare programme in anticipation of an expansion of the pre-accession strategy.

In 1999 a number of supplementary and amending budgets (five) had been necessary for financing the needs coming up during the year. The amending budgets were mainly intended to finance the start of aid for the reconstruction of Kosovo after the Balkans crisis and new administrative expenditure (e.g. the appointment of a High Representative for the Common Foreign and Security Policy in the Council and the establishment of a European Anti-Fraud Office independent of the Commission).

Finally, the budgetary year 1999 ended with a surplus of EUR 3.2 million, which led to less finances needed for the European budget in the year 2000 than was foreseen at the Berlin Summit — so, good news for the ministers of finance and the taxpayers of the Union.

Michaele SCHREYER
Member of the Commission
with responsibility for budgetary affairs

CONTENTS

The basic budget principles

The budget of the European Union is governed by six basic principles.

Unity

This principle, enshrined in Article 199 of the Treaty, requires that all EU expenditure and revenue must be incorporated in a single budget document.

In the early years of the Community, the autonomy of the institutions set up under the ECSC, EEC and Euratom Treaties resulted in up to five separate budgets being produced to cover any one year. After the Luxembourg Treaty of 22 April 1970, documents covering the majority of the Community's financial activities were gradually merged so that, now, there are only two: the general budget and the ECSC operating budget.

However, there are still two categories of financial operation outside this structure: the European Development Fund (EDF) and borrowing and lending activities.

The EDF was set up by the EEC Treaty with a view to increasing trade with associated developing countries and assisting them in carrying out economic and social development projects. The resources of the EDF are provided by contributions from the Member States. For what are essentially political reasons, the Member States wish to retain their direct influence over certain development aid operations by maintaining an independent financial regime and management procedures which are not subject to the ordinary rules.

The EEC Treaty made no express provision for borrowing and lending operations. However, as the achievement of the Community's objectives made it necessary to lay down rules for operations on the capital market, borrowing and lending activities were finally authorised in 1975, on the basis of Article 235 of the EEC Treaty. Most borrowing and lending operations (with the exception of ECSC operations) are included in the balance sheet of the European Communities.

The two annexes to this report contain a summary of the budgetary and financial operations of the ECSC (operating budget and borrowing and lending operations) and the EDF.

Universality

This principle comprises two rules: the rule of non-assignment, meaning that budget revenue must not be earmarked for specific items of expenditure, and the gross budget rule, meaning that revenue and expenditure are entered in full in the budget without any adjustment against each other.

Annuality

The budget for the year is cast at two levels: a commitment budget and a payment budget.

Commitment appropriations cover new commitments for the year, whereas payment appropriations must cover the amounts payable against both new and existing commitments.

Annuality means that a budget is adopted for a single year and that the appropriations it contains, both for commitments and payments, must be used during that year.

The principle does not rule out the possibility that certain commitments may last for more than one year. Clearly, in sectors such as the Structural Funds, research and external cooperation, the EU needs to enter into some commitments which exceed the period of one year. In these sectors, a mechanism known as 'differentiated appropriations' allows for a separate annual vote of commitments and payments.

Under certain clearly defined conditions, some unused appropriations may be carried over to the following year.

Equilibrium

Estimated revenue for the year must equal payment appropriations for that year. There is no Community legal instrument authorising borrowing to cover a budget deficit. Any surplus for the year is carried forward to the following year. A modest operating deficit can also be carried forward. On the other hand, a significant departure from the original budget during the year requires the adoption of a supplementary or amending budget.

Specification

This principle requires that each appropriation be assigned to a specific purpose and a specific objective. It is intended to prevent any blurring of the lines between two appropriations when they are authorised and used. This ensures that the budget is drawn up with the requisite transparency and implemented in compliance with the will of the legislative authority.

The principle of specification determines the horizontal structure (distinction between the statement of revenue and the statement of expenditure, and subdivision of the statement of expenditure into six individual sections for each of the institutions) and the vertical structure of the budget (the budget nomenclature distinguishes appropriations according to their nature and purpose by subdividing sections — and in particular Section III, which contains all EU expenditure on operations — into titles, chapters, articles and items).

A certain flexibility in the application of the rule of specification is achieved by means of transfers of appropriations, which, subject to certain conditions, allow appropriations to be moved to headings other than those to which they were assigned when the budget was established. The Treaty itself makes provision for transfers, the object being to ensure the best possible utilisation of budget appropriations.

Use of the euro

On 1 January 1999 the euro became the single currency of 11 Member States. The changeover took place smoothly and the new currency rapidly became established on the financial markets. As of the first few months, euro-denominated issues thus accounted for a share of international issues comparable with that of dollar-denominated issues. The coordination of economic policies assumed new importance in this context. The broad economic policy guidelines for 1999 thus included detailed recommendations for each Member State, making them more specific and more operational. Alongside the guidelines and the European Employment Pact, the stability and convergence programmes introduced by the Stability and Growth Pact were also important factors in this coordination process. In 1999, special attention was also paid to structural reforms intended to improve the functioning of the markets in goods, services and capital.

The economic situation in the European Union in 1999

The year 1999 saw a marked upturn in economic growth in the EU, increasing from an annualised rate of 2 % in the first half of the year to 4 % in the second half. The first half of 1999 was marked by the effects of the crisis in the emerging economies, which depressed the European Union's external trade. Business confidence suffered, with industrial production marking time in the first six months of the year. During the same period private consumption remained strong, offsetting this pause in activity. In the second half of the year economic activity picked up considerably, thanks to continued buoyant domestic demand and a recovery in external demand linked to the upturn in world growth, particularly in Asia. Data available for the second half of 1999 show that the impact of the depression from Asia was not so strong or lasting as had originally been feared.

Overall, gross domestic product (GDP) in the European Union rose by 2.2 % in 1999.

Monetary conditions in the euro area were important in underpinning final demand.

The most remarkable factor was the almost continuous depreciation of the euro, launched in January 1999, against the US dollar. While this depreciation caused a slight rise in inflation, it also helped to revive European exports at a time when foreign trade was showing signs of weakness. Three-month interest rates were mainly influenced by the first two, symmetrical decisions taken by the European Central Bank: the first in April 1999 to lower its key interest rate to 2.5 %; the second in November 1999 to raise it to 3 %. The 10-year rates increased almost constantly throughout the year, ending at around 5.3 % (10-year rate on German government bonds).

Although there has been a gradual increase, inflation overall has remained subdued in the EU, standing at 1.3 % in 1999. Two factors lie behind the rise in inflation during the year: the doubling of the price of oil per barrel and the depreciation of the euro against the US dollar, which pushed up the price of imported goods. However, salaries and labour costs in general rose moderately.

The downward trend in unemployment observed over the last few years did not suffer unduly from the slow growth at the start of the year. There may be several explanations for this: buoyant job creation over the last few years, the fact that the external shock mainly affected the manufacturing sector, which now employs less than 20 % of the working population, and, lastly, the fact that the slowdown was perceived from the outset as temporary, which limited the number of redundancies. Average unemployment in the EU as a percentage of the labour force thus fell from 9.9 % in 1998 to 9.2 % in 1999.

Public accounts deficits continued to fall in 1999 as net borrowing by general government fell from 1.5 % of GDP in 1998 to 0.7 % in 1999. This drive towards fiscal consolidation, aimed at a rapid return to a situation of balance or slight surplus, is expected to continue in 2000 and 2001. Similarly, the ratio of gross national debt to GDP, which peaked in 1996 at 71.4 %, has since steadily fallen to 67.6 % in 1999.

This trend should gather momentum in the next few years.

Financial perspective 1993–99

The 1999 budget procedure came within the framework of the financial perspective attached to the interinstitutional agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure, as adjusted in December 1994 following the enlargement of the Community to include Austria, Finland and Sweden.

In February 1998, acting under paragraph 9 of the interinstitutional agreement, the Commission made the technical adjustment to the financial perspective in line with movements in gross national product and prices on the basis of the most recent macroeconomic forecasts available. The data for these forecasts concerned the 12-member Community from 1992 to 1995 and the 15-member Community from 1995 to 1999. For 1999, the ceiling for appropriations for commitments was set at EUR 101 867 million and the ceiling for appropriations for payments at EUR 96 380 million, leaving a margin of 0.035 % of GNP beneath the own resources ceiling, set at 1.27 % of GNP by the Council decision of 31 October 1994 on the system of own resources.

In accordance with paragraph 10 of the interinstitutional agreement, in February 1998 the Commission sent to Parliament and the Council a proposal for the adjustment of the financial perspective to take account of the conditions of implementation, with the objective of transferring to 1999 the allocations for structural operations which were not used in 1997. In order to support the efforts for budget stringency in 1999, the Commission did not match this with an increase in the overall ceiling for payment appropriations.

Parliament and the Council reached agreement on this proposal. The ceiling for the 'Structural Funds' subheading was raised by EUR 1 433 million, matching commitments not used or decommitted in 1997. The ceiling for the 'Cohesion Fund' subheading was raised by EUR 101 million in 1999, equal to decommitted appropriations for 1997. However, the overall ceiling for payment appropriations was also raised by EUR 300 million in 1999.

Following these operations and with the definitive agricultural guideline as set in the preliminary draft budget, the ceiling on appropriations for commitments for 1999 was EUR 103 401 million and the ceiling on appropriations for payments EUR 96 680 million.

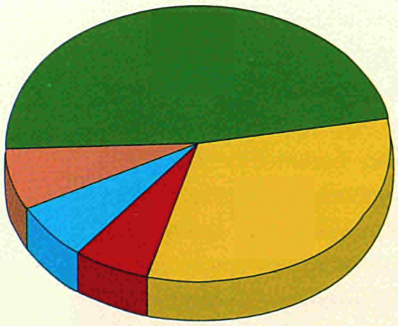
The margin available beneath the own resources ceiling remained at around 0.03 % of GNP in 1999.

FIGURE 1

Financial perspective, 1993–99 — Enlarged Community

(million EUR)

1999 (1999 prices)



Appropriations for commitments

45 188
39 025
6 386
6 870
5 915
103 384

	Initial appropriations 1999	Appropriations ([1]) 1999	Commitments 1999
EAGGF Guarantee Section	40 440	40 038	39 541
Structural operations (EAGGF Guidance, ERDF, ESF, etc.)	39 025	39 025	36 675
Internal policies (research, education and training, fisheries and the sea, energy, industry, trans-European networks, etc.)	5 862	5 762	5 660
External action (food aid, cooperation, etc.)	5 908	6 145	6 112
Miscellaneous (administrative expenditure, reserves, guarantees, compensation)	5 694	5 696	4 539
	96 929	96 666	92 527

([1]) Initial budget + SAB + transfers.

Budget for the 1999 financial year

Following the second reading in Parliament, the President of Parliament declared the 1999 budget adopted on 17 December 1998.

This was the first budget to be expressed in euro. It totalled EUR 96 929 million in commitment appropriations and EUR 89 556 million in payment appropriations, up by 6.91 % on the 1998 budget in commitment appropriations and by 2.43 % in payment appropriations. Substantial margins were left beneath the financial perspective ceilings, as was the case in 1998: EUR 6 455 million in commitment appropriations and EUR 10 605 million in payment appropriations. The total payment appropriations represent 1.11 % of GNP (compared with the 1998 figure of 1.14 % and the own resources ceiling of 1.27 % of GNP).

Once again, this was a budget which testified to the rigorous approach of the two arms of the budgetary authority. But it was also the last budget to be covered by the Edinburgh financial perspective, marking the end of the Delors II package and the transition to Agenda 2000.

The appropriations for agricultural expenditure totalled EUR 40 440 million, the amount proposed by the Commission in its preliminary draft, but with requirements updated as shown in the letter of amendment presented after Parliament's first reading: increases of EUR 513 million were offset by an equivalent volume of targeted reductions (affecting arable crops). It was also decided to enter an item for food aid to Russia, to place in reserve EUR 20 million for agri-environmental measures in return for an equivalent reduction in Item B1-1014 (Depreciation of stocks), and to place in reserve a total of EUR 80 million for Items B1-1501 (Compensation for withdrawals and buying in), B1-1502 (Operational fund for producer organisations) and B1-2002 (Refunds on cheese). The margin in relation to the guideline was EUR 4 748 million.

Planned expenditure on structural operations came to EUR 39 025 million for commitments and EUR 30 950 million for payments, a cut of EUR 500 million in relation to the preliminary draft. The allocations for the Structural Funds totalled EUR 35 902 million in commitment appropriations, corresponding to the amounts agreed at Edinburgh as adjusted for enlargement. The PEACE initiative for Northern Ireland was allocated EUR 100 million by means of redeployment of appropriations from Community initiatives on the basis of out-turn figures which, as well as covering the financing of PEACE, allowed additional funds to be made available for Rechar II (around EUR 28 million), Resider II (EUR 25 million), to make up for the fact that the Council refused Parliament's proposal that EUR 60 million be taken from the ECSC, and REGIS I (EUR 20 million).

Total appropriations for internal policies were EUR 5 861 million for commitments, an increase of 1.68 % on the 1998 budget and EUR 5 021 million for payments (an increase of 1.53 %). The margin left beneath the ceiling for this heading was EUR 524 million in commitment appropriations.

The appropriations allocated to research stood at EUR 3 450 million, reflecting the political agreement on the amounts for the fifth framework programme reached at the conciliation meeting on 17 November. The trans-European networks were the other major item under the heading with EUR 585 million (up by 4.5 % on 1998).

Among the other policies, in particular the major multiannual programmes, the appropriations for Socrates, Youth for Europe and Raphael exceeded the privileged amounts. In culture and education, the main feature was the creation of a new initiative, Connect, with EUR 15 million for commitments and EUR 8 million for payments; its purpose to strengthen the integration of cultural programmes with an eye to a new 'Europe of knowledge' plan and to finance pilot projects for linking innovations in this area. The 1999 budget also allowed the Ariane and Kaleidoscope programmes to continue.

Application of the recent agreement on legal bases resulted in token entries (p.m.) being made for many items with no legal basis, although in some cases appropriations were placed in reserve.

The allocation for external action totalled EUR 5 907 million, up 3.27 % on the 1997 budget, leaving EUR 962 million under the ceiling for the heading. The total for payments was EUR 3 952 million, a very significant 9.13 % cut in relation to the 1998 budget.

The top priority for 1999 was to focus on cooperation with the countries of central and eastern Europe under the new guidelines for the pre-accession strategy. The PHARE programme also had its allocation increased by over 28 % in commitment appropriations in relation to the 1998 budget, subject to large-scale redeployment within the overall allocation. By contrast, the Commission's proposals for cooperation with Mediterranean non-member countries and with the new independent States and Mongolia were not accepted (the amounts proposed in the preliminary draft were cut by EUR 49 million and EUR 10 million respectively). The appropriations usually entered in reserve for financial cooperation with Turkey were deleted. The allocations for food aid and humanitarian assistance were to allow the Community to continue providing relief in much the same way as in 1998.

But there were also some drastic cuts in the 1999 budget in comparison with the 1998 budget in terms of payment appropriations: they amounted to 12 % for cooperation with Mediterranean non-member countries, 21 % for cooperation with the countries of central and eastern Europe, 19 % for cooperation with the new independent States and Mongolia, 12 % for cooperation with former Yugoslavia and 21 % for the external aspects of certain Community policies.

The appropriations for administrative expenditure totalled EUR 4 503 million, 0.04 % down on the 1998 budget. Of this total, EUR 1 580 million was for the other institutions (down by 4.9 %) and EUR 2 426 million for the Commission (excluding pensions), an increase of 2.04 %, the pensions for all the institutions rising by 6.6 %.

There was an unprecedented number of supplementary and amending budgets in 1999. Preliminary draft supplementary and amending budget No 1/99, adopted by the Commission on 25 June, comprised the entry in the budget of the difference between the 1998 balance and the previous year's forecast, an update of the forecasts of customs duties, VAT bases and GNP bases for the 1999 financial year and the choice of the exchange rate at 31 December 1998 for the conversion into euro of amounts expressed in national currencies, and changes to the UK correction — the final figure for 1995 and an update for 1998. This draft was established by the Council on 28 June and approved unchanged by Parliament on 16 September.

Supplementary and amending budget No 2/99 was requested by the Council to increase its administrative resources in order to cover its requirements resulting from the appointment of the Secretary-General/High Representative for the CFSP. The preliminary draft was submitted by the Commission on 3 June and the draft was established by the Council on 21 June. Parliament noted on 23 July that no amendment had been tabled to the draft and considered the supplementary and amending budget approved.

A request for supplementary and amending budget No 3/99 from the Court of Justice and the Committee of the Regions was presented by the Commission on 15 June, established by the Council on 16 July and adopted by Parliament on 16 September. The purpose of this request was to increase the Court of Justice's appropriations by EUR 1.675 million and to create the post of financial controller and the post of accounting officer in the Committee of the Regions in anticipation of a separate budget from 2000 with the entry into force of the Amsterdam Treaty. Apart from changing the establishment plan, this increased appropriations by around EUR 100 000.

The main purposes of supplementary and amending budget No 4/99 were to give the Community budget the resources to start reconstruction in Kosovo (by covering the operating costs of the European Agency for Reconstruction with an allocation of EUR 92 million for commitments and EUR 30 million for payments), to give the Anti-Fraud Office its administrative autonomy by allocating it 15 posts for the time being, to respond to the earthquake in Turkey and to provide a substantial increase (of EUR 200 million) in payment appropriations for the major programmes in Heading 4 (External action). These increases were financed by the entry in the budget of some of the unused EAGGF Guarantee appropriations.

The procedure for adopting this supplementary and amending budget was the fastest in the European Union's budget history: the Commission presented the preliminary draft budget on 9 September, the Council established the draft on 13 September and the budget was adopted unchanged by Parliament on 16 September. This single reading was the outcome of a rapid conciliation procedure between the three institutions, with a trialogue meeting on 7 September.

The Commission presented preliminary draft supplementary and amending budget No 5/99 on 20 October, the Council established the draft on 15 November and Parliament adopted it on 18 November. This supplementary and amending budget followed on from supplementary and amending budget No 4/99 as regards the payment appropriations for both Heading 4 and OLAF. As total requirements of around EUR 675 million had been identified for Heading 4, including the reconstruction of Kosovo, the Commission proposed that the financing should be divided between supplementary and amending budget No 4/99 (EUR 200 million), an omnibus transfer of EUR 273 million and supplementary and amending budget No 5/99 (a further EUR 202 million to be taken from unused EAGGF Guarantee appropriations). Parliament preferred a breakdown which avoided the transfers from Heading 3 proposed in the omnibus transfer, and the supplementary and amending budget No 5/99 as finally adopted increased the payment appropriations for Heading 4 by EUR 225 million, with the omnibus transfer providing only EUR 245 million. For OLAF, this supplementary and amending budget allowed an increase in the secretariat for the Supervisory Committee and the creation of a nucleus of a legal monitoring team by providing 15 posts in addition to those granted by supplementary and amending budget No 4/99, thus bringing the increase in staff for the new Office in 1999 from 15 to 30.

TABLE 1

Implementation of the budget in 1999

Revenue

(million EUR)

Revenue forecast in the 1999 budget	85 834.5
Actual revenue in 1999	84 529.7

Expenditure

	Differentiated appropriations (multiannual operations)		Non-differentiated appropriations (administrative expenditure and annual operations)		Total	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Available appropriations:						
— entered in 1999 budget	51 350.9	40 256.0	45 390.1	45 390.1	96 741.0	85 646.1
— other	392.1	323.6			392.1	323.6
— carried over from 1998:	127.0	422.4	572.0	991.8	699.0	1 414.2
• automatic carryovers				(419.8)	(572.0)	(572.0)
• other carryovers	(127.0)	(422.4)	(572.0)	(572.0)	(127.0)	(842.2)
Total available,	51 870.0	41 002.0	45 962.1	46 381.9	97 832.1	87 383.9
of which:						
— appropriations used in 1999:	48 874.4	35 725.3	44 746.4	44 584.2	93 620.8	80 309.6
• entered in 1999 budget	(48 520.8)	(35 394.0)	(44 260.4)	(43 741.1)	(92 781.2)	(79 135.1)
• other	(240.1)	(119.4)			(240.1)	(119.4)
• carried over from 1998	(113.5)	(212.0)	(486.0)	(843.2)	(599.5)	(1 055.1)
— appropriations carried over to 2000:	2 595.7	4 442.8	59.5	576.4	2 655.2	5 019.2
• automatic carryovers				(516.9)		(516.9)
• other carryovers	(2 595.7)	(4 442.8)	(59.5)	(59.5)	(2 655.2)	(4 502.3)
— appropriations lapsing	399.9	833.9	1 156.2	1 221.3	1 556.2	2 055.2
Utilisation rate	94 %	87 %	97 %	96 %	96 %	92 %
Commitments outstanding at 1 January 1999 of which:	58 859.7		419.8		59 279.5	
— cancelled:	1 077.3		56.5		1 133.8	
• corresponding appropriations made available again in 2000	(9.6)				(9.6)	
• other	(1 067.7)		(56.5)		(1 124.2)	
— paid	24 213.2		357.1		24 570.4	
— outstanding at 31 December 1999	33 569.1		(.0)		33 569.1	
Commitments made in 1999	48 874.4		44 746.4		93 620.8	
of which:						
— paid	11 512.0		44 227.1		55 739.1	
— cancellation of commitments not used						
— outstanding at 31 December 1999	37 362.4		519.3		37 881.6	
Total commitments outstanding at 31 December1999	70 931.5		525.4		71 456.9	

REVENUE

The budget of the European Union is financed from a number of sources.

The breakdown for the 1999 total of EUR 86 900 million is shown in Figure 2.

Traditional own resources

The EU's traditional own resources are made up of customs duties, agricultural duties and sugar levies. They are established by the Member States, which keep 10 % to cover collection costs.

Customs duties are levied on trade with non-member countries, at rates based on the Common Customs Tariff. These rates are often subject to reductions as a result of negotiation rounds under the General Agreement on Tariffs and Trade (GATT) and specific agreements granting preferential tariffs to certain trading partners or products. The amount of customs duties collected was 3.7 % down on the previous year. Even though the value of imports rose in 1999 (+ 4.9 %), the fall in the weighted average tariff from 2.11 % to 1.93 % more than offset this.

Agricultural duties are charged when a Member State imports agricultural products from a non-member country. In 1999 the yield was up 7.7 % on the previous year.

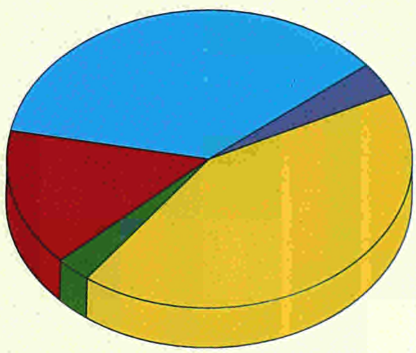
Producers of sugar, isoglucose and insulin syrup pay levies on production to cover market-support arrangements and to finance a system for the equalisation of sugar-storage costs, thus ensuring that sugar supplies reach the market steadily throughout the year. These levies offset expenditure of virtually the same amount. In 1999 revenue from this source was up by 12.5 %.

VAT own resources

The VAT own resources are calculated by applying a uniform rate to the national VAT bases, which are determined in accordance with Community rules. In accordance with the June 1988 reform and the recently ratified decision on the Communities' own-resources system, the uniform rate is determined by applying a percentage, set at 1.00 % for 1999, to the VAT base and deducting the compensation for the United Kingdom.

The base used must not exceed the percentage of the Member State's GNP laid down in the own resources decision. For 1999 this limit was 50 %. This year, seven Member States (Greece, Spain, Ireland, Luxembourg, the Netherlands, Portugal and the United Kingdom) benefited from this limit.

FIGURE 2
Community revenue, 1999



VAT own resources	36.1 %	
Customs duties	15.0 %	
Agricultural duties and sugar levies	2.8 %	
GNP-based resources	42.6 %	
Other (including surpluses available)	3.6 %	

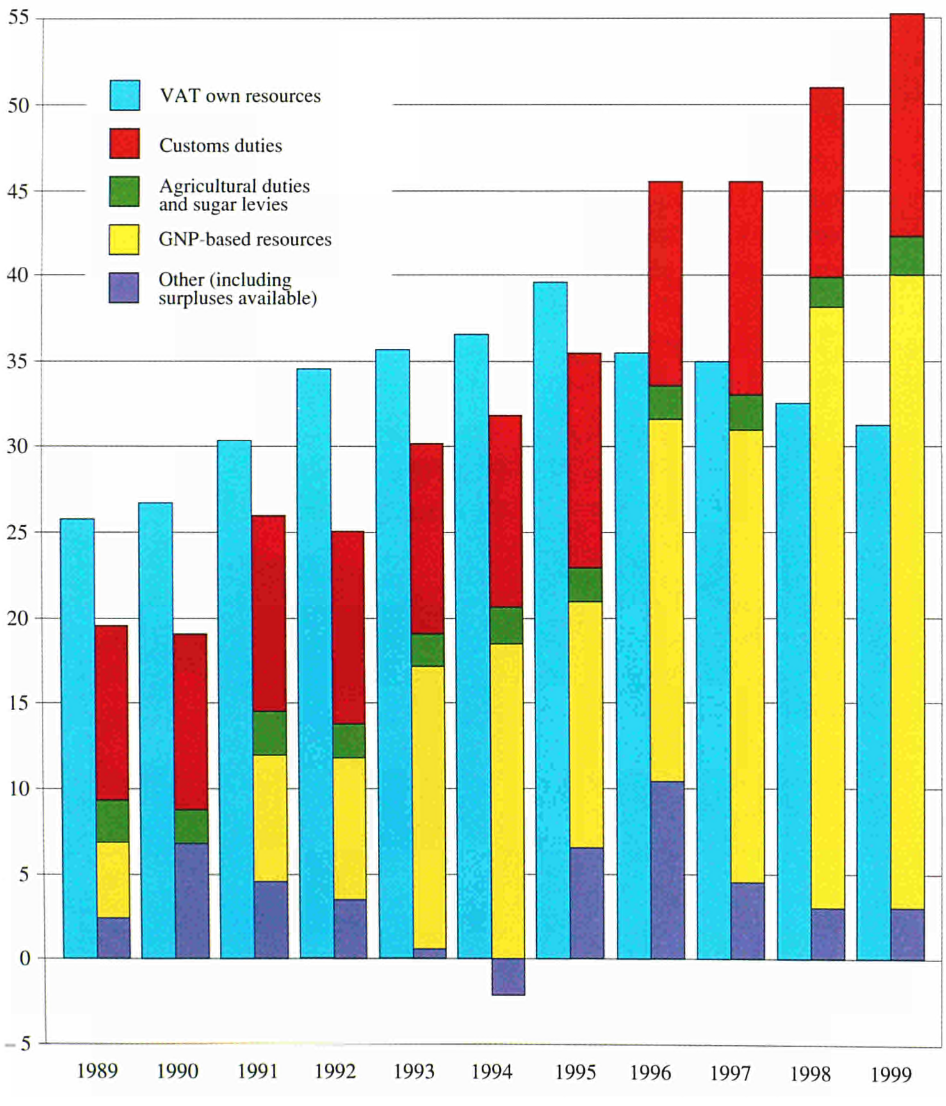
Payments for a given year derive from the forecasts for that year and the negative or positive adjustments for previous years established using the final statements of the bases.

In 1999, the VAT resource amounted to EUR 31 213 million.

This year, negative adjustments for previous years totalling EUR 49.3 million were made, the budget forecasts having over-estimated economic growth.

FIGURE 3
Revenue, 1989–99

(1 000 million EUR)



GNP-based own resources

A new source of revenue based on a proportion of each Member State's GNP was first introduced in 1988 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. The rate is fixed during the budgetary procedure and depends on the total of other revenue; the rate is applied to the aggregate GNP of all the Member States, determined in accordance with Community rules.

This year this additional resource was called in, with each Member State paying 0.4752 % of its GNP (not including the EAGGF monetary reserve, the loan guarantee reserve and the emergency aid reserve). In addition, four Member States had to finance their share of the compensation for the United Kingdom by making a payment based on GNP as their VAT payments had reached the maximum rate, i.e. 1.0 % of their base.

In 1999, the GNP resource amounted to EUR 36 705.4 million (not including reserves).

Net positive adjustments totalling EUR 500.3 million were made for 1988–98.

FIGURE 4
Total revenue, 1989–99

(1 000 million EUR)

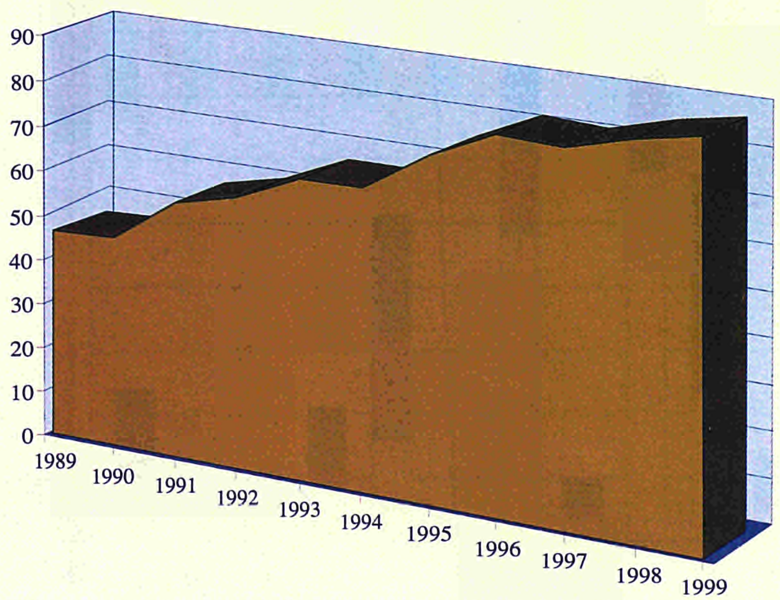
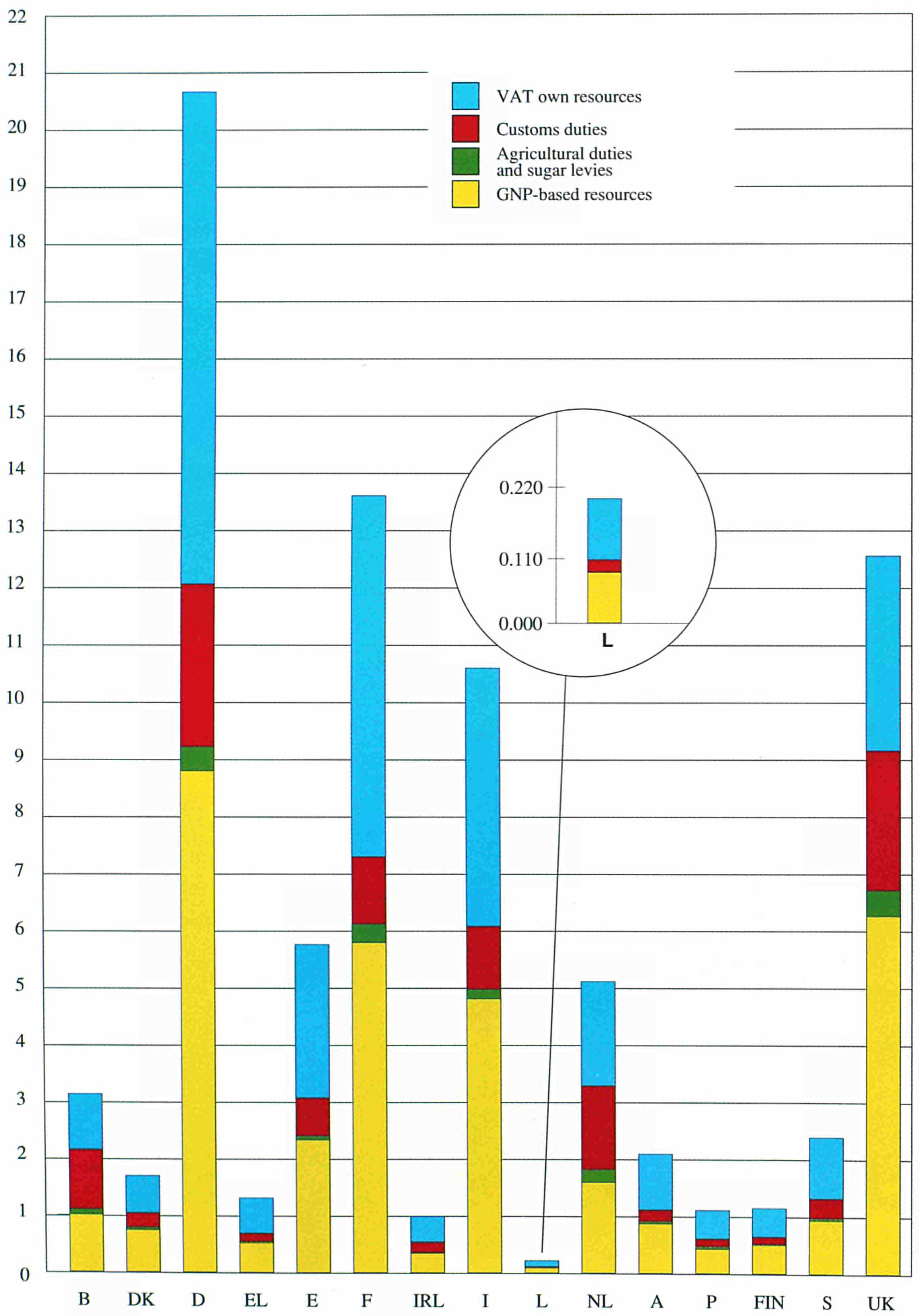


FIGURE 5
Own resources by Member State, 1999

(1 000 million EUR)



United Kingdom compensation

The United Kingdom compensation was introduced to correct the difference between the United Kingdom's share of payments to the Community budget and the share of Community expenditure in the United Kingdom. The cost of the correction is borne by the other Member States according to their share in GNP, although Germany only contributes two thirds of its normal share.

The provisional amount of the United Kingdom compensation for 1999 was EUR 3 636 million.

Other revenue

The general budget is also financed by miscellaneous revenue, including tax and other deductions from staff remuneration, bank interest, contributions from non-member countries to research programmes, repayments of unused aid and interest on late payments. Together, these sources generated revenue amounting to EUR 1 350 million.

The revenue for 1999 also includes the EUR 2 944 million surplus from 1998.

Heading 1 — Agricultural market guarantees

Objectives and means

Article 38 of the EEC Treaty provided that the common market should extend to agriculture and trade in agricultural products, and that the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States. Article 39 set the following objectives for the common agricultural policy:

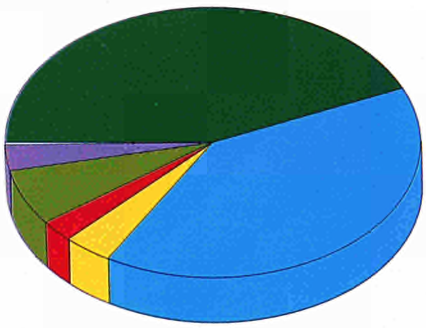
- ☐ to increase agricultural productivity;
- ☐ to ensure a fair standard of living for the agricultural community;
- ☐ to stabilise markets;
- ☐ to assure the availability of supplies;
- ☐ to ensure that supplies reach consumers at reasonable prices.

Although these objectives have largely been met, certain permanent adjustments have had to be made, the most recent of which was the reform of the common agricultural policy adopted by the Council in May 1992. The reform is based on more competitive prices and direct aid to the farmers in greatest need. Its aim is to reduce surpluses, stem the tide of rural depopulation and preserve the environment by discouraging intensive production.

In pursuit of the above objectives, the common market in agricultural produce was based on three principles: the single market, Community preference and financial solidarity. The third of these principles is fundamental to the policy, and in April 1962 the Member States accordingly decided to set up a Community fund — the European Agricultural Guidance and Guarantee Fund (EAGGF) — which is part of the EU budget. It is subject to the general budgetary rules, with the addition of specific provisions.

The Fund was divided into two sections in 1964: the Guarantee Section covers expenditure on markets and prices and the Guidance Section covers expenditure on farm structures.

FIGURE 6
Community expenditure, 1999



Common agricultural policy	43.4 %
Structural operations	40.1 %
Research and technological development	3.8 %
Internal policies other than research	2.6 %
External action	6.7 %
Administration	3.1 %
Other (guarantee, reserves, etc.)	0.3 %

Constraints

In June 1988, when own resources had run out as a result of ever increasing agricultural expenditure triggered by imbalances on certain markets, the European Council agreed on principles of budgetary discipline in order to establish a better balance between the various categories of expenditure and keep their growth under control. These principles were reaffirmed by the Edinburgh European Council in December 1992.

To bring agricultural expenditure under control, the European Council adopted the principle of a guideline. Within this guideline the EAGGF Guarantee Section has to finance:

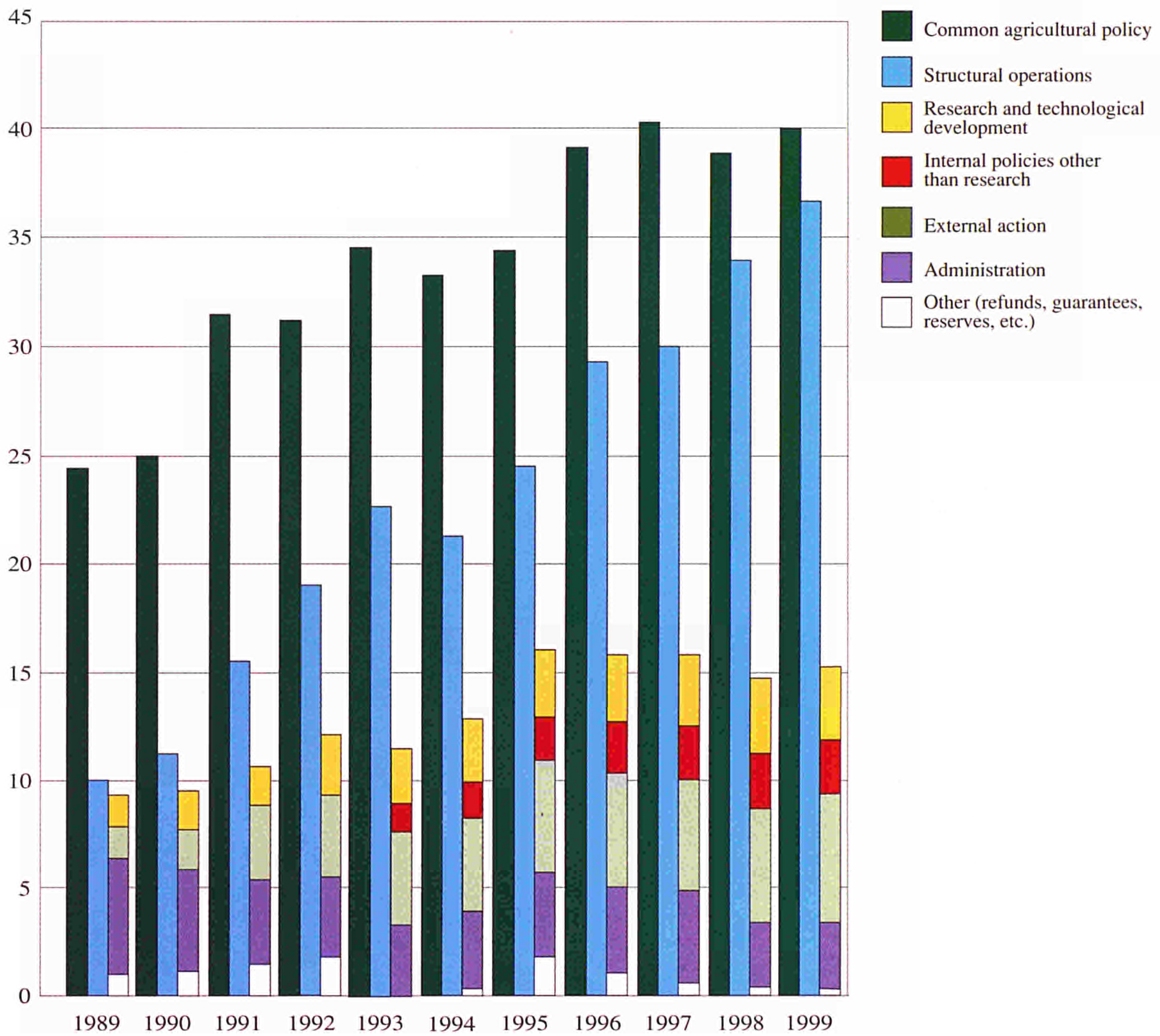
- ☐ export refunds;
- ☐ market intervention operations, including depreciation of new stocks;
- ☐ market-related rural development operations and measures to combat fraud.

However, in line with the conclusions of the Edinburgh European Council, the guideline was extended with effect from 1993 to cover:

- ☐ new flanking measures to accompany the reform of the common agricultural policy (early retirement, environment, afforestation);
- ☐ all set-aside expenditure, which had been shared equally between the EAGGF Guid-

FIGURE 7
Expenditure, 1989–99

(1 000 million EUR)



ance Section and Guarantee Section until 1992 (Heading 2);

- expenditure on income aid (under Heading 2 of the financial perspective in 1992);
- spending from the fisheries guarantee fund.

Finally, since 1997, the budget forecasts for agriculture, like those for other expenditure, have been produced against the background of the budgetary and financial stability demanded by economic and monetary union. In 1997 budget appropriations were thus set at EUR 40 800 million, virtually the same level as in 1996. In 1998 and 1999 this budgetary stringency continued as the appropriations were fixed at around EUR 40 400 million, EUR 400 million less than in 1997.

The 1999 budget

Initial appropriations in the 1999 budget

The appropriations covered by Heading 1 of the financial perspective amounted to EUR 40 440 million, not counting the EUR 500 million monetary reserve, which is called on only if needed. The figure does include the EUR 205 million entered in Chapter B0-40 (Provisions).

FIGURE 8
Total expenditure, 1989–99

(1 000 million EUR)

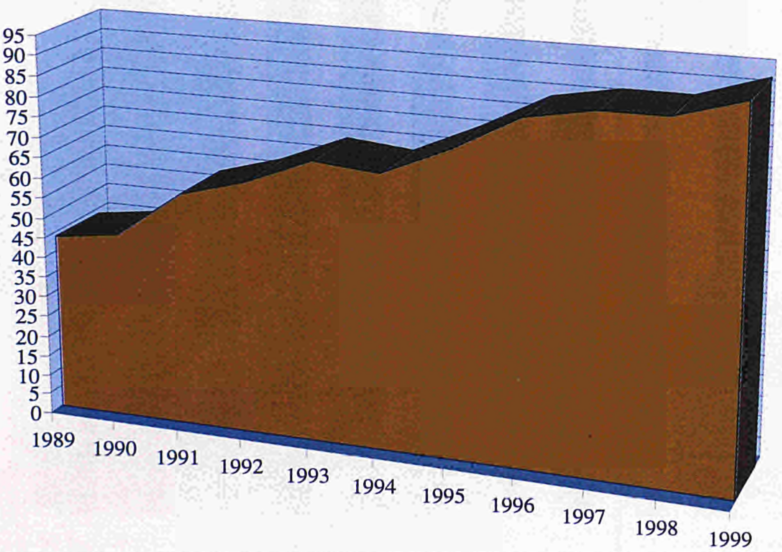
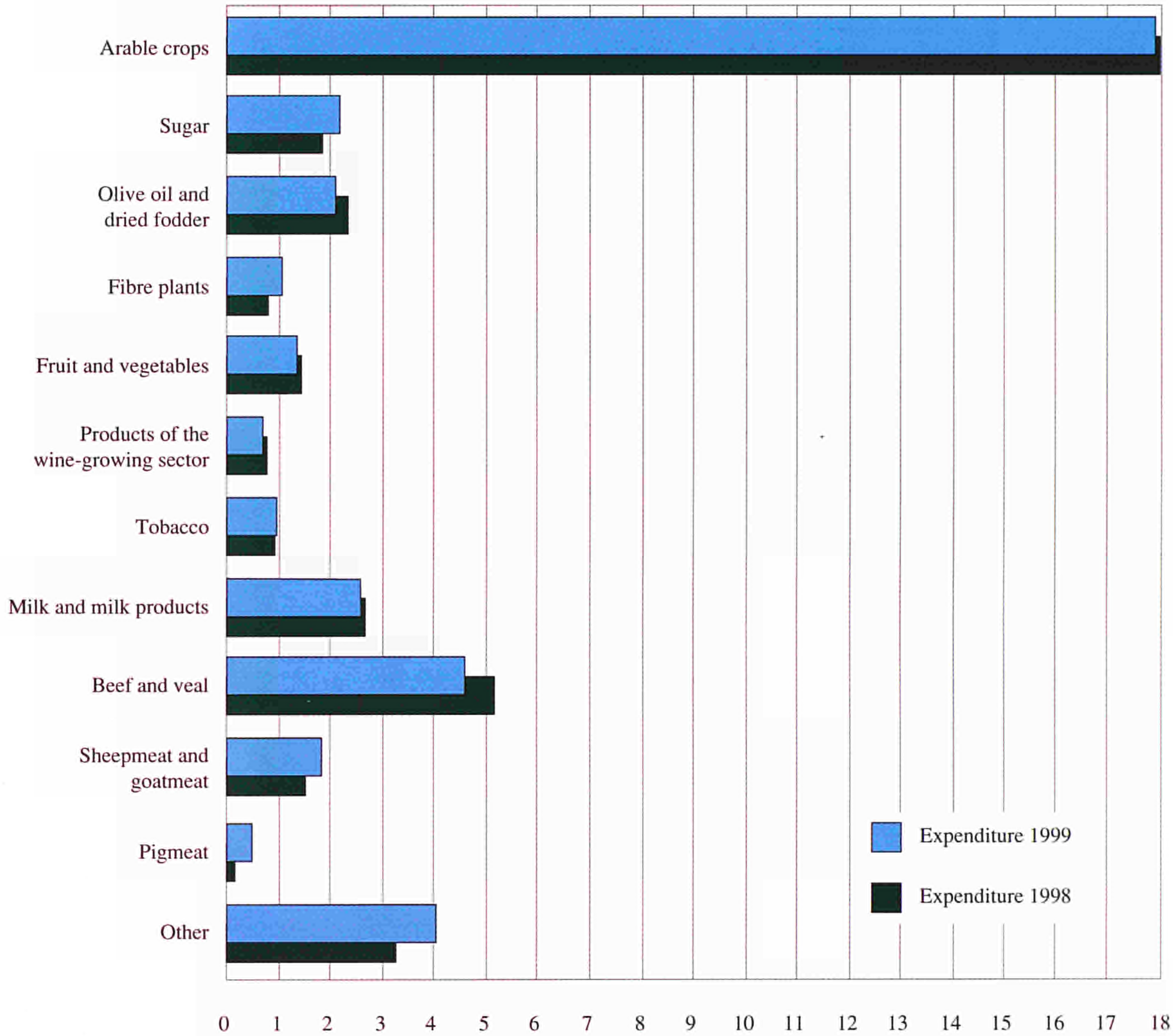


FIGURE 9
Expenditure on agricultural market guarantees, 1999

(1 000 million EUR)



Implementation of the 1999 budget

Utilisation of appropriations and special factors having a sizeable impact on the 1999 out-turn

EAGGF Guarantee spending for 1999 totalled EUR 39 540.8 million, or EUR 899.2 million less than the initial appropriations.

The above expenditure includes the reduction in advances (reductions in monthly reimbursements) decided by the Commission. These reductions include the following cases in particular:

☐ failure by Italy (in particular) to collect the additional milk levy for the 1997/98 and

1998/99 marketing years (EUR 337 million reduction in advances);

- ☐ shortcomings in the application of the integrated system and in the application of controls in Greece (initial reduction of EUR 234 million in advances, of which EUR 126 million was reimbursed with the last monthly advance in the light of the replies supplied by Greece to the Commission's requests). The final reduction of EUR 108 million concerns a number of budget chapters;
- ☐ shortcomings in the application of the integrated system in Portugal (EUR 5 million reduction in advances);
- ☐ failure by a number of Member States to comply with the payment times set in the rules (reduction of EUR 12 million on a number of budget lines).

Two other factors, not foreseen when the budget was drawn up, had a significant impact on the 1999 out-turn. They were:

- ☐ the amounts deducted from EAGGF Guarantee expenditure as a result of unusually large financial corrections in the clearance of accounts (EUR 96 million);
- ☐ failure by Italy to pay the first instalment of the agrimonetary aid for the implementation of the programmes adopted by the Commission in spring 1998 (EUR 130 million).

Monetary factor

The dollar parity

The level of expenditure shown in the previous section takes account of the movement of the dollar against the euro. For a large proportion of the export refunds on agricultural products, in particular cereals and sugar, and for some internal aid such as aid for cotton, the level of expenditure is affected by fluctuations in the dollar rate.

In accordance with the Council decision on budgetary discipline, the 1999 agricultural budget was established on the basis of the average dollar parity for January, February and March 1998 of USD 1 = EUR 0.92 (EUR 1 = USD 1.09). The actual average dollar rate from 1 August 1998 to 31 July 1999 (reference period for determining the impact of the dollar) was different from the budget rate at EUR 0.90 (EUR 1 = USD 1.11).

This entailed additional expenditure of EUR 219 million, which was above the EUR 200 million margin set by the budgetary discipline rules. However, as the expenditure above this margin can be financed by appropriations available at the end of the year, it is not necessary to draw on the monetary reserve.

Dual rate

Expenditure can also be higher because of the dual rate effect.

Although the disappearance of green rates will eventually eliminate the dual rate effect in the countries participating in the euro and hence generate major savings, the effect was still substantial in 1999, as most of the payments charged to the 1999 budget were based on the green rates prior to 1 January 1999.

When the budget was established the dual rate effect was estimated at EUR 511 million. In actual fact expenditure linked to the dual rate effect totalled EUR 630 million, or EUR 119 million more.

Market factors

The differences (between the appropriations entered in Subsection B1 of the budget and expenditure actually booked) for the main budget chapters are discussed below (all figures are in million EUR).

Implementation of the 1999 EAGGF Guarantee budget by chapter

Chapter	Sector	Appropriations in budget	Expenditure in 1999	Utilisation of appropriations (%)	Difference between out-turn and initial appropriations
a	b	c	d	e = d / c * 100	f = d – c
B1-10	Arable corps	17 831	17 865.9	100.2	34.9
B1-11	Sugar	1 937	2 112.8	109.1	175.8
B1-12	Olive oil	2 251	2 091.8	92.9	– 159.2
B1-13	Dried fodder and grain vegetables	388	376.4	97.0	– 11.6
B1-14	Fiber plants	968	1 027.1	106.1	59.1
B1-15	Fruit and vegetables	1 661	1 454.1	87.5	– 206.9
B1-16	Wine	661	614.6	93.0	– 46.4
B1-17	Tobacco	980	911.0	93.0	– 69.0
B1-18	Other sectors	305	285.3	93.6	– 19.7
B1-20	Milk & milk products	2 581	2 510.1	97.3	– 70.9
B1-21	Beef and veal	4 916	4 578.7	93.1	– 337.3
B1-22	Sheepmeat and goatmeat	1 755	1 894.3	107.9	– 139.3
B1-23	Pigmeat, eggs and poultry	365	432.8	118.6	67.8
B1-25	Other livestock product measures	29	16.4	56.6	– 12.6
B1-26	Fisheries	20	7.8	38.9	– 12.2
B1-30	Non Annex II products	550	573.4	104.3	23.4
B1-31	Food programmes	348	390.5	112.2	42.5
B1-32	Most remote regions and Aegean Sea	231	223.7	96.8	– 7.3
B1-36	Monitoring and prevention	28	23.3	83.1	– 4.7
B1-37	Clearance	– 510	– 606.2	118.9	– 96.2
B1-38	Promotion measures	77	68.5	88.9	– 8.5
B1-39	Other measures	266	100.2	37.7	– 165.8
B1-50	Accompanying measures	2 597	2 588.2	99.7	– 8.8
	Total	**40 235**	**39 540.8**	**98.3**	**– 694.2**
B0-40		205	0.0	0.0	– 205.0
	EAGGF Guarantee Total	**40 440**	**39 540.8**	**97.8**	**– 899.2**

• Arable crops

Initial appropriation	Expenditure	Difference
17 831.0	17 865.9	+ 34.9

Expenditure was at almost exactly the level budgeted. However, within the chapter there were substantial divergences, which offset each other.

Payments for areas under oilseeds considerably exceeded the initial appropriations, as a result of the payment of the balance for the 1998/99 marketing year. The aid per hectare was much higher than assumed in the budget, as a result of the market price of oilseeds (lower prices led to a smaller reduction than expected).

In addition, expenditure on public storage was higher, because of higher losses on sales than allowed for in the budget (larger quantities sold at lower prices).

By contrast, payments on aid for durum wheat (expenditure by Italy lower than expected) and on per-hectare aid to small producers were less than initially budgeted.

Lastly, the reduction in monthly advances paid to Greece, totalling EUR 31 million over several lines in this chapter, affected the utilisation of appropriations.

• Sugar

Initial appropriation	Expenditure	Difference
1 937.0	2 112.8	+ 175.8

The overspend was the result of higher payments for export refunds. This was due to low world prices and an upsurge in exports at the beginning of the marketing year, which resulted in a higher than expected percentage of payments for the 1998/99 marketing year being made during the 1999 financial year.

• Olive oil

Initial appropriation	Expenditure	Difference
2 251.0	2 091.8	– 159.2

The under-utilisation results from:

☐ less expenditure than expected on production aid, particularly in Spain, and a reduction in the monthly advances to Greece;

☐ high oil prices, which produced higher gains on sales from public storage than expected when the initial budget was drawn up.

• Fibre plants

Initial appropriation	Expenditure	Difference
968.0	1 027.1	+ 59.1

Expenditure on aid for cotton overran appropriations. The level of the aid was higher than anticipated when the budget was adopted because of the lower world prices.

• Fruit and vegetables

Initial appropriation	Expenditure	Difference
1 661.0	1 454.1	– 206.9

The under-utilisation of appropriations can be attributed to lower expenditure on fresh fruit and vegetables. There were fewer withdrawals during the 1998/99 marketing year and expenditure was lower on compensatory aid for bananas (smaller quantities eligible for aid and a lower level of aid).

By contrast, expenditure on processed fruit overshot appropriations. The paying agencies paid out the financial compensation to encourage the processing of citrus fruit faster than expected.

• Wine

Initial appropriation	*Expenditure*	*Difference*
661.0	614.6	– 46.4

The appropriations were not used because expenditure was lower than expected on:

☐ public storage, intervention buying being less than assumed in the budget;

☐ (voluntary preventive) distillation of wine, the quantities involved being slightly smaller than expected.

• Tobacco

Initial appropriation	*Expenditure*	*Difference*
980.0	911.0	– 69.0

Underutilisation of appropriations was due to the fact that payments of tobacco premiums for the new harvest (1999) could not be made until the 2000 financial year as a result of a change in the rules.

• Milk

Initial appropriation	*Expenditure*	*Difference*
2 581.0	2 510.1	– 70.9

Overall expenditure in this chapter was less than initially budgeted for, but it was seen that there were overruns on a number of lines which were more than offset by the yield of the additional milk levy.

The largest overruns concerned:

☐ export refunds (more butter and skimmed-milk powder was exported than forecast in the budget and the average refund rate for 'other milk products' was higher than expected);

☐ aid for skimmed milk used in the production of casein (larger quantities eligible for aid and a higher rate of aid);

☐ public storage of butter following substantially more buying-in;

☐ public storage of skimmed-milk powder due to higher intervention buying-in and to lower earnings on sales;

☐ aid for the use of butter in the manufacture of pastry products (larger quantities eligible for aid).

These overshoots were offset by the yield to the budget of the additional milk levy amounting to almost EUR 500 million.

☐ For the 1997/98 marketing year, milk production in Italy exceeded the quotas during that year. The Commission took this fact into account by reducing the monthly advances paid to Italy during this financial year by EUR 225 million. The budget made no provision for amounts to be collected under this heading.

☐ For the 1998/99 marketing year, the Member States credited the EAGGF accounts with some EUR 160 million. In addition, the Commission reduced the last monthly advances to the Member States by EUR 112 million to take account of the fact that Italy did not credit the EAGGF accounts with any amount at all and some other Member States did not pay the full amount due. Here, too, the budget made no provision for amounts to be collected under this heading.

• Beef and veal

Initial appropriation	Expenditure	Difference
4 916.0	4 578.7	– 337.3

The under-utilisation of appropriations was mainly due to an increase in the consumption of beef and veal in the European Union.

In addition there was substantially lower expenditure on:

- ☐ export refunds, as exports were very low, in particular because of the financial crisis in Russia;
- ☐ public storage, as a result of higher earnings from sales.

Expenditure on premiums, on the other hand, was overall exactly as budgeted.

• Sheepmeat

Initial appropriation	Expenditure	Difference
1 755.0	1 894.3	+ 139.3

The appropriation was overspent as a result of higher payments of the ewe and she-goat premium. Expenditure on the balance for the 1998 marketing year and on the first advance for the 1999 marketing year was higher than assumed when the budget was established, because of the lower market price.

• Pigmeat

Initial appropriation	Expenditure	Difference
365.0	432.8	+ 67.8

The overrun was the result of the difficulties on the pigmeat market during the marketing year. This produced an increase in rates of export refunds and large quantities being covered by private storage contracts.

• Non-Annex I products

Initial appropriation	Expenditure	Difference
550.0	573.4	+ 23.4

The slight overspend was the result of the transfer by the budgetary authority of EUR 60 million from this chapter to the reserve, Chapter B0-40 (provisions), after which expenditure exceeded the appropriations under Chapter B1-30.

The higher average level of export refunds did not result in higher than expected expenditure because it was offset by a drop in exports. Expenditure in fact was slightly below the amount estimated when the budget was drawn up.

• Food programmes

Initial appropriation	Expenditure	Difference
348.0	390.5	+ 42.5

The overspend was the result of expenditure on the food aid measure for Russia. Following the political decision on this measure, the budgetary authority adopted supplementary and amending budget 1/98 inserting a new Article B1-315 (Food aid for Russia). This new line was allocated EUR 400 million from other EAGGF Guarantee items which were underspent. At the same time the budgetary authority decided that this EUR 400 million would be carried forward to 1999. The same Article B1-315 was entered in 1999 with a token entry (p.m.), as it had been agreed that any requirements in excess of the EUR 400 million carried over from 1998 to 1999 could be financed from savings made on storage costs as a result of the use of public stocks worth a total of EUR 82.9 million for this food aid measure, hence the overspend in Chapter B1-31.

The Commission will also request a carryover of around EUR 4 million for monitoring operations connected with the food aid operation for Russia. These monitoring, control, evaluation and audit operations relating to the products mobilised in 1999 will have to continue in 2000 to ensure that the operation is carried out properly. As nothing was entered in the 2000 budget for this purpose, the carryover will have to be proposed to the budgetary authority.

The expenditure on the food aid measure for Russia is partly offset by small underspends on a number of other measures covered by this chapter, namely:

☐ refunds for food aid measures;

☐ aid for school milk and

☐ free distribution of fruit and vegetables.

Finally the Member States made up the delay in the distribution of agricultural products to the needy (as occurred in the two previous years) and used virtually all the appropriations available for this measure.

• Clearance of accounts

Initial appropriation	*Expenditure*	*Difference*
– 510.0	– 606.2	– 96.2

Amounts yielded by the financial corrections made by the Commission in the clearance of accounts procedure were larger than estimated when the budget was established. The budget was based on the estimated yield for the 1995 accounts (around EUR 512 million). However, three unexpected clearance decisions were taken under Article 5(2)(c) of Regulation (EEC) 729/70 (consistency audit) generating additional revenue of around EUR 102 million. Finally some EUR 8 million was reimbursed to certain Member States in respect of the 1998 clearance, with the result that the final amount collected was some EUR 606 million.

• Other measures

Initial appropriation	*Expenditure*	*Difference*
266.0	100.2	– 165.8

The chief reason for the underspend was that Italy did not pay out any agrimonetary aid. The budget provided around EUR 130 million for implementation of the programmes adopted by the Commission in spring 1998. Italy did not dispute this assumption. Indeed, it informed the Commission that it intended to pay the amounts in question during the 1999 calendar year.

By contrast, the United Kingdom paid out a second instalment of agrimonetary aid for beef and veal which it had not requested until after the budget had been drawn up, so the necessary appropriations had not been entered.

Furthermore, the payments for the transitional arrangements following the introduction of the euro during the 1999 financial year were lower than expected because most of the Member States started their payments later than planned.

The Commission asked for a carryover to 2000 to cover the additional requirement for that year resulting from Italy's late payment (EUR 130 million) of agrimonetary aid. The 2000 budget provides only for the payment of the second instalment worth EUR 101 million. Since the first instalment was paid late, it is likely that the second instalment will also be paid later than planned, i.e. during 2001. The Commission therefore requested the carryover of EUR 29 million.

• Accompanying measures

Initial appropriation	Expenditure	Difference
2 597,0	2 588,2	– 8,8

Expenditure on accompanying measures at the end of the financial year was almost exactly equal to the amount budgeted.

During the year spending under this chapter had been well below the indicator and then the Member States' forecasts had suggested that there would be a substantial overspend at the end of the year.

Utilisation of appropriations carried over from 1998

EUR 400 million was carried over from 1998 to 1999 to finance part of the food aid measure for Russia. Of this total, expenditure of EUR 335.5 million was charged. The unused appropriations lapsed.

The total amount for the food aid operation for Russia was estimated at EUR 470 million. It was planned to finance EUR 400 million from appropriations carried forward from 1998 and the remaining EUR 70 million from appropriations for 1999 by using the savings resulting from the reduction in storage costs for products in intervention and expenditure on refunds for pigmeat.

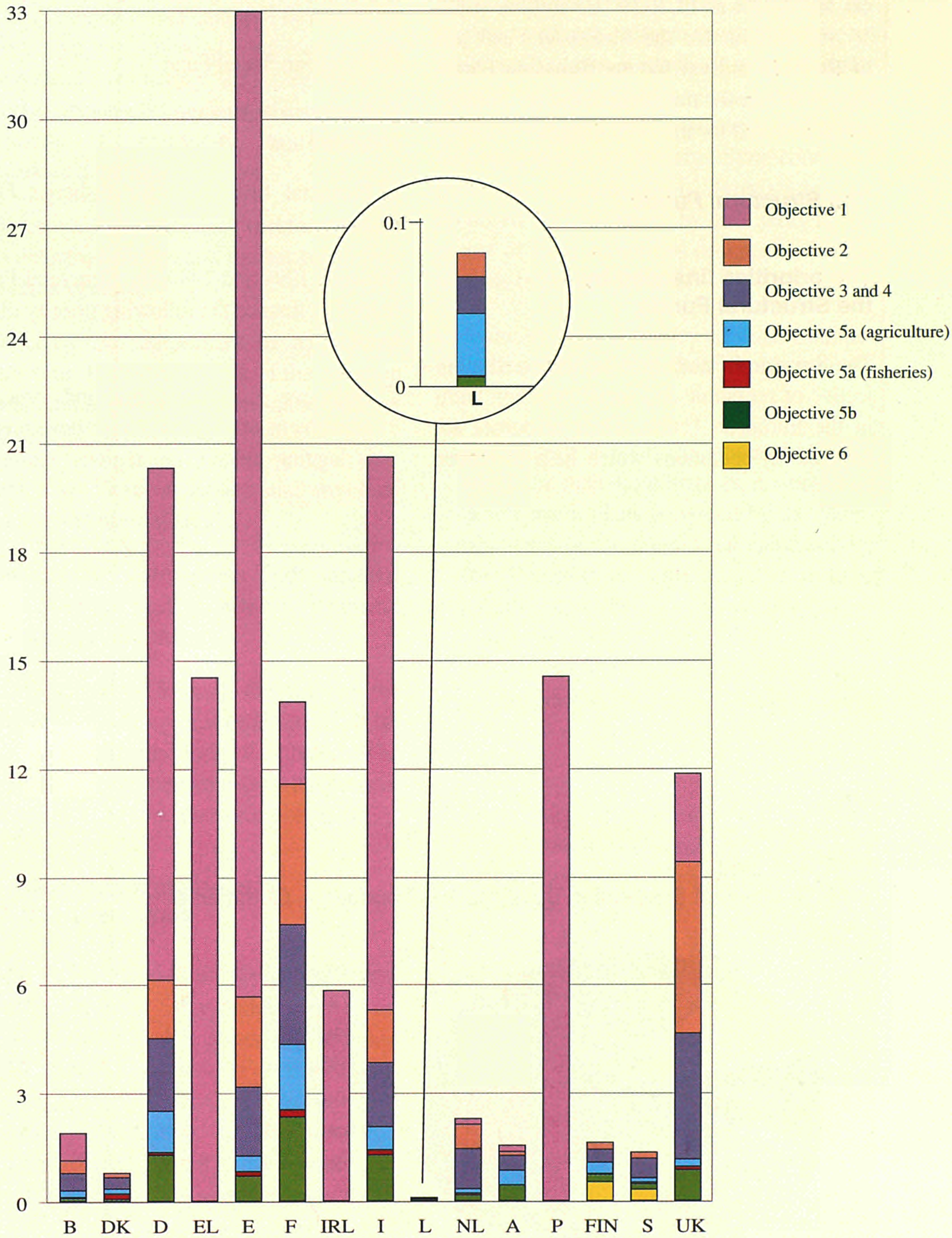
Implementation of the programme was interrupted to ensure it complied with the Council regulation and the memorandum concluded with the Russian authorities. Moreover, the suspension of pigmeat deliveries following the dioxin crisis caused further delays, and it was therefore not possible to complete the measure as planned before the end of the EAGGF Guarantee Section financial year. In all EUR 412.5 million was booked for the operation in 1999, EUR 329.5 million against appropriations carried over and EUR 82.9 million against 1999 appropriations.

The Commission requested that some EUR 4 million be carried over from 1999 to 2000 for monitoring operations in connection with the food aid measure for Russia.

FIGURE 10

Breakdown by Member State of Community contribution under the various objectives of the Structural Funds (current prices)

(1 000 million EUR)



NB: Figures relate to the period 1994–99, except in the case of three new Member States — Austria, Finland and Sweden (1995–99).

Heading 2 — Structural operations

Structural operations consist of the Structural Funds and the Cohesion Fund. The total budget for 1999 was EUR 39 025 million (EUR 35 902 million for the Structural Fund and EUR 3 118 million for the Cohesion Fund). Figure 11 shows the breakdown of commitments as voted for the 1999 budget.

The Structural Funds

The priorities financed by the Structural Funds

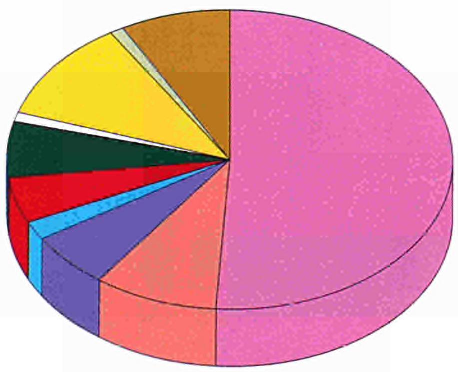
The Structural Funds help to achieve the objective of economic and social cohesion within the European Union. Their resources are targeted on operations which help to reduce differentials between regions and to promote equality of opportunity between the various social classes in accordance with a series of priority objectives. There are four Structural Funds, and their operations are coordinated:

- ☐ European Regional Development Fund
- ☐ European Social Fund
- ☐ European Agricultural Guidance and Guarantee Fund
- ☐ Financial Instrument for Fisheries Guidance.

Between 1994 and 1999, the Structural Funds helped to finance the following priority objectives:

- ☐ Objective 1: development and structural adjustment of regions whose development is lagging behind, i.e. regions whose per

FIGURE 11
Breakdown of Subsection B2 of the 1999 budget — Commitments



Objective 1	51 %
Objective 2	9 %
Objective 3	6 %
Objective 4	2 %
Objective 5a	5 %
Objective 5b	6 %
Objective 6	1 %
Community initiatives	11 %
Innovative actions	1 %
Cohesion Fund	8 %

capita GDP (gross domestic product) is less than 75 % of the Community average;

- ☐ Objective 2: converting regions, frontier regions or parts of regions seriously affected by industrial decline;

- ☐ Objective 3: combating long-term unemployment, facilitating the integration of young people into working life, promoting equality of opportunity for men and women on the labour market;

- ☐ Objective 4: helping the workforce adjust to industrial change and to changes in production systems;

- ☐ Objective 5a: adjustment of agricultural structures in the framework of the common agricultural policy, modernisation and restructuring of fisheries;

- ☐ Objective 5b: development and structural adjustment of rural areas;

- ☐ Objective 6: development and structural adjustment of regions with an extremely low population density.

Objectives 3, 4 and 5a cover the whole of the Community territory, while objectives 1, 2, 5b and 6 are specifically regional in nature. The regions eligible are determined on the basis of criteria which are specific to each objective.

The intervention methods of the Structural Funds

Appropriations are used via development programmes. Once the Commission and the authorities of the Member States have reached agreement on a programme, European appropriations are made available so that the programme objectives can be realised. Community involvement takes the form of co-financing.

Operations under the Structural Funds are subject to multiannual programming. This programming is for six years 1994–99 (five years for the three countries which joined in 1995) for all objectives except Objective 2, for which there are two three-year phases. Two basic rules must be observed: first, the Community aid granted to each Member State must supplement funds from the public authorities and not replace them (principle of additionality) and, secondly, it must be implemented in close cooperation between the Commission and the competent authorities and agencies in the Member State concerned (principle of partnership). Programmes are proposed and managed by the national, regional or local authorities designated for that purpose in the programme.

Community support frameworks and Community initiatives are important in this connection:

- ☐ Community support frameworks (CSFs), which are national initiatives, are based on development plans presented by the Member States or the regions and approved by the Commission. Operational assistance usually takes the form of an operational programme (OP), which is submitted by the Member State and adopted by the Commission in the form of aid. CSFs account for 90 % of appropriations for the period 1994–99.

- ☐ Community initiatives (CIs) — 13 in all — are operations carried out on the Commission's initiative but which are also proposed and managed by authorities designated by the Member States. CIs account for 9 % of appropriations for the period 1994–99.

  - **Interreg II:** cross-border cooperation (aspect A), energy networks (aspect B), interregional cooperation (aspect C);

  - **Leader II:** (rural development);

  - **REGIS II:** integration of most remote regions;

  - **Employment:** *NOW* (access for women to jobs with good prospects and management posts); *Horizon* (employment opportunities for people with disabilities, and other disadvantaged groups); *Youthstart* (labour market integration of low-skilled people under 20); *Integra* (social and professional integration of marginalised people);

- **ADAPT:** helping the workforce to adjust to industrial change;
- **Rechar II:** conversion of coal-mining areas;
- **Resider II:** conversion of steel areas;
- **Konver:** diversification in regions dependent on defence industries;
- **RETEX:** diversification in regions dependent on the textiles and clothing sector;
- **SME:** improvement of the competitiveness of small and medium-sized enterprises;
- **URBAN:** revitalisation of deprived areas of medium and large towns;
- **PESCA:** diversification in regions dependent on fisheries;
- **PEACE:** support for the process of peace and reconciliation in Northern Ireland.

Apart from these two main forms of aid, the Structural Funds also finance studies, technical assistance operations and pilot projects relating to their fields of activity. These projects and measures account for 1 % of appropriations for the period 1994–99.

Structural Fund allocations for the period 1994–99

The Structural Fund allocations decided for the period 1994–99 for the 12-nation Community amount to EUR 141 471 million at 1992 prices and for the three new Member States which joined in 1995 to EUR 4 747 million at 1995 prices. The annual tranches corresponding to these allocations are index-linked on an annual basis to allow for inflation. The amounts are not only a ceiling but also an expenditure target, which the budgetary authority has undertaken to respect. In the European Union budget for 1999, the commitment appropriations for the Structural Funds totalled EUR 35 902 million, accounting for 92 % of structural operations and 37 % of the total budget.

Cohesion Fund

The Cohesion Fund provides money for environmental and trans-European transport network projects in the Member States of the Union whose GDP is less than 90 % of the EU average.

The Fund was created by the Maastricht Treaty in 1993 and is intended to strengthen economic and social cohesion by helping the least-prosperous States to participate in economic and monetary union. The Fund has enabled Spain, Portugal, Ireland and Greece to meet the convergence criteria for economic and monetary union and at the same time continue to invest in infrastructure to step up their development.

The aid granted by the Cohesion Fund is conditional on the beneficiary States following a programme of economic convergence.

The Cohesion Fund can part-finance up to 80–85 % of public expenditure on a project, irrespective of whether it is an environmental or infrastructure one. The funding of transport infrastructure and environmental projects must be evenly balanced, the target ratio set by the Commission being 50:50.

Out-turn 1999

Implementation of the Structural Funds (Title B2-1)

The level of commitment appropriations in the 1999 budget was far higher than in 1998 (up by 17.7 % or EUR 5 400 million). Most of this increase is accounted for by the re-entry in the budget of EUR 3 171 million which had not been used in previous years with a view to meeting the expenditure target set at Edinburgh.

This concentration of appropriations at the end of the period and the need to adopt decisions on contributions from the Funds before the end of the year dominated activities throughout 1999. The commitments for the period 1994–99 were used in accordance with the programme adopted at Edinburgh. However, from the accounting point of view, this operation required substantial carryovers to 2000 for both commitments and payments so as to meet the targets set at Edinburgh.

Implementation of commitments

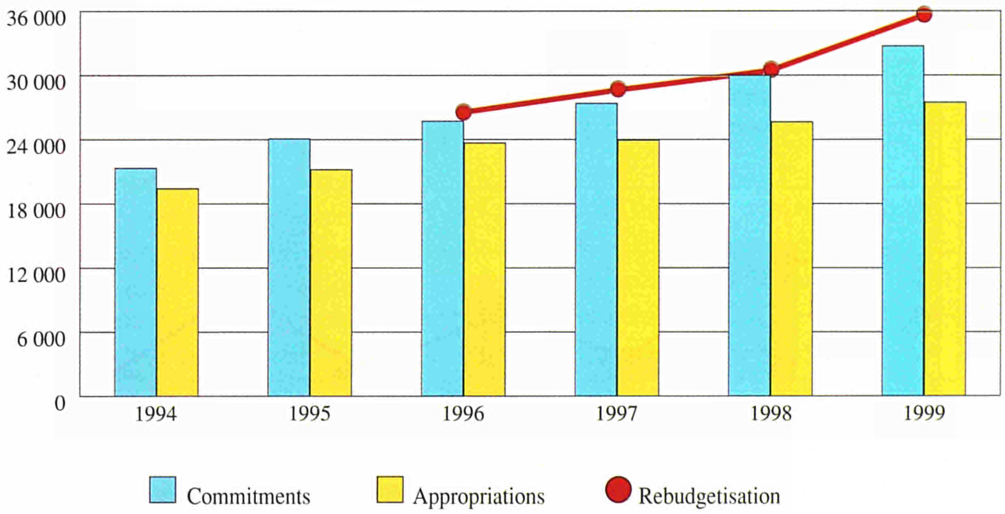
In 1999 commitments came to EUR 33 692 million (11 % more than in 1998) and EUR 2 346 million was left unused.

The 6.5 % rate of underutilisation may be higher than in the past, but the commitment

FIGURE 12

Commitment and payment appropriations entered in the budget, 1994–99

(million EUR)



appropriations not used were EUR 825 million less than the amounts re-entered in the budget from previous years, with the result that some of the backlog was in fact made up. As this underutilisation does not reflect the decisions on contributions from the Funds, which involve higher amounts broadly coinciding with the allocations laid down at Edinburgh, virtually all the unused commitment appropriations had to be carried over to 2000 to cover the programmes. As the following figure shows (1999 + c/o), utilisation was virtually complete when carryovers are included.

Implementation of payments

In 1999 payments totalled EUR 24 948 million (3 % down on 1998) and unused appropriations came to EUR 3 833 million. However, the extent of this underutilisation of payments was inflated by a transfer of EUR 1 000 million from the Cohesion Fund in the course of the year.

While the rate of underutilisation fell for payments during the period covered, it rose again in 1999 (13.3 %), although it is still lower than at the start of the period. However, as the following figure shows, a large proportion of the unused appropriations were carried over because the Member States had requested payments of EUR 6 530 million which had still not been entered in the accounts by the end of the year. These payments were made at the beginning of 2000.

FIGURE 13

Underutilisation of the Structural Funds commitments — all available appropriations, 1994–99

(million EUR)

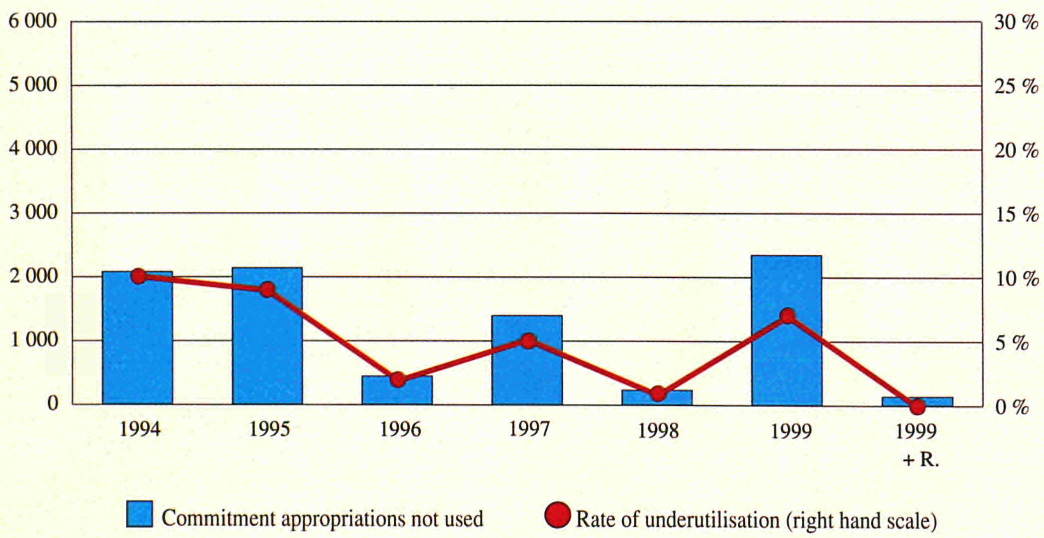
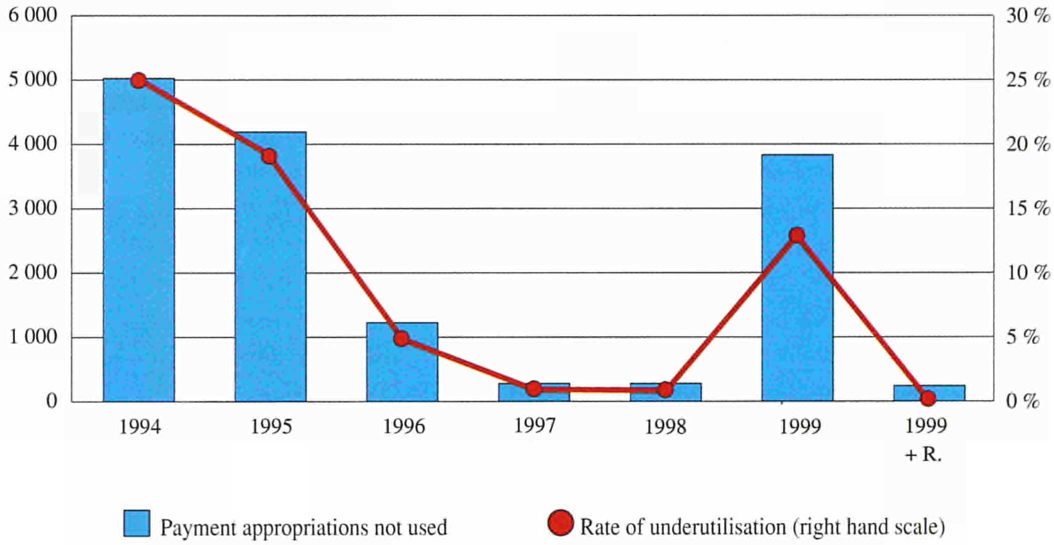


FIGURE 14

Underutilisation of the Structural Funds payments — all available appropriations, 1994–99

(million EUR)



Cohesion Fund (Title B2-3)

As was generally the case throughout the period 1993–99, the Cohesion Fund's commitment appropriations were used in full in 1999 (EUR 3 129 million).

By contrast, payments made in 1999 amounted to no more than EUR 1 716 million, about 30 % down on the previous year. EUR 161 million was left unused. Although underutilisation appears limited (8.5 %), it should be remembered that payment appropriations of EUR 1 000 million were transferred from the Cohesion Fund to the Structural Fund during the year. In terms of the initial budget (EUR 2 877 million), underutilisation of payment appropriations was far greater.

This reduction in payments is easily explained since many 1993–99 projects were nearing completion. According to the rules, the final 20 % of payments are balances which are not paid until the final report for the project has been approved. In many cases, the final report is drawn up, transmitted to the Commission by the national authorities and approved several months after the project has actually been completed. This explains the 'hiatus' in payments.

EEA financial mechanism (Title B2-4)

The purpose of this line was to cover the Community's financial contributions to the EEA financial mechanism pursuant to the accession agreements for Austria, Finland and Sweden. An amount of EUR 5 million was entered in the reserve in the event of the EEA mechanism, which is managed by the EIB, having to make a final call for funds in order to close its operations. No further call for funds was necessary in 1999.

Heading 3 — Internal policies

Research and technological development (RTD)

The fifth research and technological development framework programme was adopted by Parliament and the Council on 22 December 1998. The Council adopted the Euratom framework programme on the same day. The total budget for the two programmes comes to EUR 14 960 million. During 1999, the first year in which the fifth framework programme was operational, the rules for implementing research programmes were subject to a thorough review, with the adoption of new rules on participation, selection and evaluation and the introduction of improved management procedures and tools.

The appropriations for the 1999 budget amounted to EUR 3 450 million. Transfer 27/99 concerning aid to Kosovo's neighbours reduced the initial allocations of commitment appropriations by EUR 115 million. Budget out-turn was 99.18 % in commitments and 88.48 % in payments.

The appropriations available in 1999 for RTD were as follows:

	(million EUR)
Budget, not including European Economic Area (EEA) support	
Indirect action and shared-cost projects	3 189.2
Direct action by Joint Research Centre	260.8
EEA contribution	
Indirect action and shared-cost projects and direct action by Joint Research Centre	59.34

The additional appropriations for cooperation with the European Economic Area concerned the non-nuclear appropriations of the framework programme. The EUR 3 189.2 million in commitments for the indirect action and shared-cost projects of the fifth framework programme breaks down among the various specific programmes as follows:

	(million EUR)
Quality of life and management of living resources	553
User-friendly information society	857
Competitive and sustainable growth	646
Energy, environment and sustainable development	446
Confirming the international role of Community research	78
Promotion of innovation and encouragement of participation of SMEs	78
Improving human research potential	293
Research and training in the field of nuclear energy	238.2

The concentration of resources on integrated or coordinated RTD actions, particularly within the framework of multidisciplinary key actions, in order to meet the priority needs of society, attracted a wide response from the scientific community and from companies. Almost 12 000 proposals were received in response to the calls made in 1999. Of these, close on 3000 projects were selected because of their scientific and technological excellence, their economic and social added value and their guarantees of sound management, following independent evaluations and negotiations with the Commission.

International cooperation activities under COST (European cooperation in the field of scientific and technical research) and Eureka (European Research Coordination Agency) and with EFTA and the main industrialised countries (United States, Canada, Australia and China) were continued. The launch of the fifth framework programme also involved the association of the 11 countries that have applied to join the Union, which was a heartening success. In return for their countries' contributions to the Community budget, researchers may take part in research and technological development activities on the same eligibility and funding conditions as EU teams. They already account for 4 % of participation in projects selected in 1999, which makes the RTD framework programme a valuable testing ground for enlargement.

In 1999 the activities of the Joint Research Centre, the task of which is to provide scientific and technical support for the formulation, implementation and monitoring of EU policies, were carried out under two specific programmes of the fifth framework programme: 'Direct actions carried out by the JRC for the European Community' and 'Direct actions carried out by the JRC for Euratom'. This new legislative framework meant a new strategy for the Joint Research Centre, whose role of serving Union policies has been consolidated and reinforced, with a work programme consequently focusing on research serving the citizen, sustainability, European competitiveness and nuclear safety.

Transport

To pave the way for the common transport policy, the Community budget helped finance a variety of measures relating to pilot schemes for combined transport, the development of long-term transport policy and transport safety. The appropriations entered in the 1999 budget for this purpose (EUR 21.2 million) were committed in their entirety.

In 1999, significant progress was made on maritime safety, operation of the air-transport market and the integration and interoperability of the national railway systems. The European Union also decided to develop an integrated European satellite navigation system (Galileo) which will be independent but open to other international partners and offer worldwide coverage.

Education, training and youth

Appropriations available for 1999 totalled EUR 486.7 million for the whole of this field.

As regards education, the Socrates programme (1995–99), which covers the entire educational spectrum, was continued: available appropriations totalled EUR 233.6 million in 1999. The financial package for the programme was increased by EUR 70 million by Decision No 576/98/EC of the European Parliament and of the Council of 23 February 1998, bringing the total to EUR 920 million.

The field of education, vocational training and youth has two other programmes, which, like the Socrates programme, cover the period 1995–99. The Leonardo da Vinci programme, whose main objective is to ensure the implementation of a vocational training policy supplementing and supporting the actions of the Member States, was allocated EUR 153 million in 1999. In the field of youth, the Youth for Europe programme was awarded EUR 32.4 million in 1999.

A fourth programme, European voluntary service, was adopted on 20 July 1998 for the period 1998–99. It was allocated EUR 27.4 million for its second year. (The total budget for the programme has been fixed at EUR 47.5 million.) The aim of this programme is to enable young people aged 18 to 25 to gain a formative experience, recognised at European level, consisting of activities that benefit the community.

The European Centre for the Development of Vocational Training (Cedefop) received EUR 13 million, with a further EUR 2 million to cover the cost of its relocation to Thessaloniki.

Culture and audiovisual media

Appropriations available for 1999 totalled EUR 131.2 million for the whole of this field. In March 1999 the European Parliament and Council decided to extend the Ariane and Kaleidoscope programmes, scheduled to end on 31 December 1998, by one year to ensure continuity in the Community's cultural operations pending adoption of the framework programme on culture 2000–04. The Ariane programme, which concerns books and reading, was allocated EUR 4.2 million. The Raphael programme concerns the European cultural heritage. The appropriations available under this programme came to EUR 9.2 million in 1999. The Commission also continued to pursue measures under the Kaleidoscope programme, the aim of which is to support artistic and cultural activities with a European dimension. In 1999, it was allocated EUR 10.4 million.

In the audiovisual field, most of the appropriations available in 1999 were for the MEDIA II programme. The programme, allocated EUR 85 million in 1999, covers the period 1996–2000 and has two parts: one devoted to development and distribution, and the other relating to the training of professionals in the audiovisual sector.

Information and communication

The appropriations available under the information and communication activities totalled EUR 106.9 million. These activities can be divided into two groups: Prince, the information programme for European citizens (EUR 37.6 million), and the other information and communication activities (EUR 69.3 million).

As far as activities other than Prince are concerned, the available appropriations under the heading 'General information and communication work' totalled EUR 39.2 million. Information programmes for non-member countries were allocated EUR 6.1 million. EUR 8 million was allocated to the information relays. A further EUR 3.5 million went to the Jean Monnet project for university teaching on European integration.

Social dimension and employment

EUR 159.6 million was available in 1999 for the whole of this field.

To complement the measures financed by the European Social Fund, the Community has developed a policy aimed at encouraging dialogue between the social partners and stimulating employment (EUR 41.9 million available in 1999). In this context, the Commission undertook action such as continuing its work for equality between men and women (EUR 10.4 million), and developing the EURES (European Employment Services) network (EUR 10.2 million), which includes a database with job vacancies and information on working and living conditions in the Member States of the Union.

In the field of social protection and the free movement of workers, appropriations available in 1999 totalled EUR 38.7 million. The Community's activities in this field mainly related to general social security guarantees and the protection of certain disadvantaged groups.

In public health, appropriations available for 1999 totalled EUR 56.3 million. The Commission continued its multiannual programmes adopted for the period 1996–2000. These programmes relate to promotion, information, education and training in public health (EUR 5.1 million available for 1999), the fight against cancer (EUR 14.8 million), the prevention of AIDS and other transmissible diseases (EUR 10.9 million) and the fight against drug abuse (EUR 5.3 million). EUR 2.8 million was allocated to the Community action programme on health monitoring

(1997–01), aiming to provide reliable, comparable data on trends and patterns in health status and its determinants.

The programme of Community action (1999–03) on rare diseases, adopted by Parliament and the Council on 29 April, covering a field in which Community action can provide significant added value, is designed to improve knowledge of rare diseases, especially through the establishment of a European network, and to facilitate access to relevant information. The budget provided for the entire programme is EUR 6.5 million. Parliament and the Council adopted, on 8 February, a programme of Community action on injury prevention (1999–03). The aim of this programme is to reduce the incidence of injuries, particularly those caused by home and leisure accidents, by stepping up the epidemiological monitoring of injuries through a Community system for collecting and exchanging data, and exchanging information on the use of such data, thereby contributing to the setting of priorities and devising the best preventive strategies. The budget provided for the entire programme is EUR 14 million. On 29 April 1999, Parliament and the Council also adopted a programme of Community action (1999–01) on pollution-related diseases. This programme is designed to improve information on pollution-related diseases and the associated risks, and to help establish preventive strategies and policies. The budget provided for the entire programme is EUR 3.9 million. The appropriations available in 1999 for these three programmes totalled EUR 5.4 million.

The European Agency for Safety and Health at Work (Bilbao) was also awarded a subsidy of EUR 7.4 million. These activities were supplemented by those carried out by the European Foundation for the Improvement of Living and Working Conditions (Dublin), which was subsidised to the tune of EUR 14.5 million and by those of the European Monitoring Centre for Drugs and Drug Addiction (Lisbon), with a subsidy of EUR 8.25 million. The European Monitoring Centre for Racism and Xenophobia (Vienna) started operation; in its first year its Community subsidy was limited to EUR 3.75 million.

Energy

On 14 December 1998 the Council adopted a framework programme for actions in the energy sector (1998–02) aimed at bringing together under one umbrella all the energy policy activities with a view to making them more effective and compatible with the priority objectives and ensuring closer coördination with energy measures taken under other Community policies.

The framework programme is allocated a total of EUR 170 million over the period 1998–02, with EUR 163 million for measures under Heading 3 (internal policies). The appropriations available for 1999 totalled EUR 40.6 million.

The framework programme consists of six specific programmes or measures, four of which were adopted on the same date:

☐ Carnot (encouragement for the clean and efficient use of coal);

☐ ETAP (study, analyses, forecasts in the energy sector);

☐ Synergy (promotion of international cooperation in the energy sector);

☐ SURE (safe transport of radioactive materials and safeguards in the countries participating in the TACIS programme).

The two other programmes, for which legislative decisions already existed:

☐ Altener (promotion of renewable energy sources)

☐ SAVE (encouragement of energy efficiency)

were adopted by co-decision on 28 February 2000 for the period 1998–02. The existing legislative decisions were repealed.

This completed the establishment of the multiannual framework programme in the energy sector and its six specific programmes.

The programme adopts an integrated approach, combining horizontal and thematic measures and lending greater coherence, effectiveness and transparency to the pursuit of energy policy objectives (security of supply, competitiveness and environmental protection).

Appropriations for horizontal measures total EUR 20 million for 1998–02 and cover the ETAP programme, for which EUR 1.38 million was available for 1999, and the Synergy programme with an allocation of EUR 7 million for 1999. Synergy takes account of the growing energy problems in the Union (increasing dependence on external suppliers, emergence of markets with heavy demand for energy and worldwide environmental problems).

The thematic measures, with an estimated EUR 143 million for the whole reference period, correspond to the specific sectors identified as priorities for European energy policy, with particular emphasis on the promotion of environmental-friendly technologies and sustainable development.

Four specific programmes make up the framework programme:

☐ Altener II: a Council decision concerning this programme for 1998–99 was adopted on 18 May 1998. A new Council and Parliament decision was adopted on 28 February 2000 for the period 1998–02. This decision repealed and replaced the decision of 18 May 1998. The budget provided for this programme is EUR 77 million. EUR 15.4 million was available in 1999.

☐ SAVE II (1996–2000): a Council decision was adopted on 16 December 1996 for the period 1996–00. A new Council and Parliament decision was adopted on 28 February 2000 for the period 1998–02. This decision repealed and replaced the decision of 16 December 1996. The budget provided for this programme is EUR 66 million. EUR 15.5 million was available in 1999. The vital role played by Save II was underlined by the pledges made by the industrial nations at the Kyoto International Conference on Climate Change, in December 1997, to reduce greenhouse gas emissions by 2010. Associated central European countries are participating in some of the projects. In addition, 35 new energy agencies were set up in the Member States under the responsibility of local or regional authorities and six more were set up in the associated countries.

☐ The Carnot programme is gaining in importance in the context of environmental protection and the forthcoming enlargement of the European Union. The Community must play a leading role in furthering the market penetration of these technologies and encouraging firms in this sector to draw up the long-term strategies they will require, for example, to replace thermal power stations currently in operation. An indicative allocation of EUR 3 million is proposed for this measure over the period as a whole. EUR 0.8 million was available in 1999.

☐ The SURE programme involves an indicative financial package of EUR 9 million, with EUR 3 million under Heading 3. EUR 0.5 million was available in 1999.

Euratom nuclear safeguards

The appropriation available for 1999 totalled EUR 16.4 million and was intended to finance the obligations conferred by the Member States on the Commission under Chapter VII of the Euratom Treaty, in particular to ensure that nuclear materials are not diverted from their intended uses. The scope of these obligations, the financing of which is covered by Article 174 of the Treaty, is a direct consequence of current and recent technical, economic and political choices made in each Member State.

The 1999 Euratom security inspection carried out accounting and physical checks on average stocks of 505 tonnes of plutonium, 10 tonnes of highly enriched uranium and 307 000 tonnes of uranium, thorium and heavy water. EUR 4.4 million was available in 1999 for sampling and analyses.

The number of man-days spent on inspections throughout the European Union came to around 8 800. This figure mainly covers inspections of large-scale installations using plutonium, nuclear reactors and large-scale storage facilities, but also includes the more technical missions conducted under the 'new partnership approach' between the Commission and the International Atomic Energy Agency (IAEA). EUR 5.4 million was proposed for inspections and the training of inspectors in 1999.

The security inspection unit installed and fine-tuned highly-automated safeguards systems for new facilities in existing plants, in particular the major plutonium-processing plants Melox, UP3 and UP2-800 in France and Thorp and SMP (Sellafield Mox Plant) in the United Kingdom. In addition, equipment already installed underwent a thorough inspection after several years of operation, and an upgrade was carried out to overcome the year 2000 problem. Work also continued on the establishment of the Euratom laboratories at Sellafield and The Hague. The official inauguration of the Sellafield laboratory took place on 13 October 1999. EUR 6.6 million was provided for this purpose.

Environment

Appropriations available for 1999 totalled EUR 184 million for the whole of this field.

The Union continued to implement the fifth action programme on the environment. In 1999 the Commission spent EUR 17.6 million on preparing and monitoring the whole range of legal instruments used, particularly in the integration of the environmental dimension in other policies (transport, energy, agriculture), biodiversity, pollutant emissions from vehicles and industrial installations, climate change, chemical substances, biotechnology, etc.

This work was accompanied by awareness-raising, information, education and training activities, and financial support was awarded to non-governmental organisations involved in environmental protection. EUR 6.6 million was allocated to organisations and projects selected by calls for proposals. EUR 2 million was used to launch a new civil protection programme.

A Community subsidy of EUR 18.4 million was paid to the European Environment Agency in Copenhagen in order to complete its 1994–99 work programme. This programme aims to provide the Commission and the Member States with the necessary objective information to formulate and implement environmental policies, to ensure wide dissemination of the information and to set up and coordinate a European network of observation and information on the environment.

The financial instrument for the environment (LIFE II) provides, during its second implementation phase (1996–99), for the concentration of activities in certain priority areas, such as the Natura 2000 network, the promotion of sustainable development in industry and the integration of the environment into land use planning. In 1999, the Commission financed over 200 projects, EUR 67.5 million being spent on nature conservation activities and EUR 67.5 million on projects of high technical merit aiming to implement Community policies and legislation on the environment.

Consumer protection

The new consumer programme (1999–03) establishes a general framework which allows the Commission to target these activities more precisely on three main policy objectives:

- a more powerful voice for consumers throughout the EU,
- a high level of health and safety for EU consumers,
- full respect for the economic interests of EU consumers.

Activities relating to consumers can be grouped in four main areas with commitments totalling EUR 22.5 million:

1. protecting consumers' health and safety by preventive measures and risk assessment, plus control and inspection measures — the Commission made progress in connection with food and veterinary inspection and scientific consultation;
2. educating and informing consumers about their rights and their protection in the single market;
3. protecting consumers' economic interests in matters of advertising, contractual terms, dispute prevention and settlement, in particular the indication of the price of products, injunctions and consumer credit;
4. promoting and representing consumers' interests at European level, so that their voices can be heard and their opinion solicited prior to the preparation and implementation of Community policies.

Aid for reconstruction

As in previous years, the European Union continued to provide interest subsidies on special loans in the regions of Italy and Greece affected by the earthquakes of 1980, 1981 and 1986, and Portugal (Madeira), affected by the 1993 cyclone. The appropriation available in 1999 for these measures was EUR 2.2 million.

Internal market

The single market is one of the main instruments for achieving the objectives of competitiveness, economic dynamism, growth and job-creation. Appropriations available for 1999 totalled EUR 111.7 million for the whole of this field.

Considerable progress was achieved in relation to the four strategic objectives set out in the action plan for the single market: making the legislation more effective, removing key market distortions, removing sectoral obstacles to market integration, and delivering a single market for the benefit of all citizens.

As part of the new service 'Europe direct', a new programme entitled 'Dialogue with citizens and business' was implemented in order to increase awareness of the opportunities offered by the single market and at the same time to identify any gaps in it.

Measures relating to the completion of the internal market must continually be pursued. They are focused on checking transposal of the directives by the Member States and implementation of administrative cooperation, standardisation, the notification of technical standards and certification and the evaluation of medicinal products. Expenditure on completion of the internal market came to EUR 51.3 million in 1999.

The Customs 2000 programme (1996–2000) and the Matthaeus programme, which are intended to ensure that the activities of national customs services meet the requirements of a single market, reached their full level of operation in 1999 (taking up EUR 20.2 million) and an action programme (Fiscalis) was launched to improve, by exchanging information and coordinating the training of the civil servants concerned, the practical application of the systems of indirect taxation in the internal market (with expenditure totalling EUR 6.4 million).

Lastly, by replacing the paper version by CD-ROMs and access via Internet, the Commission managed to reduce the unit price of the public procurement contract notices published in the Official Journal, keeping the total publication cost down to some EUR 30 million in 1999, compared with EUR 35 million in 1998, even though there was no change in the number of notices to be published.

Industry, services and information market

Appropriations available for 1999 totalled EUR 117 million for the whole of this field.

The Commission continued its efforts to improve the Union's industrial competitiveness, a key factor for economic growth, job creation and greater economic and social cohesion. In particular, the objective of the Community action programme to promote the competitiveness of European industry of 25 June 1996, with appropriations in 1999 of EUR 5.7 million, is concentrated on the benchmarking of competitive performance, the contribution of business services, industrial efficiency and overall quality management.

The Commission completed implementation of a 1995 regulation granting financial assistance to Portugal for a specific programme for the modernisation of the Portuguese textile and clothing industry (1995–99), at a cost of EUR 90 million in 1999.

Activities relating to information services revolved around analyses and raising awareness of the challenges of the information society, the development of a European multimedia content industry and a multimedia information market (INFO 2000 programme), the development of the linguistic dimension of the information society and preparatory measures for promoting safer use of the Internet by combating illegal and harmful content. In total, EUR 17.6 million was reserved for this purpose in 1999, including EUR 7.8 million for awareness-raising, EUR 5.9 million for INFO 2000 and EUR 4 million for the linguistic dimension.

In 1999, the second year in which the telecommunications market was open to full competition, the Commission took steps to ensure that Member States properly implemented the relevant legislation, particularly on universal service, and to complete the provisions governing such aspects as number portability, terminal equipment and mobile communications. It also took action on radio frequencies, electronic signatures, the Internet and the 'millennium bug'. Expenditure on this was EUR 3.8 million in 1999.

Labour market and technological innovation

The Commission took a number of measures to implement the initiative for employment launched by Parliament and approved by the Luxembourg European Council on Employment. It put into effect the Council decision of 18 May 1998 on measures of financial assistance for innovative and job-creating SMEs. Its aim is to support the investment activity of SMEs by providing them with easier access to funding and stimulate their growth and the creation of jobs. The decision provides for the establishment of three complementary facilities: a 'risk-capital window', administered by the European Investment Fund (EIF), which is aimed at SMEs in the start-up phase; a system of financial contributions, under the responsibility of the Commission, to SMEs for the setting-up of new transnational joint ventures within the European Union (joint European ventures); and a system of guarantees, administered by the EIF, to increase the volume of loans accessible to small or newly founded SMEs.

The EIF has been provided with EUR 59 million for risk capital and EUR 59 million for guarantees. EUR 32 million has been allocated for joint ventures.

The abovementioned measures were accompanied by an enterprise policy concentrating mainly on small and medium-sized businesses. In particular, the new 1997–2000 multiannual programme in favour of small firms and the craft sector was intended to improve the administrative and financial environment for small businesses through a number of initiatives and to support their development via information (Euro Info Centres) and cooperation networks by means of a European technology transfer network and specific measures to help the craft sector and small firms in distributive trades. The total cost of the activities carried out in 1999 came to EUR 37.3 million.

Labour market initiatives

In 1999 the Commission also carried out a number of operations in connection with labour market initiatives. EUR 5.3 million was allocated to projects for innovative approaches in the Member States' labour markets. A further EUR 6.3 million was allocated to Community activities concerning analysis, research and cooperation in the field of employment and the labour market (programme adopted for 1998–2000).

Statistical information

With a view to establishing a 'Community statistical area', based on a set of standards, methods and organisational structures for producing comparable, reliable and relevant statistics throughout the Community, Eurostat has developed a Community statistical programme 1998–02 which, in accordance with the framework programme on Community statistics, sets out the principles, key domains and objectives of the action planned and identifies the strategies and work schedules for each planning period. The Council adopted the programme on 22 December 1998. While pinpointing three top priorities (economic and monetary union; competitiveness, growth and employment; the enlargement of the European Union), it also provides for the maintenance of the current statistical support to decision-making under the existing policies.

Implementation of the framework programme in 1998 required a budget of EUR 32.8 million.

Trans-European networks

The development of trans-European networks (TENs) is a priority for the European Union. Their importance was recognised in the Treaty on European Union and stressed in the Commission's White Paper on growth, competitiveness and employment, and has been reiterated at several European Councils. Union action to develop the TENs is geared towards supplying the missing links in Europe's networks, thus making the economy more competitive, creating jobs and strengthening cohesion.

The appropriations entered in the 1999 budget to finance the TENs totalled EUR 585 million. They were intended primarily for financial support for infrastructure projects in the fields of transport (EUR 499.5 million), energy (EUR 29 million) and telecommunications (EUR 21.5 million), networks for the interchange of data between administrations (EUR 24 million) and networks for Community statistics (EUR 11 million).

The adoption, in the context of Agenda 2000, of a revised framework programme for the financing of the trans-European networks from 2000 to 2006 marked a significant step forward in the development of these networks, especially with the increase in total funding provided for by the new regulation (EUR 4 600 million compared with EUR 2 345 million for the period 1995–99). Guidelines and a new programme on electronic data interchange between administrations (IDA) were also adopted.

Cooperation in the fields of justice and home affairs

Appropriations available for 1999 totalled EUR 42 million for the whole of this field. EUR 12 million was used to implement the 1999 tranche of the multiannual programmes for exchanges, training and cooperation, while EUR 30 million went to finance various measures in connection with the reception of refugees following the events in Kosovo.

The year 1999 was important for the European Union in the field of justice and home affairs. The entry into force of the Amsterdam Treaty, on 1 May, considerably strengthened the Union's means of action in this sphere, in particular by incorporating the questions of visas, asylum, immigration and judicial cooperation in civil matters into the framework of the EC Treaty. The Commission straightaway exercised its new powers by presenting, in the weeks immediately following entry into force, three legislative proposals on: jurisdiction and the recognition and enforcement of judgments in matrimonial matters and in matters of parental responsibility for joint children; the service in the Member States of judicial and extrajudicial documents in civil or commercial matters; and the establishment of Eurodac for the comparison of the fingerprints of applicants for asylum and certain other aliens.

Further to the action plan adopted in December 1998 and pursuant to the decision taken at the European Council in Vienna, reaffirmed at the European Council in Cologne, the European Council held a special meeting on 15 and 16 October in Tampere, entirely devoted to the creation of an area of freedom, security and justice in the European Union. It laid down the guidelines and political priorities for the different fields which will make up the area: a common asylum and migration policy (partnership with the countries of origin, a common European asylum system, fair treatment of third-country nationals, management of migration flows), a European area of justice (better access to justice, mutual recognition of judicial decisions, greater convergence in civil law), a Union-wide fight against crime (preventing crime at the level of the Union, stepping up cooperation against crime, special action against money laundering) and stronger external action. It also invited the Commission to make a proposal for a 'scoreboard' to monitor the progress achieved by the Union in creating this area of freedom, security and justice.

The Commission also presented an action plan for the European Union in the fight against drugs (2000–04) and a proposal for a decision on the establishment of a European refugee fund, designed to help establish a balance between the efforts of the Member States in matters of reception, integration and displaced persons. The fund should receive an overall allocation of EUR 216 million for the period 2000–04.

The fight against fraud

The creation of the European Anti-fraud Office (OLAF)

The protection of the Community's financial interests, like its corollary, fraud prevention, is being given ever higher political priority.

The creation of the European Anti-fraud Office (OLAF) is described by the conclusions of the Helsinki European Council of December 1999 as 'an important new step in the fight against fraud'. The institutions, following 'negotiations' and a series of discussions which were described as 'exemplary' by the Cologne European Council of June 1999, established a unique mechanism which makes it possible to ensure a Community presence on the ground and at the same time develop legislation for existing and future Community policies.

The European Anti-fraud Office has been in a transitional period since 1 June 1999 in terms of recruitment and tasks. It is evolving towards a new organisation reflecting the additional resources allocated to it by the European Parliament and the Council for the 1999, 2000 and 2001 financial years. The Office will then have 300 staff. Until that time, initially on a provisional basis, the existing structures of OLAF will be reorganised and adapted as new resources become available.

Continuity with ongoing operational activities has been ensured: the fight against organised crime and financial crime continued on the ground. The progress noted in recent years will continue with OLAF, even if the comparison between the results of various years may turn out to be difficult.

The priorities are developing cooperation with the Member States and increasing transparency in the European institutions.

On the first point, coordination and assistance represent a major proportion of the Office's activities. The value added by OLAF must be evidenced by its capacity to ensure more dynamic cooperation with the national authorities on the ground. The Office will therefore give its full support to national investigation services, following a service and partnership approach. Specific powers of administrative investigation should be integrated as a complementary and essential instrument for a more comprehensive approach to cooperation with all the national services concerned, focusing on areas of Community responsibility.

On the second, OLAF will present its report as a quantified scoreboard allowing its operational action to be monitored with some precision. The intention is to manage the Office in a spirit of transparency. In particular with regard to internal investigations, the Office intends to make careful use of the new means of investigation provided for by the legislation, to neutralise external influences, including corruption, and thus to guarantee the credibility of the Community institutions and bodies.

Legal framework

The Unit for the Coordination of Fraud Prevention, better known by the acronym UCLAF, has given way, since 1 June 1999, to the European Anti-fraud Office (OLAF). The legal framework for the protection of the Communities' financial interests and for the fight against fraud and other illegal activity detrimental to Community interests consists of four main instruments:

- ☐ Commission Decision 1999/352/EC, ECSC, Euratom of 28 April 1999 establishing the European Anti-fraud Office (OLAF) ([1]);
- ☐ European Parliament and Council Regulation (EC) No 1073/1999 of 25 May 1999 concerning investigations conducted by the European Anti-fraud Office ([2]), adopted on the basis of the new Article 280 EC (Treaty of Amsterdam) under the co-decision procedure;
- ☐ Council Regulation (Euratom) No 1074/1999 of 25 May 1999 concerning investigations conducted by the European Anti-fraud Office ([3]), adopted on the basis

([1]) OJ L 136, 31.5.1999, p. 20.
([2]) OJ L 136, 31.5.1999, p. 1.
([3]) OJ L 136, 31.5.1999, p. 8.

of Article 203 of the Euratom Treaty, this has the same object as Regulation (EC) No 1073/1999;

- the interinstitutional agreement of 25 May 1999 between the European Parliament, the Council and the Commission relating to internal investigations conducted by OLAF — an annex contains a model internal decision specific to each institution or body established by or on the basis of the EC and Euratom Treaties [4].

The OLAF report

The second subparagraph of Article 12(3) of Regulations 1073/99 and 1074/99 requires the Director of the Office 'to report regularly to the European Parliament, the Council, the Commission and the Court of Auditors on the findings of investigations carried out, whilst respecting the confidentiality of those investigations, the legitimate rights of the persons concerned and, where appropriate, national provisions applicable to judicial proceedings'.

The report, prepared on this basis, extends broadly to all the operational functions exercised by the Office on the independent basis established by the legislation. Ranging from information gathering to its exploitation (intelligence) and to the administrative and judicial follow-up, it deals with coordination and assistance, external investigations in partnership with the Member States and internal investigations within the institutions and bodies set up by the EC and Euratom Treaties. The Office's other activities will be covered by the report on the protection of financial interests prepared by the Commission under Article 280 of the EC Treaty.

The OLAF management report is in three parts. The first specifies the Office's powers and procedures as determined by the legislation governing it.

The Office's operational activity is considered in a second part in terms of both statistics and analysis.

The third part sets out all the issues raised by the Office's operational activity to serve as a basis for future policy.

[4] OJ L 136, 31.5.1999, p. 15.

Heading 4 — External action

External action takes various forms:

(1) financial, technical and economic cooperation proper by geographical zone in key areas of economic activity:

- ☐ aid for the restructuring of the economies of central and eastern Europe, particularly as part of the European Union's pre-accession strategy vis-à-vis associated countries in that region,
- ☐ the establishment of a Euro-Mediterranean partnership,
- ☐ cooperation with the new independent States and Mongolia,
- ☐ cooperation with the republics of former Yugoslavia,
- ☐ cooperation with developing countries in Asia and Latin America,
- ☐ the European programme for reconstruction and development in South Africa;

(2) cooperation and aid measures, often of a horizontal nature, which cannot easily be distinguished by geographical area, e.g.:

- ☐ food aid and humanitarian aid,
- ☐ the ECIP facility — promotion of Community investment in the Asian, Latin American and Mediterranean developing countries and South Africa;

(3) accompanying measures, including:

- ☐ external aspects of certain Community policies — environment, international fisheries agreements and commercial policy,
- ☐ Community participation in projects carried out by non-governmental organisations to assist developing countries,
- ☐ initiatives in the field of democracy and protection of human rights,
- ☐ measures in favour of the environment, tropical forests and health in the developing countries;

(4) joint actions and common positions relating to the common foreign and security policy.

According to the Commission's report on the implementation of the budget at 31 December, the appropriations available for commitment under the 1999 budget were as follows:

(million EUR)

Common foreign and security policy	39.8
Cooperation with the countries of central and eastern Europe	1 511.8
Cooperation with the independent States of the former Soviet Union	472.4
Cooperation with the republics of former Yugoslavia	459.2
Food aid and humanitarian aid (including the emergency aid reserve)	1 231.9
Cooperation with developing countries in Latin America, Asia and South Africa	870.1
Cooperation with Mediterranean non-member countries	1 099.8
Other forms of cooperation with developing countries and non-member countries	370.4
European initiative for democracy and the protection of human rights	98.1
External aspects of Community policies (international fisheries agreements, environment)	390.6
Total	**6 544.1**

Virtually all these appropriations were committed.

Priorities for external action are the development of cooperation with the countries of central and eastern Europe and with the non-member countries of the Mediterranean and the Middle East, on the basis of the indicative financial plans for these areas laid down at the Cannes European Council on 26 and 27 June 1995.

The overall aim of cooperation with the countries of central and eastern Europe (the PHARE programme) is to support the economic restructuring process and encourage the changeover from a planned economy to a market economy and private enterprise.

The initial aims of the PHARE programme were extended at the European Councils at Copenhagen (June 1993) and Essen (December 1994) to include preparations for the accession of the associated central and eastern European countries to the European Union. The timetable for the various stages in this process was laid down at the Madrid European Council in December 1995, and in June 1997 the Amsterdam European Council decided to strengthen the pre-accession strategy.

The new guidelines proposed by the Commission for adapting the PHARE programme to the new enlargement priorities were implemented following the conclusions of the Luxembourg European Council of 12 and 13 December, adoption of Council Regulation (EC) No 622/98 of 16 March 1998 on assistance to the applicant States in the framework of the pre-accession strategy, and in particular on the establishment of accession partnerships, and the establishment of these partnerships through adoption of the Council decisions of 30 March 1998.

Measures under this programme, according to the 1998–99 guidelines, focus on two main types of horizontal requirements which result from examination of the situation in the applicant countries: institution-building (30 %) and investment (70 %) in connection with established Community law.

The first priority is to help the administrations of the applicant countries to develop an effective capacity to implement established Community law. This institution-building, which could take up around 30 % of the budget, should make less use of consultants and mobilise other types of operators in the Union: national authorities, the legal professions, academics, etc.

The second requirement is that the applicant countries must make the necessary investments to enable their firms and major infrastructure to come into line with Community standards. This contribution, to which around 70 % of the budget should be devoted, will be particularly necessary in areas where Community standards are increasingly demanding: environment, transport, industrial plant, etc. It will support investments to finance operations connected with implementation of established Community law, for instance on the environment or integrated regional development. It will also involve joint financing with the EIB, EBRD and the World Bank of the major infrastructure projects required to ensure that the proper adjustments are made.

Finally it will take the form of an SME financing facility for which the mechanisms will be examined with the EIB and EBRD. Special attention will be paid to promoting intangible investment, in particular to help the applicant countries gain access to the information society.

In 1999 the PHARE programme also included measures in some non-applicant countries such as Albania.

The programme is divided into national allocations, including cross-border measures

(EUR 950 million) and multibeneficiary measures (EUR 450 million).

The MEDA programme, which supports the reform of social and economic structures in the Mediterranean region, is the chief instrument for implementing the Euro-Mediterranean partnership decided on at the Euro-Mediterranean Conference in Barcelona in November 1995. The partnership has three components:

- ☐ a political and security partnership to establish a common area of peace and stability;
- ☐ a partnership in social, cultural and human affairs to promote understanding between peoples;
- ☐ an economic and financial partnership to create an area of shared prosperity.

The most important objectives include:

- ☐ creating a shared area of prosperity by speeding up and maintaining the pace of our Mediterranean partners' social and economic development;
- ☐ improving living conditions for the people, particularly by increasing the level of employment and reducing discrepancies in development in the region;
- ☐ supporting cooperation and regional integration and exchanges in civil society.

One of the features that will have the greatest impact on the economies of the Mediterranean countries is the gradual establishment of a free-trade area, as provided for by the Euro-Mediterranean association agreements which the Community has signed or is about to conclude with a number of countries. The MEDA programme aims to assist the gradual creation of a Euro-Mediterranean economic area by supporting economic transition, better socio-economic balance and regional integration.

Accordingly, many of the projects financed in 1999 were concerned with social issues (education, health, unemployment), socioeconomic improvements such as structural adjustment programmes and the modernisation of public administration and management, information society, energy, promotion of investment and environmental protection, including projects on water sanitation, rural development and the management of natural resources.

A further EUR 14.1 million went on reconstruction and rehabilitation projects in Lebanon, Algeria and Jordan.

Other cooperation measures with non-member Mediterranean countries include those listed below.

- ☐ The finalising of financial protocols with the southern Mediterranean countries (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia); the protocols have two main aspects: social measures and infrastructure. Measures launched in 1999 include a EUR 10 million rural electrification project and, for the EIB, an allocation of EUR 11 million in risk capital for SMEs in Algeria and EUR 2.6 million in interest-rate subsidies for Egypt.
- ☐ Financial protocols with Malta and Cyprus with a view to financing or helping to finance cooperation projects to strengthen their economic ties with the Community, for the mutual benefit of both sides, by developing cooperation in industry, agriculture, training and research, technology, trade and other services. A decision has been taken to conclude a fourth protocol with both countries to prepare them for the economic efforts they would have to make in order to join the European Union.
- ☐ Community action linked to the peace agreement between Israel and the Palestine Liberation Organisation (PLO). Special

emphasis has been placed on education, municipal infrastructures, the management of water, sanitation and solid waste, support for the private sector and support and technical assistance for institution-building. A total of EUR 40.6 million has been committed.

- ☐ The ninth agreement with UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East); the Union's contribution (EUR 38.33) will be used to finance education and health programmes.

The purpose of the TACIS programme of cooperation with the new independent States and Mongolia is to support the process of reform and transition to a market economy in these countries, strengthen their democratic structures and establish a pluralist society. The measures to be financed form part of indicative programmes aimed at supporting the macroeconomic and sectoral policies pursued by the authorities in the partner countries, concentrating on the medium-term priorities of economic reform.

Under the plan for 1996–99, the main areas to be covered are:

- ☐ development of human resources
- ☐ restructuring and development of firms
- ☐ transport and telecommunications infrastructures
- ☐ energy, including nuclear safety
- ☐ the environment.

Financial contributions are thus focused on a narrower range of priorities, involving projects on a greater financial scale, and the structures for implementation on the ground have been rationalised.

An amount of EUR 397 million was committed under the TACIS programme in 1999, with a further EUR 13 million for exceptional macro-financial assistance to Armenia and Georgia and EUR 40.4 million for the Community's contribution to the EBRD for the Chernobyl shelter fund.

The Community's role is to promote close cooperation and coordination within the group of 24 industrial countries in order to ensure that the various steps taken by the donors are fully effective and to avoid any duplication.

With regard to cooperation with the republics of former Yugoslavia, the crisis in Kosovo was of key importance not only for the Balkan region but also for the EU's external action as a whole, as it meant significant changes to the spending programme for Heading 4.

The Community responded to the crisis by giving substantial humanitarian aid and by rapidly setting up a task force to identify and manage emergency projects. The work of the task force was later taken up by the European Agency for Reconstruction, set up in Pristina by decision of the Council.

In 1999, a total budget of EUR 157 million was allocated for the reconstruction of Kosovo, under the Obnova programme. For this purpose, a specific line for the reconstruction of Kosovo (B7-546) was created in 1999 by means of a supplementary and amending budget. Of the EUR 157 million allocated to the line, EUR 127 million was committed and EUR 30 million carried over to 2000.

As well as giving substantial financial assistance, the EU formulated an overall strategy for stabilisation and association with the countries of south-eastern Europe: the strategy is part of the stability pact drawn up by the international community.

A total of EUR 284 million was committed under the Obnova programme in 1999. As well as continuing the programme of reconstruction and rehabilitation in Bosnia and

Herzegovina, this sum includes budgetary aid of EUR 25 million to the former Yugoslav Republic of Macedonia (FYROM) to assist refugees (i.e. for their welfare, health and education), and aid of the same type to Montenegro and Albania.

In 1998 the Commission continued implementing the new strategies for boosting cooperation with the Asian and Latin American developing countries proposed in 1994 and 1995.

It is important to support the process of growth in the Latin American countries by strengthening the Community's partnership with these countries and by continuing to develop the dialogue with central America, the Rio Group, Mercosur, Mexico and Chile.

The new Asian strategy aims to establish a new Euro–Asian partnership based on promotion of political dialogue, expansion of economic relations (trade, investment and technology transfer) and increased cooperation in a number of sectors (development of human resources, development aid for the poorest sections of the population, the environment).

These operations are covered by Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance to and economic cooperation with these countries.

Financial and technical aid is mainly directed towards the poorest sections of the population and the poorest Asian and Latin American countries through programmes or projects in sectors where Community aid can play an important role in sustainable development, particularly as regards the rural sector and greater security of food supply, and in human development, education, health and institution-building.

Operations with an impact on economic structures and measures relating to the environment receive special attention. The human and cultural dimension of development was taken into account in all areas of intervention.

For Asian developing countries, the most important projects launched in 1999 concerned:

- ☐ rural development (EUR 65.4 million)
- ☐ support for reform and democratisation (EUR 37.1 million)
- ☐ health (EUR 85 million)
- ☐ education (EUR 88.4 million)

and were based on three priorities:

- ☐ the alleviation of poverty in Bangladesh
- ☐ support for the process of democratisation in Indonesia
- ☐ support for economic reform and human resource development in China.

For Latin American developing countries, 11 new financial and technical cooperation projects were launched, concerning, for example, central America (EUR 24.6 million), the Andean Community (EUR 5 million) and the Mercosur–Chile sub-region (EUR 4.2 million), and aid of EUR 82.6 million for central America under the post-Mitch reconstruction and rehabilitation programme.

Economic cooperation covers a range of measures such as technical assistance, training, technology transfers, institutional support in connection with trade promotion, energy, the environment, management, etc., to improve the economic, social, cultural, legislative and regulatory situation, to facilitate economic relations and trade with Asia and Latin America, to promote regional integration and the transfer of know-how and to encourage meetings and associations of economic operators from both sides.

Regional cooperation is important both for financial and technical aid and for economic cooperation.

Special attention is also paid to cooperation on the environment and the protection of natural resources.

A total of EUR 127.5 million was committed in 1999 for the implementation of development cooperation projects in South Africa. An indicative programme has been drawn up for the period 1997–99 aimed at developing and consolidating democracy and institutions, promoting the private sector and helping the poorest sections of the population. This programme comprises four priority areas of cooperation:

- ☐ basic social services (health, education, training, water and sanitation) (EUR 71.5 million)
- ☐ assistance for the private sector (EUR 12.8 million)
- ☐ good governance (EUR 38 million)
- ☐ regional cooperation (EUR 5.2 million).

The programme will also cover the development of human resources, equal opportunities between men and women, environmental protection and cross-sectoral issues.

Food aid figures large among the forms of assistance given to developing countries. Food aid operations (aid in products and financial aid) are carried out in line with other sectoral policies and development policy and in conjunction with other donors. The Community's food aid is part of a global effort on the part of the developed countries to improve the food situation in the developing countries, an effort which is shown in their commitment to participate in the international Food Aid Convention. The aid in products supplied under this Convention is, however, insufficient. The Community has therefore regularly added extra aid in the form of cereals, powdered milk, butter oil, vegetable oil, sugar and various other products (vegetables, groundnuts, etc.).

It is given with the aim of raising the general standard of nutrition, improving food security and, through integrated development programmes, contributing to the balanced economic and social development of the assisted areas.

Depending on specific needs, food aid may be given for free distribution to the needy, or for sale on local markets (the proceeds being used to finance rural or other projects in the recipient country) or, in certain cases, in the form of food purchased in one developing country and given as aid to another (triangular operations).

Aid in kind includes not only delivering foodstuffs, but also providing seeds, fertilisers, tools or other agricultural inputs. It may be backed up by technical and financial assistance and awareness-raising and training measures.

A new regulation on food-aid policy and management and special operations in support of food security was adopted on 27 June 1996. The new regulation provides for two new instruments — foreign currency facilities and operations in support of food security.

The currency facilities are designed to provide financial assistance for countries which have a private sector that is able to import food products but does not have access to the necessary hard currency. Specific measures are to be encouraged to support small firms in these countries in order to make markets more efficient by involving more traders.

The food aid operations will take the form of financial and technical assistance, the aim being to support the framing and execution of a food strategy or other measures fostering the food security of the population concerned and to encourage the countries in question to reduce their food dependency and hence the deliveries of food aid. Special attention is to be paid to low-income countries with serious food shortages.

The provision of food aid and measures to support the resumption of farming activities were programmed alongside the long-term reform programmes to bring about the structural reforms needed to tackle the underlying causes of food insecurity in countries suffering from a structural deficit and a high insecurity index. The year 1999 was good for farming, but it was disturbed by food crises in several developing countries, due mainly to natural disasters, internal strife and economic crises. There were specific measures following the crisis in Kosovo totalling EUR 20.4 million, and measures were stepped up in the Horn of Africa, following the drought, and in Angola and North Korea.

A total of EUR 505 million was committed in 1999. The geographical breakdown of food aid operations in support of food security was as follows:

- ACP countries: 49 %
- new independent States of the Caucasus and Central Asia: 11 %
- developing countries in Latin America: 12 %
- developing countries in Asia: 18 %
- non-member countries in the Mediterranean and Middle East: 5 %.

Financial aid (direct budgetary aid, foreign currency and support operations) accounted for 66 % of the total.

From the budget, 26 % went on the involvement of NGOs in food aid and food security support programmes.

The European Community Humanitarian Office (ECHO), set up in April 1992, carries out humanitarian aid operations.

The overall purpose of these operations is to emphasise the Community's presence and to enhance its capacity to react to exceptional events, i.e. to come to the assistance of people in distress (victims of disasters or armed conflicts). Depending on the situation, ECHO finances food aid, the provision of shelter and medicines, water supplies, war surgery, emergency repairs and vaccinations, psycho-social assistance, airlifts and landmine clearance. It also manages a programme to prepare for and prevent natural disasters in high-risk regions. All aid financed by ECHO is granted without any discrimination on the grounds of race, ethnic origin or religion.

Over the last five years, as the number and scale of international humanitarian crises have grown, the humanitarian operations undertaken by the Commission on behalf of the Union have increased enormously. The European Union is now one of the largest single public donors of humanitarian aid. In 1999, the European Union's humanitarian action was particularly intense because of the outbreak of new humanitarian crises in Kosovo, Chechnya and East Timor, the resumption of hostilities in Angola and natural disasters such as the earthquake in Turkey.

At the same time, serious problems persisted in Sudan, Afghanistan, the Great Lakes region and the Horn of Africa. Some 1 100 humanitarian operations were carried out in over 70 countries at a cost of around EUR 810 million (EUR 726.9 million from the Community budget and EUR 83.1 million from the European Development Fund) to meet the many requirements in this field. The main areas for intervention were the western Balkans (55.2 %), the ACP countries (15.8 %), in particular sub-Saharan Africa and the developing countries of Asia (11.2 %), Latin America (6 %) and the new independent States (6.8 %). However, the Community also continued to supply humanitarian aid to some 60 countries in crisis around the world, including Guinea-

Bissau, Sierra Leone, Eritrea, Bangladesh, Colombia, Bolivia, Honduras, Nicaragua, Guatemala, El Salvador, Cambodia, Vietnam, Indonesia, Armenia, Azerbaijan, Georgia, Tajikistan, Iraq, Afghanistan, North Korea and Cuba, in order to respond to the urgent requirements of the victims of natural or man-made disasters.

As in the past, operations were conducted in partnership with nearly 200 — mainly European — non-governmental organisations, the agencies of the United Nations and the Red Cross, almost all of them signatories of a framework partnership agreement with the Commission. Cooperation between ECHO and its partners enables the Community to respond quickly and flexibly to humanitarian emergencies. In 1999 aid was again given to the millions of human beings who were victims of natural disasters and long-running man-made crises, chiefly civil wars.

A total of EUR 354.1 million was committed under the heading of other cooperation action, which consists of a series of specific, horizontal projects centred on five main areas:

- Community participation in projects carried out by non-governmental organisations in the developing countries, particularly in agriculture, health and training; special attention was also paid to measures aimed at raising European public awareness of development issues (EUR 219.9 million);

- health and the environment in the developing countries (including tropical rainforests, drugs and the fight against AIDS) (EUR 83.5 million);

- reconstruction programmes for southern Africa and all developing countries, the aim being to launch recipient countries on the course towards real development;

- coordination of development policy, evaluation of the results of Community aid, and monitoring and inspection measures;

- special operations in conjunction with non-member countries including Community participation in the Korean Peninsula Energy Development Organisation (KEDO), cooperation with certain industrialised countries (United States, Canada, Korea) and action on anti-personnel landmines (EUR 24.7 million).

A sum of EUR 94.2 million was committed for the European initiative for democracy and the protection of human rights, This initiative aims to gather under one heading all projects aiming to support democracy and the protection of human rights and to sustain peacemaking processes and ease tensions in certain regions.

These projects are complemented by support for the protection of human rights, especially in Turkey, and support for victims of torture or human rights violations.

A total of EUR 359 million was committed for the external aspects of certain Community policies, including:

- EUR 265.5 million for international fisheries agreements;

- EUR 10.1 million for external aspects of the common commercial policy (external trade relations and the World Trade Organisation, the promotion of European Union exports to Japan and access to markets in non-member countries);

- EUR 12.9 million for the promotion of Community investment in the developing countries of Latin America, Asia and the Mediterranean within the framework of economic and trade cooperation agreements.

Finally, EUR 28.9 million was committed under the common foreign and security policy, mainly to finance the following forms of joint action:

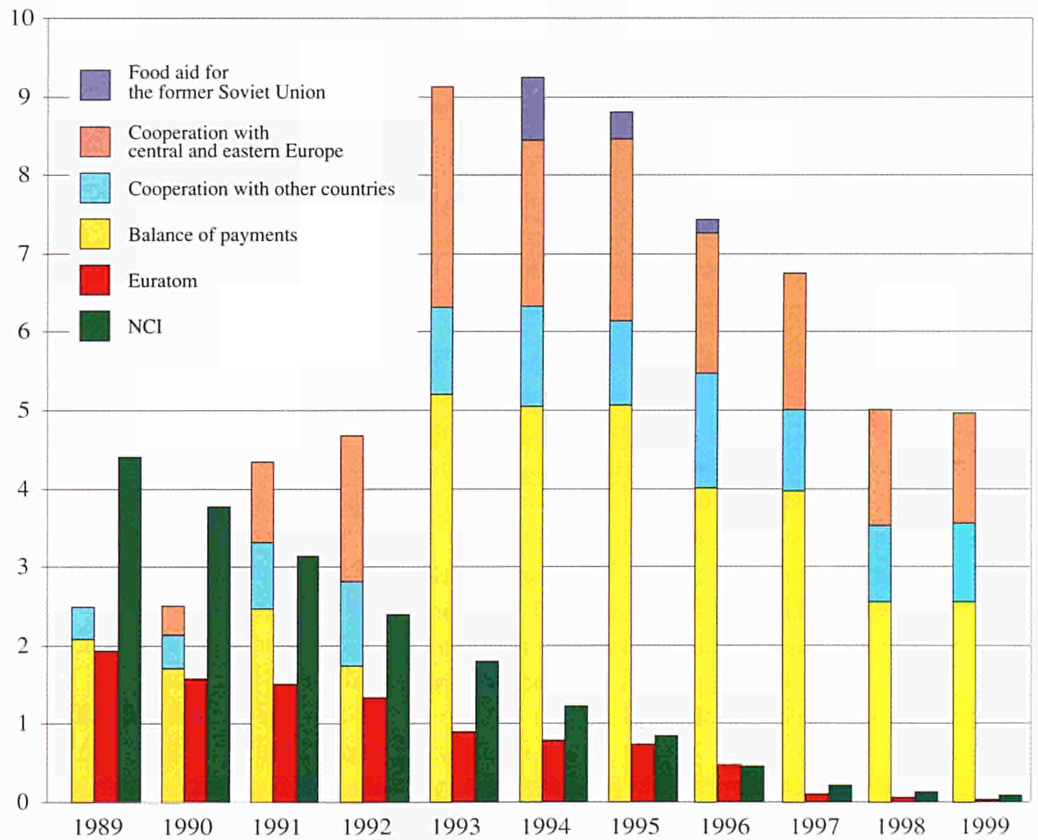
- ☐ coordination, supervision and training of specialists and local trainers for mine disposal in Croatia;
- ☐ European Union participation in the structures for implementing the peace agreement and support for elections in Bosnia-Herzegovina;
- ☐ promotion of the Middle East peace process;
- ☐ promotion of the peace process in the Great Lakes region in Africa.

In addition to the measures financed by the general budget, a number of Community operations are carried out using borrowed funds. The Communities have developed several instruments which give them access to capital markets and are used to finance various categories of loans. In addition to these loans from borrowed funds, a smaller number of loans are granted from budget appropriations. This report deals only with borrowing and lending operations included in the EU's financial balance sheet: it ignores operations carried out under the financial provisions of the ECSC Treaty (EUR 2 472 million in loans outstanding at 31 December 1999) and those carried out by the European Investment Bank from its own resources under the EEC Treaty (EUR 153 356 million in loans outstanding at 31 December 1999).

Should the recipient of a loan granted by the Union default, the corresponding funds bor-

FIGURE 15
Community loans outstanding, 1989–99

(1 000 million EUR)



rowed by the Union would be repaid from the general budget. Some of the loans granted by the European Investment Bank from its own resources are backed by a guarantee from the general budget.

Where a non-member country defaults on a loan granted or guaranteed by the Union, the creditors will be repaid from the Guarantee Fund set up by the Council Regulation of 31 October 1994.

Borrowing and lending for balance-of-payments support

After the first oil shock a Community borrowing facility was devised to help Member States whose balance of payments had been upset as a result of the rise in oil prices. The first loans were granted in 1976. The Council increased the volume of Community borrowings authorised under this facility to EUR 8 000 million in 1984 and to EUR 14 000 million in 1988. At 31 December 1999 loans outstanding totalled EUR 2 483 million.

Euratom borrowing and lending

Since 1977 the European Union has made use of this facility, which was devised to finance investment projects involving the industrial generation of nuclear power and industrial fuel-cycle installations, in order to reduce dependence on imported energy. In 1990 a Council decision increased the amount of borrowings which the Commission is authorised to raise under this facility to EUR 4 000 million. At 31 December 1999 outstanding loans totalled EUR 12 million.

On 9 December 1992 the Commission proposed that the balance of borrowings not used in the Member States could be used to finance improvements in the efficiency and safety of nuclear power stations in central and eastern Europe and in the Commonwealth of Independent States. On 21 March 1994 the Council decided to amend Decision 77/270/Euratom to authorise the Commission to contract Euratom borrowings to help finance improvements in the safety and efficiency of nuclear power stations in certain non-member countries. This decision will enable use to be made of a considerable proportion of Euratom's available borrowing capacity (some EUR 1 100 million).

The idea of international financial aid for the closure of the Chernobyl nuclear power plant was entered in the conclusions of both the Corfu European Council of 24 and 25 June 1994 and the G7 summit at Naples on 7 and 8 July 1994.

NCI borrowing and lending

The New Community Instrument (NCI) was created in 1978 to help finance investment projects for developing Europe's industrial competitiveness. These projects must meet the EU's priority objectives concerning energy, industry and infrastructure and must, in particular, promote regional development and help to reduce unemployment. The New Community Instrument was strengthened in 1982, 1983 and 1987 and its field of application now extends to the dissemination of new technologies and innovation, mainly for the benefit of small and medium-sized businesses. Overall, the volume of borrowings authorised by the Council has risen to EUR 6 830 million and has been used to grant loans of EUR 6 197 million, including EUR 679 million to finance reconstruction projects following the earthquakes in Italy in 1980 and in Greece in 1981. At 31 December 1999 the loans outstanding came to EUR 130 million.

Borrowing and lending in connection with cooperation with non-member countries

The Community grants financial assistance in the form of medium-term loans to a number of countries which are currently implementing economic reforms. These loans are financed from its borrowing operations.

As part of the EUR 20 million in exceptional macrofinancial assistance to Bosnia, the first tranche of EUR 10 million was paid on 21 December 1999.

As part of the EUR 100 million granted as additional macrofinancial assistance to Bulgaria (approved by the Council on 8 November 1999), the first tranche of EUR 40 million was paid on 21 December 1999. At the end of 1999 outstanding loans to Bulgaria thus totalled EUR 400 million.

As part of the EUR 158 million granted as additional macrofinancial assistance to Ukraine (approved by the Council on 15 October 1998), the first tranche of EUR 58 million was paid on 30 July 1999. At the end of 1999 outstanding loans to Ukraine thus totalled EUR 343 million.

Financial assistance of EUR 1 250 million had also been granted to the republics of the former Soviet Union. At 31 December 1999 outstanding loans totalled EUR 55 million (unpaid capital amounts due).

At 31 December 1999 the total amount of outstanding loans financed from borrowings came to EUR 1 646 million.

Loans from budget appropriations

Besides these loans from borrowed funds, loans are also granted from budget appropriations as part of the policy of cooperation with non-member countries. The Communities have concluded agreements with most of the Mediterranean countries which combine commercial cooperation with financial and technical cooperation. In the case of financial and technical cooperation, Community aid consists partly of non-repayable grants and partly of loans on particularly favourable terms or risk-capital operations. At 31 December 1999 the outstanding balance of loans on special terms and risk-capital operations came to EUR 110.3 million.

Since 1988 the EU has been able to grant loans and advances, likewise from budget appropriations, to finance joint ventures between European firms and firms in Asia, Latin America and the Mediterranean countries. At 31 December 1999 the outstanding balance of these operations came to EUR 110.3 million.

Budget guarantees

Should a debtor default, the amounts borrowed to finance any of the loans listed above would be repaid from the general budget.

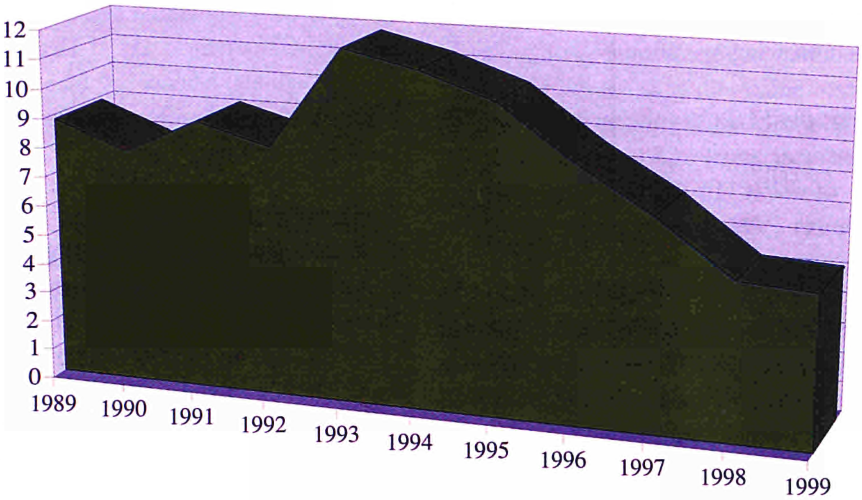
A budget guarantee also covers the loans granted by the European Investment Bank from its own resources to 12 Mediterranean countries under the financial protocols annexed to the relevant cooperation agreements.

At 31 December 1999 outstanding loans totalled EUR 3 897 million (EUR 68 million in Spain, Greece and Portugal and EUR 3 829 million in non-member Mediterranean countries).

The guarantee also extends to loans granted by the EIB from its own resources to the countries of central and eastern Europe. The overall ceiling on guaranteed loans to these countries is EUR 4 700 million. At 31 December 1999 loans granted to these countries totalled EUR 4 203 million but only EUR 2 789 million had actually been disbursed.

FIGURE 16
Total Community loans outstanding, 1989–99

(1 000 million EUR)



The purpose of this financial support is to promote the development of infrastructures (in particular trans-European networks) for energy, research, telecommunications and the environment, and to provide backing for the private sector, in particular small businesses.

Under a Council decision of 15 February 1993 the Community provides a budget guarantee for loans made by the EIB from its own resources to finance investment projects of mutual interest in the developing countries of Asia and Latin America which have signed cooperation agreements with the Community. These loans total EUR 250 million a year for a period of three years. At 31 December 1999 credits opened in these countries totalled EUR 621 million and EUR 464 million had been paid.

On 12 December 1996 the Council granted the EIB a Community guarantee on loans to certain developing countries in Asia and Latin America. This guarantee is limited to an overall ceiling of EUR 275 million to be granted in 1996. At 31 December 1999 credits opened in the countries concerned totalled EUR 153 million and EUR 144 million had been paid.

Under a Council decision of 1 June 1995, the Community provides a budget guarantee for loans made by the EIB from its own resources to finance investment projects in South Africa with an overall ceiling of EUR 300 million over a period of two years. At 31 December 1999 credits opened totalled EUR 300 million and EUR 285 million had been paid.

On 14 April 1997, the Council granted an overall Community guarantee to the EIB for loans for investment in the countries of central and eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa.

This guarantee is restricted to 70 % of the aggregate amount of the credits opened, plus all related sums. The overall ceiling of credits opened is EUR 7 105 million and breaks down as follows:

- ☐ countries of central and eastern Europe: EUR 3 520 million
- ☐ Mediterranean countries: EUR 2 310 million
- ☐ Latin American and Asian countries: EUR 900 million
- ☐ Republic of South Africa: EUR 375 million.

It covers a period of three years from 31 January 1997 for the countries of central and eastern Europe, the Mediterranean countries and Latin America and Asia, and from 1 July 1997 for the Republic of South Africa. The period of validity of this decision is automatically extended by six months, if, on expiry of the period, the loans granted by the EIB have not reached the total amounts mentioned above.

The European Investment Bank is asked to consider the rate of 25 % as a target for coverage of the commercial risk with non-sovereign guarantees.

At 31 December 1999 credits opened in the countries concerned totalled EUR 6 849 million but only EUR 2 636 million had been paid.

On 19 May 1998 the Council, acting on a proposal from the Commission and after Parliament had given its opinion, decided once again to grant the Community's guarantee to the EIB in respect of the loans made to investment projects in the Former Yugoslav Republic of Macedonia (FYROM). This guarantee is limited to an overall ceiling of EUR 150 million to be granted between 1998 and 31 December 2000.

On 14 December 1998 the Council decided to grant the Community guarantee in respect of the EIB loans granted to investment projects in Bosnia-Herzegovina. The guarantee decided on 14 April 1997 was extended to these loans, the amount of which is limited to an overall ceiling of EUR 100 million to be granted over two years.

These two decisions bring the total amount of the new mandates conferred on the EIB to EUR 7 355 million. The total amount of credits opened for the FYROM as at 31 December 1999 was EUR 130 million, and the amount outstanding on the same date was only EUR 38 million.

On 29 November 1999 the Council granted a Community guarantee to the European Investment Bank against losses under loans for projects for the reconstruction of the earthquake-stricken areas of Turkey. The guarantee was restricted to 65 % of the aggregate amount of the credits opened, plus all related sums. The overall ceiling of the credits opened comes to EUR 600 million and covers a period of three years beginning on 29 November 1999.

TABLE 2

Capital operations covered by the general budget, at 31 December 1999

(million EUR)

Borrowing/lending operations	Volume of borrowing/ lending authorised	Total outstanding at 31 December 1999 covered by a budget guarantee
Balance of payments support	14 000	2 483
Euratom	4 000	12
NCI (including reconstruction projects)	6 830	130
EIB Mediterranean (Spain, Greece, Portugal)	1 500	68
Financial assistance	3 130	1 647
	29 460	4 340
EIB loans:		
— Mediterranean countries	15 697	4 614
— Central and eastern Europe	17 150	4 152
— Asia and Latin America	4 405	1 035
— South Africa	1 500	383
— Former Yugoslav Republic of Macedonia		
— Bosnia		
	38 752	10 184
Total	**68 212**	**14 524**

On 22 December 1999 the Council, acting on a proposal from the Commission and after Parliament had given its opinion, decided to grant a Community guarantee to the European Investment Bank against losses under loans for projects outside the Community (central and eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa). This guarantee is restricted to 65 % of the aggregate amount of the credits opened, plus all related sums.

The overall ceiling of the credits opened is EUR 18 410 million, broken down as follows: central and eastern Europe: EUR 8 680 million; Mediterranean countries: EUR 6 425 million; Latin America and Asia: EUR 2 480 million; Republic of South Africa: EUR 825 million. It covers a period of seven years beginning on 1 February 2000 for central and eastern Europe, the Mediterranean countries and Asian and Latin American countries and on 1 July 2000 for the Republic of South Africa, and ending on 31 January 2007 for all regions.

The European Investment Bank is invited to aim to cover the commercial risk on 30 % of its lending under this decision from non-sovereign guarantees, if possible on an individual regional mandate basis.

The attached table gives an overview of the Community's borrowing and lending operations at 31 December 1998.

The guarantee mechanism

In view of the growing volume of guaranteed loans to non-member countries and the consequent risk to the budget, the Commission proposed that a dual mechanism be established consisting of a guarantee reserve entered in the financial perspective and in the budget and a Guarantee Fund endowed from this reserve.

(a) Guarantee reserve

The interinstitutional agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure provided, in accordance with the conclusions of the Edinburgh European Council, that the general budget of the European Communities should include a guarantee reserve to cover loans to non-member countries. This reserve is intended to endow the Guarantee Fund and, if necessary, cover any guarantee called in which exceeds the amount available from the Fund, so that it can be charged to the budget.

The amount of the guarantee reserve is that stipulated in the financial perspective, i.e. EUR 300 million at 1992 prices. In 1999, it was EUR 346 million.

(b) Guarantee Fund

On 31 October 1994 the Council adopted Regulation (EC) No 2728/94 establishing a Guarantee Fund for external actions, so that the Community's creditors can be repaid in the event of default by a non-member country in receipt of a loan granted or guaranteed by the Community.

The Guarantee Fund is endowed by:

- ☐ payments from the general budget of the European Communities equal to 14 % of the capital value of the lending and guarantee operations until the Fund reaches its target amount;
- ☐ interest earned from the investment of the Fund's available resources;
- ☐ amounts recovered from defaulting debtors where the Fund has already honoured the guarantee.

In the course of 1999, calls made on the Fund totalled EUR 16.2 million. Transfers amounted to EUR 300 million, financial interest and late recoveries representing EUR 48.6 million and EUR 5.3 million respectively.

At 31 December 1999, the resources of the Guarantee Fund stood at EUR 1 313 million, or 10.9 % of the amount outstanding on the lending and guarantee operations to non-member countries, plus unpaid interest due. The resulting ratio between the Fund's resources and the outstanding capital liabilities is therefore greater than the target rate of 10 % set in the regulation establishing the Fund.

The surplus therefore had to be 'paid back to a special heading in the statement of revenue in the general budget of the Communities', as provided for in the regulation. The surplus came to EUR 107.9 million at the end of the 1999 financial year and will be repaid as revenue to the 2000 budget.

The Commission has accounts with the treasuries and/or central banks of Member States, on which it receives revenue and through which it pays the bulk of its transactions, in particular those relating to the EAGGF Guarantee Section.

Each month the revenue received (expressed in national currencies) is equivalent to one twelfth of the amounts provided in the budget for value added tax (VAT) and gross national product (GNP)-based resources plus the amount actually established each month for customs duties and agricultural duties.

Ordinary commercial bank accounts are used for administrative expenditure and direct payments to recipients other than national authorities. These payments are almost always in euro, including salaries which have been paid in euro since January 1999.

To ensure that funds are made available to the direct recipients as rapidly and as cost-effectively as possible, the Commission invites tenders from banks for the opening of accounts in euro and in national currencies in the Member States. Accounts in national currencies in the euro zone are in the process of being closed. It also now uses the SWIFT international payments network. In 1997 it launched an invitation to tender for a new selection of commercial banks, except in the three Member States which joined the European Union in 1995 (for those countries there was a new invitation to tender in 1999). This new banking structure was effective from the beginning of 1998.

Even before the advent of the single currency, the Commission implemented the budget, as far as possible, in euro bought on the market from commercial banks. Since the introduction of the euro there has been far less purchasing of foreign currency. Exchange operations between euro and national currency outside the euro zone are in the main carried out by the central banks.

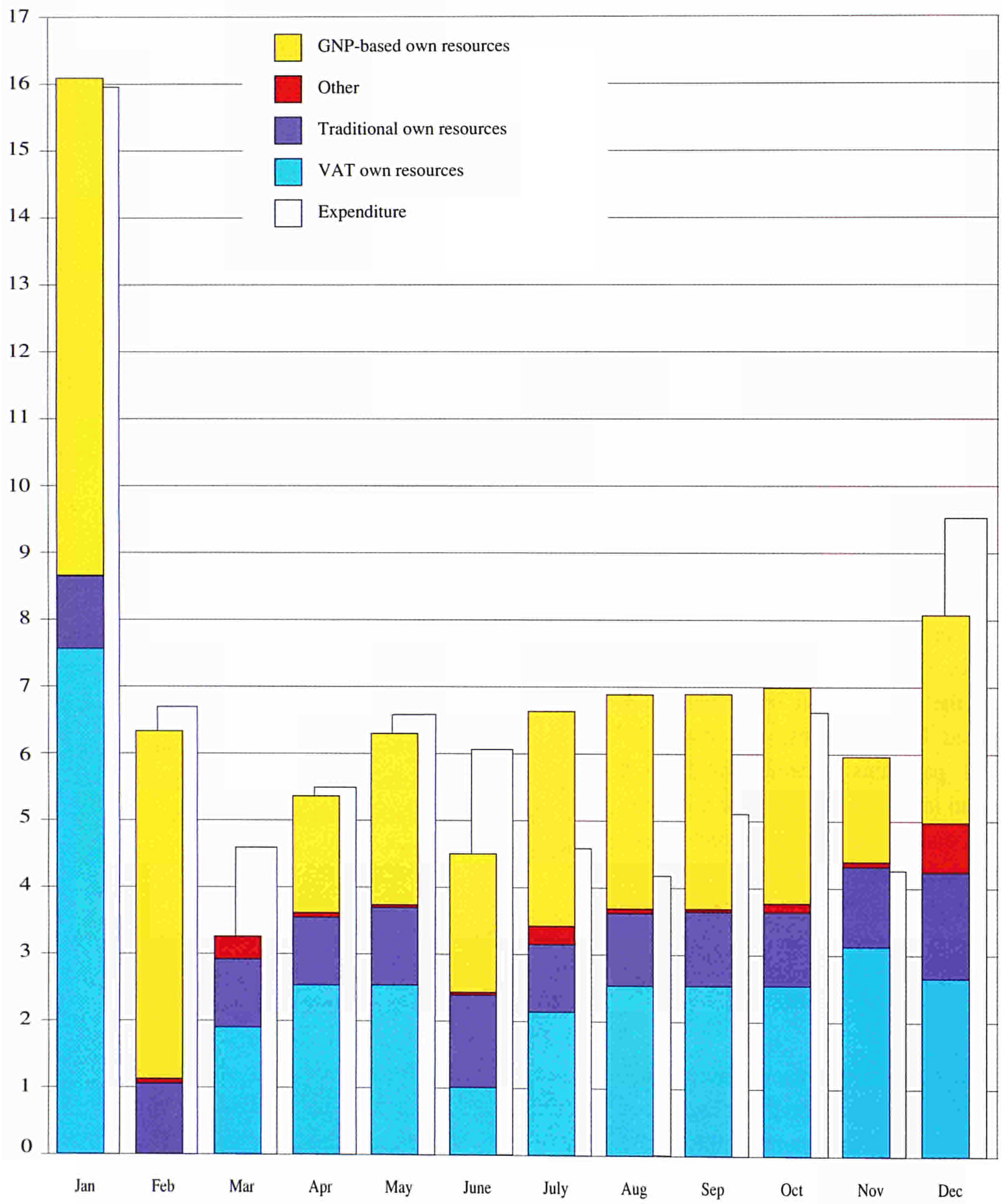
The budget out-turn, in revenue and expenditure, for a given year may differ from the initial estimates, producing a positive or negative balance. A surplus can result from underutilisation of appropriations or from a revenue out-turn higher than forecast in the budget or from a combination of these two factors. Since spending may not exceed the limit set by the budget, a deficit can be caused only by the revenue out-turn being lower than forecast in the budget. This was the case in 1984 and 1986.

The cash situation in the course of the financial year depends on the monthly out-turn of revenue and expenditure, which do not necessarily balance. Even if the balance for the year shows a surplus, expenditure may have outstripped revenue at certain times of the year, causing cash-flow difficulties. For these reasons, the rules in force allow two possibilities: payments of customs duties and agricultural duties may be brought forward one month or the Commission may overdraw on its accounts with the national treasuries. The Commission did not make use of these possibilities in 1999 as the cash situation was positive throughout the year.

In late 1993 the Council adopted an amendment which also allowed early payment of VAT and GNP-based resources to meet specific EAGGF requirements, in particular to cover payments for the set-aside of certain arable land. Use has been made of this option since 1995. These early payments have taken place every year to cover the EAGGF payments for the months of January and February.

FIGURE 17
Monthly revenue and expenditure, 1999

(1 000 million EUR)



The rules also stipulate that the positive and negative balances resulting from payment and revenue transactions should be spread over the year in proportion to each Member State's estimated contribution to the budget as a whole. This balance is maintained by transfers between the central banks and/or treasuries.

A rolling forecast of cash-flow is used to monitor and coordinate these currency transactions. Cash-flow management is strictly regulated: no borrowing is allowed to cover possible deficits, surpluses may not be invested and no interest is receivable or payable on balances with Member States.

TABLE 3

Consolidated revenue and expenditure account — Five-year summary

(million EUR)

Heading	1995	1996	1997	1998	1999
Revenue					
Own resources	68 603.3	70 258.5	76 406.5	81 284.9	82 082.9
Surpluses available	5 764.8	10 055.4	3 270.5	1 924.2	3 471.9
Other revenue	709.0	961.2	870.7	1 320.6	1 353.3
	75 077.1	81 275.0	80 547.7	84 529.7	86 908.1
Expenditure					
1. Common agricultural policy					
Markets (B1-1 to B1-3)	33 634.3	37 596.7	38 353.7	37 300.5	36 985.7
Accompanying measures (B1-4 and B1-5)	868.5	1 871.9	2 069.3	1 847.6	2 588.2
Heading 1 — subtotal	*34 502.7*	*39 468.6*	*40 423.0*	*39 148.1*	*39 573.9*
2. Structural operations					
EAGGF Guidance (B2-10)	2 530.6	3 360.3	3 580.0	3 521.5	3 774.0
FIFG (B2-11)	248.1	421.6	486.9	407.7	571.9
ERDF (B2-12)	8 373.6	10 610.3	11 521.4	11 796.9	13 980.8
ESF (B2-13)	4 546.9	6 031.6	6 143.4	7 602.8	7 245.8
Community initiatives (B2-14)	1 320.1	1 691.4	1 677.3	2 401.8	2 728.6
Transitional measures, innovation schemes and action against fraud (B2-15, B2-18 and B2-19)	200.0	337.2	202.9	266.9	172.6
Other structural operations (B2-2)	37.3	47.2	10.9	—	—
Cohesion Fund (B2-3)	1 699.3	1 872.2	2 323.0	2 448.8	1 873.7
EEA financial mechanism (B2-4)	89.8	87.1	102.5	106.2	—
Heading 2 — subtotal	*19 045.6*	*24 458.8*	*26 048.4*	*28 552.7*	*30 347.6*
3. Internal policies					
Research (B6)	2 601.5	2 971.7	3 111.2	3 138.2	2 920.1
Other agricultural operations (B2-5)	107.3	98.9	156.2	139.5	130.9
Other regional operations (B2-6)	42.1	46.2	33.2	21.2	18.0
Transport (B2-7)	18.2	30.5	28.5	19.3	15.8
Fisheries and the sea (B2-9)	15.8	16.2	20.4	30.19	35.41
Education, vocational training, youth (B3-1)	292.4	379.6	367.5	324.63	390.11
Culture and audio-visual media (B3-2)	126.7	100.0	113.9	106.76	105.12
Information and communication (B3-3)	47.7	99.2	106.2	101.05	90.18
Other social operations (B3-4)	151.3	155.4	148.4	131.57	122.19
Energy (B4-1)	33.7	35.4	35.8	30.19	27.97
Euratom nuclear safeguards (B4-2)	17.3	15.8	15.5	15.20	12.72
Environment (B4-3)	91.9	120.9	129.5	120.47	131.38
Consumer protection (B5-1)	17.8	14.6	17.4	18.56	19.01
Aid for reconstruction (B5-2)	6.1	4.2	3.9	2.84	2.21
Internal market (B5-3)	134.5	168.8	188.5	133.90	120.04
Industry (B5-4)	76.7	42.4	96.0	42.20	93.95
Information market (B5-5)	14.0	5.8	—	91.78	116.13
Statistical information (B5-6)	33.7	35.2	34.8	28.58	27.16
Trans-European networks (B5-7)	250.5	264.1	373.9	402.95	451.21
Cooperation in the fields of justice and home affairs (B5-8)	2.6	2.2	6.8	8.00	35.38
Action against fraud (B5-9)	0.8	3.4	10.7	4.38	3.15
Heading 3 — subtotal	*4 082.5*	*4 610.4*	*4 998.2*	*4 911.46*	*4 868.15*
4. External action					
EDF (B7-1)	—	—	—	—	—
Food aid (B7-20)	497.7	413.1	407.7	341.8	379.5
Humanitarian aid (B7-21)	452.0	624.3	503.9	477.9	696.1
Cooperation — Asian developing countries (B7-30)	226.0	283.9	252.3	241.2	291.3
Cooperation — Latin-American developing countries (B7-31)	145.7	152.3	148.9	147.3	188.9
Cooperation — Developing countries in southern Africa and South Africa (B7-32)	55.6	37.3	71.0	84.5	100.0
Cooperation — Mediterranean countries and Middle East (B7-4)	278.8	357.5	405.4	489.5	335.3

TABLE 3 *(continued)*

(million EUR)

Heading	1995	1996	1997	1998	1999
Cooperation — Central and Eastern European countries (B7-50)	768.9	836.7	824.9	1 074.5	1 129.3
European Bank for Reconstruction and Development (B7-51)	—	—	—	4.4	5.4
Cooperation — New Independent States and Mongolia (B7-52)	370.0	369.5	396.1	399.9	526.1
Exceptional assistance to Armenia, Georgia and Tajikistan (B7-53)	—	—	—	59.2	46.1
Cooperation — Republics formerly part of Yugoslavia (B7-54)	4.8	26.9	42.4	144.9	295.2
Other cooperation measures (B7-6, B7-51, B7-53)	246.5	296.4	335.1	296.5	322.5
Human rights and democracy (B7-7)	47.0	65.2	59.3	80.1	61.9
International fisheries agreements (B7-80)	158.1	251.0	284.7	272.9	271.1
Other external aspects of certain Community policies (B7-81 to B7-87)	76.0	99.1	75.2	85.2	39.4
Support expenditure (B7-95)	—	—	3.6	—	—
Common foreign and security policy (B8-0)	82.6	60.5	24.2	23.3	37.0
Heading 4 — subtotal	*3 409.7*	*3 873.8*	*3 834.7*	*4 223.3*	*4 725.0*
5. Administrative expenditure					
Staff and administration	3 919.3	4 106.1	4 201.0	4 429.7	4 453.3
Heading 5 — subtotal	*3 919.3*	*4 106.1*	*4 201.0*	*4 429.7*	*4 453.3*
6. Reserves					
Guarantee (B0-2)	250.8	235.4	286.1	272.4	300.1
Refunds to Member States	—	—	—	—	—
Heading 6 — subtotal	*250.8*	*235.4*	*286.1*	*272.4*	*300.1*
7. Compensation					
Compensation (B0-5)	1 547.0	701.0	212.0	99.0	—
Heading 7 — subtotal	*1 547.0*	*701.0*	*212.0*	*99.0*	*0.0*
Total	**66 757.7**	**77 454.1**	**80 003.4**	**81 636.6**	**84 268.0**
Out-turn for the year	8 319.5	3 821.0	544.3	2 893.1	2 640.1
Cancellation of unused appropriations carried over from the previous year	498.3	143.9	323.1	139.9	508.1
Exchange differences for the year	402.8	423.5	95.0	–9.1	72.0
Balance for the year	*9 220.5*	*4 388.3*	*962.3*	*3 023.9*	*3 220.1*

Annex 1

THE ECSC'S FINANCIAL AND BUDGETARY ACTIVITIES IN 1999

Economic background and developments in ECSC industries

Iron and steel industry

With the upturn in the Community economy, which was fairly marked from the summer of 1999 on, and a stock-adjustment period at the beginning of 1999, mainly as a result of a very marked increase in external demand following the recovery in world growth, in particular that of certain Asian countries, and of a steady improvement in the indicator of consumer confidence, the main steel-consuming sectors, particularly those more exposed to world competition such as the engineering and electrical industries, saw their activity picking up considerably, especially during the second half of 1999. In the steel sector, these developments were reflected in an increasingly marked rise in demand and a firm price recovery, despite differing trends for different products.

In recent consultations, EU steel producers declared themselves satisfied both with the very positive trend in demand during the summer of 1999 and with the reversal of the price trend over the year. They are afraid, however, that the foreseeable increase in certain disruptive imports during 2000 will jeopardise the recovery of the Community market, which is still beset by uncertainty.

Throughout the first half of 1999, Community steel production was in steep decline, but it gradually levelled out during the third quarter. With the end of the stock-adjustment period, which had led to a substantial drop in the demand for steel at the beginning of 1999, and after a marked decrease in imports of steel products to the Union, there was a gradual improvement in various short-term factors and an increase in Community steel production, so that at the end of 1999 total steel production was about 155 million tonnes, which was 2.9 % down on the 1998 figure.

At the same time, the maximum production potential (MPP) for raw steel is forecast to increase to 203.4 million tonnes in 2002, after bottoming out at 198.5 million, which corresponds to a growth rate of 1.8 million tonnes per year, of which 40.5 % will be produced by electric-arc furnaces (EAFs).

Similarly, the trend in MPP for continuous casting is set to rise until 2002, replacing the ingot process. MPP should then total 190 million tonnes, which means that over 93 % of all Community steel will be continuously cast in 2002.

The MPP for hot-rolled products will increase from 182.7 million tonnes in 1999 to 187.5 million in 2002, owing mainly to greater capacity for hot wide strip. The forecasts have thus been revised slightly downwards in relation to those in the 1998 report.

Capacities for cold-rolled sheet are expected to increase to about 61.5 million tonnes. The same applies to the MPP for metal-coated sheet, particularly by the hot-dip process, which is tending to replace uncoated sheet.

Capital investment in the steel industry in 1999 fell to EUR 3 341 million. It should be noted, however, that this is a minimum figure since only about 90 % of the companies replied to the survey this year.

Coal industry

Coal

Delivery

Inland coal deliveries in the Member States in 1999 totalled 248.8 million tonnes, which was some 14.6 million less (– 5.6 %) than the 1998 figure of 263.4 million. The surge in oil prices in the second half of the year did little to slow the downward trend, while the weak economic growth in the EU reduced energy demand.

The 1999 data by sector show that deliveries to power stations totalled 173.8 million tonnes, i.e. 5.6 % less than the 1998 figure of 184.1 million. Deliveries declined in all Member States, except for Spain and Portugal where they were 27 million and 5 million tonnes respectively compared with 24.9 million and 4.2 million in 1998. This is explained by the drought in the Iberian Peninsula, which reduced the power output from hydroelectric plants. The biggest drop, from 48.3 million to 40.3 million tonnes, was in the United Kingdom, where some long-term supply contracts with power producers expired and were renewed at lower levels.

Deliveries to coking plants are expected to be 49 million tonnes in 1999 against 51.9 million in 1998. 'Other' industries and the domestic sector (including issues to workers) appear to be following the same trend, with deliveries totalling 25.5 million tonnes compared with 27 million in 1998, i.e. a fall of 1.5 million tonnes or 5.5 %.

Total inland deliveries in the Member States are forecast to be 239.3 million tonnes in 2000, a drop of 10.5 million or 3.8 % compared with 1999. This trend is expected to affect mainly the power station sector (– 8.7 million tonnes), although some decreases are also expected in deliveries to coking plants and 'other' industries; small reductions are also expected in other sectors.

Production

Coal production in the Member States has continued to decline owing to the high costs of domestic production compared with imported coal, which has been available at very low prices because of a particularly weak freight market. In 1999 production is expected to be about 100 million tonnes compared with 106.6 million in 1998, i.e. down by 6.6 million tonnes or 6.2 %.

Forecasts for annual production in 2000 show a continuing decline in indigenous production. Total production is expected to fall to 86 million tonnes, a further drop of 14 % which will concern all the producer countries.

Imports

In 1999, imports from non-EU countries were estimated at 152.9 million tonnes, which is much the same as in 1998 and represents 60 % of total availability in the Member States. The purchasing policies of coal importers continued to be reflected in changes in the sources of supply. With plenty of coal available on the market, there has been a trend in recent years to buy coal on a spot basis, moving away from long-term contracts, particularly for steam coal. Since coal prices continued to weaken in 1999, some coals had become uncompetitive (e.g. coal from the United States, which is the swing supplier and was also damaged by the high level of the currency) and were no longer being offered on the market except where there were long-term contracts, to the advantage of other exporting countries. South Africa, whose coals are cheap, remained the leading exporter to Europe, shipping over 30 million tonnes, followed by Australia with about 23 million tonnes. In 1999 these two countries together supplied over a third of the coal imports required by the European Union.

It is forecast that imports in 2000 will be 154 million tonnes, which is much the same as in 1999.

Coke

Total coke production in the Member States was 37.7 million tonnes in 1999, compared with 39.4 million in 1998.

Inland deliveries totalled 45.3 million tonnes in 1999, of which 40.3 million or 89 % went to the steel industry.

This compares with 46.8 million tonnes in 1998. Coke imports from non-EU countries amounted to 7.9 million tonnes in 1999 but are expected to rise to 8.2 million in 2000.

It is forecast that coke production will rise to 38 million tonnes in 2000 but will remain below the 1998 figure of 39.4 million. Deliveries will be down slightly at 44.9 million tonnes.

State aid

State aid to the coal industry is governed by Commission Decision No 3632/93/ECSC [1] of 28 December 1993, which lays down the Community rules applicable until the expiry of the ECSC Treaty in July 2002. Such aid can be regarded as compatible with the proper functioning of the common market only if it helps to achieve at least one of the following objectives:

- to make, in the light of coal prices on international markets, further progress towards the economic viability of this sector with the aim of reducing aid;
- to solve the social and regional problems created by total closure or reductions in the activity of production units;
- to help the coal industry adjust to environmental protection standards.

The main points regarding 1999 are as follows.

1. On 22 December 1998, the Commission authorised Germany [2] to grant to the coal industry financial aid for the financial year 1999 totalling EUR 4 607.3 million (DEM 9 195.3 million), of which EUR 4 226.8 million (DEM 8 436 million) was linked to current production, while EUR 380.4 million (DEM 759.3 million) went to cover inherited liabilities.

2. On 20 January 1999, the Commission issued a letter of formal notice [3] to France concerning the aid paid to Charbonnages de France (CdF) which had been authorised by the Commission as production-support aid for the financial years 1994 (Decision 95/465/ECSC), 1995 (Decision 95/579/ECSC) and 1996 (Decision 96/458/ECSC). The letter also referred to 1997 and 1998, for which State aid has not yet been authorised. The Commission issued this letter in response to a complaint from five French companies alleging misuse of the State aid which France grants annually to the public company CdF. It denounced the sale of coal by the CdF group at a price that is generally lower than that on the world market, a practice supported by State aid.

3. On 4 May 1999, the Commission authorised Spain [4] to grant for the financial year 1999 financial aid totalling EUR 1 071.3 million (ESP 178 250 million), of which EUR 727.4 million (ESP 121 030 million) was linked to current production, while EUR 343.9 million (ESP 57 220 million) was to cover inherited liabilities.

[1] OJ L 329, 30.12.1993, p. 12.
[2] Decision No 299/1999/ECSC (OJ L 117, 5.5.1996, p. 44).
[3] OJ C 99, 10.4.1999, p. 9.
[4] Decision No 1999/451/ECSC (OJ L 177, 13.7.1999, p. 27).

4. On 9 July 1999, the Commission issued a letter of formal notice ([1]) to France concerning the production-support aid paid to CdF for the financial years 1997, 1998 and 1999 which had not been authorised by the Commission. The question arises as to whether the loans which CdF issued on the financial markets and which — in the light of a financial analysis carried out by the Commission — seem to have been issued for the sole purpose of covering operating losses and the interest charges resulting from previous loans, fall within the definition of aid for the purposes of Community rules. Despite its critical financial situation, CdF enjoys the highest rating on the international financial markets for its short- and medium-term loans (AAA Standard & Poor's, confirmed by Moody's). In the absence of formal guarantees, the Commission considers that the confidence thus shown by international financial markets can be explained only by a tacit guarantee from the French Government for loans issued by CdF, which can therefore be regarded as undeclared State aid.

5. On 18 January 1999, a UK coal producer (RJB Mining plc) lodged an application before the Court of First Instance of the European Communities ([2]) with a view to obtaining the annulment of the decision on the granting of State aid to the German coal industry ([3]) for the financial year 1998. The application is being examined by the Court under reference number T-12/99.

6. On 3 March 1999, the same producer lodged an application before the Court of First Instance of the European Communities ([4]) with a view to obtaining the annulment of the decision on the granting of State aid to the German coal industry ([5]) for the financial year 1999. The application is being examined by the Court under reference number T-63/99.

7. On 3 March 1999, the same producer lodged an application before the Court of First Instance of the European Communities ([6]) complaining that the Commission had failed to determine whether undeclared State aid had been involved in the acquisition of Saarbergwerke GmbH and Preussag Anthrazit GmbH by Ruhrkohle AG ([7]). The application is being examined by the Court under reference number T-64/99.

8. On 25 January 1999, a German power producer (VASA Energy GmbH & Co.) lodged an application before the Court of First Instance of the European Communities ([8]) against the Commission for allegedly failing to take action following their complaint about the operation mentioned in point 7. The application, which has several points in common with the action referred to in point 7, is being examined by the Court under reference number T-29/99.

9. On 9 September 1999, the Court of First Instance of the European Communities ruled against RJB Mining plc on two points of law relating to case T-110/98 ([9]) concerning the annulment of the Commission decision on the State aid granted to the German coal industry for the financial year 1997 ([10]).

([1]) OJ C 280, 2.10.1999, p. 3.
([2]) OJ C 86, 27.3.1999, p. 25.
([3]) Decision No 1999/270/EC (OJ L 109, 27.4.1999, p.14)
([4]) OJ C 160, 5.6.1999, p. 26.
([5]) Decision No 1999/299/ECSC (OJ L 117, 5.5.1999, p. 44)
([6]) OJ C 160, 5.6.1999, p. 27.
([7]) Decision unpublished.
([8]) OJ C 86, 27.3.1999, p. 32.
([9]) OJ C 314, 30.10.1999, p. 8.
([10]) Decision No 98/687/ECSC (OJ L 324, 2.12.1998, p.30).

ECSC financial activities

Article 49 of the ECSC Treaty of 18 April 1951 empowers the High Authority (the Commission since the 1967 Merger Treaty) to borrow funds provided that they are used solely for the granting of loans.

Loans are granted for three main purposes:

- ☐ to finance investment in the coal and steel sector;
- ☐ to finance conversion programmes for restructuring the coal and steel industry;
- ☐ to finance the construction of housing for coal and steel workers.

In June 1994, in view of the expiry of the ECSC Treaty in July 2002, the Commission adjusted its borrowing/lending policy under the Treaty (1). The granting of new loans out of borrowed funds was gradually reduced and was virtually nil in 1997 (except for certain exceptional cases covered by government guarantees).

The financing of workers' housing is to come to an end with the 12th programme. The 1998 tranche was the last under this programme.

Since the start of its financial activity, the ECSC has disbursed loans amounting to EUR 23 480 million, of which EUR 22 980 million out of borrowed funds and EUR 503.4 million out of own funds (special reserve and former pension fund).

With the guarantees granted during the same period, the total of ECSC financial activity is EUR 23 570 million.

At 31 December 1999 EUR 2 200 million remained due on loans from borrowed funds and EUR 148.3 million on loans from own resources.

(1) OJ C 175, 28.6.1994.

Implementation of the ECSC operating budget

Over the course of the last decade, the ECSC budget rose from EUR 457 million in 1989 to a maximum of EUR 596 million in 1993, before starting a decrease which will continue until the ECSC Treaty expires in 2002.

The details of the resources and expenditure, as far as the 1999 budget is concerned, are given below.

ECSC budget revenue

The High Authority (the Commission) is empowered to raise the funds needed to carry out its mandate by setting a levy on the production of coal and steel.

However, the Commission decided to set the rate of the levy at 0 % in 1999, since the provisions entered in the ECSC balance sheet at 31 December 1998 were deemed sufficient to maintain the ECSC's budgetary activity at the appropriate level until the expiry of the Treaty.

The resources used to finance the ECSC budget in 1999 came from:

1. the 'net balance' from annual financial operations, in particular the interest on the investments, reserves and provisions entered in the ECSC balance sheet;
2. the cancellation of commitments which are not implemented;
3. fines;
4. miscellaneous resources.

For 1999 these types of revenue were EUR 80 million, 85 million, 17 million and 3 million respectively.

Total revenue in the ECSC's operating budget came to EUR 185 million for 1999.

ECSC budget expenditure

The revenue of the operating budget is intended to cover the various categories of expenditure provided for in the ECSC Treaty.

Social aid

Under Article 56(1)(c) and (2)(b) of the ECSC Treaty, EUR 62 million was spent in 1999 on social redeployment aid for ECSC workers (traditional redeployment and social measures in the coal and steel industry).

When permanent closures, cutbacks or changes of activity lead to job losses, the European Union attempts to mitigate the social repercussions for the workers through redeployment measures under Article 56. It also helps to finance aid measures to provide income support for the workers affected.

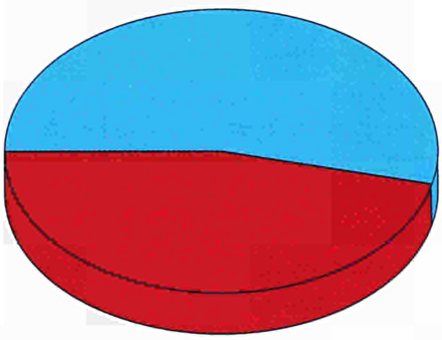
This contribution to social aid is subject to payment by the Member State in question of a special contribution at least equal to the ECSC's contribution.

Social aid is granted under arrangements defined in bilateral agreements concluded with the Member States (early retirement, unemployment, transfer, retraining and vocational training).

FIGURE 18

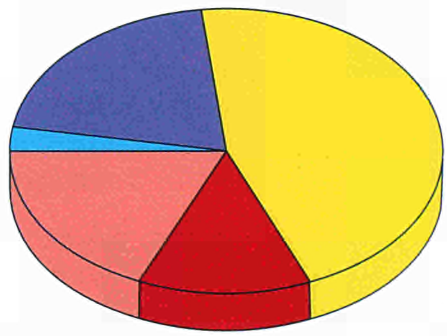
ECSC operating budget revenue, 1999

(million EUR)



ECSC operating budget expenditure, 1999

(million EUR)



Current revenue		99.2
— Yield from 0.0 % levy	0.0	
— Net balance	79.7	
— Miscellaneous	19.5	
Cancellation of commitments		85.4
Unused resources from previous year		0.0
		184.6

Administration	5.0
Redeployment aid	37.7
Research aid	84.0
Conversion aid	0.0
Social measures for the coal industry	23.9
Provision for the financing of the ECSC operating budget	34.0
	184.6

Research aid

Under Article 55 of the ECSC Treaty, EUR 84 million was granted in aid for technical research in the coal and steel sector in 1999.

The main aims of the aid for steel industry research (EUR 56 million) are to reduce manufacturing costs, improve the quality and performance of products, promote and extend the uses of steel, and adapt production conditions to environmental demands.

The main objectives of the aid for coal industry research (EUR 28 million) are to lower production costs, raise underground and pithead productivity, improve safety and working conditions, safeguard existing markets, open up new outlets and, above all, improve the use made of coal, with a view to better environmental protection.

Provision for financing the ECSC's operating budget

EUR 34 million, representing the resources available and unused in 1999, will constitute a provision which will, from 2000 on, be used gradually as needs arise to compensate for the disappearance of the ECSC levy.

FINANCIAL OUT-TURN OF THE EDF IN 1999

Legal framework and objectives

The European Development Fund (EDF) was established under Article 1 of the Implementing Convention on the Association of the Overseas Countries and Territories with the Community, signed at the same time as the Treaty of Rome; its role has since changed substantially.

In terms of partnership, the North–South cooperation for which the Fund provides the main financial support developed on two planes:

- at the legal level, with the majority of OCTs achieving independence in the early 1960s, the relationship switched from one of dependence to a contractual link based on successive international conventions (the two Yaoundé conventions, followed by the four Lomé conventions) concluded between the Community and the States which had become independent;
- geographically, cooperation was extended to a growing number of countries in different regions and continents. Under the latest arrangements, resulting from the recent entry into force of the Mauritius Agreement amending the Lomé IV Convention signed in 1989, 70 African, Caribbean and Pacific (ACP) States (1) are today involved in operations under the eighth EDF. This also applies to twenty OCTs, whose relations with the Community are governed by a Council decision of 24 November 1997.

Financially, the Fund's budget has regularly increased with the renewal of the Fund every five years; for the eighth EDF it comes to EUR 13 132 million (including EUR 165 million for the OCTs) for the period 1996–2000.

The internal agreement on the financing and administration of Community aid under the second financial protocol (eighth EDF) of the fourth Lomé Convention also specifies, among other things, the way in which the resources are to be divided. The funds available include an extra EUR 1 693 million in loans granted by the EIB from its own resources (EUR 35 million for the OCTs).

EDF operations mainly involve:

- grants for projects and programmes and to assist structural adjustment, for which a specific amount has been set aside;
- subsidies under Sysmin;
- Stabex transfers, which are also equivalent to subsidies;
- emergency aid and aid for refugees;
- risk capital managed by the EIB.

The EDF is quite different from the other Community financial instruments included in the general budget in that:

- it is administered by the Commission and its resources consist of extra-budgetary payments by the Member States on a fixed-scale basis for each fund;
- each EDF has a separate financial regulation, on the same lines as for the general budget, which lays down implementing provisions for the abovementioned internal agreement, particularly in respect of financial and legal aspects;
- the normal rules on budgetary appropriations do not apply to the EDF; its appropriations are allocated to a limited number of operations, i.e. multiannual operations for a period of at least five years, with precise ceilings which are laid down when the financial protocol is signed. Furthermore, a major element of flexibility has been intro-

(1) In 1993 Eritrea, which had split from Ethiopia, joined the 69 countries which had signed the Lomé IV Convention. However, because of its political situation, Somalia has not yet ratified Lomé IV or taken part in the negotiation of the Mauritius Agreement. South Africa also partially acceded to the Lomé IV Convention in 1997.

duced in the eighth EDF as regards programming which allocates the financial aid and serves as a basis for its reliability: the principle of programming these multiannual appropriations in two tranches has been adopted: the system is intended to encourage sound performance in the application of the ACP States' national and regional indicative programmes by imposing a number of conditions concerning implementation of the first tranche before the second tranche can be allocated.

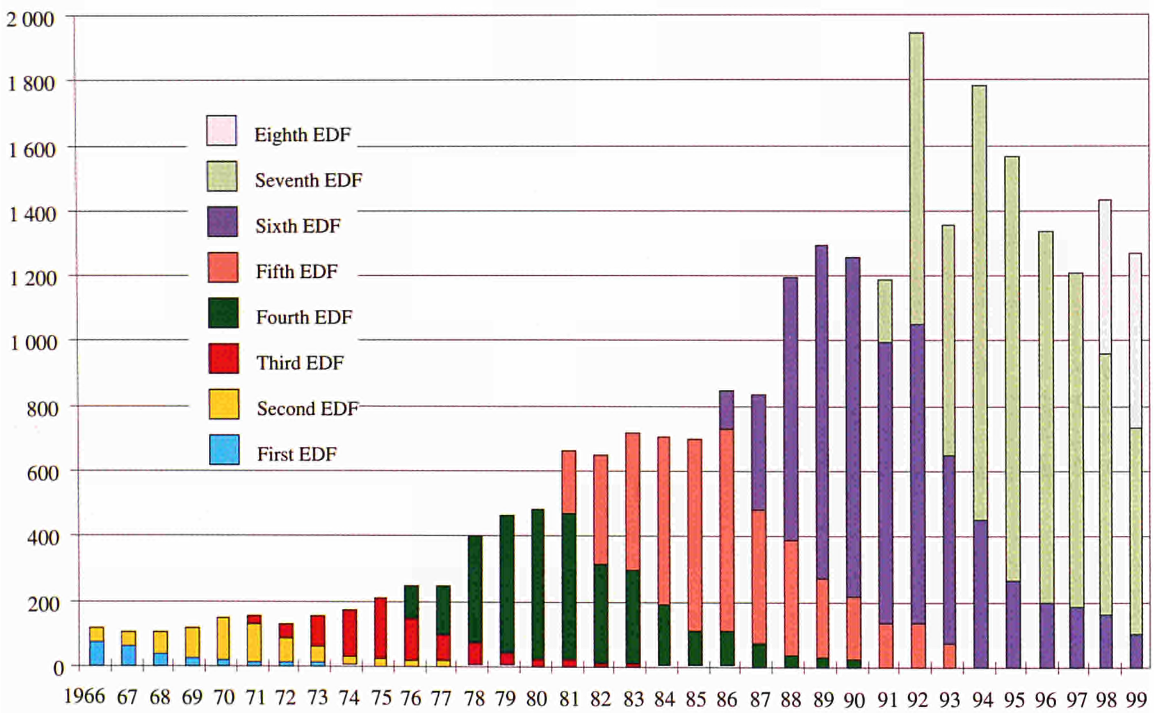
The Commission thus administers several EDFs simultaneously until their respective closing dates. These appropriations are not presented in budget form but are recorded at a later date in an accounting statement which provides a breakdown of revenue and expenditure (commitments and payments).

Out-turn for 1999

With payments standing at EUR 1 275.38 million, implementation of the EDF in 1999 was below the forecast of EUR 1 955 million presented to the Member States in November 1998, i.e. an out-turn of 70 % excluding Stabex (65.22 % including Stabex). However, the size of this gap was corrected in the 'Financial Information on the EDF' report presented to the Council in July 1999 when the

FIGURE 19
Annual EDF payments, 1966–99

(million EUR)



forecast was revised down to EUR 1 460 million, giving an implementation rate of 87.35 % of the forecast.

Compared with the recent average, however, 1999 was a record year for decisions. Current expenditure totalled EUR 2 617.81 million, while Stabex reached EUR 75.01 million, a total of 120 % of the November 1998 forecast of EUR 2 245 million for all instruments.

To put the size of the gap between decisions and payments into perspective, account should first be taken of the late entry into force of the eighth EDF in July 1998 and the reasonable time-lag between the decision on a project and its actual implementation.

In a political and economic climate that continues to fluctuate sharply and is sensitive to changes in the world economy, official development aid granted by the European Union to the ACP States and OCTs constantly reflects these external factors.

As in 1998, the domestic situation in a number of recipient countries continued to fluctuate throughout the year — deterioration of the situation in Rwanda, Equatorial Guinea, Democratic Republic of Congo, Sierra Leone, etc. — and this affected the pace and estimated amount of disbursements.

With decisions forecast at EUR 4 250 million and payments at EUR 2 635 million for 2000, the upswing in EDF activity should pick up pace appreciably following the entry into force of the eighth EDF and the decisions taken on the debt-relief initiative for heavily indebted poor countries and the increase in the structural adjustment facility.

To finance this expenditure, a call for contributions totalling EUR 1 600 million was agreed in December 1999 to cover current payments plus EUR 360 million for Stabex expenditure as laid down in the financial regulation for the eighth EDF. The level of contributions takes account only of decisions actually taken to date.

Forecast expenditure in 2001 is EUR 2 553 million for current operations and EUR 0 million for Stabex.

TABLE 4

Annual EFD operations in 1999 (not including OCTs)

(million EUR)

	Decisions				Payments			
	6th EDF	7th EDF	8th EDF	Total	6th EDF	7th EDF	8th EDF	Total
Programmable aid	**– 23**	**225**	**2 086**	**2 288**	**92**	**496**	**400**	**988**
NIP + RIP	– 21	228	1 772	1 979	90	466	144	700
SAF	0	0	314	313	0	6	256	262
NIP + RIP + SAF	*– 21*	*228*	*2 086*	*2 293*	*90*	*472*	*400*	*961*
Remainder	– 2	– 3	—	– 4	2	24	—	26
Total, excluding stabex	**0**	**– 28**	**342**	**314**	**11**	**122**	**126**	**259**
Sysmin	0	0	28	28	8	45	0	54
Emergency aid	0	– 1	83	83	0	1	48	49
Aid for refugees	– 1	0	0	– 1	0	2	0	2
Risk capital	1	– 8	202	194	3	61	65	129
Interest subsidies	0	– 26	30	4	0	12	11	23
Poor countries heavily in debt	—	6	0	6	—	0	0	0
Interest use	—	—	0	0	—	—	2	2
Stabex	0	0	75	75	0	1	19	20
Total	**– 23**	**197**	**2 503**	**2 677**	**103**	**618**	**545**	**1 266**

CONSOLIDATED ACCOUNTS
OF THE EUROPEAN UNION

1. ACCOUNTING PRINCIPLES

1.1. According to international standards the aims of a financial statement must be to describe the nature and range of an institution's activities, explain how it is financed and supply definitive information on its operations [1].

These are certainly the objectives of the consolidated revenue and expenditure account and balance sheet produced annually by the European Commission. The manner in which financial operations were conducted in the course of the financial year are described in Volume I, Part 2 (Analysis of financial management).

If they are to present a true and fair picture, financial statements must not only supply relevant information, but do so in a clear and comprehensible manner which allows comparisons between financial years. It is with these goals in mind that the present document has been drawn up.

1.2. The accounting system of the European institutions comprises general accounts and budget accounts. These accounts are kept by calendar year in euro.

1.2.1. Using the 'double-entry method' the general accounts show all expenditure and revenue over the financial year and are designed to establish the financial position of the institutions in the form of a balance sheet of assets and liabilities at 31 December the previous year.

The general accounts are based on the following principles:

- ☐ the going concern principle;
- ☐ the principle of prudence, whereby assets are not overstated and liabilities are not understated;
- ☐ the principle of consistent accounting methods;
- ☐ the principle of no-netting between assets and liabilities;
- ☐ the principle that the opening balance sheet must not be altered.

For the future the Commission is studying the possibility of presenting a broader accounting result to ensure that balance sheet entries are transferred from one year to the next via the revenue and expenditure account. The chart of accounts will maintain the distinction between the revenue and expenditure accounts and the balance sheet. To do so it must contain:

a) the revenue and expenditure accounts, subdivided as follows:
   - ☐ the budgetary revenue and expenditure accounts, providing an overall view of budget implementation, and accounts showing exchange-rate differences; these accounts will serve to determine the year's balance;
   - ☐ the non-budgetary revenue and expenditure accounts which supplement the budgetary accounts and allow a broader accounting result;

b) the balance-sheet accounts, which can be used to establish the institution's financial position, and will show the estimated effect of liabilities and entitlements.

1.2.2. The budget accounts give a detailed picture of the implementation of the budget. They are designed to establish:

- ☐ the consolidated revenue and expenditure account referred to in Title VI of the financial regulation,
- ☐ the figures showing the implementation of the budget referred to in Article 34 of the financial regulation.

2. ACCOUNTING RULES AND METHODS

2.1. The accounts are kept in accordance with the financial regulation of 21 December 1977, as last amended by Council Regulation (EC) No 2673/1999 of 13 December 1999 and supplemented by a regulation laying down certain implementing rules.

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[1] International Organisation of Supreme Audit Institutions (Intosai) accounting standard framework — September 1995.

2.2. Conversion into euro

2.2.1. Accounts are kept in euro.

2.2.2. The euro conversion rates used to prepare the balance sheet were the rates applying on 30 December 1999 ([1]), except for the following:

- intangible assets and tangible assets, which retain their value in euro at the accounting rate that applied when they were purchased;
- appropriations carried over, some of which are to cover commitments in national currencies converted into euro at the monthly accounting rates for December; the total amount in euro of appropriations carried over cannot be subsequently revalued;
- advances paid under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, which are converted at the exchange rates applying on the 10th day of the month following the month in which they are granted;
- the transitional accounts which retain their value in euro at the accounting rate that applied at the time of the accounting operation.

2.2.3. Monetary items other than those listed above are revalued at the closing euro rate on the date the accounts are closed. The revalued figure is treated as follows:

- cash assets: the contra-entry for the positive and negative exchange differences relating to cash assets is recorded in the income and expenditure account;
- monetary items other than cash assets: when, overall, the negative exchange differences on assets and commitments expressed in a specific currency exceed the positive differences noted on assets and commitments expressed in the same currency, the surplus is recorded in the profit-and-loss accounts. Otherwise, the surplus is recorded in the transitional liability accounts.

2.3. Revenue

2.3.1. The amounts of own resources and financial contributions entered in the accounts are those credited in the course of the year to the accounts opened in the Commission's name by the governments of the Member States.

The difference between the amount of VAT own resources, GNP-based resources and financial contributions entered in the budget and the amount actually due is calculated by 1 July of the following year and entered in an amending budget for that year.

2.3.2. The other revenue entered in the accounts is the amount actually received in the course of the year.

2.4. Expenditure

2.4.1. For the purposes of calculating the balance for the year, expenditure covers payments made against the year's appropriations for payments plus any of those same appropriations that are carried over.

2.4.2. Payments made against the year's appropriations for payments means payments for which authorisation reaches the financial controller by 31 December and which are paid by the accounting officer by 15 January of the following year.

In the case of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, the payments are those effected by the Member States between 16 October 1998 and 15 October 1999, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2000.

([1]) The ECB was closed on 31 December 1999.

2.4.3. Appropriations for payments may be carried over to the following financial year only. The procedure is as follows:

- non-differentiated appropriations: carry-over is generally automatic if it is to cover outstanding commitments; otherwise the budgetary authority has to give prior authorisation;
- differentiated appropriations: unused payment appropriations usually lapse; however, the Commission may decide to carry them over if the payment appropriations for the following year are not sufficient to meet previous commitments or commitments made against commitment appropriations which have themselves been carried over.

2.5. Balance for the year

The balance for the year consists of two components (the result of the European Union and the result of the involvement of the EFTA countries belonging to the EEA). It represents the difference between:

- total revenue received for that year;
- total payments made against that year's payment appropriations plus the total amount of that year's appropriations carried over (1).

The following are added to or deducted from the resulting figure:

- the net balance of lapsing carryovers from previous years and any payments which, because of fluctuations in the euro rate, exceed non-differentiated appropriations carried over from the previous year;
- the balance of exchange-rate gains and losses recorded during the year.

(1) In the case of the EFTA-EEA countries, the volume of appropriations carried over from year n to year n + 1 is known after the accounts have been closed. As a result the calculation of the balance includes carryovers of appropriations from year n – 1 to year n.

2.6. Rules on valuation

Except where indicated in the explanatory notes to the balance sheet, the various headings are valued as follows:

2.6.1. Tangible and intangible fixed assets are valued at their historic value converted into euro at the rate applying when they were purchased. The Commission's fixed assets must also be subject to depreciation for each full year, according to the linear method (Section 8 of the Commission's inventory regulation).

2.6.2. Stocks are valued at the price of the last supplies received, converted at the euro rate applying on 30 December.

2.6.3. Financial assets are valued at their purchase price. If denominated in foreign currency, they are converted at the euro rate applying on 30 December. In line with the principle of prudence, an adjustment must be made where there is a probable loss.

2.6.4. Entitlements are entered in the accounts at their face value, converted at the euro rate applying on 30 December, with the exception of entitlements denominated at a fixed rate. When a value adjustment is entered in the accounts, a special indication is given in the notes on the balance sheet.

2.6.5 Cash investments and disposable assets are valued at their face value converted into euro at the rate applying on 30 December. For the sake of prudence, an adjustment must be made where there is a probable loss.

2.6.6 Debts are valued at their face value in euro at the rate applying on 30 December if they are denominated in a foreign currency.

2.7. Payments of advances and payments on account

Payments on account for operational purposes are included in the year's expenditure and do not appear as assets in the balance sheet.

Advances to public or private intermediaries which have not been received by the final beneficiary at 31 December 1999 and which are included in the year's budget expenditure are entered in the assets section of the balance sheet as short-term assets.

2.8. EFTA involvement in the 1999 general budget

The figures in the accompanying tables include the appropriations entered to cover the involvement in the Community budget of the EFTA countries belonging to the European Economic Area.

2.9. Consolidation

The consolidated accounts cover the accounts of the European Parliament (including the Ombudsman), the Council, the Commission (including the Publications Office and the Joint Research Centre), the Court of Justice, the Court of Auditors, the Economic and Social Committee and the Committee of the Regions.

The method used is that of full consolidation.

CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT FOR 1999

TABLE I

Out-turn balance

(million EUR)

Breakdown	1999	1998
Revenue (Table II)		
Own resources	82 083.050	81 284.885
Surpluses available	3 471.881	1 924.245
Other revenue	1 353.139	1 320.558
of which: EFTA-EEA contribution	*65.077*	*61.517*
Total (a)	*86 908.070*	*84 529.688*
Expenditure		
Payments for the year (Table III)	79 248.908	80 125.843
of which: EFTA-EEA participation	*54.096*	*60.057*
Carryovers to the following year (Table III)	5 019.165	1 510.765
EFTA-EEA approps. carried over from 1998 to 1999	0.192	0.802
Total (b)	*84 268.265*	*81 637.410*
Out-turn for the year: (a) – (b)	2 639.804	2 892.278
Cancellation of unused appropriations		
Carried over from previous year (Table IV)	508.102	139.888
of which: EFTA-EEA participation	*0.000*	*0.208*
Exchange differences for the year (Table V)	71.984	– 9.069
Overspend of appropriations carried over (Table VI)	0.000	0.000
Adjustment of 1998 balance ([1])		
of which: European Community		
of which: EFTA-EEA		
Balance for the year	**3 219.890**	**3 023.097**
of which: EFTA-EEA balance	*10.789*	*0.866*

([1]) This amount could not be included in the 1998 balance since the corresponding appropriations were carried over after the closure of the revenue and expenditure account for 1998.

TABLE II

Revenue for 1999

(million EUR)

Category	Forecasts	Entitlements established			Amounts recovered	Amounts to be recovered
		1999	Carried over from 1998	Total		
Agricultural duties (Chapter 10)	1 054.500	1 707.268	6.493	1 713.762	1 187.268	526.493
Sugar and isoglucose levies (Chapter 11)	1 080.000	1 218.393	0.000	1 218.393	1 203.556	14.837
Customs duties (Chapter 12)	12 704.400	14 673.033	21.720	14 694.753	13 006.509	1 688.244
VAT resources (Chapter 13)	31 041.781	31 381.614	0.000	31 381.614	31 381.614	0.000
GNP-based resources (Chapter 14)	37 534.868	37 011.668	0.000	37 011.668	37 011.668	0.000
Correction of budgetary imbalances (Chapter 15)	0.000	– 167.833	0.000	– 167.833	– 167.833	0.000
Own resources collection costs (Chapter 19)	– 1 483.890	– 1 759.869	– 2.821	– 1 762.690	– 1 539.733	– 222.957
Surpluses available (Title 3)	3 022.231	3 472.213	0.000	3 472.213	3 471.881	0.332
Miscellaneous Community taxes, levies and dues (Title 4)	481.290	478.839	1.494	480.333	477.765	2.569
Revenue accruing from the administrative operation of the institutions (Title 5)	78.452	102.120	8.272	110.392	89.551	20.841
Contributions to Community programmes, repayment of expenditure and revenue from services rendered against payment (Title 6)	295.671	409.948	26.886	436.834	324.474	112.360
Interest on late payments and fines (Title 7) [1]	0.000	129.032	1 085.953	1 214.984	114.691	1 100.293
Borrowing and lending operations (Title 8)	19.937	152.507	486.031	638.538	316.296	322.242
Miscellaneous revenue (Title 9)	5.235	36.344	10.680	47.024	30.362	16.662
Total	**85 834.474**	**88 845.277**	**1 644.707**	**90 489.985**	**86 908.070**	**3 581.915**

[1] Of the total amount to be recovered in respect of fines and penalty payments, EUR 154.3 million has been collected and entered provisionally in an account in the balance sheet for 'Revenue collected in respect of fines' pending a final decision of the Court of Justice.

TABLE III

Expenditure

(million EUR)

Heading (headings other than 'Administrative expenditure' concern only the Commission)	Payments for the year		Carryovers to the next year		Total	
	1999	1998	1999	1998	1999	1998
1. Common agricultural policy						
Market expenditure (Titles B1-1 to B1-3)	36 847.266	36 884.902	138.399	415.548	36 985.664	37 300.450
Accompanying measures (Titles B1-4 and B1-5)	2 588.227	1 847.629			2 588.227	1 847.629
Heading 1 — Subtotal	*39 435.492*	*38 732.531*	*138.399*	*415.548*	*39 573.891*	*39 148.079*
2. Structural operations						
EAGGF — Guidance (B2-10)	3 774.040	3 521.494			3 774.040	3 521.494
Financial instrument for fisheries guidance (FIFG) (Chapter B2-11)	571.949	407.748			571.949	407.748
ERDF (Chapter B2-12)	11 127.302	11 776.361	2 853.545	20.548	13 980.848	11 796.909
ESF (Chapter B2-13)	7 245.810	7 602.800			7 245.810	7 602.800
Community initiatives (Chapter B2-14)	1 995.087	2 271.572	733.523	130.256	2 728.610	2 401.828
Transitional measures, innovation schemes and action against fraud (Chapters B2-15, B2-16 and B2-18)	169.027	212.854	3.622	54.072	172.649	266.926
Cohesion Fund (Title B2-3)	1 715.965	2 448.765	157.692		1 873.657	2 448.765
Financial mechanism 'European Economic Area' (Title B2-4)		106.232				106.232
Heading 2 — Subtotal	*26 599.181*	*28 347.826*	*3 748.382*	*204.876*	*30 347.563*	*28 552.702*
3. Internal policies						
Research and technological development (subsection B6)						
— B6-1: Joint Research Centre — Staff and resources	232.708	230.656	5.515	0.031	238.223	230.687
— B6-2: Joint Research Centre — Direct operating appropriations — Scientific and technical support for Community policies — Framework programme 1998-2002	11.791	37.724	0.208	11.492	11.999	49.216
— B6-3: Joint Research Centre — Direct operating appropriations — EAEC framework programme 1998-2002	4.143	8.363	0.345	1.301	4.488	9.664
— B6-4: Joint Research Centre — Direct action — Completion of the former joint and supplementary programmes and other actions of the Joint Research Centre	43.976	8.698	59.938	21.620	103.914	30.318
— B6-5: Indirect action (shared-cost projects) and concerted actions — Completion of former and other actions	1 850.439	2 783.397	104.764	34.909	1 955.202	2 818.306
— B6-6: Indirect action- Shared-cost projects and concerted actions — Fifth framework programme, 1999-02	431.806		174.450		606.256	
Total research and technological development (subsection B6)	*2 574.864*	*3 068.838*	*345.219*	*69.352*	*2 920.084*	*3 138.190*
Other agricultural operations (Title B2-5)	130.938	138.316		1.200	130.938	139.516
Other regional operations (Title B2-6)	18.019	21.221			18.019	21.221
Transport (Title B2-7)	15.787	19.299			15.787	19.299
Other measures concerning fisheries and the sea (Title B2-9)	35.411	30.192			35.411	30.192
Education, vocational training and youth (title B3-1)	367.638	296.954	22.475	27.672	390.113	324.626
Culture and audiovisual media (Title B3-2)	93.274	100.331	11.842	6.427	105.116	106.758
Information and communication (Title B3-3)	90.177	101.055	0.000		90.177	101.055
Other social operations (Title B3-4)	120.571	131.572	1.614		122.185	131.572
Energy (Title B4-1)	27.762	30.192	0.210		27.972	30.192
Euratom nuclear safeguards (Title B4-2)	12.719	14.196		1.000	12.719	15.196
Environment (Title B4-3)	121.046	120.469	10.335		131.381	120.469
Consumer protection (Title B5-1)	19.013	18.558			19.013	18.558
Aid for reconstruction (Title B5-2)	2.208	2.839			2.208	2.839
Internal market (Title B5-3)	119.810	132.596	0.225	1.300	120.036	133.896
Industry (Title B5-4)	83.821	42.199	10.128		93.949	42.199

TABLE III *(continued)*

(million EUR)

Heading (headings other than 'Administrative expenditure' concern only the Commission)	Payments for the year		Carryovers to the next year		Total	
	1999	1998	1999	1998	1999	1998
Labour market and technological innovation (Title B5-5)	114.445	89.781	1.690	2.000	116.134	91.781
Statistical information (Title B5-6)	27.155	25.400		3.178	27.155	28.578
Trans-European networks (Title B5-7)	445.660	402.950	5.550		451.210	402.950
Cooperation in the fields of justice and home affairs (Title B5-8)	30.825	8.001	4.559		35.384	8.001
Measures to combat fraud and support expenditure (Chapters B5-90, B5-91 and B5-95)	3.154	4.379			3.154	4.379
Heading 3 — Subtotal	*4 454.299*	*4 799.338*	*413.849*	*112.129*	*4 868.147*	*4 911.467*
4. External action						
European Development Fund (Title B7-1)						
Food aid (Chapter B7-20)	379.535	341.771			379.535	341.771
Humanitarian aid (Chapter B7-21)	575.046	477.888	121.037		696.083	477.888
Cooperation - Asia (Chapter B7-30)	288.050	236.073	3.253	5.157	291.303	241.230
Cooperation - Latin America (Chapter B7-31)	181.631	142.817	7.220	4.528	188.851	147.345
Cooperation - Southern Africa and South Africa (Chapter B7-32)	99.999	84.545			99.999	84.545
Cooperation - Mediterranean countries and the Middle East (Chapter B7-4)	333.504	421.524	1.750	68.025	335.254	489.549
Cooperation - Central and eastern Europe (Chapter B7-50)	1 129.348	1 032.716		41.768	1 129.348	1 074.484
European Bank for Reconstruction and Development (Chapter B7-51)	5.400	4.388			5.400	4.388
Cooperation - New independent States and Mongolia (Chapter B7-52)	514.635	399.921	11.480		526.115	399.921
Exceptional assistance to Armenia, Georgia and Tajikistan (Chapter B7-53)	29.913	59.205	16.185		46.098	59.205
Cooperation - Former Yugoslavia (Chapter B7-54)	228.336	122.400	66.900	22.501	295.236	144.901
Other cooperation measures (Title B7-6)	302.048	281.556	20.440	14.950	322.488	296.506
Democracy and human rights (Title B7-7)	46.435	65.938	15.440	14.190	61.875	80.128
International fisheries agreements (Chapter B7-80)	271.125	272.931			271.125	272.931
External aspects of Community policies (Chapters B7-81 to B7-87)	39.354	59.248		25.995	39.354	85.243
Support expenditure (Chapter B7-95)						
Common foreign and security policy (Chapter B8-0)	27.102	22.392	9.860	0.895	36.962	23.287
Heading 4 — Subtotal	*4 451.461*	*4 025.313*	*273.566*	*198.008*	*4 725.027*	*4 223.321*
5. Administrative expenditure						
Staff						
Commission	1 734.545	1 635.714	6.684	5.857	1 741.230	1 641.571
Publications Office	32.656	32.086	0.842	0.348	33.499	32.434
European Parliament	508.797	480.488	18.791	30.492	527.588	510.980
Council	200.576	190.768	3.074	2.252	203.651	193.020
Economic and Social Committee	10.587	10.321	0.106	0.071	10.693	10.392
Committee of the Regions	6.396	6.318	0.123	0.167	6.519	6.485
Joint Structure	36.979	35.339	0.189	0.359	37.168	35.698
Court of Justice	94.143	91.192	1.408	1.872	95.551	93.064
Court of Auditors	51.450	50.504	1.071	0.885	52.520	51.389
Administration						
Commission	868.738	856.361	228.431	238.439	1 097.170	1 094.800
Publications Office	17.124	18.564	4.324	2.866	21.448	21.430
European Parliament	304.920	307.555	85.029	236.670	389.949	544.225
Council	82.289	78.555	47.482	45.600	129.772	124.155
Economic and Social Committee	11.009	11.750	3.266	3.004	14.275	14.754
Committee of the Regions	5.277	6.018	1.735	1.154	7.012	7.172
Joint Structure	16.218	11.259	30.064	4.843	46.282	16.102
Court of Justice	21.911	22.012	5.667	3.900	27.578	25.912
Court of Auditors	4.737	4.645	6.681	1.426	11.418	6.071
Heading 5 — Subtotal	*4 008.354*	*3 849.449*	*444.971*	*580.203*	*4 453.325*	*4 429.652*

TABLE III *(continued)*

(million EUR)

Heading (headings other than 'Administrative expenditure' concern only the Commission)	Payments for the year		Carryovers to the next year		Total	
	1999	1998	1999	1998	1999	1998
6. Reserves						
Monetary reserve (Title B1-6)						
Guarantee reserve (Chapters B0-23 and B0-24))	300.069	272.389			300.069	272.389
Emergency aid reserve (Chapter B7-91)						
Heading 6 — Subtotal	*300.069*	*272.389*			*300.069*	*272.389*
7. Compensation						
Compensation (Title B0-5)		99.000				99.000
Heading 7 — Subtotal		*99.000*				*99.000*
Grand total	**79 248.856**	**80 125.846**	**5 019.165**	**1 510.765**	**84 268.022**	**81 636.611**
Breakdown by institution						
Commission	77 843.786	78 768.472	4 809.311	1 174.857	82 653.097	79 943.329
— of which: non-differentiated appropriations	42 338.845	41 595.995	373.514	659.844	42 712.359	42 255.839
— of which: differentiated appropriations	35 504.941	37 172.477	4 435.796	515.013	39 940.737	37 687.490
Publications Office	49.780	50.650	5.166	3.214	- 54.947	53.864
European Parliament	813.717	788.043	103.821	267.162	917.537	1 055.205
Council	282.866	269.323	50.557	47.852	333.423	317.175
Economic and Social Committee	21.596	22.071	3.373	3.075	24.969	25.146
Committee of the Regions	11.673	12.336	1.858	1.321	13.531	13.657
Joint Structure	53.197	46.598	30.253	5.202	83.450	51.800
Court of Justice	116.054	113.204	7.075	5.772	123.129	118.976
Court of Auditors	56.187	55.149	7.752	2.311	63.939	57.460
Grand total	**79 248.856**	**80 125.846**	**5 019.165**	**1 510.765**	**84 268.022**	**81 636.611**

Implementation of Title B6-6 has been underestimated by EUR 52 030.27

TABLE IV

Appropriations for payments carried over from 1998

Not including additional appropriations (third countries, earmarked revenue)

(million EUR)

Heading (headings other than 'Administrative expenditure' concern only the Commission)	Carryover from 1998	Payments effected in 1999	Appropriations lapsing 1999	Appropriations lapsing 1998
1. Common agricultural policy				
Market expenditure (Titles B1-1 to B1-3)	413.715	344.811	68.904	
Accompanying measures (Titles B1-4 and B1-5)				4.931
Heading 1 — Subtotal	*413.715*	*344.811*	*68.904*	*4.931*
2. Structural operations				
EAGGF Guidance (Chapter B2-10)				
FIFG (Chapter B2-11)				
ERDF (Chapter B2-12)	20.548		20.548	
ESF (Chapter B2-13)				
Community initiatives (Chapter B2-14)	130.256	64.382	65.874	
Transitional measures, innovation schemes and action against fraud (Chapters B2-15, B2-16 and B2-18)	54.072		54.072	
Cohesion Fund (Title B2-3)				
EEA financial mechanism (Title B2-4)				
Heading 2 — Subtotal	*204.876*	*64.382*	*140.494*	
3. Internal policies				
Research and technological development (subsection B6)				
— B6-1: Joint Research Centre — Staff and resources				
— B6-2: Joint Research Centre — Direct operating appropriations — Scientific and technical support for community policies — EC framework programme, 1998–02				
— B6-3: Joint Research Centre — Direct operating appropriations — EAEC framework programme, 1998–02				
— B6-4: Joint Research Centre — Direct actions — Completion of previous joint and supplementary programmes and other Joint Research Centre activities				
— B6-5: Indirect action (shared-cost projects) and concerted actions — Completion of earlier projects and other activities				
— B6-6: Indirect action — Shared-cost projects and concerted actions — Fifth framework programme, 1999–02				0.097
Total research and technological development (subsection B6)				*0.097*
Other agricultural operations (Title B2-5)	1.200		1.200	
Other regional operations (Title B2-6)				
Transport (Title B2-7)				
Other measures concerning fisheries and the sea (Title B2-9)				1.593
Education, vocational training and youth (Title B3-1)	9.992	9.991	0.001	
Culture and audiovisual media (Title B3-2)	0.850	0.242	0.608	2.101
Information and communication (Title B3-3)				0.700
Other social operations (Title B3-4)				1.848
Energy (Title B4-1)				
Euratom nuclear safeguards (Title B4-2)	1.000	0.999	0.001	
Environment (Title B4-3)				
Consumer proctection (Title B5-1)				
Aid for reconstruction (Title B5-2)				
Internal market (Title B5-3)	1.300		1.300	4.530
Industry (Title B5-4)				
Labour market and technological innovation (Title B5-5)	2.000	2.000	0.000	
Statistical information (Title B5-6)	3.178		3.178	
Trans-European networks (Title B5-7)				3.295
Cooperation in the fields of justice and home affairs (Title B5-8)				4.162
Measures to combat fraud and support expenditure (Chapters B5-90, B5-91 and B5-95)				2.862
Heading 3 — Subtotal	*19.520*	*13.232*	*6.288*	*21.188*
4. External action				
European Development Fund (Title B7-1)				
Food aid (Chapter B7-20)				
Humanitarian aid (Chapter B7-21)				0.913
Cooperation — Asia (Chapter B7-30)	5.157	2.506	2.651	
Cooperation — Latin America (Chapter B7-31)	4.528	0.171	4.357	
Cooperation — Southern Africa and South Africa (Chapter B7-32)				
Cooperation — Mediterranean countries and the Middle East (Chapter B7-4)	68.025	44.999	23.026	1.179

TABLE IV *(continued)*

(million EUR)

Heading (headings other than 'Administrative expenditure' concern only the Commission)	Carryover from 1998	Payments effected in 1999	Appropriations lapsing 1999	Appropriations lapsing 1998
Cooperation — Central and eastern Europe (Chapter B7-50)	41.768	40.686	1.083	
European Bank for Reconstruction and Development (Chapter B7-51)				
Cooperation — New independent States and Mongolia (Chapter B7-52)				
Exceptional assistance to Armenia, Georgia and Tajikistan (Chapter B7-53)				
Cooperation — Former Yugoslavia (Chapter B7-54)	22.501	22.348	0.153	
Other cooperation measures (Title B7-6)	14.950	12.668	2.282	6.516
European initiative for democracy and human rights (Title 7-7)	14.190	0.519	13.671	
International fisheries agreements (Chapter B7-80)				
External aspects of certain Community policies (Chapters B7-81 to B7-87)	25.995	9.561	16.434	
Support expenditure for external policies (Chapter B7-95)				1.248
CFSP (Title B8-0)	0.895	0.895		2.289
Heading 4 — Subtotal	*198.008*	*134.352*	*63.656*	*12.145*
5. Administrative expenditure				
Staff				
— Commission	6.443	3.487	2.956	1.425
— Publications Office	0.348	0.274	0.074	0.219
— European Parliament	30.492	27.814	2.678	3.921
— Council	2.252	1.739	0.513	0.381
— Economic and Social Committee	0.071	0.019	0.052	0.106
— Committee of the Regions	0.167	0.066	0.101	0.099
— Joint Structure	0.359	0.293	0.065	0.160
— Court of Justice	1.872	1.718	0.154	0.246
— Court of Auditors	0.885	0.737	0.148	0.047
Administration				
— Commission	232.660	176.134	56.526	30.531
— Publications Office	2.866	2.624	0.241	0.163
— European Parliament	236.670	229.929	6.741	17.147
— Council	45.600	42.500	3.100	4.781
— Economic and Social Committee	3.004	1.186	1.818	0.471
— Committee of the Regions	1.154	0.641	0.512	1.215
— Joint Structure	4.843	4.258	0.585	0.234
— Court of Justice	3.900	3.579	0.321	0.199
— Court of Auditors	1.426	1.344	0.082	0.076
Heading 5 — Subtotal	*575.010*	*498.345*	*76.665*	*61.421*
6. Reserves				
Monetary reserve (Title B1-6)				
Guarantee reserve (Chapters B0-23 and B0-24)				
Emergency aid reserve (Chapter B7-91)				
Heading 6 — Subtotal				
7. Compensation				
Compensation (Title B0-5)				
Heading 7 — Subtotal				
Grand total	**1 411.130**	**1 055.123**	**356.008**	**99.685**
Breakdown by institution				
Commission	1 075.223	736.399	338.824	70.220
— of which: non-differentiated appropriations	652.818	524.433	128.386	36.887
— of which: differentiated appropriations	422.405	211.966	210.438	33.333
Publications Office	3.214	2.899	0.315	0.382
European Parliament	267.162	257.743	9.419	21.068
Council	47.852	44.239	3.613	5.162
Economic and Social Committee	3.075	1.206	1.869	0.577
Committee of the Regions	1.320	0.708	0.613	1.314
Joint Structure	5.201	4.551	0.651	0.394
Court of Justice	5.772	5.297	0.475	0.445
Court of Auditors	2.311	2.081	0.230	0.123
Grand total	**1 411.130**	**1 055.123**	**356.008**	**99.685**

NB: A difference of – EUR 3.1 million has been established between the outstanding non-differentiated appropriations carried over from 1998 and the corresponding payment appropriations. This difference is due to the automatic adjustment of the appropriations in line with decommitments and revaluations in the course of the year.

TABLE V

Commitments from differentiated appropriations outstanding at 31 December 1999

Classification by heading in financial perspective

Heading	Year in			
	Before 1995		19[illegible]	
	Amount	%	Amount	[illegible]
2. Structural operations				
EAGGF Guidance (B2-10)	68.659	1.2	5.960	0.1
FIFG fisheries (B2-11)	17.589	3.3	7.413	1.4
ERDF (B2-12)	1 237.720	6.1	73.336	0.5
ESF (B2-13)	299.035	3.3	9.513	0.1
Community initiatives (B2-14)	209.980	3.7	383.483	6.7
Transitional measures, innovation schemes and action against fraud (B2-15, B2-16 & B2-18)	147.128	24.6	8.565	1.4
Cohesion Fund (B2-3)	166.973	3.4	211.956	4.3
Heading 2 — Subtotal	*2 147.084*	*4.6*	*700.226*	[illegible]
3. Internal policies				
Research (B6)	129.886	2.2	146.027	2.5
Other agricultural operations (B2-5)	13.465	5.0	10.669	4.0
Other regional operations (B2-6)	7.369	51.0	2.543	17.6
Transport (B2-7)	0.026	0.1	0.278	1.2
Fisheries and the sea (B2-9)			0.109	0.1
Education, vocational training and youth (B3-1)	3.147	0.8	13.663	3.3
Culture and audiovisual media (B3-2)	1.322	1.1	1.545	1.3
Information and communication (B3-3)	0.055	0.1	0.842	0.9
Other social operations (B3-4)	3.983	2.4	2.316	1.4
Energy (B4-1)	2.930	3.7	3.205	4.0
Euratom nuclear safeguards (B4-2)			0.517	3.1
Environment (B4-3)	35.811	10.7	28.055	8.4
Consumer protection (B5-1)				
Aid for reconstruction (B5-2)		-		
Internal market (B5-3)	24.518	12.1	8.909	4.4
Industry (B5-4)	1.327	0.8		
Information market (B5-5)	3.045	1.3	0.762	0.3
Statistical information (B5-6)	0.134	0.4	0.055	0.1
Trans-European networks (B5-7)	137.394	12.6	81.228	7.4
Cooperation in the fields of justice and home affairs (B5-8)				
Measures to combat fraud and support expenditure (B5-9)	0.050	1.4	0.044	1.2
Heading 3 — Subtotal	*364.460*	*4.0*	*300.768*	3.3
4. External action				
Food aid (B7-20)	21.702	1.8	87.282	7.3
Humanitarian aid (B7-21)			0.115	0.0
Cooperation — Asia (B7-30)	360.495	17.8	304.012	15.0
Cooperation — Latin America (B7-31)	192.091	16.2	156.090	13.2
Cooperation — Southern Africa and South Africa (B7-32)	9.547	2.3	39.424	9.4
Cooperation — Mediterranean countries (B7-4)	269.921	8.3	173.319	5.3
Cooperation — Central and eastern Europe (B7-50)	85.155	2.6	118.557	3.6
European Bank for Reconstruction and Development (B7-51)				
Cooperation — New independent states (B7-52)	101.232	6.9	114.852	7.9
Aid for Armenia, Georgia and Tajikistan (B7-53)			0.675	1.0
Cooperation — Former Yugoslavia (B7-54)			0.165	0.0
Other cooperation measures (B7-6)	40.778	6.0	38.759	5.7
Initiative for democracy and human rights (B7-7)	2.585	1.4	5.223	2.9
International fisheries agreements (B7-80)	7.402	29.5	0.691	2.7
External aspects of certain policies (B7-81 to B7-87))	23.477	12.9	9.404	5.2
Support expenditure (B7-95)				
Common foreign and security policy (B8-0)				
Heading 4 — Subtotal	*1 114.384*	*7.4*	*1 048.568*	*6.9*
Grand total	**3 625.928**	**5.1**	**2 049.563**	**2.9**

NB: These outstanding commitments do not include contributions by third parties in heading 5 (EUR 4.513 million) or appropriatio

(million EUR)

which commitments were contracted								Totals
1996		1997		1998		1999		
Amount	%	Amount	%	Amount	%	Amount	%	
89.744	1.6	225.936	4.1	1 134.686	20.5	4 013.052	72.5	5 538.037
7.778	1.5	13.749	2.6	104.894	19.6	383.281	71.7	534.704
953.624	4.7	1 186.061	5.9	4 655.390	23.1	12 035.781	59.8	20 141.912
117.699	1.3	771.344	8.5	2 286.633	25.1	5 632.461	61.8	9 116.684
525.965	9.2	509.154	8.9	1 010.462	17.6	3 089.389	53.9	5 728.453
29.136	4.9	76.962	12.9	152.999	25.6	182.189	30.5	596.980
337.113	6.9	594.616	12.1	1 093.923	22.2	2 513.828	51.1	4 918.408
2 061.078	*4.4*	*3 377.822*	*7.3*	*10 438.987*	*22.4*	*27 849.982*	*59.8*	*46 575.179*
380.058	6.5	840.682	14.5	1 502.684	25.9	2 809.019	48.4	5 808.366
27.858	10.4	31.619	11.9	70.566	26.4	112.627	42.2	266.803
0.338	2.3	0.189	1.3	0.008	0.1	4.000	27.7	14.448
0.056	0.3	1.774	7.9	5.050	22.5	15.229	67.9	22.413
7.770	7.9	13.310	13.6	26.373	27.0	50.255	51.4	97.817
36.809	9.0	62.323	15.2	98.233	24.0	195.233	47.7	409.408
2.774	2.4	4.372	3.7	25.872	22.0	81.557	69.4	117.441
3.574	3.9	7.050	7.7	16.892	18.5	62.690	68.8	91.103
14.642	8.7	17.260	10.3	36.533	21.8	93.128	55.5	167.863
6.564	8.2	12.236	15.3	19.642	24.5	35.636	44.4	80.213
0.515	3.1	2.403	14.3	3.044	18.1	10.330	61.5	16.808
35.723	10.7	45.498	13.6	67.139	20.0	123.196	36.7	335.422
0.088	0.4	1.411	6.8	5.366	25.9	13.840	66.8	20.705
15.123	7.4	23.340	11.5	36.670	18.0	94.802	46.6	203.362
				73.032	44.4	90.095	54.8	164.453
2.666	1.2	12.420	5.5	42.947	19.0	164.167	72.6	226.008
0.825	2.2	2.592	6.9	9.154	24.3	24.937	66.2	37.697
76.739	7.0	167.153	15.3	242.247	22.1	389.701	35.6	1 094.461
0.084	0.2	2.450	6.2	9.422	24.0	27.365	69.6	39.321
0.121	3.4	0.527	14.6	0.653	18.1	2.219	61.4	3.616
612.337	*6.6*	*1 248.606*	*13.5*	*2 291.529*	*24.9*	*4 400.027*	*47.7*	*9 217.728*
102.718	8.5	196.540	16.3	312.566	26.0	482.543	40.1	1 203.350
15.786	3.2	16.482	3.3	88.664	18.0	372.435	75.5	493.482
287.128	14.2	349.123	17.3	383.285	18.9	338.595	16.7	2 022.639
188.912	16.0	216.343	18.3	223.981	18.9	205.894	17.4	1 183.311
57.865	13.8	92.842	22.1	93.141	22.2	127.500	30.3	420.318
240.535	7.4	709.331	21.7	922.594	28.2	950.417	29.1	3 266.118
310.084	9.5	513.980	15.7	852.074	26.0	1 397.450	42.6	3 277.301
				23.963	41.5	33.750	58.5	57.713
216.079	14.8	267.425	18.3	380.224	26.1	377.976	25.9	1 457.789
0.965	1.5			0.156	0.2	62.545	97.2	64.341
46.615	8.0	119.674	20.4	118.976	20.3	300.833	51.3	586.263
67.409	9.9	103.072	15.1	156.447	23.0	275.200	40.4	681.664
11.753	6.5	19.039	10.5	49.167	27.2	92.903	51.4	180.670
4.992	19.9	0.573	2.3	9.008	35.9	2.462	9.8	25.128
14.288	7.8	23.720	13.0	27.746	15.2	83.393	45.8	182.028
		0.030	100.0					0.030
4.224	19.4	3.530	16.2	9.010	41.4	4.974	22.9	21.738
1 569.352	*10.4*	*2 631.704*	*17.4*	*3 651.003*	*24.1*	*5 108.871*	*33.8*	*15 123.882*
4 242.767	**6.0**	**7 258.132**	**10.2**	**16 381.519**	**23.1**	**37 358.880**	**52.7**	**70 916.788**

re-use carried over from 1998 (EUR 10.17 million). The total comes to EUR 70 931 479 million.

CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION AT 31 DECEMBER 1999

Assets

(EUR)

Heading	31 December 1999	31 December 1998
I. Initial costs	**0.00**	**0.00**
II. Intangible fixed assets	**6 517 892.73**	**5 845 764.72**
III. Tangible fixed assets	**3 019 119 517.68**	**3 310 191 517.32**
A. Land and buildings	1 399 669 750.21	1 527 174 982.30
B. Fixtures and fittings, machinery and tools	91 557 668.87	101 587 387.31
C. Furniture and vehicles	179 974 421.36	360 594 007.08
D. Computer equipment	132 946 870.88	300 608 459.79
E. Leasing, financing and similar entitlements	851 569 942.33	663 477 528.55
F. Other tangible fixed assets	4 526 402.42	3 774 732.29
G Fixed assets under construction and advances in respect of tangible fixed assets	358 874 461.61	352 974 420.00
IV. Investments	**1 777 820 170.33**	**1 759 379 676.18**
A. Investments in related organisations	277 500 000.00	277 500 000.00
1. Subscriptions and shareholdings	277 500 000.00	277 500 000.00
2. Receivables	0.00	0.00
B. Other fixed financial assets	1 500 320 170.33	1 481 879 676.18
1. Subscriptions and shareholdings	27 622 551.42	29 959 964.79
2. Receivables	0.00	0.00
3. Guarantees and advances granted	1 318 894 990.73	1 285 816 312.04
4. Other	153 802 628.18	166 103 399.35
V. Long-term assets	**2 557 209 489.14**	**5 220 957 624.15**
A. Loans granted from the budget	847 428 147.06	850 108 996.39
B. Loans granted from borrowed funds	1 547 598 032.03	4 187 637 999.54
C. Other long-term receivables	162 183 310.05	183 210 628.22
VI. Stocks	**151 863 752.23**	**115 403 333.57**
A. Office supplies and other consumables	7 289 176.78	7 239 972.20
B. Scientific equipment	139 709 063.66	102 331 377.44
C. Publications Office stocks	4 865 511.79	5 831 983.93
VII. Short-term assets	**5 256 704 957.33**	**3 398 243 672.09**
A. Long-term receivables due in less than one year	2 735 684 644.02	234 689 960.04
1. Loans granted from the budget	31 893 868.75	884 948.33
2. Loans granted from borrowed funds	2 684 384 578.27	214 850 886.71
3. Other assets with a term of more than one year which are due in less than one year	19 406 197.00	18 954 125.00
B. Current assets	2 509 888 441.97	3 153 480 535.78
1. Advances paid to Member States	0.00	0.00
2. Advances owed by Member States	323 119 679.66	1 812 995 974.62
(a) EAGGF	138 217 990.73	262 226.63
(b) VAT paid and recoverable from Member States	21 687 555.54	13 430 362.73
(c) Other receivables	163 214 133.39	1 799 303 385.26
3. Amounts owed by Community institutions and bodies	24 292 315.89	17 037 087.26
4. Sundry debtors	2 162 476 446.42	1 323 447 473.90
C. Sundry receivables	11 131 871.34	10 073 176.27
1. Amounts owed by staff	11 048 800.34	9 621 147.28
2. Other	83 071.00	452 028.99
VIII. Cash investments	**40 454 375.92**	**28 133 056.11**
IX. Disposable assets	**11 254 861 205.20**	**10 369 743 197.83**
X. Transitional accounts	**251 026 662.54**	**297 899 722.12**
Total	**24 315 578 023.10**	**24 505 797 564.09**

Liabilities

(EUR)

Heading	31 December 1999	31 December 1998
I. Own capital	**9 039 080 663.72**	**9 739 965 069.34**
A. Net capital resulting from economic adjustments	5 818 505 215.40	6 705 489 678.41
B. Balance for the year	3 209 100 914.26	3 023 097 495.85
C. Surplus of revenue over expenditure from borrowing/lending operations	11 474 534.06	11 377 895.08
II. Provisions for risks and liabilities	**1 206 681 575.52**	**1 281 955 805.29**
A. Provisions for major repairs and maintenance	0.00	0.00
B. Other provisions for risks and liabilities	1 206 681 575.52	1 281 955 805.29
III. Long-term liabilities	**2 811 331 841.58**	**5 445 277 097.45**
A. Financial liabilities	1 511 351 250.95	4 110 919 323.71
B. Other long-term liabilities	1 299 980 590.63	1 334 357 773.74
IV. Short-term liabilities	**10 736 834 742.31**	**7 588 124 501.33**
A. Long-term liabilities falling due within the year	2 786 268 231.01	328 992 174.92
B. Other short-term financial liabilities	2 793 974 795.85	3 818 634 385.89
C. Current liabilities	5 142 261 929.15	3 429 734 833.17
1. Member States and EFTA countries	11 524 422.50	1 782 265 942.45
2. Community institutions and bodies	26 469 527.26	18 429 917.86
3. Appropriations to be carried over	5 019 165 412.94	1 563 032 402.97
4. Sundry creditors	85 102 566.45	66 006 569.89
D. Other liabilities	14 329 786.30	10 763 107.35
V. Transitional accounts	**521 649 199.97**	**450 475 090.68**
Total	**24 315 578 023.10**	**24 505 797 564.09**

1. This balance sheet takes account of the rules laid down in the regulation on inventories and management of the property of the European Commission, which came into effect on 1 January 1997. The costs of purchasing tangible and intangible fixed assets are included in budget expenditure for the year of purchase. They continue to appear in the balance sheet until they are no longer the property of the Commission. The contra-entry in the liabilities section of the balance sheet comes under the own capital heading and under debts for assets purchased under rental contracts but not yet paid.

2. Tangible and intangible fixed assets include all property with a purchase value of at least EUR 400, in accordance with Article 130 of Commission Regulation (EC) No 3418/93 laying down detailed rules for implementing the financial regulation.

3. In accordance with Section 8 of the inventory regulation (1), the Commission must allow for the depreciation of every asset except land. Depreciation is calculated for each full year (not pro rata temporis), using the linear method. The annual depreciation rates applicable from 1 January 1997 are given in Annex 6 to the inventory regulation.

Depreciation on tangible and intangible fixed assets has been entered in the accounts for the first time (2), except in the case of the Commission (3), the Court of Auditors and the Ombudsman. To avoid too abrupt a change in the 1998 balance sheet given that the Ombudsman and some Commission departments had not calculated depreciation at 31 December 1998, last year's figures have not been adjusted.

(1) Document E/96/280/, adopted on 22 January 1997.

(2) Cumulative depreciation at 31 December 1999, calculated from date of acquisition.

(3) As there is no satisfactory computer software, it has not been possible to calculate depreciation for furniture in the delegations, fixed assets in the information offices (except for buildings) or fixed assets at the Petten and Karlsruhe research centres (except for buildings).

ASSETS

II. Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets without physical substance, such as computer software packages. These assets must constitute a resource controlled by the institution and generate future economic benefits.

This year all the institutions have entered these assets in the accounts [1].

(EUR)

	Computer software
A. Acquisition value	
Previous year-end	5 845 764.72
Adjustments	– 415 891.00
Changes during the year:	
• acquisitions before 1999	2 316 386.80
• acquisitions during the year	3 841 086.01
• disposals and withdrawals	– 303 106.63
• transfers between headings	
Year-end	11 284 239.90
B. Depreciation and reduction in value	
Previous year end	2 625 563.75
Adjustments	– 103 972.75
Changes during the year:	
• decided	2 320 997.17
• cancelled following disposal, withdrawal	– 76 241.00
• transfers between headings	
Year-end	4 766 347.17
Net book value year end (A – B)	**6 517 892.73**

[1] At 31 December 1998 only the Court of Justice and the Commission had entered these assets in the accounts.

III. Tangible fixed assets

		Land and buildings	Installations, machines and tools	Furniture and vehicle flee
A. Acquisition value				
Previsions year end		1 569 260 657.02	101 587 387.31	360 594 008.0
Adjustments		124 208.05	80 435.04	5 391 947.6
Changes during the year:				
• Acquisitions		57 957 580.87	12 569 767.68	21 355 584.6
• Disposal, withdrawal		– 2 217 661.79	– 3 000 822.49	– 9 846 196.8
• Differences resulting from change in threshold		0.00	1 205.59	315 338.2
• Transfers between headings		0.00	901 003.86	667 241.9
• Other adjustments		4 518 647.93	– 8 972.82	– 40 770 862.5
	Year end	*1 629 643 432.08*	*112 130 004.17*	*337 707 061.0*
B. Rise in value				
Previous year end		63 013 125.28	0.00	0.0
Changes during the year:				
• Decided				
• Canceled		– 174 791.83		
• Transfers between headings				
	Year end	*62 838 333.45*	*0.00*	*0.0*
C. Depreciation and value adjustments				
Previous year		265 452 732.09	17 100 133.41	182 608 124.4
Adjustments				– 1 645.8
Changes during the year:				
• Decided		27 430 847.23	4 045 734.48	19 141 990.7
• Cancelled following disposal, withdrawal			– 676 335.43	– 5 447 178.5
• Transfers between headings			440.58	801 706.6
Value adjustment		– 71 564.00	102 362.26	– 39 370 357.7
	Year end	*292 812 015.32*	*20 572 335.30*	*157 732 639.7*
Net book value, year end (A+B+C)		**1 399 669 750.21**	**91 557 668.87**	**179 974 421.3**

IV. Investments

This heading covers, first, capital investments made with a view to establishing permanent links and which are seen as supporting the activities of the European Community, and, second, investments made to help beneficiaries develop their business activities.

It also includes permanent guarantees and advances granted and the net assets of the Guarantee Fund. A distinction should be made between guarantees granted by the European Community to third parties and the Guarantee Fund, which is designed to cover risks associated with loans granted to non-member countries.

A. Investments in related organisations

• EBRD subscription

The European Bank for Reconstruction and Development was given initial capital of EUR 10 000 million, of which 3 % was subscribed by the Community. The proportion of this capital called up, 30 %, has been paid in full.

On 15 April 1996, at their annual meeting, the Bank's governors decided to double the amount of authorised capital. Under this decision, the Community has subscribed for 30 000 additional shares with a face value of EUR 10 000 each. This operation involves

(EUR)

Computer equipment	Leasing, financing and similar entitlements	Other tangible fixed assets	Fixed assets under construction and payments on account
300 608 [illegible]9.79	663 477 528.55	3 774 732.29	352 974 420.00
– 979 [illegible]7.45	– 751 641.18	0.00	– 3 014 809.13
44 019 [illegible]2.72	246 130 039.32	2 677 336.36	16 476 562.74
38 756 [illegible]1.37	– 8 448 489.55	– 64 960.65	– 2 195 620.00
138 [illegible]6.72	0.00	0.00	0.00
– 770 [illegible]4.05	0.00	– 1 072 817.59	– 5 366 092.00
23 090 [illegible]6.22	221 000.00	– 595 003.00	0.00
281 169 [illegible]0.14	*900 628 437.14*	*4 719 287.41*	*358 874 461.61*
0.00	0.00	0.00	0.00
0.00	*0.00*	*0.00*	*0.00*
166 552 [illegible]6.63	35 617 821.52	0.00	
– 508 [illegible]2.79	– 189 459.21		
37 245 [illegible]4.86	16 005 262.132	192 884.99	
31 602 [illegible]8.19	– 2 375 129.63		
– 818 [illegible]4.22			
22 646 [illegible]7.03			
148 222 [illegible]9.26	*49 058 494.81*	*192 884.99*	
132 946 [illegible]0.88	**851 569 942.33**	**4 526 402.42**	**358 874 461.61**

paid-in shares and callable shares in the following proportions: 22.5 % of the subscribed shares represent a full number of paid-in shares and the remainder will be callable shares.

This item covers the full amount of the Commission's subscription to the EBRD's capital which has been called up and paid. Payments outstanding on the proportion of capital called up, EUR 57 712 500, are recorded under short-term liabilities (EUR 6.4 million) and long-term liabilities (EUR 51.3 million). Payments outstanding on non-called up capital, amounting to EUR 442.5 million, are included in the off-balance-sheet commitments.

• European Investment Fund subscription

Under the Council decision of 6 June 1994 the European Community, represented by the Commission, is to subscribe a total of EUR 600 million to the EIF's capital. This represents 30 % of the EIF's capital. The Commission has paid all the called-up capital, which amounts to 20 %.

As with the EBRD subscription, payments outstanding on non-called up capital (80 %), amounting to EUR 480.00 million, are included in the off-balance-sheet commitments.

B. Other investments

This heading includes subscriptions and shareholdings purchased to help beneficiaries develop their business activities.

• ECIP programme equity

This heading covers Community contributions to the provision of equity and subordinated loan capital for joint ventures set up under the European Community Investment Partners (ECIP) programme.

• Eurotech capital, Venture consort and JOP

The purpose of the Eurotech capital instrument is to encourage the private funding of transnational high-technology projects developed by small and medium-sized undertakings through a network of risk-capital investors. It covers payments since 1990 in the form of advances repayable in certain circumstances when contracts run out.

The purpose of the Venture consort instrument is to promote the transnational syndication of risk-capital operators in small and medium-sized undertakings. It covers contributions since 1985 for investments in small and medium-sized enterprises (SMEs) engaging in innovatory projects.

The purpose of the PHARE-TACIS joint venture programme (JOP) is to foster the creation and development of joint ventures in the countries of central and eastern Europe and the new independent States.

Since all three are risk capital operations, it is very difficult to assess the real present value of the contributions. In line with the principle of prudence, a 100 % adjustment has been made for the value of these contributions, which are therefore entered in the balance sheet at zero.

B.3. Guarantees and advances granted

This heading incorporates fixed assets not included under tangible assets, such as deposits and guarantees paid, permanent advances for building charges, the operating funds advanced to third parties and the Guarantee Fund.

• Guarantee Fund

This Fund is designed to cover the risks associated with loans and loan guarantees for non-member countries or projects carried out in those countries.

It was set up by Council Regulation (EC) No 2728/94 of 31 October 1994.

The Fund is endowed by payments from the Community budget, the proceeds from interest on investments made from the Fund's assets, and sums recovered from defaulting debtors for whom the Fund has had to activate its guarantee. The first payments to the Fund from the Community budget were made in December 1994. The Fund is managed by the European Investment Bank (EIB) under a mandate from the Community.

The entry on the assets side of the Commission's balance sheet represents the Fund's net assets at 31 December 1999.

Since the Fund may be called on to cover defaulting debtors at any time, a provision has been created for risks and liabilities in line with the principle of prudence. This provision (EUR 1 205 231 971.16) corresponds to the target amount ([1]) for the Guarantee Fund calculated on the basis of the amount outstanding at 31 December 1999. The Guarantee Fund surplus to be repaid to the Community budget during the first quarter of 2000 (EUR 107 900 000) is entered as own capital.

([1]) The target amount corresponds to 10 % of the amount outstanding.

Investment: Subscriptions and contributions

(EUR)

	Connected agencies		Outside agencies	
	EBRD	EIF	ECIP	Eurotech, venture consort JOP
A. Acquisition value				
Previous year end	600 000 000	600 000 000	29 959 965	21 030 175
Changes during the year:				
— acquisitions			1 197 913	
— disposal, withdrawal			– 3 535 326	– 600 000
— transferred between headings				
Year end	*600 000 000*	*600 000 000*	*27 622 551*	*20 430 175*
B. Increase in value				
Previous year end				
Changes during the year:				
— decided				
— acquired from third parties				
— cancelled				
— transferred between headings				
Year end	*0.00*	*0.00*	*0.00*	
C. Reductions in value				
Previous year end				21 030 175
Changes during the year:				
— decided				0
— cancelled following disposal, withdrawal				– 600 000
— transferred between headings				
Year end	*0.00*	*0.00*	*0.00*	*20 430 175*
D. Amounts not called	442 500 000	480 000 000		
Year end	*442 500 000*	*480 000 000*	*0.00*	*0.00*
Net book value Year end (A+B-C-D)	**157 500 000**	**120 000 000**	**27 622 551**	**0.00**
Entitlements				
Previous year end				
— Additions				
— Repayments				
— Reductions in value				
— Exchange rate differences				
— Other				
Net book value at year end	**0.00**	**0.00**	**0.00**	**0.00**
Aggregate value reduction against entitlements, year end				

V. Long-term assets

This heading includes amounts owed to the European Community by Member States, non-member countries and third parties on loans granted for more than one year, either from borrowed funds or from budget appropriations. It also includes amounts owed by third parties under the MEDIA programme.

A. Loans granted from the budget

This item principally covers risk capital loans on special terms granted as part of cooperation with non-member countries. It also covers loans granted under the ECIP programme to promote the setting-up of investment joint ventures in Asia, Latin America, the Mediterranean region and South Africa.

In 1991 Turkey was granted a loan of EUR 175 million as part of the effort to assist the countries most directly affected by the Gulf crisis.

Amounts owed under the MEDIA II programme are also included under this heading as the Commission concluded the contracts directly with the recipients. As the contracts stipulate that loan repayments depend on the always uncertain success of the projects, the amounts have been written off and the loans definitively converted into grants.

Changes in volume of loans

	Currency	Balance at 31 December 1998 (A)	New loans (B)	Repayments (C)	Write off (D)	Changes in exchange rates (E)
1. Loans granted from the budget						
Loans with special conditions	EUR	413 564 113.06	0.00	14 373 612.01		
Risk capital operations (1)	EUR	107 115 868.55	33 580 502.33	4 876 808.08	3 000 000.00	
ECIP loans (2)	EUR	109 678 622.84	7 719 317.00	3 424 451.36	3 662 211.32	
Loans for migrant workers	EUR	157 103.17		37 410.45		
Building loans (3)	EUR	61 216.41		15 803.66	16 942.83	57.04
Loans to Turkey	EUR	175 000 000.00				
MEDIA II loans (4)	EUR	53 022 475.33	27 646 134.81	6 557 902.91	12 258 252.12	
Subtotal	*EUR*	*858 599 399.36*	*68 945 954.14*	*29 285 988.47*	*18 937 406.27*	*57.04*
2. Loans granted from borrowed funds						
Medium-term assistance	EUR	1 683 000 000.00	108 000 000.00	200 000 000.00		0.00
Food aid	EUR	0.00	0.00			0.00
Balance of payments	EUR	2 482 746 455.47	0.00	0.00		0.00
NCI	EUR	208 999 442.82	0.00	76 839 257.01		13 838 083.81
Euratom	EUR	27 742 987.96	0.00	15 505 102.75		0.00
Subtotal	*EUR*	*4 402 488 886.25*	*108 000 000.00*	*292 344 359.76*	*0.00*	*13 838 083.81*
Total	**EUR**	**5 261 088 285.61**	**176 945 954.14**	**321 630 348.23**	**18 937 406.27**	**13 838 140.85**

(1) EUR 3 million is an adjustment for loans which were entered in the accounts in 1998 but never granted.
(2) EUR 3.6 million entered in 'Write off' correspond to adjustments made.
(3) EUR 16 942.83 was considered irrecoverable.
(4) In accordance with the contracts, MEDIA II loans are sometimes converted into grants. In these cases, a write off is made.
The EUR 12 258 252.12 written off consists of a EUR 7 588 511.81 value adjustment in 1998 which was written off in 1999 and a further EUR 4 669 740.31 written off in 199
(5) This figure includes amounts receivable in more and less than one year. The table below distinguishes between receipts in more than one year and those in less than one year.

The item also includes other, much smaller loans granted from the budget: loans for migrant workers and building loans for Community officials.

B. Loans granted from borrowed funds

Under the Treaty, the Council, acting unanimously, has the power to adopt guarantee or borrowing programmes if it considers this necessary to attain the objectives of the Community. Community borrowings are direct commitments by the Community itself and not by any individual Member State.

As these loans are financial assets covered by borrowings, in order to give a true and fair view of the Union's assets and liabilities, financial position and results, all the operations are now set out in the form of a balance sheet and revenue and expenditure account.

The balance sheets of these financial operations have been incorporated in the combined balance sheet by means of full consolidation.

Details of the balance sheets, revenue and expenditure accounts and changes in the volume of loans relating to financial activities under this heading are shown in tables contained in Volume II.

Balance at 31 December 1999 (F)=(A)+(B)–(C)–(D)+(E)	Reduction in value at 31 December1998 (G)	Changes during the year (H)	Reduction in value at 31 December 1999 (I)=(G)+(H)	Net value at 31 December 1999 (J)=(F)-(I)
399 190 501.05				399 190 501.05
132 819 562.80				132 819 562.80
110 311 277.16				110 311 277.16
119 692.72				119 692.72
28 526.97	16 942.83	– 16 942.83		28 526.97
175 000 000.00				175 000 000.00
61 852 455.11	7 588 511.81	– 7 588 511.81		61 852 455.11
879 322 015.81	*7 605 454.64*	*– 7 605 454.64*	*0.00*	*879 322 015.81*
1 591 000 000.00				1 591 000 000.00
0.00				0.00
2 482 746 455.47				2 482 746 455.47
145 998 269.62				145 998 269.62
12 237 885.21				12 237 885.21
4 231 982 610.30	*0.00*	*0.00*	*0.00*	*4 231 982 610.30*
5 111 304 626.11	**7 605 454.64**	**– 7 605 454.64**	**0.00**	**5 111 304 626.11** (5)

For the borrowing and lending operations, the yield on loans and the costs of borrowings in 1999 are as follows:

(EUR)

Description	Cost of borrowings	Yield on loans
Medium-term financial assistance	75 642 241.59	75 690 720.36
Food aid	2 576 111.36	2 576 488.97
Balance of payments	156 417 243.65	156 419 805.72
NCI treasury instrument	14 406 074.61	14 406 074.61
Normal	3 130 117.02	3 145 800.85
Euratom	1 732 157.20	1 885 837.74
Total	**253 903 945.43**	**254 124 728.25**

Under an agreement with the EIB, the latter bears the risks of the NCI treasury instrument. Consequently, the surplus of loan proceeds over borrowing costs is charged to the EIB.

Changes in volume of loans granted by the European Communities are indicated in the table spread over pages 108 and 109.

The amounts outstanding on ECIP loans and loans granted from borrowed funds at 31 December 1999 are entered under long-term assets in the case of loans due in more than a year and under short-term assets in the case of loans due in less than one year. As the duration of the MEDIA II loans is uncertain, the amount outstanding at 31 December 1999 is included under long-term assets.

No such distinction could be made at 31 December for other loans granted from the bud-

(EUR)

	Amount > 1 year	Amount < 1 year	Loans outstanding at 31 December 1999
A. Loans from budgets			
ECIP	78 417 408.41	31 893 868.75	110 311 277.16
Other	769 010 738.65	0.00	769 010 738.65
Subtotal	*847 428 147.06*	*31 893 868.75*	*879 322 015.81*
B. Loans from borrowed funds			
Financial assistance	1 406 000 000.00	185 000 000.00	1 591 000 000.00
Balance of payments		2 482 746 455.47	2 482 746 455.47
NCI	141 598 032.03	4 400 237.59	145 998 269.62
Euratom		12 237 885.21	12 237 885.21
Subtotal	*1 547 598 032.03*	*2 684 384 578.27*	*4 231 982 610.30*
C. Other long-term loans			
MEDIA I	14 845 443.05	0.00	14 845 443.05
Other	147 337 867.00	19 406 197.00	166 744 064.00
Subtotal	*162 183 310.05*	*19 406 197.00*	*181 589 507.05*
Total	**2 557 209 489.14**	**2 735 684 644.02**	**5 292 894 133.16**

get. They are therefore included under long-term assets.

C. Other long-term receivables

Loans granted under the MEDIA I programme to promote the development of the audiovisual industry in Europe are included under this item. Since they are not concluded directly between the Commission and the final recipients, these loans are not entered under the heading for loans granted from the budget. Similarly, repayment of loans under the MEDIA II programme depends on the financial success of the projects. An adjustment of EUR 14.6 million has therefore been made for the loans which have been converted into grants.

This heading also includes the financial contribution of EUR 176 million from the Kingdom of Belgium which is to be paid for a minimum of 10 years ending in 2008.

VI. Stocks

This item covers the stocks of office supplies and consumables at 31 December 1999, valued at the price of the last supplies received and converted to euro at the closing rate, in line with the interinstitutional method for valuing stocks.

The heading also covers the scientific and technical equipment of the Joint Research Centre. In line with the principle of prudence, the stocks of heavy water, fissile material and samples for industrial and scientific use are

(EUR)

Description		Net book value
A. Office supplies		7 257 159.08
Other consumables		32 017.70
	Subtotal	*7 289 176.78*
B. Scientific equipment		7 126 375.95
Basic scientific equipment		37 853 745.00
Fissile material		94 274 019.71
Heavy water		454 923.00
	Subtotal	*139 709 063.66*
C. Stocks of publications		4 865 511.79
	Subtotal	*4 865 511.79*
	Total	**151 863 752.23**

valued every year and entered in the balance sheet at their commercial value, which is less than the real historic cost ([1]).

It also includes the stocks of publications held by the Publications Office, valued according to special valuation rules ([2]).

VII. Short-term assets

A. Long-term receivables due in less than one year

This heading contains the amounts owed in respect of long-term loans which are due in less than one year.

B. Current assets

B.2. Amounts owed by Member States

• EAGGF Guarantee

This item includes amounts payable by the Member States in relation to the clearance of the EAGGF Guarantee Section accounts (EUR 3 516 848.84).

It also comprises, for the first time, amounts due to the EAGGF Guarantee Section which have been declared by the Member States and entered in the debtors ledger at the end of the year. This amount, EUR 1 041 928 526.4, partly consists of entitlements which are very unlikely to be recovered. In accordance with the principle of prudence, the European Community must make a provision for part of this amount. However, the Commission is unable to make a precise calculation of the impact of this overestimate since there are no rules allowing it to obtain the information necessary ([3]). For this reason, and in order not to overstate entitlements, a 100 % value adjustment has been entered in respect of bad debts.

From 2000 onwards, Member States have to submit a half-yearly statement of these data under Regulation (EC) No 2761/1999. This statement must include entitlements for which the probability of collection is virtually nil even though the recovery procedures have not yet been legally abandoned. A more precise estimate of these entitlements will then be possible.

• VAT paid by institutions and recoverable from the Member States

This item covers the amounts due in respect of taxes paid by the institutions and recoverable from the Member States.

• Other receivables

The figure of EUR 163 million represents claims on Member States which have been quantified and duly established. Estimates of amounts receivable have been recorded in the Commission's accounts for other entitlements which have not yet been identified as certain, of a fixed amount and due.

This item comprises amounts due to the Communities from the Member States: EUR 25.6 million as a result of supplementary and amending budget No 5/99, which was repaid on 1 January 2000, and EUR 73 million called up for the reserve for loans and loan guarantees.

It also includes own resources — this year totalling EUR 1 951 876 314.39 — which, under Article 6(2)(b) of Regulation (EEC) No 1552/89, are established by the Member States but not made available to the Communities as they have not yet been recovered or guaranteed or, if they have been guaranteed, have been challenged.

([1]) Except for the Karlsruhe research centre where the valuation is at the historic cost.

([2]) See the rules on the valuation of the Publications Office's stocks of publications.

([3]) Up to now there has been no legal obligation on the Member States to provide this information.

This figure overestimates the Communities' actual entitlements since the separate account for traditional own resources largely consists of amounts where actual recovery is very doubtful.

In accordance with the principle of prudence, the European Community must set aside a provision for part of this amount. However, the Commission is unable to make a precise calculation of the impact of this overestimate since there are no rules allowing it to obtain the information necessary. This would require detailed analysis of information which is available only at local level in the Member States. To prevent entitlements from being overstated, a 100 % value adjustment has been made for the first time in respect of bad debts and entered in the assets section of the balance sheet, reducing the figure for amounts owed by the Member States.

To improve valuation of these entitlements, the Commission has presented a proposal for the amendment of Regulation (EEC, Euratom) No 1552/89 to tighten up the procedure for the Member States to write off irrecoverable entitlements.

B.3. Amounts owed by Community institutions and bodies

This heading contains various amounts owed to the European Communities by Community bodies not covered by the scope of consolidation, for which the institutions pay certain expenditure, which will subsequently be repaid.

B.4. Sundry debtors

This item covers amounts owed as a result of the activities of the European Communities, including:

1) The recovery orders entered in the revenue accounts at 31 December 1999 as established entitlements outstanding.

   The item also contains amounts recoverable in respect of fines for infringements against competition rules which have been suspended and for which a bank guarantee has been lodged. The volume of bank guarantees received to cover fines comes to EUR 724.6 million. In the case of outstanding fines, EUR 1 067 million has been disregarded following an appeal against the Commission decision. In addition, EUR 154.3 million has been collected provisionally.

2) All debtors owing sums resulting from loans paid from borrowed funds.

3) All amounts owed as a result of Guarantee Fund operations. These amounts break down as follows:

(EUR million)

	31 December 1999	31 December 1998
Capital	85.9	79.9
Loan interest	55.1	48.9
Default interest	43.5	33.2
Total	**184.5**	**162.0**
Adjustment	– 184.5	– 162.0
Net book value	0.0	0.0

   In view of the risk of non-recovery and in accordance with the principle of prudence, a 100 % adjustment has been entered in the accounts for all Guarantee Fund operations which had not been repaid by debtors at 31 December 1999. This has been deducted from the value of these entitlements on the assets side of the balance sheet.

4) Advance payments from the budget to public or private intermediaries selected by the Commission to carry out the management or forward these payments to the final beneficiaries, either because of provisions contained in the regulations or as a result of contractual provisions. This amount, EUR 622.4 million (including bank interest of EUR 10.8 million), thus corresponds to the funds held by the intermediaries at 31 December 1999.

C. Sundry receivables

Basically, this item covers amounts owed to the institutions by its staff, in particular advances on salary and other sums to be recovered.

VIII. Cash investments

(EUR)

Description	31 December 1999	31 December 1998
1. Shares		
2. Fixed-income bonds		
3. Term accounts		
• maturity < 1 month	21 560 286.43	19 023 019.82
• maturity > 1 month end < 1 year	18 894 089.49	9 110 036.29
• maturity > 1 year		
Total	**40 454 375.92**	**28 133 056.11**

IX. Disposable assets

(EUR)

Description	31 December 1999	31 December 1998
A. Accounts with treasuries	10 200 633 910.95	9 204 141 978.44
B. Accounts with central banks	253 068 407.86	238 212 594.73
C. Accounts for borrowing/lending operations	1 940 793.92	3 860 314.02
D. Current accounts	505 787 791.78	714 596 476.92
E. Imprest accounts	120 868 972.15	89 306 920.49
F. Cash in hand	561 328.54	630 734.93
G. Transfers of funds	172 000 000.00	118 994 178.30
Total	**11 254 861 205.20**	**10 369 743 197.83**

This heading covers all the funds which the institutions keep in their accounts in each Member State and EFTA country (treasury or central bank), in current accounts and imprest accounts, petty cash and the proceeds of loans made from borrowed funds and loans granted to improve housing conditions for migrant workers.

Funds totalling EUR 1.38 million kept in current accounts with two banks outside the Community which have gone bankrupt will probably prove irrecoverable. As a result, and in accordance with the principle of prudence, an adjustment has been made for these accounts and entered on the assets side (reducing the value of the 'Imprest accounts' heading).

(EUR)

Description	31 December 1999	31 December 1998
Imprest accounts	122 257 329.48	90 531 933.82
Adjustment	– 1 388 357.33	– 1 225 013.33
Net book value	**120 868 972.25**	**89 306 920.49**

X. Transitional accounts

(EUR)

Description	31 December 1999	31 December 1998
Interest	106 440 374.64	125 560 016.80
Expenditure to be charged	96 945 540.10	108 103 213.15
Pre-paid expenses	47 636 467.03	35 159 037.54
Conversion differences	0.00	29 077 454.63
Other charges carried over and acquisitions	4 280.77	
Total	**251 026 662.54**	**297 899 722.12**

This heading includes interest receivable, mainly accrued interest on loans, investments and swaps; prepaid expenses and miscellaneous expenditure still to be booked, i.e. expenditure which could not be finally booked before the close date.

LIABILITIES

I. Own capital

A. Net capital resulting from economic adjustments

(EUR)

	Balance at 31 December 1998	Change over year	Balance at 31 December 1999
A.1. Net capital resulting from economic adjustments			
a. Initial costs	0.00	0.00	0.00
b. Intangible fixed assets	5 845 764.72	5 438 475.18	11 284 239.90
c. Tangible fixed assets	2 467 977 630.35	241 439 331.79	2 709 416 962.14
d. Investments (excluding guarantees)	1 546 038 687.91	34 933 509.67	1 580 972 197.58
e. Loans granted from the budget	858 599 399.36	20 722 616.45	879 322 015.81
f. Stocks	115 403 333.67	36 460 418.56	151 863 752.23
g. Amounts outstanding (1)	3 300 492 271.76	2 263 898 637.20	5 564 390 908.96
Subtotal	8 294 357 087.77	2 602 892 988.85	10 897 250 076.62
A.2. Adjustments to assets other than those under A.1 (2)	– 1 225 013.33	– 163 344.00	– 1 388 357.33
A.3. Adjustments to assets under A (2)	– 201 882 547.91	– 2 996 884 288.25	– 3 198 766 836.16
A.4. Depreciation allocation (3)	– 105 098 800.00	– 568 258 896.57	– 673 357 696.57
A.5. Allocation provision for risks and liabilities (4)	– 1 280 661 048.12	75 429 076.96	– 1 205 231 971.16
Subtotal	*– 1 588 867 409.36*	*– 3 489 877 451.86*	*– 5 078 744 861.22*
Net capital resulting from adjustments to the balance sheet	6 705 489 678.41	– 886 984 463.01	5 818 505 215.40

Lines a to f correspond to the various items on the assets side which are booked directly as budgetary expenditure for the financial year in question.

(1) This item is the contra entry for the entitlements contained in the various current assets headings which will not be included with revenue until they are collected.

Items A.2 to A.5 are contra entries for value adjustments, depreciation and provisions since the annual balance may be affected only by the budget out-turn and exchange gains or losses, which will then be entered in the accounts as liabilities for the financial year:

(2) These items are the contra entries for the adjustment to the financial accounts, investments and long-term receivables.

(3) This item comprises the allocation for the depreciation of tangible and intangible fixed assets. As stated above, the balance sheet closed at 31 December 1999 takes account of depreciation for the first time. The movement during the financial year thus corresponds to the overall figure for depreciation following the change in the accounting method.The 1998 balance takes account of the correction of value of the ground of Parliament.

(4) This item is the contra entry for the provision for risks and liabilities in the Guarantee Fund.

B. Balance for the year

(EUR)

Balance for the year	1999	1998
European Community	3 209 100 914.26	3 023 097 495.85 (*)

(*) Including EFTA result.

C. Surpluses of loan proceeds over borrowing/lending costs

This heading covers out-turns carried over and the out-turn for the year of loans granted from borrowed funds.

(EUR)

Borrowing/lending instrument	Balance at 31 December 1998 (a)	Result of financial year (b)	Aggregate result (c) = (a) + (b)	Amount in budget (d)	Balance at 31 December 1999 (e) = (c) – (d)
Medium-term financial assistance ([1])	916 412.81	– 75 665.07	840 747.74		840 747.74
Food aid to former USSR	19 041.01	377.61	19 418.62		19 418.62
Balance of payments	64 434.70	2 562.07	66 996.77		66 996.77
Euratom	8 126 142.97	153 680.54	8 279 823.51		8 279 823.51
NCI	2 251 863.59	15 683.83	2 267 547.42		2 267 547.42
Total	**11 377 895.08**	**115 302.38**	**11 474 534.06**		**11 474 534.06**

([1]) The 1999 out-turn is EUR 48 478.77, including EUR 124 143.84 taken from the result of previous years, giving a 'loss' of EUR 75 665.07.

In 1998 some of the profits from borrowing and lending activities were entered in the budget (EUR 77.2 million).

II. Provisions for risks and liabilities

(EUR)

Description	Provision at 31 December 1998	Change over year	Provision at 31 December 1999
A. Major repairs	0.00		0.00
B. Other risks and liabilities			
Guarantee Fund	1 280 661 048.12	– 75 429 076.96	1 205 231 971.16
Borrowing-lending:			
— NCI	1 060 301.10	116 132.19	1 176 433.29
— Euratom	200 000.00	0.00	200 000.00
— Balance of payments	34 456.07	38 715.00	73 171.07
Total	**1 281 955 805.29**	**– 75 274 229.77**	**1 206 681 575.52**

In view of the risks involved in lending to third countries, a provision for risks and liabilities has been set up for the net assets of the Guarantee Fund, not including the surplus funds to be repaid to the general budget in the first quarter of 2000 (see note IV.B.3 on the assets side).

III. Long-term liabilities

This heading includes liabilities due in more than one year

(EUR)

Description	31 December 1998	Exchange differences	31 December 1999
1. Financial liabilities: borrowings			
NCI	127 934 983.03	– 22 583 732.08	105 351 250.95
Euratom	12 237 885.21	– 12 237 885.21	0.00
Balance of payments	2 482 746 455.47	– 2 482 746 455.47	0.00
Financial assistance	1 488 000 000.00	– 82 000 000.00	1 406 000 000.00
Food aid	0.00	0.00	0.00
Subtotal	*4 110 919 323.71*	*– 2 599 568 072.76*	*1 511 351 250.95*
2. Other long-term liabilities			
Staff funds (1)	16 816 856.92	2 089 457.26	18 906 314.18
Deposits and guarantees (2)	2 427 117.46	– 790 401.61	1 636 715.85
NCI	201 679 473.11	– 43 713 119.87	157 966 353.24
Leasing (3)	524 865 385.02	226 075 780.88	750 941 165.90
EBRD subscriptions (4)	57 712 500.00	– 6 412 500.00	51 300 000.00
Other (5)	530 856 441.23	– 211 626 399.77	319 230 041.46
Subtotal	*1 334 357 773.74*	*– 34 377 183.11*	*1 299 980 590.63*
Total	**5 445 277 097.45**	**– 2 633 945 255.87**	**2 811 331 841.58**

(1) Staff funds: this heading covers the unemployment fund for temporary staff at all the institutions (EUR 9.3 million) and the welfare fund for Commission local staff in non-member countries (EUR 9.6 million).
(2) Deposits and guarantees received: these are sums deducted as guarantees for the payment of construction work and the guarantee accounts for accounting officers, assistant accounting officers and imprest administrators.
(3) Leasing: this heading contains leasing debts due in more than one year.
(4) EBRD subscriptions: the part of the subscription called in.
(5) Other: as it has invoked its purchase option, Parliament must repay the cost of investment.

The detailed movements in borrowing operations in 1999 are as follows:

Description	Balance at 31 December 1998	New borrowings	Repayments	Exchange differences	Balance at 31 December 1999
1. Borrowings					
MTA	1 683 000 000.00	108 000 000.00	200 000 000.00		1 591 000 000.00
FMA	0.00				0.00
BOP	2 482 746 455.47				2 482 746 455.47
NCI	168 250 267.80		40 312 205.00	– 2 248 056.43	130 186 119.23
Euratom	27 742 987.96		15 505 102.75		12 237 885.21
Total	**4 361 739 711.23**	**108 000 000.00**	**255 817 307.75**	**– 2 248 056.43**	**4 216 170 459.91**

The amounts outstanding on borrowings at 31 December 1999 are entered under long-term liabilities in the case of loans due in more than a year and under short-term liabilities in the case of loans due in less than one year.

(EUR)

Description	Maturity > 1 year	Maturity < 1 year	Balance
1. Borrowings			
MTA	1 406 000 000.00	185 000 000.00	1 591 000 000.00
BOP	0.00	2 482 746 455.47	2 482 746 455.47
Euratom	0.00	12 237 885.21	12 237 885.21
NCI	105 351 250.95	24 834 868.28	130 186 119.23
Subtotal	*1 511 351 250.95*	*2 704 819 208.96*	*4 216 170 459.91*
2. Other	1 299 980 590.63	81 449 022.05	1 381 429 612.68
Total	**2 811 331 841.58**	**2 786 268 231.01**	**5 597 600 072.59**

IV. Short-term liabilities

A. Long-term liabilities falling due in less than one year

This heading includes borrowings which fall due for payment in less than one year's time, long-term leasing debts falling due within the year, subscriptions to EBRD capital and the purchase of Parliament's building complex.

B. Other financial liabilities

(EUR)

Description	31 December 1999	31 December 1998
Other financial liabilities		
• current accounts (1)	0.00	221.60
• imprest accounts (1)	0.00	88 460.99
• ongoing transfers (2)	2 793 974 795.85	3 818 545 703.30
Total	**2 793 974 795.85**	**3 818 634 385.89**

(1) This heading now relates to accounts with a debit balance at 31 December 1999.
(2) This item covers payments booked to the budget in 1999 but only effected by the accounting officer between the closure of the accounts and 15 January 2000 (Article 6 of the financial regulation).

C. Current liabilities

C.1. Member States and EFTA countries

This heading covers amounts owed to EFTA countries belonging to the EEA. It also includes the 1999 balance of contributions from these countries, EUR 10 789 056.59 (1), and the balance from 1998, EUR 0.86 million, which has not yet been regularised.

C.2. Community bodies

This item covers amounts owed by the institutions to certain Community bodies.

This item also contains deductions and repayments in respect of building loans granted to Community officials which were financed by the ECSC and have to be repaid to the ECSC.

C.3. Appropriations to be carried over

At 31 December 1999 the breakdown of appropriations to be carried over, taking all the institutions together, is shown in the table below.

C.4. Sundry creditors

This item covers debts arising from the activities of the European Communities.

D. Other liabilities

These are mainly amounts owed to staff and revenue to be transferred to various organisations or other third parties.

(EUR)

Description	31 December 1999	31 December 1998
Appropriations to be carried over:		
• non-differentiated appropriations carried over automatically	516 866 415.94	419 802 549.59
• non-differentiated appropriations carried over by the budgetary authority	59 492 878.00	572 000 000.00
• appropriations carried over by Commission decision	4 241 439 896.00	422 212 473.00
• differentiated current year's appropriations in respect of contributions by third parties	201 366 223.00	96 750 475.43
• differentiated appropriations carried over from 1998 in respect of contributions by third parties	0.00	52 266 904.95
Total	**5 019 165 412.94**	**1 563 032 402.97**

(1) This figure is understated by EUR 747.89. The correction will be made to the 2000 figure.

V. Transitional accounts

This item comprises revenue not booked, i.e. revenue which could not be definitively booked to the budget before the close of the year and revenue available for re-use. It also includes accrued interest on borrowings and swaps.

Revenue from fines for infringements of the competition rules (EUR 154 289 546) is entered in an unbooked revenue account if an appeal is made to the Court of Justice by a third party. If the Court finds in favour of the appellant, the sum in question has to be refunded at once. Until the Court has given judgment, such revenue cannot be booked to the budget when it is received.

This item also covers conversion gains on currency items, not including cash assets.

(EUR)

Description	31 December 1999	31 December 1998
Interest	106 993 786.76	123 206 149.75
Revenue to be booked	263 649 975.16	197 675 981.48
Re-use	150 412 933.24	127 785 434.38
Exchange differences	592 336.62	1 807 525.07
Accrued expenses and amounts to be carried over	168.19	0.00
Total	**521 649 199.97**	**450 475 090.68**

Potential liabilities at 31 December 1999

(EUR)

1. (1)	Commitments against differentiated appropriations not covered by carryovers of payment appropriations			66 488 672 963
2. (1)	Aid planned but not committed in respect of			2 747 458 232
	2.1. Structural Funds (aid planned but not committed for the period 1994–99)		2 375 109 827	
	Objective 1	*900 503 108*		
	Objective 2	*473 209 370*		
	Objectives 3 and 4	*58 935 560*		
	Objective 5 a) — Agriculture	*29 513 732*		
	Objective 5 a) —Fisheries	*0*		
	Objective 5 b)	*66 862 678*		
	Objective 6	*0*		
	Community initiatives	*846 085 379*		
	2.2. Cohesion Fund		2 694 405	
	2.3. Protocols with the Mediterranean countries		157 900 000	
	External relations		82 490 000	
	2.4. Fisheries agreements		129 264 000	
3. (1)	EAGGF Guarantee			21 798 980 589
	3.1. Expenditure by Member States under the EAGGF Guarantee Section between 16 October 1999 and 31 December 1999		21 223 398 567	
	3.2. Potential liabilities connected with the clearance of the EAGGF Guarantee accounts pending judgment by the Court of Justice		575 582 022	
	Belgium	*19 720 377*		
	Germany	*17 243 525*		
	Greece	*180 868 001*		
	Spain	*180 184 081*		
	France	*103 988 586*		
	Italy	*46 758 015*		
	Netherlands	*25 265 847*		
	United Kingdom	*1 553 590*		
4. (1)	Repayment guarantee			20 168 019 265
	4.1. On loans granted by the EIB from its own resources to non-member countries		15 624 000 000	
	70 % guarantee	*4 885 000 000*		
	75 % guarantee	*5 462 000 000*		
	100 % guarantee	*5 277 000 000*		
	4.2. On borrowings contracted by the European Communities (amounts carrying a budget guarantee at 31 December 1998)		4 216 170 460	
		Total authorised ceiling		
	Balance of payments	*14 000 000 000*	*2 482 746 455*	
	Euratom	*4 000 000 000*	*12 237 885*	
	NCI (including reconstruction)	*6 830 000 000*	*130 186 119*	
	Financial assistance	*3 130 000 000*	*1 591 000 000*	
	4.3. Signed by EIF (EC holds 30 % of EIF authorised capital)		327 848 805	

Potential liabilities at 31 December 1999 *(continued)*

(EUR)

5. (1)	Leasing and long-term rental commitments			1 467 422 947
	5.1. Leasing of buildings		679 353 143	
	Other institutions:			
	5 1.1. Buildings — Parliament	*614 290 000*		
	5.1.2. Annexe — Court of Justice	*65 063 143*		
	5.2. Long-term rental — lease:			
	Commission		731 671 416	
	5.2.1. Land	*1*		
	5.2.2. Buildings — Brussels	*562 697 042*		
	5.2.3. Buildings — Luxembourg	*88 603 408*		
	5.2.4. Buildings — Publications Office	*80 370 965*		
	Other institutions		52 961 720	
	5.2.5. 'Palais' — Court of Justice	*2 068 425*		
	5.2.6. Buildings — ESC	*18 563 820*		
	5.2.7. Buildings — Council	*14 637 252*		
	5.2.8. Buildings — Parliament	*17 692 223*		
	5.3. *Leasing operation:*			
	Commission		3 009 980.	
	Computer equipment — Publications Office	*3 008 180*		
	Equipment — Publications Office	*1 800*		
	Other institutions		426 688	
	Computer equipment — Parliament	*426 688*		
6.	*SWAPS*			379 514 235
	6.1. Currency swaps to be delivered: NCI		59 514 235	
	6.2. Exchange rates swaps to be delivered *Financial assistance*		320 000 000	
7.	Correction of budgetary imbalances			p.m.
8. (1)	Commitments in respect of pensions			12 590 000 000
9. (1)	Potential liabilities in respect of contributions to related organisations			922 500 000
10. (1)	Other potential liabilities			13 460 185
	10.1. Brussels Capital Region tax		11 799 056	
	10.2. Creditors holding guarantees from third parties		37 212	
	10.3. Working capital — JRC		1 623 917	
15. (1)	The decommissioning of nuclear installations The decommissioning of the Joint Research Centre's nuclear installations and waste of disposal.			**450 000 000**
	Total			**127 026 028 415**

(1) See explanatory notes.

Potential assets at 31 December 1999

(EUR)

1. (1)	Commitments against differentiated appropriations not covered by carryovers of payment appropriations			66 488 672 963
4. (1)	Guarantees received from third-party guarantors in respect of loans granted by:			18 264 979 738
	4.1. the EIB and covered by a Community guarantee		15 624 000 000	
	4.2. the Commission		2 640 979 738	
	Balance of payments	*2 482 746 455*		
	Euratom	*12 237 885*		
	NCI	*145 995 397*		
5. (1)	Leasing and long-term rental commitments			1 467 422 947
	5.1. Leasing of buildings and similar		679 353 143	
	Other institutions			
	5.1.1. Buildings — Parliament	*614 290 000*		
	5.1.2. Annexe — Court of Justice	*65 063 143*		
	5.2. Long-term rental — lease			
	Commission		731 671 416	
	5.2.1. Land	*1*		
	5.2.2. Buildings — Brussels	*562 697 042*		
	5.2.3. Buildings — Luxembourg	*88 603 408*		
	5.2.4. Buildings — Publications Office	*80 370 965*		
	Other institutions		46 951 707	
	5.2.5. 'Palais' — Court of Justice	*2 068 425*		
	5.2.6. Buildings — ESC	*18 563 820*		
	5.2.7. Buildings — Council	*14 637 252*		
	5.2.8. Buildings — Parliament	*17 692 223*		
	5.3. *Operational leasing*			
	Commission		3 009 980	
	Computer equipment — Publications Office	*3 008 180*		
	Equipment — Publications Office	*1 800*		
	Other institutions		426 688	
	Computer equipment — Parliament	*426 688*		
6.	*SWAPS*			367 250 000
	6.1. Currency swaps to be received: NCI		47 250 000	
	6.2. Exchange rates swaps to be received: *Financial assistance*		320 000 000	
7.	Correction of budgetary imbalances			p.m.
8. (1)	Commitments in respect of pensions			12 590 000 000
10.	Other commitments received			1 661 129
	10.3. Creditors holding guarantees from third parties		37 212	
	10.4. Working capital — JRC		1 623 917	
11. (1)	Commitments received (bank guarantees) in respect of fines (cases still pending at 31 December 1999)			724 577 780

Potential assets at 31 December 1999 *(continued)*

(EUR)

12. ([1])	Potential assets relating to cases of fraud and irregularities in the field of: *EAGGF Guarantee* *Structural operations*	 1 728 513 000 193 046 000	 1921 559 000
13. ([1])	EAGGF Guarantee Net potential gain on disposal of agricultural stocks *Foreseeable sales value at 30 September 1999* *EUR 1 735.45 million* *Book value of stocks* *EUR 1 630.65 million*	 104 800 000	104 800 000
14.	Estimates of amounts receivable Forecasts Forecasts	 454 584 185 p.m.	454 584 185
	Total		**102 385 507 741**

([1]) See explanatory note. Potential assets linked to potential liabilities have the same number in the explanatory notes.

EXPLANATORY NOTES CONCERNING OFF-BALANCE-SHEET COMMITMENTS — POTENTIAL LIABILITIES AND ASSETS

Point 1

Commitments against differentiated appropriations still outstanding at 31 December 1999 totalled EUR 70 931 479 082.22 of which EUR 4 442 806 119.380 is covered by carry-overs of payment appropriations from 1999 to 2000.

It should be stressed that there were commitments relating to structural expenditure estimated at EUR 435 million still outstanding owing to ongoing legal proceedings. The Commission cannot cancel such amounts even if previous experience suggests that many of these commitments will not give rise to any payment.

Point 2

2.1 and 2.2. The Commission regards the overall budget allocation agreed at Edinburgh as a spending commitment by the Community vis-à-vis the Member States. The 1999 budget was established in such a way that this overall allocation was respected. As a consequence, the amount of aid earmarked but not committed under the Structural Funds and the Cohesion Fund is calculated by subtracting the budget commitments made for the period 1994–99 from the Edinburgh allocation. The difference represents total commitments vis-à-vis the Member States after 31 December 1999 for Community support frameworks, Community initiatives and the Cohesion Fund (except appropriations for combating fraud, evaluating the environment, and transitional and innovatory measures) for the programming period 1994–99. In accordance with the principle of prudence, it reflects the maximum potential liabilities for these two Funds.

The commitment appropriations covering the programming period 2000-06, adopted at the Berlin European Council, come to EUR 195 010 million for the Structural Funds and EUR 18 000 million for the Cohesion Funds respectively (1999 prices).

2.3–2.5. Some aid remains uncommitted because the Commission decided to enter into commitments in respect of amounts that were not covered by commitment appropriations in the budget.

Point 3

EAGGF Guarantee

3.1. The payments taken into account for the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are those made by the Member States between 16 October and 15 October of the following year, provided that the accounting officer was notified of the commitment and authorisation by the following 31 January. Payments made by Member States between 16 October and 31 December 1999 are included in the off-balance-sheet commitments.

3.2. Potential liabilities towards the Member States connected with the clearance procedures. The determination of the final amount of the liability and the year in which it will be charged to the budget will depend on the length of the procedure before the Court of Justice.

Point 4

4.1. As formulated, the guarantee legally covers the loans signed by the EIB at 31 December 1999 (including loans granted to three Member States before accession). However, it should be noted that these loans have not been fully paid out. At 31 December 1999 the amount paid out totalled EUR 10 253 million (EUR 10 184 million when the countries which have become Member States are excluded) and this, therefore, is the amount of the risk incurred by the Union. Of the EUR 13 884 million paid out up to 31 December 1999, EUR 3 631 million has already been repaid.

The following table shows the annual forecasts of amounts outstanding on these EIB loans guaranteed under the general budget (with the exception of those for third countries which have joined the Community) on the basis of the amounts paid out at 31 December 1999.

Amount outstanding at 31 December	*EUR million*
1999	10 184
2000	9 641
2001	8 960
2002	8 175
2003	7 301
2004	6 320
2005	5 469
2006	4 620
2007	3 770
2008	3 078
2009	2 384
2010	1 829
2011	1 355
2012	963
2013	642
2014	437
2015	277
2016	199
2017	148

For the loans granted by the EIB covered by the Community budget guarantee (EUR 15 624 million), the third-country guarantees break down as follows:

- ☐ 82.9 % sovereign guarantees or similar;
- ☐ 0.9 % guarantees by public institutions;
- ☐ 5.7 % guarantees by private financial institutions;
- ☐ 8.8 % guarantees by a consortium of financial institutions;
- ☐ 1.7 % guarantees by other institutions.

4.2. The Community has received guarantees from third-party guarantors in respect of guarantees it has granted on loans under its borrowing and lending activities. The guarantees received may be classified as follows:

(EUR)

Guarantees by Member States	2 513 026 100.14
Guarantees by public institutions in the Member States	9 565 367.27
Guarantees in the form of securities against other assets	1 347 160.02
Banks or long-term credit institutions	88 037 855.97
Loans to public institutions	1 179 828.56
Loans to Member States	27 823 425.89
Total	**2 640 979 737.85**

The Community has not received third-party guarantees for loans granted under the financial assistance scheme or food aid. However, these loans, totalling EUR 1 665.4 million, are guaranteed by the Guarantee Fund.

4.3. At 31 December 1999 the EIF had signed guarantees totalling EUR 2 782 million; as 89.95 % of EIF capital has been subscribed, this represents a maximum potential risk of EUR 927.8 million for the European Community. As the Community contributes a total of EUR 600 million to the capital of the EIF, the latter might, in the worst possible scenario, repay EUR 327.8 million. The proportion of the capital subscribed by the European Community which has not been called up (80 %, amounting to EUR 480 million) is also included in the off-balance-sheet commitments as a potential liability (point 9).

Point 5

5.1. Leasing, financing and similar entitlements

This item also covers buildings occupied under a leasing contract with purchase option.

5.1.1. European Parliament

In March 1994 Parliament signed a long-term leasing contract with a purchase option for a complex in Strasbourg for which the estimated provisional investment cost (figure updated in December 1998) is EUR 454 million, of which EUR 10 million, 40 % of the cost of the land, has been covered by the French authorities. The cost to Parliament is therefore estimated at around EUR 444 million. When the balance sheet was drawn up, three rental payments totalling EUR 43 million had been made.

Parliament has also concluded contracts to hire computer equipment under which it is committed to pay around EUR 0.4 million and tenancy agreements under which it is committed to pay around EUR 18 million.

5.1.2. Court of Justice

On 15 November 1994 the Court signed a lease-purchase contract with the Luxembourg Government for Annexes A, B and C of the Palais building with a total surface area of 26 635 m², 24 505 m² and 14 809 m² respectively.

The Court will rent the buildings for the whole term of the agreement and will not be able to exercise the purchase option until the selling price has been paid in full (Article 8(4)); at the latest this will be on 31 December 2015. Under Supplementary Agreement No 1 to the main agreement, the annual charge payable by the Court was reduced to LUF 405 million from 1 January 1997.

The selling price is determined by an independent expert agreed upon by both parties (Article 9). The consultancy KPMG has been appointed.

The figures reached by the expert are set out below.

If the budgetary authority had decided to pay the balance due at 31 December 1999 instead of the annual charge laid down in the contract, the payment would thus have been LUF 2 620 000 million (EUR 65.06 million).

Selling price at 31 December 1998

	Value, current (LUF)	Discounted value 1980-98 (LUF)	Present value (LUF)
Costs	9 168 100 582	2 038 432 210	11 206 532 792
Payments	(5 661 915 152)	(1 476 308 622)	(7 138 223 774)
VAT	(644 115 335)	(532 693 429)	(1 176 808 764)
Selling price	2 862 070 095	29 430 159	2 891 500 254

Selling price at 31 December 1999 (estimate)

	Value, current (LUF)	Discounted value 1980–99 (LUF)	Present value (LUF)
Costs	9 298 650 156	2 471 264 177	11 769 914 334
Payments	(6 069 185 143)	(1 840 506 876)	(7 909 692 019)
VAT	(644 115 335)	(591 466 311)	(1 235 581 646)
Selling price	2 585 349 678	39 290 990	2 624 640 668 (1)

(1) Or EUR 65 063 143 (rate: EUR 1 = 40.3399).

5.2. Long-term rental — lease

This heading covers buildings occupied under a long-term leasing contract (with an initial term of more than five years) without any purchase option. These contracts may take various forms such as a rental contract or long-term lease. The amounts indicated correspond to commitments still to be paid during the term of the contract, except for the Court of Justice's Palais building, which is occupied under an indefinite lease; here, the amounts correspond to the annual rent.

Commission

5.2.1. Land of an area of 2.29 ha held in Luxembourg under a 29-year lease.

5.2.2. This heading covers buildings occupied by the Commission under a long-term rental or leasing contract which do not meet the three conditions laid down in Article 7 of the inventory regulation (see point III.E of the explanatory notes to the balance sheet). The amounts entered correspond to the rents still to be paid in accordance with the conditions of the contract, plus tax on immovable property. The total amount breaks down as follows:

(EUR)

Leases	407 772 461
State-owned buildings	5 675 156
Long-term leases	149 249 424
Total	**562 697 041**

5.2.3. Buildings occupied by the Commission in Luxembourg under leasing contracts.

5.3. Operational leasing

As these amounts come from outside the accounts, the figures shown for this item are not exhaustive. This heading covers buildings occupied under a long-term operational leasing contract (more than five years). The amounts entered correspond to the rents still to be paid in accordance with the conditions of the contract.

Point 8

Commitments in respect of pensions

The rules governing the Community pension scheme are laid down in the Staff Regulations of Officials of the European Communities, in particular Chapter 3 (Pensions) of Title V (Emoluments and social security benefits of officials) and Annex VIII (Pension scheme). They are directly applicable in all the Member States.

The scheme covers different types of pension (retirement, invalidity, survivor's) and the payment of family benefits.

Under Article 83 of the Staff Regulations, benefits paid under the pension scheme are charged to the budget of the Communities (Chapter A-19 (Pensions and severance grants) covering all the institutions). Member States jointly guarantee payment of such benefits in accordance with the scale laid down for financing such expenditure (first subparagraph of paragraph 1).

Officials contribute one third of the long-term cost of financing the scheme by means of a compulsory levy set at 8.25 % of the basic salary (second subparagraph of Article 83(1)).

Thus the scheme is covered both by the budget (it is booked to the Commission budget) and by contributions, while the payments are guaranteed collectively by the Member States.

The calculation of the estimate of total pensions liabilities (in line with the financing provided for in Article 83 of the Staff Regulation) is consistent with standard IAS 19, an international accounting standard which requires the employer to determine his actuarial commitment on a going concern basis, reflecting service-prorated benefits and taking into account foreseeable salary increases. The actuarial valuation method used to calculate this liability is known as the projected unit credit method (or accumulated entitlements method).

The estimate of total pension liabilities is based on an actuarial study using the figures at 31 December 1997, but adjusted to 31 December 1999 in line with the additional entitlements acquired in 1998 and 1999.

The liabilities cover the pension rights of the following persons:

- ☐ staff in active employment at 31 December 1999 in all the institutions and agencies covered by the Community pensions scheme;
- ☐ persons receiving a retirement pension;
- ☐ persons receiving a survivor's pension;
- ☐ orphans;
- ☐ persons receiving an invalidity pension;
- ☐ Members and former Members of the Commission.

The actuarial calculation is based on standard IAS 19 and, in particular, the following parameters:

- ☐ updated mortality tables;
- ☐ calculation interest in accordance with standard IAS 19: 2.5 % compound;
- ☐ closed-group model (participants at 31 December 1999);
- ☐ application of the principle of married staff in active employment, without taking orphans' pensions into account;
- ☐ the marital situation of persons no longer at work, taking orphans' pensions into account;
- ☐ elimination of the effect of the weighting, inflation or general revaluation of salaries/pensions;
- ☐ average salary progression of around 2 %;
- ☐ a pensionable age of 60;
- ☐ the statistics on early retirement and invalidity are based on current data.

The calculations of gross pensions and family allowances are based on the provisions of the Staff Regulations.

In accordance with accounting standard IAS 19, the amount to be entered at 31 December 1999 is EUR 12 590 million. This figure is lower as the interest rate to be used in the updating is higher. If last year's rate of 2.5 % had been used, the figure would have been EUR 15 990 million.

Point 9

Potential debts due to contributions to related organisations.

This sum represents payments outstanding on non-called-up capital subscribed by the Commission to the EBRD and the EIF:

Point 10

In 1993 the Brussels Capital Region introduced a tax on office workers. The Commission asked the regional authorities about its exemption under the Protocol on privileges and immunities. The initial reply given was favourable.

However, this position was reversed as a result of legal procedures brought by the owners of some of the buildings occupied by the Commission. The Commission might therefore have to pay this tax.

The difference between the figures for 1998 and 1999 is due to the adjustments which the Commission has made since 1999 in line with a more detailed method for calculating potential liabilities.

Following the Court of Cassation's judgment of 11 February 1999 — at present the only final judgment in this case — and on the basis of the documents from the tax authorities submitted by the owners of the buildings occupied (for reimbursement), the Commission has been able to determine the exact amount of the tax due on each building and calculate the default interest in line with the payment deadline shown on each tax demand.

(EUR)

EBRD	Total capital EBRD	Commission subscription
Capital	20 000 000 000	600 000 000
Paid-in	5 250 000 000	157 500 000
Callable	14 750 000 000	442 500 000

(EUR)

EIF	Total capital EIF	Commission subscription
Capital	2 000 000 000	600 000 000
Paid-in	400 000 000	120 000 000
Callable	1 600 000 000	480 000 000

Point 11

The following table, classified by year of Commission decision, shows all the cases involving fines for infringement of the rules of competition which were still pending at 31 December 1999. It does not show cases completely settled by that date.

In view of the complicated nature of these cases, the number of companies involved and the possible options, this table cannot reflect historical developments over a number of years. It therefore merely gives the situation at 31 December 1999 for each case pending in relation to the Commission's initial decision.

Year of decision	Number of companies involved	Total fines initially imposed	Appeals pending against Commission decision		No appeal (i.e. definitive payment)	Miscellaneous
			Without payment (with bank guarantee)	With payment (provisionally)		
1987	2 *2*	410 000 (2) *410 000 (2)*	400 000 (1) *400 000 (1)*	10 000 (1) *10 000 (1)*		
1990	3 *2*	48 000 000 (3) *47 000 000 (2)*	47 000 000 (2) *(without guarantee)*		1 000 000 (1)	*47 000 000 (2)*
1992	5 *3*	11 100 000 (5) *9 820 000 (3)*	11 100 000 (5) *(without guarantee)*	*8 820 000 (2)*		*1 000 000 (1)*
1994	44 *31*	151 130 000 (44) *107 880 000 (31)*	143 406 411 (37 + 2 in part) *20 640 000 (22 + 2 in part)*	3 813 589 (1 + 2 in part) *87 230 000 (6 + 2 in part)*	1 700 000 (2)	2 210 000 (2) *10 000 (1)*
1995	45 *43*	253 676 000 (45) *250 874 000 (43)*	226 543 000 (34) *225 699 000 (34)*	25 175 000 (9) *25 175 000 (9)*	102 000 (1)	1 856 000 (1)
1997	1 *1*	8 800 000 (1) *7 883 326 (1)*		8 800 000 (1) *7 883 326 (1)*		
1998	38 *37*	532 510 000 (38) *530 710 000 (37)*	422 122 500 (19 + 1 in part) *468 888 780 (23 + 2 in part)*	21 647 500 (6 + 1 in part) *25 171 220 (6 + 2 in part)*	1 800 000 (1)	86 940 000 (11) *36 650 000 (6)*
1999	20 *15*	112 826 000 (20) *112 496 000 (15)*	8 950 000 (2) *8 950 000 (2)*		330 000 (5)	103 546 000 (13) *103 546 000 (13)*
Total decisions *notified*	**158** ***134***	**1 118 452 000 (158)** ***1 067 073 326 (134)***	**859 521 911 (100 + 3 in part)** ***724 577 780 (82 + 4 in part)***	**59 446 089 (18 + 3 in part)** ***154 289 546 (25 + 4 in part)***	**4 932 000 (10)**	**194 552 000 (27)** ***188 206 000 (23)***

NB: Fines still pending are shown in italics.

Point 12

The two tables are based on the formal reports submitted by the Member States in accordance with Regulations (EEC) No 595/91 ([1]) and (EEC) No 1681/94 ([2]), with amounts being broken down by Member State. The tables show the difference between amounts identified by the Member States as still to be recovered (calculated on the basis of established entitlements or estimates) and amounts already recovered or declared irrecoverable.

The figures given in this table represent a theoretical maximum rather than the amounts which will actually be made available to the Community budget, for the following reasons.

- The Member States do not always report the results of their recovery operations (and certainly not promptly).
- Although Member States must inform the Commission of the likelihood of recovery, it is impossible to determine exactly what proportion of the amounts still to be recovered will actually be recovered. National laws sometimes provide for a 30-year limitation period, which may well make the national authorities think twice about formally writing off recovery even if the chances of success are only theoretical. Nevertheless, the Commission regularly asks the Member States to revise the list of cases which have been pending for a number of years in order to exclude amounts that should be written off as irrecoverable.
- A large proportion of the total for EAGGF Guarantee is, for objective reasons, irrecoverable for no fault of the Member State concerned.
- If, for objective reasons, recovery proves impossible in a particular case, the Commission must decide whether the irrecoverable amount should be charged to the Community budget or to the Member State which failed to fulfil its obligations. This decision may be taken after several years have elapsed (in the case of EAGGF Guarantee Section expenditure, as part of the clearance of accounts procedure).
- Even if the Member State concerned launches recovery proceedings in time, a positive outcome is not guaranteed. This is particularly true where recovery orders are contested in the courts.
- In the field of structural operations, individual projects are co-financed as part of multiannual programmes. As long as a multiannual programme has not been closed, it is impossible to put an exact figure on the amounts to be recovered because the sums involved in irregularities may, in certain circumstances, be reallocated to other, legitimate projects and because payment by instalments, in particular final payments, can sometimes be used as a means of adjusting expenditure.

The figures in these tables are provisional figures based on the reports received and processed up to the end of March 2000. These figures may therefore be changed in line with further reports arriving late.

The prospects of recovery in individual cases cannot be assessed with sufficient accuracy from the information forwarded by the Member States. Experience in recent years shows that the actual rate of recovery scarcely exceeds 20 %.

On the date when the revenue and expenditure account was drawn up, the annual report on the fight against fraud for 1999 had not yet been adopted. Now that the OLAF has become autonomous, the procedure for adopting this report will have to be changed.

([1]) EAGGF Guarantee.
([2]) Structural operations.

Potential assets linked to fraud and irregularities reported under Regulation (EEC) No 595/91 (EAGGF Guarantee Section)

(EUR thousand)

Member State	Balance to be recovered < 1995 (a)	Balance to be recovered 1995–98 (b)	Balance to be recovered 1999 (1) (c)	Irrecoverable (2) (d)	Total (e) = a + b + c - d
Belgium	15 695	5 941	3 782	3 643	21 775
Denmark (3)	8 927	1 104	1 202	2 725	8 508
Germany	50 619	111 862	48 568	7 703	203 346
Greece	19 949	49 303	3 019	0	72 271
Spain	69 898	49 454	30 018	1 472	147 898
France	30 355	13 831	7 382	6 050	45 518
Ireland	4 429	223	376	173	4 855
Italy	753 915	403 828	52 122	66 028	1 143 837
Luxembourg	0	0	0	0	0
Netherlands	6 522	12 065	13 360	2 091	29 856
Austria	0	1 363	2 486	238	3 611
Portugal	8 731	13 110	1 376	1 282	21 935
Finland	0	7	12	0	19
Sweden	0	154	35	0	189
United Kingdom	16 443	16 039	3 219	10 806	24 895
Total	**985 483**	**678 284**	**166 957**	**102 211**	**1 728 513**

(1) Provisional figures.
(2) It will be decided under the clearance of accounts procedure which part is to be charged to the EAGGF Guarantee Section and which part is to be charged to the Member State concerned.
(3) First three quarters of 1999 only.

Potential assets linked to fraud and irregularities reported under Regulations EC No 1681/94 and (EC) No 1831/94 (structural operations)

(EUR thousand)

Member State	Balance to be recovered 1994–98	Balance to be recovered 1999 (1)	Total
Belium	1 058	0	1 058
Denmark	273	679	952
Germany	25 979	14 358	40 337
Greece	8 964	1 110	10 074
Spain	13 012	8 090	21 102
France	1 961	1 604	3 565
Ireland	214	3 142	3 356
Italy	27 761	1 421	29 182
Luxembourg	0	0	0
Netherlands	16	0	16
Austria	0	00	
Portugal	25 924	4 613	30 537
Finland	68	69	137
Sweden	372	498	870
United Kingdom	23 107	28 753	51 860
Total	**128 709**	**64 337**	**193 046**

(1) First three quarters only.

Point 13

At 30 September 1999, with potential liabilities of EUR 26.1 million and potential gains of EUR 130.9 million, there was a net potential gain of EUR 104.8 million for the disposal of agricultural stocks — a far lower figure than in the previous year (EUR 307.9 million).

Virtually all (EUR 110 million) the total potential gain is accounted for by cereals. At the time when the figures were adopted for the depreciation of cereal-based products, the market situation for these products was not favourable. The amounts were set at a relatively low level in view of the prospects which were then expected. However, the substantial improvement in the market situation which followed led to a considerable rise in the foreseeable value of sales and, consequently, an increase in potential gains. The other item for which a gain is expected (EUR 10 million) is rice.

The value of new stocks is written down from the date on which they are formed. The 2000 budget contains EUR 638 million for the depreciation of these stocks (Subsection B1), broken down as follows:

(EUR million)

Cereals	333.0
Rice	32.0
Olive oil	p.m.
Alcohol	130.0
Skimmed-milk powder	95.0
Butter	48.0
Beef	p.m.
Total	**638.0**

Point 15

The decommissioning of the Joint Research Centre's nuclear installations and waste disposal are estimated at EUR 450 million.

The Commission recognises that these estimates include a margin of error of about 20 %. The experience acquired in various countries around the world proves that the costs involved in decommissioning nuclear installations and in nuclear waste disposal are frequently underestimated, often dramatically.

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