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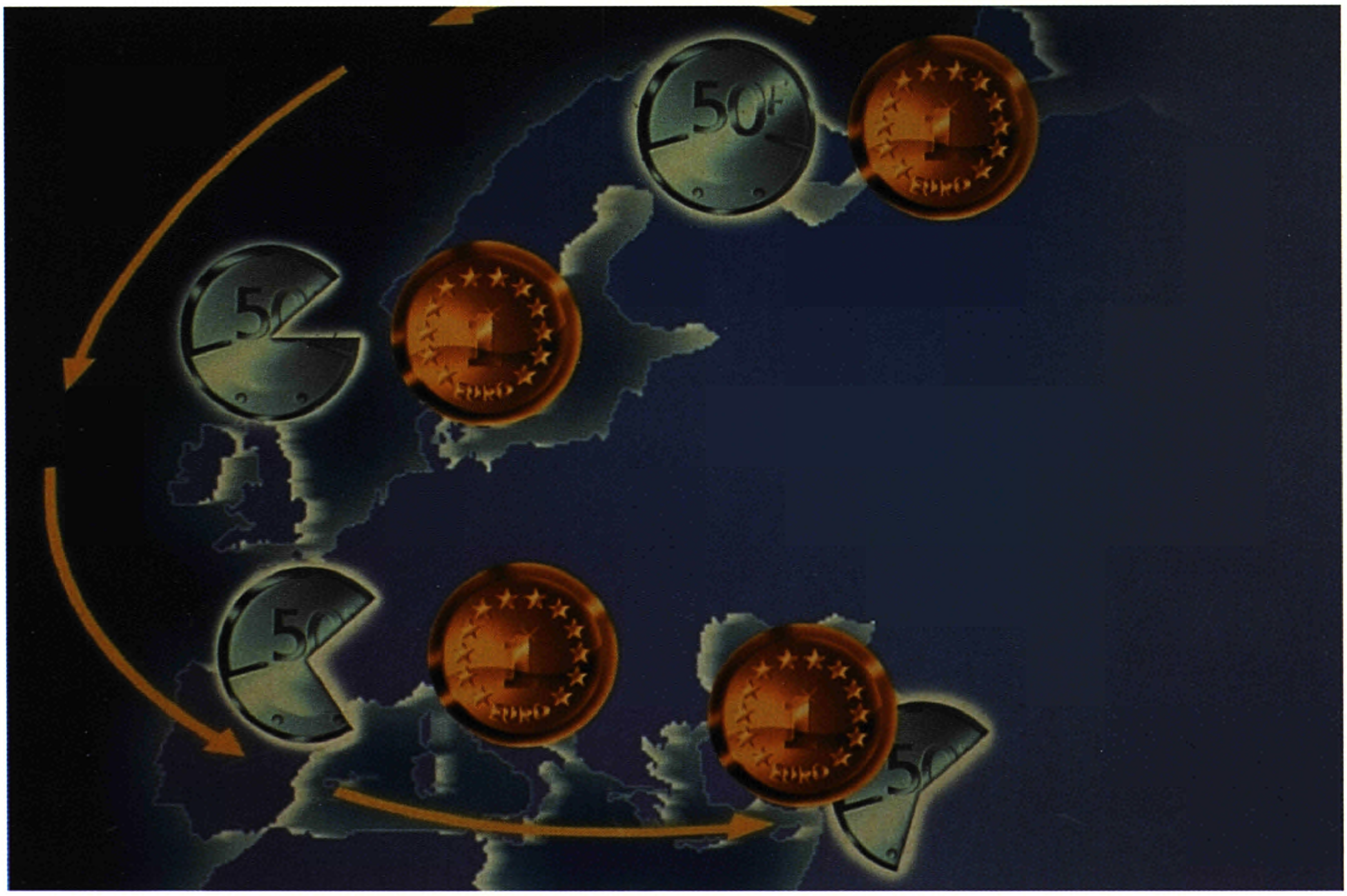
EUROPEAN UNION

FINANCIAL REPORT 2000



EUROPEAN UNION

FINANCIAL REPORT 2000

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FOREWORD

The 2000 budget was the first agreed under the new financial perspective, a multiannual structure setting out expenditure ceilings for different sectors. This structure was agreed by Parliament, Council and Commission in the Interinstitutional Agreement of May 1999, and covers the period 2000–06.

The year 2000 is thus a transition year between the old and new perspective periods. It marks a new starting point for several major areas of Community activity, such as the Structural Funds.

The adoption of the budgetary framework, allied to the reform of the common agricultural policy, has created a new environment for the agricultural budget for 2000 onwards. Market support measures are the first pillar. Support for rural development is now the second pillar of the common agricultural policy, whose budget henceforth also covers veterinary and plant health measures, as well as information activities on the agricultural policy.

The Member States devoted 2000 to the preparation of their Structural Fund programmes for the new period. These were then negotiated with the Commission services, and the committees concerned consulted, before formal adoption of the programme documents. The rigour required and the complexity of this process of preparation and negotiation meant that it was not possible to finalise all the programmes in 2000. Appropriations earmarked were thus carried forward for allocation in 2001 and succeeding years.

Resources for different policy areas in the Member States, the so-called internal policies, were concentrated on certain high priorities, in view of their multiplier effect on growth and employment and on the development and dissemination of new technologies. Research, trans-European transport, energy and communication networks, education, vocational training and youth policy count among these priorities. The Commission also took account of the budgetary implications of the further extension of EU competence through the Treaty of Amsterdam to justice and home affairs.

Monetary support is given to the candidate countries in eastern Europe to prepare for enlargement, the so-called pre-accession strategy, through different programmes. The Phare programme was beefed up. Two new specific subsidy programmes, one for agriculture (Sapard) and the other for measures to improve the transport and environmental infrastructure (ISPA), boosted the funding available.

External action received increased payment appropriations in order to help clear outstanding commitments. Cooperation with the countries of the Balkans was one of the priorities.

Only about 6 % of the EU budget goes on administrative expenditure for all the institutions. This part of the budget has rigorous limits for each year up to 2006. In 2000, the Commission was preparing its reform proposals and the call on resources by other institutions was well within the limits.

Two supplementary and amending budgets were required in 2000 to finance unforeseen needs arising during the year. The first covered macro-financial aid for Montenegro and grants to the European Agency for the evaluation of medicinal products for orphan drugs. The second covered certain additional costs of the European Parliament's building policy, and Council costs associated with the European common foreign and security policy.

The budget 2000 payments represented 1.11 % of the gross national product of the 15 Member States, and was still well below the ceiling for payment appropriations agreed in Berlin for 2000. By the end of the year, due largely to the structural programmes not being fully implemented, a surplus of about EUR 11 billion remained, much of which went back to the Member States, in the form of reductions to their contributions to the 2001 budget.

The Financial Report for 2000 is presented in a somewhat different style to previous years. Instead of blanket coverage of all activities financed by the budget, two of the most topical areas of Community intervention have been selected for a more in-depth examination. Different themes will be chosen for next year's Report. We highlight firstly, the Structural Funds (since 2000 is the start of the new programming period), and secondly, pre-accession aid for enlargement (given the progress made in 2000).

The major policy areas of Community action in 2000 are then summarised according to the categories of activity based-budgeting since this reflects the budget's future structure and presentation.

Michaele SCHREYER

Commissioner for the budget

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ECONOMIC SITUATION OF THE EUROPEAN UNION IN 2000

The year 2000 was one of the best of the last decade as average GDP growth in the EU reached 3.4 % in real terms. However, when one looks at the quarterly growth profile, the year can be split into two periods. The first half of the year saw a very strong performance, prolonging the dynamics of the end of 1999. The second half of 2000 turned out much slower, with quarterly growth rates of about 0.6 %. As expected, private consumption was held back in the second half of 2000 by the loss in purchasing power triggered by the surge in oil prices. Gross fixed capital formation has also been decelerating moderately over the last few quarters, but on the whole it remained an important contributor to growth. Net exports were the other major support to growth. Double-digit annual growth rates have been recorded for both export and import volumes since the end of 1999. Indeed, if one leaves aside the somewhat subdued household consumption, all demand components have been very well oriented in 2000, which explains this record performance.

Monetary conditions have been growth supportive over the year 2000. The European Central Bank raised its benchmark rate from 3 % to 4.75 %, but in the meantime inflation edged up as well, with the consequence to offset a large part of the increase in nominal rates. Contrary to short-term interest rates, long-term interest rates (10-year yields) in the euro area eased gradually throughout the year. Finally, the euro exchange rate depreciated further over the year by some 10 % against the US dollar, thereby providing an important competitiveness advantage to European exporters.

Linked to the hike in oil prices and the weak euro, **headline inflation,** as measured by the harmonised index of consumer prices (HICP), increased further in the EU from 1.8 % in January 2000 to 2.3 % in December 2000. An unusually large difference of three decimal points was observed at the end of the year between the EU and the euro area, due mainly to contrasting price developments in the UK. The increase in headline consumer prices is linked essentially to energy price developments, although core inflation (without energy and unprocessed food) also displayed an upward trend as past energy price increases fed through into other goods' prices.

Net job creation in the EU as a whole is estimated to have grown by 1.7 % last year, the best performance since 1990. It is estimated that over the period 1998–2000 more than 5.3 million jobs have been created in the EU, and 2.8 million just over the single year 2000. Since employment grew at a higher pace than the civilian labour force, the number of unemployed declined significantly. The unemployment rate declined from 9.2 % in 1999 to 8.3 % in 2000 and prospects are for a further decline. Both in the EU as a whole and in the euro area, the unemployment rate at the end of 2000 was at its lowest level since 1991. Countries with the highest unemployment rates succeeded in reducing the number of jobless significantly, but differences within the EU remain wide. Despite the improving situation of the labour market and the hike in consumer prices, wage growth has remained subdued in 2000.

In 2000, **the overall general government balance for the European Union** as a whole recorded a surplus of 1.2 % of GDP, compared to a deficit of 0.7 % of GDP in 1999. For the euro area the 2000 surplus amounted to 0.4 % of GDP, compared to a deficit of 1.3 % of GDP a year earlier. Universal Mobile Telecommunication Systems (UMTS) licences had an important impact on these results. The related proceeds are estimated to the tune of more than 1 % of GDP in 2000. Measured by the change in the cyclically adjusted primary balance, the fiscal stance has been neutral in 2000 at the level of the EU.

In 2000 the debt/GDP ratio is estimated to have fallen by about three percentage points to 64.5 % in EU-15. The decline in the government debt is expected to continue in the coming years.

Structure of the new financial perspective

The general layout of the previous financial framework has been preserved, with a number of changes.

The ceiling of Heading 1 (agriculture) is no longer the agricultural guideline, as defined by the Council decision on budgetary discipline, with growth indexed at 74 % of the increase in the Union's GNP. To make discipline even tighter, the ceiling has been set in line with estimated growth in actual expenditure, taking into account the agreed reforms. The agricultural guideline is maintained, but its scope is broadened to cover not only CAP expenditure but also agriculture-related pre-accession aid and the amount earmarked in this area for the next wave of enlargement. A separate subheading has been introduced for rural development measures.

As regards enlargement-related expenditure:

- ☐ a new Heading 7 has been created to cover the three pre-accession instruments which have been established: the agricultural instrument (Sapard), the structural instrument (ISPA) and an enhanced Phare programme for the applicant countries;
- ☐ a margin has been kept under the own resources ceiling (in payment appropriations) to finance accession-related expenditure when new Member States join the Union;
- ☐ by adopting this approach and including corresponding provisions in the Interinstitutional Agreement, expenditure for the 15 current Member States and for the applicant countries can be ring-fenced.

The financial perspective is set at constant 1999 prices. As before, a technical adjustment will be made each year to take account of price increases. However, it has been agreed that a deflator of 2 % will be used for Heading 1. In accordance with the Structural Funds regulations, the annual deflator applied to programming and to the corresponding ceiling in the financial perspective is also fixed at a flat rate of 2 %.

The new Interinstitutional Agreement keeps the possibility of revising the financial perspective, by means of a joint decision by the two arms of the budgetary authority on a proposal from the Commission, to deal with situations which had not been foreseen originally.

A new 'flexibility instrument' has also been introduced. This instrument, which is subject to an annual ceiling of EUR 200 million, is intended to cover the financing for a given financial year of clearly identified expenditure which cannot be met within the ceilings available under one or more headings. The decision to mobilise the instrument is taken jointly by the two arms of the budgetary authority on a Commission proposal.

Ceilings on expenditure 2000–06

Even allowing for the amounts placed in reserve for future waves of enlargement over this period, the financial framework leaves a substantial margin under the own resources ceiling of between 0.09 % and 0.14 % of GNP, depending on the year. Discipline is tighter for the total volume of appropriations for commitments than for total payments, as the latter must cover commitments outstanding from previous years.

The Heading 1 ceiling has been set in such a way that, as an annual average at constant prices and excluding the rural development measures previously financed by the Structural Funds, the amount in question is still close to the level of expenditure entered in the 1999 budget. Accordingly, some components of the CAP reform have been scaled down or will be introduced in stages.

The overall allocation for structural operations will enable aid per capita under the Structural Funds in eligible regions to be maintained at 1999 levels. Assistance for regions no longer eligible for Objective 1 or the new Objective 2 will be reduced gradually. As regards the Cohesion Fund, account has been taken of the progress made by the recipient countries towards genuine convergence over the last reference period.

The ceilings for Headings 3 (internal policies), 4 (external action, excluding pre-accession aid) and 5 (administration) have been set on the basis of actual expenditure entered in the 1999 budget rather than the ceilings for that year in the previous financial perspective, which were considerably higher. Moreover, the rates of increase are lower than those initially proposed by the Commission. Table 1 shows, for the various headings, how the fixed ceilings for commitment appropriations have changed in the financial perspective for 2000–06.

Application of the financial perspective

In accordance with the relevant provisions of the Interinstitutional Agreement, technical adjustments were made to the financial perspective for 2000 and 2001 to take account of price increases and the Union's GNP. When adopting the 2000 budget, the budgetary authority decided to employ the flexibility instrument to finance the Kosovo reconstruction programme under Heading 4 of the financial perspective.

On 3 May 2000 the Commission tabled a proposal for the revision of the financial perspective. The aim of this proposal is to provide medium-term financing for a programme of assistance for the whole of the western Balkans by raising the Heading 4 ceiling 'External actions' for the period 2001–06, offset for 2001 and 2002 by an equivalent lowering of subheading 1a 'CAP' (not including rural development). The Commission also proposed the reclassification of aid to Cyprus and Malta from Heading 4, where it is at the moment, to Heading 7 'Pre-accession'. This reclassification would be neutral in its impact on the budget. The Commission presented its preliminary draft budget for 2001 taking into account these proposed changes to the financial perspective.

TABLE 1

Financial perspectives (2000–06)

(million EUR; 2000 prices)

	2000	2001	2002	2003	2004	2005	2006
Appropriations for commitments							
1. Agriculture	41 738	44 530	45 379	45 538	44 488	43 624	43 344
CAP (not including rural development)	37 352	40 035	40 874	41 023	39 962	39 088	38 797
Rural development and accompanying measures	4 386	4 495	4 505	4 515	4 526	4 536	4 547
2. Structural Funds	32 678	32 720	32 106	31 503	30 785	30 785	30 343
Structural Funds	30 019	30 005	29 391	28 788	28 174	28 174	27 737
Cohesion Fund	2 659	2 715	2 715	2 715	2 611	2 611	2 606
3. Internal policies ([1])	6 031	6 272	6 386	6 500	6 614	6 729	6 853
4. External actions	4 627	4 755	5 019	5 025	5 029	5 035	5 040
5. Administration ([2])	4 798	4 939 ([3])	4 880	4 984	5 088	5 192	5 296
6. Reserves	906	916	666	416	416	416	416
Monetary reserve	500	500	250				
Emergency aid reserve	203	208	208	208	208	208	208
Guarantee reserve	203	208	208	208	208	208	208
7. Pre-accession aid	3 174	3 240	3 260	3 260	3 260	3 259	3 259
Agriculture	529	540	540	540	540	540	540
Pre-accession structural instrument	1 058	1 080	1 080	1 080	1 080	1 080	1 080
Phare (applicant countries)	1 587	1 620	1 620	1 620	1 620	1 620	1 620
Mediterranean pre-accession strategy			20	20	20	19	19
Commitment appropriations — Total	**93 952**	**97 372**	**97 696**	**97 226**	**95 680**	**95 040**	**94 551**
Payments appropriations — Total	**91 482**	**94 893**	**97 975**	**98 671**	**95 581**	**93 759**	**93 197**
Appropriations for payments as % of GNP	1.13 %	1.11 %	1.12 %	1.10 %	1.04 %	1.00 %	0.97 %
Available for accession (appropriations for payments)			4 306	6 979	9 247	11 899	14 792
Agriculture			1 665	2 112	2 549	3 048	3 537
Other expenditure			2 641	4 867	6 698	8 851	11 255
Ceiling, appropriations for payments	**91 482**	**94 893**	**102 281**	**105 650**	**104 828**	**105 658**	**107 989**
Ceiling, payments as % of GNP	1.13 %	1.11 %	1.17 %	1.18 %	1.14 %	1.12 %	1.12 %
Margin for unforeseen expenditure	0.14 %	0.16 %	0.10 %	0.09 %	0.13 %	0.15 %	0.15 %
Own resources ceiling	1.27 %	1.27 %	1.27 %	1.27 %	1.27 %	1.27 %	1.27 %

([1]) In accordance with Article 2 of Decision No 182/1999/EC of the European Parliament and of the Council and Article 2 of Council Decision No 1999/64/Euratom (OJ L 26, 1.2.1999, p. 1 and p.34, EUR 11 510 million at current prices is available for research over the period 2000–02.
([2]) The expenditure on pensions included under the ceiling for this heading is calculated net of staff contributions to the relevant scheme, up to a maximum of EUR 1 100 million at 1999 prices for the period 2000–06.
([3]) Including EUR 163 million in staff contributions to the pension scheme.

BUDGET IMPLEMENTATION 2000 — OVERVIEW OF COMMITMENTS AND PAYMENTS AS AT 31 DECEMBER 2000

TABLE 2

Implementation of commitments and payments as at 31 December 2000

Based on 2001 budget structure

Heading (based on 2001 budget structure)	Commitments							
	2001	2000				1999	1998	2001
	Voted budget	Voted budget including carry-forwards etc	Voted budget including carry-forwards etc., SAB and transfers	Implementation of appropriations		Implem-entation	Implem-entation	Voted budget
	(1)	(2)	(3)	*(4)*	*(4)/(3)*	(6)	(7)	(8)
1. Agriculture								
Agricultural expenditure (excl. rural development) (Titles B1-1 to B1-3)	38 702.7	36 918.1	36 508.1	*36 290.3*	*99.4 %*	37 288.1	36 900.4	38 702.
Rural development and accompanying measures (Titles B1-4 and B1-5)	4 495.0	4 084.0	4 184.0	*4 176.4*	*99.8 %*	2 588.2	1 847.6	4 495.
Total	**43 197.7**	**41 002.1**	**40 692.1**	***40 466.7***	***99.4 %***	**39 876.3**	**38 748.0**	**43 197.**
Reserve	*100.0*	*24.9*	*24.9*				*200.0*	*100.*
2. Structural operations								
Objective 1 (Chapter B2-10)	20 832.0	21 661.0	21 667.3	*12 703.9*	*58.6 %*	5 110.3	4 183.1	18 745.
Objective 2 (Chapter B2-11)	3 613.0	4 148.8	4 223.0	*709.9*	*16.8 %*	693.8	451.4	4 323.
Objective 3 (Chapter B2-12)	3 575.0	3 560.9	3 561.7	*3 373.4*	*94.7 %*	15 429.0	14 139.1	3 205.
Other structural operations (outside Objective 1 regions) (Chapter B2-13)	164.0	179.9	190.4	*171.9*	*90.3 %*	8 546.4	8 733.5	463.
Community initiatives (Chapter B2-14)	1 683.0	1 988.8	2 546.2	*851.0*	*33.4 %*	3 692.9	2 597.4	1 747.
Innovation schemes and technical assistance (Chapter B2-16)	138.0	168.0	63.6	*33.1*	*52.0 %*	219.5	284.7	229.
Cohesion Fund (Title B2-3)	2 715.0	2 661.7	2 661.7	*2 246.4*	*84.4 %*	3 129.1	2 870.9	2 860.
EEA financial mechanism (Title B2-4)							106.2	
Total	**32 720.0**	**34 369.2**	**34 914.0**	***20 089.5***	***57.5 %***	**36 821.0**	**33 366.1**	**31 574.**
Reserve		*544.8*						
3. Internal policies								
Research and technological development (Subsection B6)	3 920.0	4 034.7	4 054.7	*3 819.5*	*94.2 %*	3 465.9	3 624.7	3 610.
Other agricultural operations (Title B2-5)	53.6	51.5	51.5	*49.1*	*95.2 %*	139.9	158.3	107.
Other regional actions (Title B2-6)	15.0		15.0	*15.0*	*100.0 %*	17.0	17.1	15.
Transport (Title B2-7)	25.2	20.5	20.5	*18.9*	*92.1 %*	21.1	19.1	21.
Other measures concerning fisheries and the sea (Title B2-9)	26.1	44.5	45.6	*45.5*	*99.9 %*	54.8	56.3	55.
Education, vocational training and youth (Title B3-1)	491.3	572.3	572.3	*548.0*	*95.8 %*	477.9	438.7	427.
Culture and audiovisual sector (Title B3-2)	120.1	136.6	136.6	*118.9*	*87.1 %*	123.0	126.8	109.
Information and communication (Title B3-3)	86.6	98.8	109.3	*97.6*	*89.3 %*	97.1	110.8	91.
Social dimension and employment (Title B3-4)	112.4	149.7	149.7	*137.2*	*91.6 %*	151.4	149.4	133.
Energy (Title B4-1)	33.8	40.7	40.7	*2.4*	*6.0 %*	40.6	33.5	33.
Euratom nuclear safeguards (Title B4-2)	17.7	16.7	16.7	*16.7*	*99.8 %*	15.3	15.4	17.

(million EUR)

Payments										
2000				1999	1998	Commitments to be paid (RAL)		Payments		Cancelled commitments
Voted budget including carry-forwards etc.	Voted budget including carry-forwards etc., SAB & transfers	Implementation of appropriations		Implementation	Implementation	As at 1.1.2000	As at 31.12.2000	On pre 2000 RAL	On 2000 commitments	On pre 2000 RAL
(9)	(10)	*(11)*	*(11)/(10)*	(13)	(14)	(15)	(16)	(17)	(18)	(19)
37 023.4	36 613.4	*36 329.4*	*99.2 %*	37 192.1	36 962.4	105.3	52.3	91.7	36 237.6	
4 084.0	4 184.0	*4 176.4*	*99.8 %*	2 588.2	1 847.6				4 176.4	
41 107.4	**40 797.4**	***40 505.9***	***99.3 %***	**39 780.3**	**38 810.0**	**105.3**	**52.3**	**91.7**	**40 414.1**	
24.9	*24.9*				*200.0*					
19 753.4	20 103.4	*15 485.2*	*77.0 %*	3 774.0	3 521.5	21 722.1	18 587.2	10 733.5	4 751.7	353.2
4 713.5	4 863.5	*3 859.5*	*79.4 %*	571.9	407.7	8 496.1	5 183.2	3 618.4	241.2	163.3
2 894.8	3 343.8	*3 094.1*	*92.5 %*	11 127.3	11 794.6	3 390.8	3 647.4	1 620.8	1 473.3	22.6
1 056.7	1 056.7	*980.6*	*92.8 %*	7 245.8	7 602.8	1 722.4	907.8	920.5	60.1	5.9
3 687.4	3 026.3	*2 301.4*	*76.0 %*	2 059.5	2 271.6	5 728.5	4 222.6	2 081.7	219.7	55.4
374.4	227.4	*184.7*	*81.2 %*	169.0	212.9	596.2	392.8	168.4	16.3	51.8
2 958.7	2 958.7	*1 685.2*	*57.0 %*	1 716.0	2 448.8	4 918.4	5 477.7	1 532.8	152.4	1.8
					106.2					
35 438.9	**35 579.8**	***27 590.8***	***77.5 %***	**26 663.6**	**28 366.0**	**46 574.3**	**38 418.7**	**20 676.1**	**6 914.7**	**654.0**
140.9										
4 191.0	4 085.7	*3 404.0*	*83.3 %*	2 574.9	3 116.3	5 807.2	6 100.5	2 080.0	1 323.9	122.2
82.0	84.0	*76.4*	*90.9 %*	130.9	138.3	266.7	207.4	62.3	14.0	32.0
7.5	17.7	*16.8*	*95.2 %*	18.0	21.2	14.4	6.6	4.8	12.0	6.0
18.7	16.7	*11.9*	*71.4 %*	15.8	19.3	22.4	28.6	8.4	3.5	0.8
34.7	41.4	*41.3*	*99.9 %*	35.4	30.6	97.8	101.4	39.5	1.8	0.6
452.6	547.6	*483.7*	*88.3 %*	377.6	301.7	409.4	472.6	195.6	288.1	1.1
125.3	115.4	*88.2*	*76.4 %*	99.1	109.5	111.8	139.6	56.3	31.9	2.9
87.0	99.7	*90.2*	*90.5 %*	90.2	101.1	91.2	94.8	48.9	41.3	3.8
128.2	127.3	*107.3*	*84.2 %*	120.6	136.9	144.2	139.4	58.0	49.3	34.7
36.7	36.7	*28.4*	*77.4 %*	27.8	30.2	80.2	52.3	28.2	0.2	1.9
15.4	19.4	*18.9*	*97.5 %*	13.7	14.2	16.9	13.8	10.9	8.0	0.8

TABLE 2 *(continued)*

Heading (based on 2001 budget structure)	Commitments							
	2001	2000				1999	1998	2001
	Voted budget	Voted budget including carry-forwards etc	Voted budget including carry-forwards etc., SAB and transfers	Implementation of appropriations		Implem-entation	Implem-entation	Voted budget
	(1)	(2)	(3)	*(4)*	*(4)/(3)*	(6)	(7)	(8
Environment (Title B4-3)	112.3	42.2	161.8	*49.2*	*30.4 %*	182.9	140.4	140.
Consumer policy and consumer health protection (Title B5-1)	22.5	22.9	22.9	*21.7*	*94.5 %*	22.3	19.5	20.
Aid for reconstruction (Title B5-2)	1.3	1.7	3.7	*1.7*	*45.9 %*	2.2	2.8	1.
Internal market (Title B5-3)	144.3	149.2	139.9	*121.1*	*86.6 %*	131.3	146.6	159.
Industry (Title B5-4)		2.0	2.0	*2.0*	*100.0 %*	92.0	84.1	p.i
Labour market and technological innovation (Title B5-5)	119.6	225.7	225.7	*193.7*	*85.8 %*	197.3	181.9	122.
Statistical information (Title B5-6)	32.6	32.0	32.5	*32.4*	*99.7 %*	32.8	30.0	31.
Trans-European networks (Title B5-7)	650.6	689.9	676.0	*663.4*	*98.1 %*	580.8	545.6	595.
Freedom, security and justice (Title B5-8)	92.6	52.3	86.8	*49.5*	*57.0 %*	41.3	15.3	101.
Combating fraud and support expenditure for internal policies (Title B5-9)	5.0	5.7	5.7	*4.8*	*85.8 %*	4.1	4.4	4.
Total	**6 082.4**	**6 389.4**	**6 569.5**	***6 008.3***	***91.5 %***	**5 891.0**	**5 920.6**	**5 800.**
Reserve	*149.7*	*192.1*	*13.0*			*6.8*	*0.6*	*54.*
4. External actions								
European Development Fund p.m (Title B7-1)							0.000	p.i
Food aid and support operations (Chapter B7-20)	455.0	462.1	458.4	*458.0*	*99.9 %*	505.0	578.4	400.
Humanitarian aid (Chapter B7-21)	473.0	475.9	492.5	*489.7*	*99.4 %*	726.5	532.9	473.
Cooperation with Asia developing countries (Chapter B7-30)	446.0	428.1	494.5	*480.9*	*97.2 %*	349.8	394.8	370.
Cooperation with Latin American developing countries (Chapter B7-31) — TOTAL	336.3	392.7	367.5	*277.9*	*75.6 %*	208.5	240.8	252.
Cooperation with countries of southern Africa and South Africa (Chapter B7-32)	122.0	2.0	123.5	*123.5*	*100.0 %*	127.5	135.3	135.
Cooperation with the Mediterranean third countries and the Middle East (Chapter B7-4)	843.3	1 022.0	1 088.2	*1 047.7*	*96.3 %*	1 037.9	1 068.7	457.
Cooperation with the countries of central and eastern Europe (Chapter B7-50)						1 466.1	1 118.8	
European bank for Reconstruction and Development (Chapter B7-51)	p.m					33.8	33.8	7.
Cooperation with the new independent States and Mongolia (Chapter B7-52) (Tacis)	445.3	12.7	450.6	*448.5*	*99.5 %*	397.1	462.2	438.
Other Community measures in favour of the CEEC, NIS, Mongolia and western Balkans (Chapter B7-53)	p.m	59.8	114.8	*111.9*	*97.5 %*	91.6	68.6	0.
Cooperation with the Balkans countries (Chapter B7-54) (CARDS)	839.0	387.8	861.2	*859.7*	*99.8 %*	376.1	242.8	490.
Other cooperation measures (Title B7-6)	365.5	320.7	361.6	*343.7*	*95.0 %*	354.1	340.1	368.
European initiative for democracy and the protection of human rights (Title B7-7)	102.0	94.8	96.9	*93.8*	*96.8 %*	94.2	85.6	81.
International fisheries agreements (Chapter B7-80)	195.1	121.1	124.6	*124.2*	*99.7 %*	265.5	271.3	201.
External aspects of certain Community policies (Chapters B7-81 to B7-87)	69.5	74.8	85.7	*77.8*	*90.8 %*	93.5	58.7	84.

(million EUR)

Payments										
2000				1999	1998	Commitments to be paid (RAL)		Payments		Cancelled commit-ments
Voted budget including carry-forwards etc.	Voted budget including carry-forwards etc., SAB & transfers	Implementation of appropriations		Implem-entation	Implem-entation	As at 1.1.2000	As at 31.12.2000	On pre 2000 RAL	On 2000 commit-ments	On pre 2000 RAL
(9)	(10)	*(11)*	*(11)/(10)*	(13)	(14)	(15)	(16)	(17)	(18)	(19)
104.1	150.9	*103.0*	*68.2 %*	121.0	121.5	335.4	261.0	79.1	23.9	20.6
20.1	20.1	*15.1*	*74.9 %*	19.0	18.6	20.7	26.1	10.6	4.5	1.2
1.7	3.7	*1.7*	*45.9 %*	2.2	2.8				1.7	
155.6	155.7	*128.5*	*82.5 %*	119.8	133.1	206.4	179.2	92.8	35.6	19.9
98.8	103.8	*103.7*	*99.9 %*	83.8	42.2	164.4	62.1	101.7	2.0	0.7
113.1	108.0	*46.3*	*42.9 %*	116.4	89.8	226.0	370.8	30.4	16.0	2.6
30.5	30.5	*27.9*	*91.4 %*	27.2	25.4	37.8	40.7	21.3	6.6	1.6
542.5	565.5	*507.6*	*89.8 %*	445.7	410.6	1 094.5	1 241.3	307.1	200.6	8.9
61.9	69.8	*56.6*	*81.1 %*	30.8	8.3	75.9	60.7	34.8	21.9	8.1
5.4	5.4	*3.3*	*61.6 %*	3.2	7.0	4.2	5.7	2.0	1.3	0.1
6 312.8	**6 405.1**	***5 360.8***	***83.7 %***	**4 473.1**	**4 878.5**	**9 227.6**	**9 604.6**	**3 272.7**	**2 088.0**	**270.7**
82.4	*11.0*			*1.6*	*0.4*					
366.0	439.7	*437.1*	*99.4 %*	379.5	341.8	1 203.8	1 126.4	407.8	29.7	97.9
589.4	547.0	*540.9*	*98.9 %*	575.0	501.7	493.5	424.9	311.3	229.6	17.4
325.1	331.3	*323.4*	*97.6 %*	290.6	236.1	2 022.6	2 129.0	294.7	28.6	51.2
226.0	215.0	*195.2*	*90.8 %*	181.8	142.8	1 183.3	1 225.3	149.5	45.6	40.7
91.4	131.6	*110.1*	*83.7 %*	100.0	84.5	420.3	433.6	109.8	0.3	0.1
437.1	512.7	*473.0*	*92.3 %*	378.5	421.9	3 267.6	3 615.9	397.4	75.5	226.5
				1 170.0	1 032.7					
6.4	6.4	*6.4*	*100.0 %*	5.4	4.4	57.7	51.3	6.4		
429.7	433.4	*429.0*	*99.0 %*	514.6	399.9	1 465.7	1 429.9	420.0	8.7	55.5
48.0	133.5	*126.0*	*94.4 %*	29.9	69.2	42.0	27.9	41.0	85,0	
352.9	744.9	*676.4*	*90.8 %*	250.7	122.4	833.6	1 009.0	369.6	306.8	7.9
381.2	350.1	*278.2*	*79.5 %*	314.7	281.6	684.1	719.9	222.2	56.0	29.8
98.9	91.9	*53.2*	*57.9 %*	47.0	65.9	187.1	217.4	47.7	5.5	10.3
125.6	129.4	*127.3*	*98.4 %*	271.1	272.9	25.1	21.1	6.1	121.3	0.9
100.2	62.0	*41.6*	*67.2 %*	48.9	59.2	182.1	199.6	31.7	9.9	18.6

TABLE 2 *(continued)*

Heading (based on 2001 budget structure)	Commitments							
	2001	2000				1999	1998	2001
	Voted budget	Voted budget including carry-forwards etc	Voted budget including carry-forwards etc., SAB and transfers	Implementation of appropriations		Implem-entation	Implem-entation	Voted budget
	(1)	(2)	(3)	*(4)*	*(4)/(3)*	(6)	(7)	(8
Common foreign and common security policy (Title B8-0) (PESC)	36.0	57.9	57.9	*41.6*	*71.9 %*	28.9	37.9	35.
Mediterranean countries pre-accession strategy (Chapters B7-04 and B7-05)	19.0		15.0	*7.7*	*51.3 %*			13.
Performance reserve (Chapter B7-95)								
Total	**4 746.9**	**3 912.3**	**5 192.8**	***4 986.8***	***96.0 %***	**6 156.1**	**5 670.6**	**3 808.**
Reserve	*181.7*	*1 104.7*	*24.2*			*14.1*	*69.7*	*112.*
5. Administration								
Part A (excluding pensions)	2 593.8	2 486.7	2 473.2	*2 446.2*	*98.9 %*	2 374.4	2 311.0	2 593.
Pensions	618.3	564.3	582.8	*582.6*	*100.0 %*	518.2	464.5	618.
Total	**3 212.1**	**3 051.1**	**3 056.1**	***3 028.9***	***99.1 %***	**2 892.6**	**2 775.5**	**3 212.**
Reserve	*5.1*	*24.4*	*19.4*			*2.9*	*5.6*	*5.*
6. Reserves								
Monetary reserve (Title B1-6)	500.0	500.0	810.0				0.000	500.
Guarantee reserve (Chapters B0-22 to B0-24)	208.0	203.0	203.0	*186.3*	*91.8 %*	300.1	272.4	208.
Emergencies aid reserve (Chapter B7–91)	208.0	203.0	23.0				0.000	208.
Total	**916.0**	**906.0**	**1 036.0**	***186.3***	***18.0 %***	**300.1**	**272.4**	**916.**
7. Pre-accession aid								
Agriculture (Chapter B7-01) (Sapard)	540.0	529.0	529.0	*528.9*	*100.0 %*		99.0	330.
Pre-accession structural instrument (Chapter B7-02) (ISPA)	1 080.0	1 058.0	1 058.0	*1 016.3*	*96.1 %*			350.
Phare (applicant countries) (Chapter B7-03)	1 620.0	1 583.4	1 583.4	*1 567.2*	*99.0 %*			1 420.
Total	**3 240.0**	**3 170.4**	**3 170.4**	***3 112.4***	***98.2 %***		**99.0**	**2 101.**
Grand total including reserve	**94 551.7**	**94 691.3**	**94 712.4**	***77 878.8***	***82.2 %***	**91 961.0**	**87 128.1**	**90 882.**

Comments: Columns (2) (9): 'etc…' = reconstitutions, third party appropriations,…
Columns (3) (10): 'SAB' = Supplementary and amending budget and 'transfers' = Transfers between budget lines
RAL: Columns (15) (19): 'RAL' = 'Reste à liquider'

(million EUR)

Payments										
2000				1999	1998	Commitments to be paid (RAL)		Payments		Cancelled commit-ments
Voted budget including carry-forwards etc.	Voted budget including carry-forwards etc., SAB & transfers	Implementation of appropriations		Implem-entation	Implem-entation	As at 1.1.2000	As at 31.12.2000	On pre 2000 RAL	On 2000 commit-ments	On pre 2000 RAL
(9)	(10)	*(11)*	*(11)/(10)*	(13)	(14)	(15)	(16)	(17)	(18)	(19)
38.4	38.4	*23.2*	*60.5 %*	28.0	28.2	15.3	32.3	3.7	19.5	1.5
	2.0						7.7			
					2.3					
3 616.2	**4 169.0**	***3 841.0***	***92.1 %***	**4 585.8**	**4 067.7**	**12 084.0**	**12 671.3**	**2 819.0**	**1 022.0**	**558.4**
274.1	*32.4*			*3.7*	*5.1*					
2 724.0	2 710.5	*2 407.7*	*88.8 %*	2 317.6	2 328.3	233.1	227.2	192.5	2 215.0	
564.4	582.9	*580.6*	*99.6 %*	518.0	463.3	0.1	0.1	0.0	580.6	
3 288.4	**3 293.5**	***2 988.3***	***90.7 %***	**2 835.6**	**2 791.5**	**233.2**	**227.3**	**192.6**	**2 795.6**	
24.4	*19.4*			*2.9*	*5.6*					
500.0	810.0									
203.0	203.0	*186.3*	*91.8 %*	300.1	272.4				186.3	
203.0	23.0									
906.0	**1 036.0**	***186.3***	***18.0 %***	**300.1**	**272.4**				**186.3**	
200.0	150.0				99.0		528.9			
245.0	175.0	*2.5*	*1.5 %*				1 013.7		2.5	
1 254.4	1 254.4	*1 200.9*	*95.7 %*			3 042.2	3 358.2	1 114.4	86.5	50.3
1 699.4	**1 579.4**	***1 203.4***	***76.2 %***		**99.0**	**3 042.2**	**4 900.9**	**1 114.4**	**89.1**	**50.3**
92 915.8	**92 947.9**	***81 676.5***	***87.9 %***	**78 646.6**	**79 496.3**	**71 266.6**	**65 875.1**	**28 166.5**	**53 509.7**	**1 533.4**

BUDGETARY PROCEDURE FOR 2000

The preliminary draft budget

On 28 April, the Commission adopted the preliminary draft budget for 2000 based on the guidelines it approved on 3 February and on which Parliament passed a resolution on 23 March. For the first year of the new financial perspective period (2000–06), the Commission took into account the Agenda 2000 priorities and the conclusions of the Berlin European Council, as well as the need to conduct a tight budgetary policy.

Compared with the 1999 budget, the preliminary draft budget for 2000 represented a 4.4 % reduction in terms of commitments (EUR 92 706 million), while the increase in appropriations for payments was confined to 4.7 % (EUR 89 584 million), to cover the large volume of outstanding commitments which has built up for the Structural Funds, research and external action.

Payments represented 1.11 % of the GNP of the 15 Member States, and were still around EUR 1 800 million beneath the ceiling for payment appropriations agreed in Berlin for 2000. The revenue required to finance the preliminary draft budget represented 1.11 % of GNP.

In the case of agricultural expenditure (EUR 41 401 million, including the monetary reserve of EUR 500 million), budgetary discipline was tightened and the proposals in the preliminary draft complied with the subceilings for the heading, which now covers rural development (EUR 3 587 million) as well as traditional market measures (EUR 37 314 million).

As 2000 is the first year of a new programming period, the commitment appropriations for structural operations (EUR 32 678 million) were lower than the exceptionally large amounts in 1999 (EUR 39 000 million), whereas payment appropriations (EUR 32 000 million) were again increased (up by 5.2 %) in order to be able to clear past commitments. EUR 1 641 million was planned for Community initiatives in accordance with the guidelines set by the Berlin European Council for the overall allocation for the Structural Funds. This did not take account of the URBAN Community initiative, which increased the percentage of the total allocation accounted for by Community initiatives from 5 % to 5.35 %.

Resources for internal policies (EUR 5 937 million in commitment appropriations) were concentrated on a number of top priorities, in view of their multiplier effect on growth and employment and on the development and dissemination of new technologies. Research received EUR 3 630 million in commitment appropriations and EUR 3 600 million in payment appropriations, a sharp rise (approximately 20 %) due to the volume of outstanding commitments. The second major item of expenditure was the trans-European networks (EUR 656 million in commitment appropriations, an increase of 12.1 %), in line with recent decisions on the multiannual budget. Finally, there was also a marked increase (4.7 %) for education, vocational training and youth policy, bringing commitment appropriations to EUR 463 million. The Commission also allowed for the budgetary implications of the ratification of the Treaty of Amsterdam, in particular in the fields of justice and home affairs, for which appropriations increased by almost 36 %.

In accordance with the new financial perspective, the pre-accession strategy was reflected in a new Heading 7, which had its allocation of EUR 3 167 million boosted by the creation of two specific instruments for agriculture and structural measures, the beefing-up of the Phare programme and the coordination of these operations.

The appropriations for Heading 4 (external action), now without the Phare programme, came to EUR 4 479 million, a reduction of

1.2 % in commitment appropriations compared with 1999 (despite the transfer of EUR 143 million from the emergency aid reserve to humanitarian aid) but an increase of 5.4 % in payment appropriations in order to help clear outstanding commitments. A margin of EUR 147 million was left beneath the ceiling fixed by the Berlin European Council so that the financial impact of a possible fisheries agreement with Morocco could be accommodated in the autumn letter of amendment. Chapter B7-54 (Cooperation with the countries of the Balkans) was allocated EUR 279 million as against EUR 314 million in 1999, because of the gradual reduction in the programme for refugees in Bosnia-Herzegovina. This conservative evaluation of requirements was to be subsequently adjusted to take account of the Kosovo crisis.

The draft budget (first reading by Council)

The draft budget established by the Council at first reading on 16 July came to EUR 92 361 million in appropriations for commitments and EUR 87 945 million in appropriations for payments. Total appropriations for payments represented 1.09 % of Community GNP. Compared with the 1999 budget, these figures represented a reduction of 4.7 % in appropriations for commitments and an increase of 2.8 % in appropriations for payments. Compared with the preliminary draft budget, they represented a reduction of EUR 424 million in commitment appropriations and EUR 1 718 million in payment appropriations.

A point to be stressed as regards external action was the establishment of a reserve for the reconstruction of Kosovo containing EUR 500 million in commitment appropriations and over EUR 280 million in payment appropriations. The establishment of this reserve was made possible by redeployment of funds within Heading 4, namely by making an across-the-board cut in appropriations allocated to most of the other budget headings relating to external action.

First reading by Parliament

After Parliament's first reading on 28 October, the draft budget came to EUR 93 562 million in appropriations for commitments and EUR 91 288 million in appropriations for payments, a fall of 3.4 % and an increase of 6.7 % respectively compared with the 1999 budget.

Parliament considered that appropriations for the European Union's operations in response to events in Kosovo, Turkey and East Timor and for the fisheries agreement still to be concluded with Morocco should be in addition to those for the external operations already planned and that the financial perspective should be revised. It adopted a draft budget that used up virtually all the payment appropriations allowed by the financial perspective, but did not take any of these four sectors into account.

Second reading by Council

The Council's second reading, on 26 November, was preceded by a conciliation meeting with Parliament. At EUR 92 520 million in appropriations for commitments and EUR 87 910 million in appropriations for payments, the Council draft was far lower than Parliament's first reading and the Commission's proposals in letter of amendment No 4.

As regards external action, which was at the centre of negotiations on the 2000 budget, the Council's approach was to allocate EUR 360 million for reconstruction in Kosovo — EUR 140 million was to be financed by carrying over EUR 30 million for Obnova from 1999 and EUR 30 million for humanitarian aid, transferring EUR 60 million from Obnova to reconstruction in Kosovo and allocating

EUR 20 million to humanitarian aid and the remaining EUR 220 million was to be redeployed within the heading. The Council also restored the EUR 125 million which it had decided for the fisheries agreement with Morocco at its first reading, set up a heading to cover operations in favour of East Timor and provided aid for Turkey.

Second reading by Parliament

Parliament adopted the 2000 budget during its second reading, on 16 December 1999, after tough negotiations continued right up to the vote. The disagreement on how to finance reconstruction in Kosovo and the other priorities in the heading was finally resolved by an overall compromise under which the whole EUR 200 million allowed by the interinstitutional agreement would be drawn under the flexibility instrument and the question of revision of the financial perspective was to be reconsidered in the more general context of funding for the aid programme for the western Balkans over the period 2000–06. Under this compromise, Parliament reduced the level of payment appropriations by EUR 1 900 million compared with its first reading.

The 2000 budget totalled EUR 93 280 million in appropriations for commitments, 3.5 % less than in 1999, and EUR 89 387 million in appropriations for payments, an increase of 4.4 %.

Agricultural expenditure came to EUR 40 994 million. Expenditure on market organisations had been set by the Council at EUR 36 889 million and Parliament decided on EUR 4 105 million for rural development and accompanying measures. At EUR 32 678 million, the commitment appropriations for structural operations were at the same level as the Commission proposed in its preliminary draft. However, the final figure for payment appropriations was EUR 31 802 million after Parliament eventually accepted a rate of payments on account of 3.5 % and kept the level of cover for outstanding commitments at 50 %.

Commitment appropriations for internal policies were kept at the same level as in Parliament's first reading, while payment appropriations for research were reduced by EUR 9.5 million. The allocation for this heading thus totalled EUR 6 027 million in commitment appropriations and EUR 5 674 million in payment appropriations.

The biggest changes were for external action, the focal point of the 2000 budget procedure. Finally, the heading totalled EUR 4 805 million in commitment appropriations, 2.9 % up on 1999 (2.4 % in the preliminary draft), and EUR 3 613 million in payment appropriations. After considerable redeployment within the heading, requirements were met for aid for East Timor (EUR 20 million), Turkish earthquake victims (EUR 30 million), the pre-accession strategy for Malta and Cyprus (EUR 15 million in reserve) and the fisheries agreement with Morocco (EUR 125 million). The 2000 budget also covered immediate requirements for reconstruction in Kosovo. After the entire EUR 200 million had been drawn under the flexibility instrument, EUR 360 million have been provided. In 2000, reconstruction in Kosovo would be financed as follows: the specific budget heading has been allocated EUR 240 million, EUR 60 million have been carried over from 1999 to 2000 (EUR 30 million for Obnova and EUR 30 million for humanitarian aid), EUR 20 million from the ECHO budget was earmarked for humanitarian aid operations in Kosovo and finally EUR 40 million have been transferred in the course of the year as funds became available.

As regards the pre-accession instruments, the payments for the Phare programme were reduced by EUR 66 million as proposed by the Council, the payment appropriations for the agricultural pre-accession instrument were reduced by EUR 329 million after the appropriations allocated were differentiated, and a new heading with a token entry was entered for Malta and Cyprus (with the allocation of EUR 15 million still coming under Heading 4 of the financial perspective).

Supplementary and amending budgets

The Commission adopted preliminary draft supplementary and amending budget No 1/2000 on 10 May. The Council established the draft on 16 June and Parliament adopted it on 6 July. As no changes were made to it by the Council (budget) on 20 July, it was finally adopted on 2 August.

It incorporated, under the revenue section, the balance from 1999, the new estimates of own resources made in April 2000, the final calculation of the UK compensation for 1996 and the provisional calculation for 1999.

Under expenditure, it covered the extra EUR 1 million for the European Agency for the Evaluation of Medicinal Products for orphan drugs, the entry of EUR 11 million for provisional civilian administrations (offset by an equivalent decrease in the appropriations set aside for an instrument to promote investment in developing countries for which the legal base is unlikely to be adopted) and EUR 20 million for macrofinancial aid for Montenegro. Finally, lines with a token entry were created for the future rapid reaction force pending adoption of the legal base.

The Commission adopted preliminary draft supplementary and amending budget No 2/2000 on 23 June 2000. The Council established the draft on 29 June and Parliament adopted it on 6 July.

In the second supplementary and amending budget, EUR 15 million was added to Section I (Parliament) for its building policy, and EUR 6.6 million to Section II (Council) for the European common foreign and security policy, particularly with a view to reinforcing the staff of its General Secretariat with military experts seconded from the Member States. In a resolution adopted on 16 June, Parliament had requested a supplementary and amending statement of estimates of EUR 15 million to increase the appropriations available for the acquisition of immovable property.

Implementation of the 2000 budget

Implementation of commitment and payment appropriations — 2000 outcome (summary)

The following table provides the summary situation for implementation, in percentage terms, by budget heading, with the comparison to 1999.

	Implementation of commitment appropriations (%)		Implementation of payment appropriations (%)	
	1999	2000	1999	2000
Heading 1	98.6	99.4	98.3	99.3
Heading 2	94.0	57.5	87.0	77.5
Heading 3	96.0	92.7	85.3	84.0
Heading 4	94.3	96.2	90.1	92.2
Heading 5	98.0	99.1	89.3	90.5
Heading 6	35.5	18.0	35.5	18.0
Heading 7		98.3		76.4
Total	95.7	82.4	92.0	88.0

Unutilised budget appropriations for commitments of EUR 14 800 million for structural operations (out of an amount of EUR 16 700 million unutilised for the total budget) is the major contributory factor to the low implementation rate of 82.4 % for the total budget.

A similar, but less significant effect is also seen for payments where the unutilised payment appropriations for structural operations is responsible for EUR 8 000 million of the EUR 11 200 million unutilised total budget funds, and the subsequent implementation rate of 88.0 % for the total budget.

Agriculture (Heading 1)

The implementation rates for both commitments (99.4 %) and payments (99.3 %) for agriculture spending were particularly high, both for the EAGGF Guarantee operations and for rural development. For this heading, the overall situation of the agricultural markets was normal which explains why expenditure was close to the budget appropriations.

As concerns rural development, most of the programmes presented by Member States could be adopted before the end of the budgetary year, and as a result, expenditure (EUR 92.4 million or 2.3 %) was slightly above the initial appropriations (but still below the Berlin ceiling). The appropriations have been reinforced by a transfer from subheading 1a.

Structural operations (Heading 2)

Structural Funds

With regard to the low implementation rate for commitments, 2000 was the first year for the new structural operations programme (2000–06). The need to determine the framework for the various programmes is important for both the Commission and the Member States in order to ensure that a sound basis is established for the financial assistance actions during the next seven years. Because of this factor, and the introduction of revised rules and procedures for the new programme, delays were experienced in the negotiations between the Commission and the Member States, particularly for Objectives 1 and 2 (EUR 12 500 million unutilised).

For Community initiatives (EUR 1 700 million unutilised), the specific difficulties to commit before year-end were related to the fact that the guidelines were only published in May. The level of anticipated commitments was therefore not possible to be made before the year-end, although the procedures on approving some programmes were close to finalisation.

Decisions on programmes for Objective 3 could be adopted before year-end, and resulted in a high implementation rate for this budget chapter.

With regard to the unutilised appropriations for Structural Funds, EUR 8 200 million was carried forward to the 2001 budget year. An amount of EUR 6 200 million will be transferred to subsequent years in excess of the ceiling of Heading 2, in conformity with Article 17 of the Interinstitutional Agreement.

In summary, the overall under-implementation of payments for the Structural Funds added up to EUR 6 700 million. The main component was EUR 4 200 million of payments relating to pre-2000 programmes. In addition, 'advance payments on account' were only possible for programmes approved in 2000. Practically no reimbursements were made to Member States for the new 2000–06 programming period.

Cohesion Fund

Decisions on projects for the Cohesion Fund could be adopted before year-end, with the result of a high implementation rate for commitments (91.3 %). The late approval at year-end meant that only marginal advance payments were made in 2000 and so payments were mainly made on earlier approved projects, resulting in an overall low implementation rate for payments (57 %).

Internal policies (Heading 3)

The amount of unutilised commitment appropriations of some EUR 470 million within internal policies meant the implementation rate was 92.7 % mainly caused by the following factors:

- ☐ certain Commission services were reorganised during the year and, as part of this exercise, the opportunity was taken to reorientate measures and to re-examine certain actions. This applied within the Energy and Transport DG for energy policy and within the Enterprise DG for SME multiannual programmes and standardisation;

- ☐ the late adoption of the legal basis for expenditures, which prevented commitments being made before year-end and was carried forward into 2001. This was seen in the Environment DG and the Justice and Home Affairs DG.

The amount of unutilised payment appropriations was EUR 1 000 million with a resulting implemented rate of 84.0 %. This amount was caused by the factors discussed above for the under-implementation of commitments and also a lower level of expected payments (EUR 670 million) for the budget subsection for RTD, where the liquidation of projects from previous framework programmes and advance payments for the current year's programme were less than forecast.

External actions (Heading 4)

The implementation rate for commitment appropriations for this heading was 96.2 % and in fact the implementation rate for most budget chapters was high, for example, the rate for the chapter for cooperation with the Balkan countries was 99.8 %. One exception to the high implementation rates was the chapter for cooperation with Latin American developing countries, with EUR 90 million of unutilised appropriations, caused by difficulties in programming.

The implementation rate for payment appropriations was lower at 92.2 %, or some EUR 325 million. This was caused by the late approval of commitments at year-end preventing payments being made, for example, the budget chapter for cooperation in the Balkan countries.

Pre-adhesion aid (Heading 7)

The implementation rates for all chapters were high, resulting in an implementation rate of 98.3 % for Heading 7.

The implementation rate for payments was lower at 76.4 %, due to the budget chapter for Sapard, where the precondition of an authorised paying agent in each of the beneficiary countries was not met, and for ISPA where the late commitments did not result in any advance payments before year-end.

EU REVENUE IN 2000

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

The breakdown of the 2000 total revenue of EUR 92 700 million on the different sources is shown in the attached Figures.

Traditional own resources

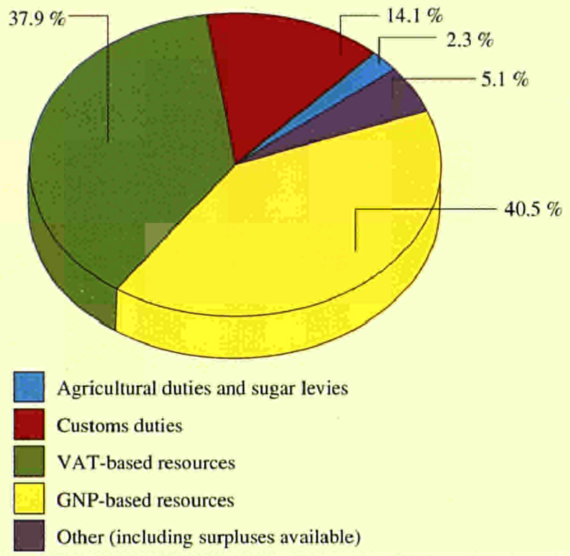
The EU's traditional own resources are made up of customs duties, agricultural duties and sugar levies. They are established by the Member States, which keep 10 % to cover their collection costs.

Customs duties are levied on imports of non-agricultural products from third countries, at rates based on the Common Customs Tariff. These rates are often subject to reductions as a result of agreements in the framework of the World Trade Organisation (WTO), previously the General Agreement on Tariffs and Trade (GATT), and specific agreements granting preferential tariffs to certain trading partners or products. In 2000, EUR 13 111.5 million was collected and paid to the EU, which corresponds to an increase of 12.0 % compared to the previous year. The reason for this considerable increase is the surge in imports between 1999 and 2000 (over 30 %), which more than offset the decrease in the weighted average tariff.

Agricultural duties are charged on imports of agricultural products from third countries. In 2000, EUR 1 078.6 million was collected and paid to the EU. The yield was virtually the same as in the previous year (+ 0.9 %).

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 2000 revenue from this source amounted to EUR 1 077.1 million, practically the same as the previous year (– 0.6 %).

FIGURE 1
Revenue of the Communities, 2000



VAT-based own resources

The VAT-based own resources are calculated by applying a uniform rate to the harmonised national VAT bases, which are determined in accordance with Community rules. Member States' VAT bases are capped at 50 % of their GNP. In 2000, five Member States (Greece, Spain, Ireland, Luxembourg and Portugal) benefited from this limit.

The uniform rate is obtained by deducting the so-called gross equivalent of the UK correction (expressed in percentage terms of the EU capped VAT base) from the maximum rate of call of VAT. In accordance with the decision on the system of the European Communities' own resources (94/728/EC, Euratom), the maximum rate is set at 1 % of the harmonised capped VAT bases. The uniform rate amounted to 0.8766 % in 2000.

Payments during a given year derive from the forecasts for the VAT bases entered in the budget for that year and the negative or positive adjustments for previous years established using the out-turn figures for these bases.

In 2000, the VAT resource amounted to EUR 35 192.5 million. This included net positive adjustments for previous years totalling EUR 1 004.9 million, the budget forecasts having underestimated economic growth.

GNP-based own resources

A source of revenue based on GNP was introduced in 1988 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. It consists of a uniform rate applied to the sum of all Member States' GNP established in accordance with Community rules. The rate is fixed during the budgetary procedure and depends on the total of other revenue.

In 2000, the call rate of this additional resource amounted to 0.4461 % of total EU GNP (not including the EAGGF monetary reserve, the loan guarantee reserve and the emergency aid reserve). In total, the GNP resource amounted to EUR 37 580.4 million (not including reserves). This included net positive adjustments for previous years totalling EUR 327.3 million, the budget forecasts having underestimated economic growth.

The correction in favour of the United Kingdom

The UK correction was introduced to correct the imbalance between the United Kingdom's share in the payments to the Community budget and its share in Community expenditure in the Member States. This imbalance is calculated according to precise rules and the United Kingdom is reimbursed for 66 % of the difference.

The cost of the correction is borne by the other Member States according to their share in Community GNP, with the exception of Germany that pays only two-thirds of its normal share.

The correction for a certain year n is budgeted and financed in the following year. The result of the definitive calculation, based on final data, for the correction of year *n* is budgeted in year $n+4$.

The provisional correction for 1999, budgeted and paid in 2000, amounted to EUR 3 636.0 million.

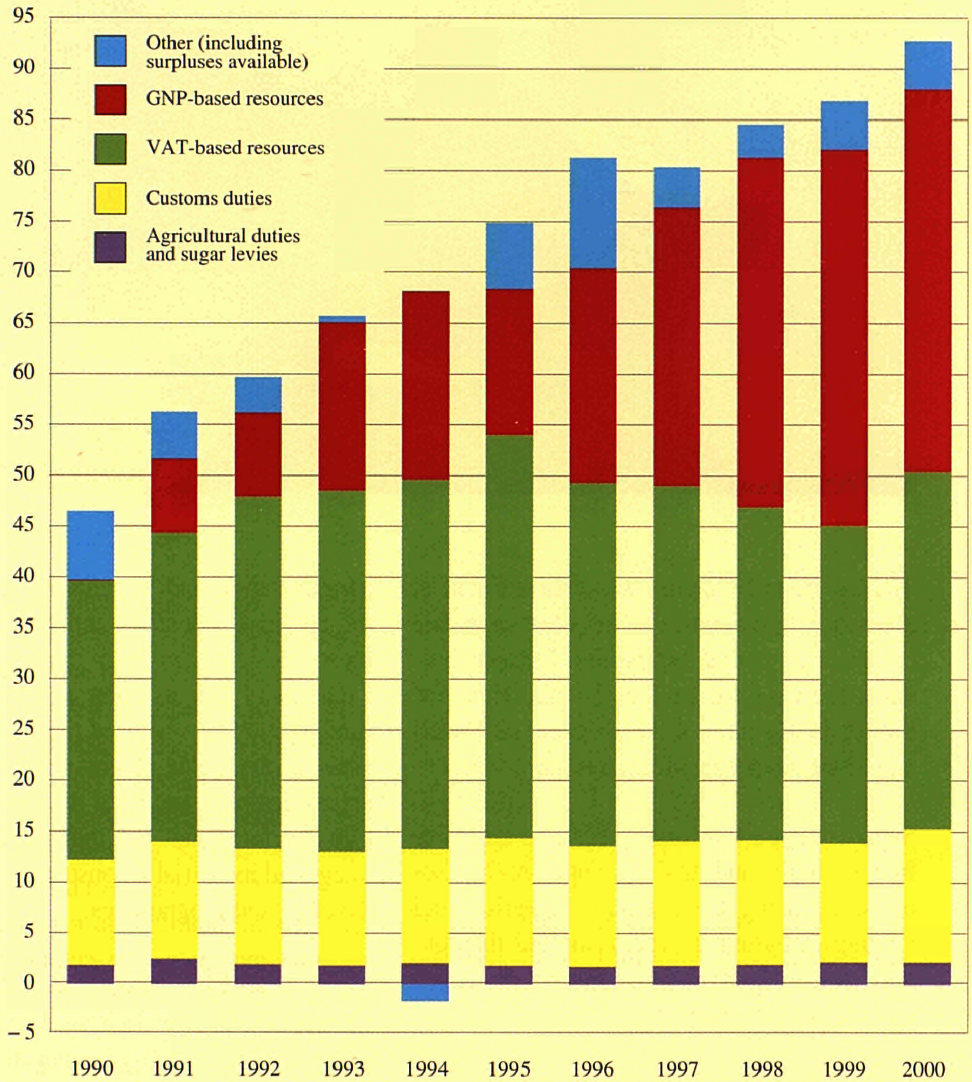
Other revenue

The general budget is also financed by other revenue, including *inter alia* 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 1 546.1 million.

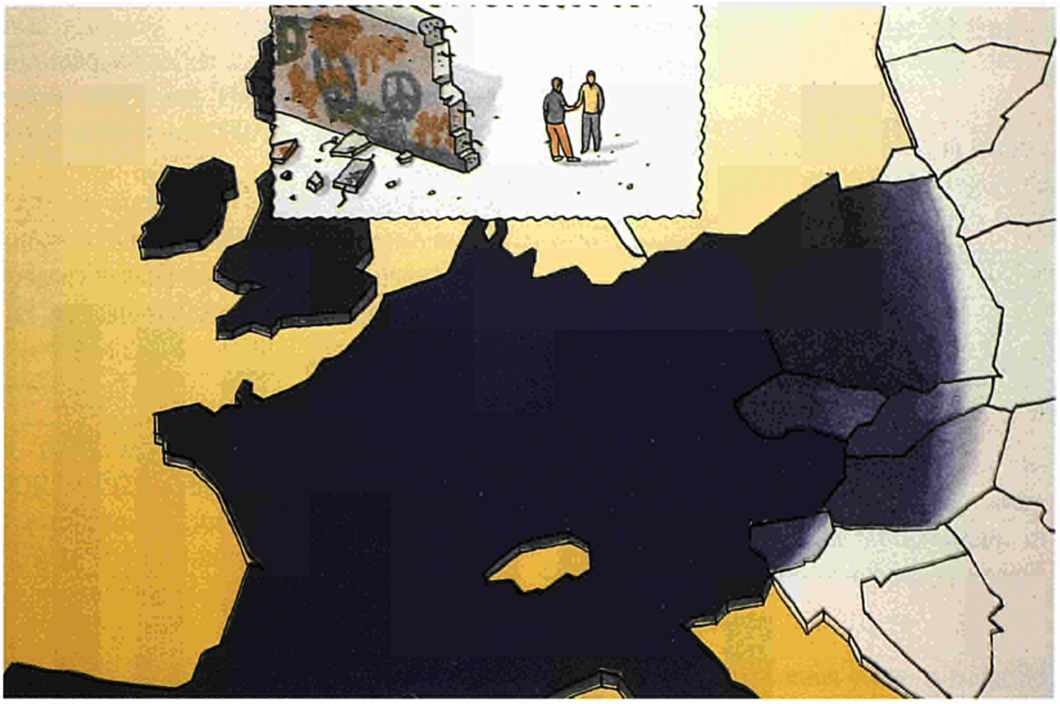
The revenue for 2000 also includes the EUR 3 209.1 million surplus carried over from 1999.

FIGURE 2
Revenue, 1990–2000

(1 000 million EUR)



EU EXPENDITURE — ENLARGEMENT IN 2000 (SAPARD, ISPA, PHARE)



The European Union has set up three financial assistance programmes to help the candidate countries of central and eastern Europe (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) prepare for accession.

Sapard (support for pre-accession measures for agriculture and rural development) focuses on modernising the structure of agricultural holdings, improving processing and distribution structures, developing inspection activities and rural development.

ISPA (instrument for structural policies for pre-accession) supports infrastructure in the fields of transport — rehabilitation and construction of new infrastructure in the candidate countries and linking it to the transport infrastructure system within the Union, and environment — measures enabling the beneficiary countries to comply with the requirements of Community environmental law.

Phare (originally aid to Poland and Hungary for restructuring of the economy but now greatly expanded) supports building up the administrative and institutional capacities of the applicant countries and financing investments designed to help them comply with Community law as soon as possible. Phare funding may also be used to finance the measures in the fields of environment, transport and agricultural and rural development which form an incidental but indispensable part of integrated industrial reconstruction or regional development programmes.

The Commission ensures coordination and coherence between assistance granted in the framework of the pre-accession strategy under the three instruments.

Sapard

Sapard (Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period) sets as its main priorities to contribute to the implementation of the *acquis* concerning the common agricultural policy and related policies and to solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

To achieve these objectives the Sapard regulation provides a menu of 15 measures. These include many that are similar to those available to Member States under Community co-financed agricultural and rural development programmes, as well as a limited number that aim at building capacity to implement the *acquis* such as to improve structures for quality, veterinary and plant health controls, setting up producer groups, and land registers. In addition to the specific priorities set for Sapard, an underlying objective is to develop the institutional and administrative capacity in the applicant countries to manage Community rural development and structural measures from the date of accession.

The Sapard regulation applied from 1 January 2000. By the end of 2000, although support in terms of expenditure under that regulation had not yet been granted, a considerable amount of work had been accomplished to prepare for its implementation in applicant countries. The year 2000 was mainly spent preparing the legal framework allowing Sapard to be applied on a decentralised basis, and to approve the programmes for agricultural and rural development on the basis of plans presented by the 10 applicant countries. The Commission adopted, on 29 November 2000, the texts of multiannual and annual agreements, and authorised signature on behalf of the Commission with each of the applicant countries.

Sapard budgetary allocations for commitments in the 2000 budget were set at EUR 529 million of which EUR 519.1 million was for operational expenditure, and EUR 9.9 million for technical assistance. Allocations for payments were EUR 190.1 million for operations and EUR 9.9 million for technical assistance.

The Sapard instrument requires the management of a huge number of projects. As with all agricultural and rural development programmes such projects are generally small because of the size of the beneficiary enterprises. Consequently, delegation of management from the Commission to the applicant countries of such programmes is a practical necessity. Well over 1 000 national officials are expected to be employed in the applicant countries to apply Sapard.

Indicative allocation by beneficiary country of the maximum annual amount in 1999 prices

(EUR)

Country	Amount
Bulgaria	52 124 000
Czech Republic	22 063 000
Estonia	12 137 000
Hungary	38 054 000
Latvia	21 848 000
Lithuania	29 829 000
Poland	168 683 000
Romania	150 636 000
Slovakia	18 289 000
Slovenia	6 337 000
Total	520 000 000

The Sapard programmes

The Commission approved the Sapard programmes for each of the applicant countries between October and December 2000.

Although the balance between measures differs from programme to programme, in virtually all of them three measures dominate, namely, processing and marketing, investment in agricultural holdings and investment in rural infrastructures.

Improving the processing and marketing of agriculture and fishery products

This measure is included in all 10 Sapard programmes. In global financial terms it is the most important one amounting to EUR 954 million (representing 26 % of the expected total Community contribution). It is the largest measure for the Czech Republic (25 %), Latvia (26 %), Poland (38 %) and Slovenia (40 %). For the remaining countries this measure always assumes the second position: Bulgaria (24 %), Estonia (18 % — *ex-aequo* with measure for diversification of economic activities), Hungary (21 %), Lithuania (21 %), Romania (17 %) and the Slovak Republic (26 %).

This data provides an idea of the importance given by the applicant countries to the processing and marketing measure as a way to help the upgrading, adaptation, rebuilding or creation of foodstuff industries. This will assist these countries to restructure their agricultural sectors, to improve the quality of the relevant products (complying with the Community standards) and to compete more effectively at the Community level.

Representative examples of possible eligible investments include: construction or renovation of buildings; investments in food-processing establishments to meet Community requirements; new (and subject to specific rules possibly also second hand) machinery and equipment (including computer software); milk tanks and coolers; storage facilities (including cold stores) and container washing facilities; waste and by-products treatment equipment as well as equipment for quality improvement and improved control of the production process.

Investments in agricultural holdings

All 10 Sapard programmes include the measure on support for investments in agricultural holdings. This measure is programmed to absorb 22 % of the total Community contribution. It is therefore, in global financial terms (all 10 countries together), the second most important measure. It is the largest measure for several countries: Lithuania (47 %), Estonia (43 %), Bulgaria (31 %), Hungary (28 %) and the Slovak Republic (28 %).

The importance of the budget earmarked for this measure in the programmes reflects the need for modernisation of agriculture and its adaptation to Community requirements. The measure aims at increasing the competitiveness of agricultural holdings, through improvements in their fixed assets and equipment, improvements in the quality of their products and redeployment of production according to market needs and to contribute to diversification of farm activities. An objective is also to help the adaptation of agricultural holdings to Community standards regarding environment, hygiene and animal welfare.

Representative examples of possible eligible investments include construction or renovation of farm buildings, purchase of agricultural machines and equipment, animal waste-treatment facilities, construction or upgrading of fodder storage facilities, construction or renovation of facilities for on-farm milk or meat processing.

Development and improvement of rural infrastructure

Poor infrastructure and its associated implications for economic development have been key concerns for all applicant countries. Overall, 21 % of the Community contribution will be directed towards the measure concerning the development of rural infrastructure. In both Poland and Romania, 28 % of their respective programmes will be dedicated to a range of rural infrastructure developments. In both programmes, improvements in infrastructure are seen as prerequisites for rural development. In the case of Poland, an insufficient level of technical infrastructure in rural areas constitutes one of the main barriers to development. For example, only 50 % of rural households had telephones (a significant barrier to business development); and only 5.8 % of rural households were connected to sewage networks at the end of 1998. In addition, only a third of rural households used official dumping sites. It has been estimated that a similar proportion of Poland's electricity supply network in rural areas needs urgent modernisation.

In Romania, the rural population frequently has no access to piped water. The wells do not, in addition to access problems, provide an adequate quality of water.

Reflecting these problems, four main types of infrastructure are covered to varying degrees by the Sapard programmes. These are investments in (i) water and waste management (ii) roads (iii) electricity supply and (iv) rural telecommunications. All the programmes (with the exception of the Slovak Republic and Slovenia) make provision for investments in water supply and waste management, and roads. In the case of the latter, the programmes for the Baltic States include provision for access roads both to farms and in some cases to rural enterprises. Reinforcement of the electricity supply network is included in the programmes for the Czech Republic (where provision is also made for the development of renewable energy sources), Estonia, Hungary, Lithuania and Poland. The last four programmes also include provision for improving rural telecommunications.

Other measures are:

- ☐ forestry, including afforestation of agricultural areas, investment in forest holdings owned by private forest owners and processing and marketing of forestry products;
- ☐ development and diversification of economic activities, providing for multiple activities and alternative income;
- ☐ improvement of vocational training;
- ☐ renovation and development of villages and the protection and conservation of the rural heritage;
- ☐ agricultural production methods designed to protect the environment and maintain the countryside;
- ☐ improving the structures for quality, veterinary and plant-health controls, for the quality of foodstuffs and for consumer protection;
- ☐ agricultural and water resources management;
- ☐ setting up producer groups;
- ☐ land improvement and re-parcelling;
- ☐ technical assistance for the measures covered by the Sapard Regulation (EC) No 1268/1999, including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns. All Sapard programmes include at least four categories of expenditure as follows: information and publicity; monitoring of programme implementation and support for the activities of the monitoring Committee; programme evaluations and studies; training and the use of experts.

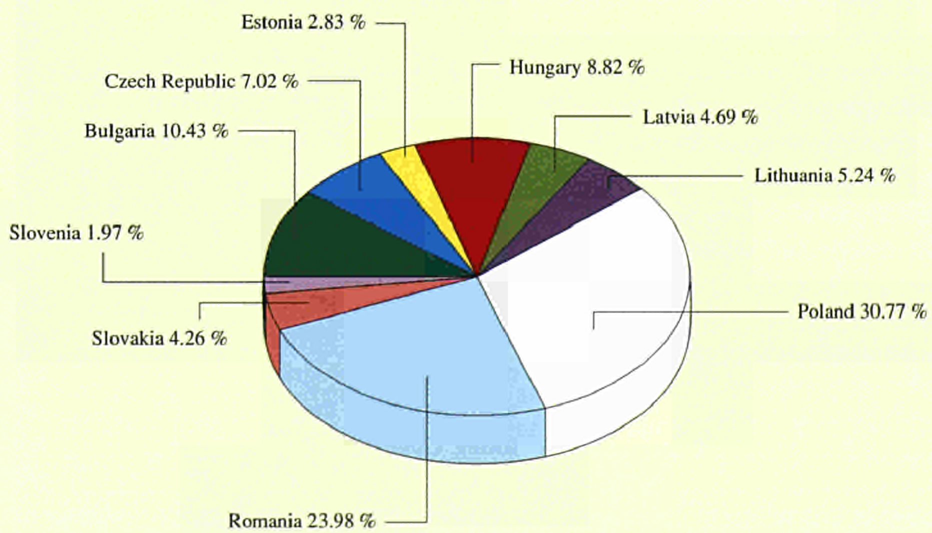
ISPA

The 'instrument for structural policies for pre-accession', ISPA, is the European Community's financial instrument designed to assist the 10 central and east European candidate countries meet EU requirements in the fields of environment and transport. ISPA, whose budget covers the period of 2000–06, is managed by the European Commission.

The year 2000 was the first operational year for ISPA. Before projects were presented to the ISPA Management Committee, candidate countries were required to prepare ISPA investment strategies for the transport and environment sectors. These documents provide guidance for the selection of ISPA projects and establish the link between investment requirements for achieving compliance with the *acquis* in these sectors and the selected ISPA projects. The projects accepted in 2000, including technical assistance projects, were divided fairly equally between the environmental and transport sectors: 39 environmental projects received over 46 % of the 2000 budget, and 36 transport projects received over 53 % of the 2000 budget.

In the environmental sector, the focus was on investment-heavy proposals. Over 64 % of the funds in this sector are used for sewage installations and water treatment projects. In the transport sector, the focus was on rail projects, which constitute more than half of the budget for this sector. This is in accordance with community policy on transport initiatives. In addition, projects that addressed the need to enhance safety and the separation of traffic were prioritised.

Division of ISPA funds between recipient countries



Example of ISPA intervention:
Bulgaria — Environment

Construction of waste water treatment plants located in the Maritsa basin (Stara Zagora, Dimitrovgrad) in Bulgaria

The measure concerns the construction of new waste water treatment plants and related infrastructure to serve the cities of Stara Zagora and Dimitrovgrad which are located in south-central Bulgaria on the Maritsa river or its tributaries. It is aimed at tackling the pollution of the receiving waters of the Maritsa river and ultimately of the Aegean Sea, as well as improving the environment of the cities concerned and their surrounding region.

The measure is consistent with the Bulgarian 'national priority investment programme for construction of waste water treatment plants in settlements with a population equivalent of over 10 000', whose principles are in line with the priorities of the accession partnership 1999 and the national programme for the adoption of the *acquis* 2000.

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
43 399 688	—	—	43 399 688	32 549 766	75

The measure forms part of the Maritsa basin group of projects which includes a third waste water treatment plant for the city of Haskovo. The total estimated cost of this group is EUR 61.4 million. A loan agreement has been signed by the Bulgarian authorities and the European Investment Bank to co-finance the Maritsa basin projects.

Example of ISPA intervention:
Czech Republic — Transport

Expressway: section of R48 expressway Frýdek–Místek–Dobrá

The project is part of the R48 expressway which is an 86 km long road and the continuation of the main Czech west–east route from Prague to the Polish border. The R48 is a four-lane expressway, except in six missing two-lane sections; this project addresses one of these missing sections.

The project is located on European intermodal transport corridor VI, connecting Poland, the Czech Republic and Austria, within the Ostrava region.

The project consists of the construction of a new dual carriageway road of 5.24 km in length. The scheme also includes two intersections as well as bridge objects, a footbridge and pedestrian subway and diversions of roads and services that are a necessary consequence of construction of the new road. The demolition of 20 objects and the construction of 10 sections of anti-noise barriers are required. Design standards comply to Directive 96/53/EC, in particular to allow the operation of heavy goods vehicles with a single axe weight of 11.5 tonnes. Average annual daily traffic amounts to more than 21 000 vehicles, of which heavy vehicles represent 25 %. A significant part of present traffic (15–20 %) is international traffic.

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
36 341 990	—	2 355 862	33 986 128	20 391 677	60

Example of ISPA intervention: Estonia — Environment

Tallinn waste management — phase I

The project, Tallinn waste management — phase I, concerns two separate investments within the ongoing establishment of the new landfill and the new waste treatment plant.

- Construction of an access road from Peterburi Road to the landfill site (5.5 km). The access road consists of a traffic junction of 2 km and of a four-lines, two-ways asphalt road of 3.5 km. The design and the construction is in accordance with the EU standards.

- Connecting the landfill area with the sewage system of Tallinn City by means of a new pipeline (11 km) and pumping stations thus providing for the treatment of the leachate from the landfill. The leachate has to be pumped into the Tallinn sewage system together with sewage water of Maardu, Loo and Iru settlements.

In addition, Tallinn waste management — phase I also includes two components for which no ISPA assistance is required. Those two components, for a total investment cost of approximately EUR 37.4 million, are: construction of the first phase of the landfill; construction of the first part of the infiltration water system. End date: 31 December 2003.

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
7 150 000	—	1 040 000	6 110 000	4 582 500	75

Example of ISPA intervention: Hungary — Transport

Railway: rehabilitation of the Budapest–Györ–Hegyeshalom line (stage II)

The rehabilitation of the Budapest–Györ–Hegyeshalom is a second phase of a modernisation programme for the Budapest railway line (part of the pan-European corridor IV) that started in the early 1990s.

The line between Budapest and Vienna via the Austrian/Hungarian border at Hegyeshalom is the most important railway connection between the European Union and the accession countries in this part of the European continent.

It lies on pan-European corridor IV, which connects Berlin, Prague and Vienna to Budapest. Budapest is the major regional hub, connecting, via corridors IV, V and X, the Balkan countries and Greece. Strategically, the Budapest–Hegyeshalom line is the most important on the Hungarian trans-European network. It currently carries around 1 200 million tonne-km of freight, representing about 16 % of the national railway company (MAV) total. The project covers track works and extension and rehabilitation of the electrical power system, signalling improvements and ETCS installations. Provisional agreement has been reached with the EIB on the remaining 50 % (40 % would be met by the EIB and 10 % would come from the Hungarian Government budget).

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
87 662 000	—	1 674 000	85 988 000	42 994 000	50

Example of ISPA intervention:
Latvia — Environment

Development of water services in Rīga (phase II)

This measure aims at improving the water and waste water collection, at improving the drinking water quality and at ensuring a waste water treatment according to the EC requirements in Rīga, which is the main Latvian city (791 000 inhabitants) and a major port in the Baltic Sea. The measure comprises the following components:

Drinking water quality: extension of the drinking water production (groundwater from nine new artesian wells from Zaķumuiža-D wellfield), extension of the water supply network (32 km) in Marupe and Vecāķi (2 % of Rīga's population or 14 000 p.e.).

Waste water: extension of the sewerage network (64 km including design, network and eight pumping stations) in Mežaparks, Marupe and Vecāķi (about 3 % of Rīga's population or 25 000 p.e.); replacement of a pressure line and two waste water pumping stations by a gravity sewage main (2 km from Vairoga iela to Gaujas iela); extension of a sludge deposit in Daugavgriva (including composting area and weighing machine). Compliance of the relevant infrastructure with the EC directives will be reached before 2010 by improving the drinking water quality (the new amount of water complies with EC directives without requiring any treatment), by increasing the treated waste water in three areas of Rīga (thus preventing groundwater pollution) and by the extension of a sludge deposit, allowing, thanks to new drainage, a reduced level of discharge of phosphorus (P — 50 %) in the treated waste water reaching EC standards for phosphorus removal.

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
28 000 000	—	3 700 000	24 300 000	17 010 000	70

Cost and assistance (EUR)

The ISPA rate of intervention as of total cost is 60.75 %. The involvement of the EIB with EUR 5 million (extension of the water and sewerage network) as well as of the EBRD with EUR 2 million (extension of a sludge deposit, excluded from the eligible costs) is foreseen subject to the delivering of the ISPA grant

Example of ISPA intervention: Lithuania — Transport

Upgrading of IXB transport corridor

This is an upgrading of sections of road on pan-European transport corridor IXB to increase the design strength of the pavement to EU standards — in particular enabling it to support axle loads of 11.5 tonnes. It includes strengthening and widening of 86.8 km of existing motorway, pavement strengthening of 315 km of road between Vilnius and Klaipêda, in addition to the implementation of traffic safety measures (barriers and illuminating equipment).

The present measure is for the first package of the contract, with 37.2 km of widening and strengthening and 135 km of strengthening only. NB: This is the first phase (package) of a three phase project that should run until 2006. Each phase is an independent project, although all contribute to the same goal of upgrading the corridor.

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
27 059 227	—	976 827	26 082 400	19 561 800	75

Example of ISPA intervention: Poland — Environment

Bydgoszcz water supply and sewerage project

Bydgoszcz is the eighth largest city in Poland with a population of 390 000. The city's waste water is a major source of pollution of the Brda and Vistula rivers and of the Baltic Sea, 150 km away. The Polish environment strategy for ISPA identifies Bydgoszcz as one of the priority centres for pollution abatement in the Vistula basin. Accordingly, the proposed project should be seen in the context of the ISPA priority of ensuring that waste water treatment in compliance with the urban waste water directive.

The city has already made significant investments in two major waste water treatment plants that are currently close to completion. At present, only 25 % of all waste water is treated, but this will rise to 95 % after the completion of the treatment plants and the implementation of the waste water part of the project. These consist of the provision for a main collector and associated pumping stations to intercept the outfalls to the Brda river and to transport effluent to the new treatment plants, replacement of the main pumping station K1, renovation of the existing sewer network and extension of the network into six areas of the city currently without sewers.

At present, drinking water in the city does not fully comply with EU standards. The parts of the project related to improving drinking water quality include upgrading the two existing drinking water treatment plants, improving the testing laboratory to enable measurement of all parameters specified in EC directives, pipe replacement in ageing parts of the network to reduce leakage, safeguarding the water supply to the Fordon district through installation of a second water main and improving water pressure in the area south-east of the Brda.

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
75 700 000	—	9 460 000	66 240 000	32 457 600	49

Example of ISPA intervention:
Romania — Transport

Road: widening to four lanes of sections of national road No 5 from Bucharest to Giurgiu

The national road No 5 starts south of Bucharest towards Giurgiu, which is the only existing bridge border crossing with Bulgaria. It is part of trans-European corridor IX included in the road connection with Bulgaria and further with Albania, Greece and Turkey.

The widening to four lanes is performed by following the existing alignment of DN 5 between 19+600 km and 59+100 km (Adunatii Copaceni — Giurgiu). The geometrical elements of the alignment is for V=80 km/h and if such is the case, for V=60 km/h.

The design of the road structure complies with the requirements of Directive 96/53/EC on weights and dimensions and particularly allows for a maximal axle load of 11.5 tonnes per axle. In addition, design of the structures complies with the relevant EU standards.

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
66 085 981	—	8 173 153	57 912 828	43 434 621	75

Example of ISPA intervention:
Slovakia — Environment

Trenčín right bank waste water treatment

The project eliminates one of the few remaining untreated discharges of municipal waste water in the River Vah, Slovakia's largest river and an important tributary of the River Danube. The project comprises:

- ☐ a combined sewer/storm water overflow at the outlet of the trunk sewer, incorporating storage to comply with Slovak standards for storm overflow performance;
- ☐ a pumping station and twin pumping mains, 1.5 km in length, to deliver flows to the WWTP site;
- ☐ a new waste water treatment plant designed to serve a population equivalent of 30 143 inhabitants (year 2015), which is served when the sewerage network is extended in the future, and to meet both current Slovakian and EU effluent norms, including nutrient (N & P) removal. The initial population equivalent served on completion of the project will be 21 953 inhabitants;
- ☐ a new (separate) foul sewerage system for the village of Kostolna-Zariecie (present population of approximately 700), which is situated about a kilometre from the WWTP site;
- ☐ 631 m of sewer to Brnianska Street draining to the existing trunk sewer, to enable connections from industrial premises not presently served.

Cost and assistance (EUR)

Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
8 880 405	—	943 673	7 936 732	3 968 366	50

Example of ISPA intervention:
Slovenia — Environment

Waste water treatment plant located in Celje in the Republic of Slovenia

The municipality of Celje has prepared an investment programme for the construction of new waste treatment facilities, upgrading the primary and secondary collector, and upgrading the water supply network to meet the requirements of the EU urban waste water directive and the national environmental action programme.

The works concerning this project and which are part of the larger investment programme, consist of the construction of the following infrastructure facilities:

- ☐ an upgraded primary collector (3.6 km);
- ☐ replacement of pipes;
- ☐ an upgraded water supply system;
- ☐ closure of septic tanks;
- ☐ construction of a new central waste water treatment plant to ultimately provide tertiary treatment — 70 000 p.e.

The remaining 40 % of the eligible cost is provided for by public national funding.

Cost and assistance (EUR)					
Total cost	Private sector contribution	Non-eligible expenditure	Total eligible cost	ISPA grant	Grant rate %
18 276 532	—	3 535 853	14 740 680	8 844 407	60

Phare

The year 2000 covers a period of significant progress made towards the enlargement of the Union. As part of the process of helping the candidate countries of central and eastern Europe to prepare for accession to the European Union, the European Commission increasingly transferred responsibility for the management and implementation of Phare programmes to the authorities in the candidate countries.

Implementation of the Phare programme

Programming in 2000 was based on the revised guidelines for Phare that were approved by the Commission. These guidelines build on the changes decided in 1998. They take account of the new ISPA and Sapard regulations that take effect from 2000. (Henceforth, major transport and environment projects will be financed from ISPA while agricultural and rural development will be financed by Sapard. Phare cannot therefore finance projects in these areas.) The new guidelines also emphasise the need to use the Phare programme to help the candidate countries prepare to benefit from the Structural Funds after accession (economic and social cohesion).

Approximately 30 % of the aid went on institution building, the main instrument of which was twinning (secondment of experts from Member State governments and agencies to the candidate countries to help instil the capacity to implement a specific part of the *acquis*) and 70 % went on investments designed to improve the regulatory framework and economic and social cohesion, thereby facilitating adoption of the *acquis*.

The total Phare commitment for 2000 amounted to EUR 1 569 million.

Phare success story: Bulgaria

Institutional strengthening of the Bulgarian border police

The Bulgarian border police are a national service within the Ministry of Interior, entrusted to guard the State border and enforce the border regime. A priority task for the border police is the establishment of a modern border management system meeting EU criteria. A modern organisational structure and substantial investment support are prerequisites for implementing this system.

The EU allocated funds under the 1999 Phare national programme for Bulgaria to support this process. Two twinning projects and an investment component, with a total budget of EUR 3 million, are in the process of being implemented.

The twinning partner of the border police is the German federal border police. The projects are implemented with the help of two pre-accession advisors from Germany, who are working within the border police for 24 and 12 months respectively, supported by a considerable number of short-term experts.

The projects focus on enacting new legislation, restructuring the organisation, planning and management activities, as well as strengthening the border police's training facilities. Under the investment component, 48 all-terrain patrol vehicles, surveillance equipment with night vision devices, and IT equipment have been delivered.

The results obtained so far contribute significantly to the strengthening of the border police's capacity to control and guard Bulgaria's borders in preparation for the country's membership of the EU. Further assistance is being provided under the Phare 2000 programme, which includes two investment projects with Phare support of EUR 15 million, aimed at strengthening control of the maritime border at the Black Sea and the Bulgarian–Turkish land border.

Phare success story: Czech Republic

Restructuring the Ministry of Agriculture, establishment of a market intervention agency, and reinforcement of the market information system

On accession, the Czech Republic will have to be able to manage funds under the common agricultural policy (CAP). In order to help the Czech Republic with preparations for the CAP, therefore, the first ever twinning project in all of the candidate countries, commenced in May 1999. The twinner swiftly established good relations with the Ministry of Agriculture and has substantially helped the Czech Republic to prepare for the CAP and the introduction and implementation of the relevant aspects of the *acquis*.

In November 2000, the twinner produced final recommendations concerning the restructuring of the Ministry of Agriculture in order to ensure satisfactory implementation of the CAP in line with the *acquis*. These recommendations, having been considered by the Ministry of Agriculture, were partially implemented as of 1 April 2001. The implementation of the recommendations in full should take place prior to accession. The twinner has also been responsible for proposing, to the Minister of Agriculture directly, amendments to the law which established the State Agricultural Intervention Fund (SAIF) and recommendations for the organisation of this body, including its structure, its personnel and a description of its functions. This institution is necessary for the CAP and is contained in the *acquis*. Though established in July 1999 in the Czech Republic, it does not yet fully match the relevant criteria. Again, the implementation of the twinner's proposals should ensure that SAIF is fully in line with the *acquis* prior to accession. The project has finally contributed to the development of a market information system on the data of agricultural products that will enable producers, buyers and administrators to know what the prices of these products are in real time.

Given the large amount of preparation for the management of the CAP, three future twinning projects are planned to address this issue. This first twinning has laid sound foundations for these future projects, has resulted in concrete outputs, and can be held up as a fine example of how the expertise from Member State administrations can be transferred to those of candidate countries.

Phare success story: Estonia

Twinning project 'agriculture information systems' (EUR 500 000)

The twinning project 'agricultural information systems' (EUR 500 000) that will come to an end by July this year has provided important assistance in the setting up of an information system on Estonian agriculture that will serve the Commission's statistical interest and provide an analytical tool for agricultural policy to the Government of Estonia. In addition, the foundations for a management system of the CAP have been laid. In particular, the project has contributed to the setting up of an integrated administration and control system (IACS), a market information system (MIS) and an economic analysis tool, economic accounts for agriculture (EAA). The project will be followed up by a twinning project financed under the 2000 Phare budget line to further assist the preparation for the management of the CAP.

Phare success story: Hungary

Esztergom–Sturovo: the reconstruction of the Danube bridge

The Esztergom–Sturovo bridge over the Danube was first opened to traffic in 1895. The bridge was used until World War II. It was a 496-m long, five-span lattice structure carrying one lane in each direction. The three centre spans were destroyed in 1944. Now the bridge is the only remaining war damaged bridge on the Danube, which has not yet been reconstructed or replaced.

The European Union is contributing EUR 10 million to this project, half of the allocation coming from the Phare Hungary programme, and the other half from the Phare Slovakia programme. The Slovak and Hungarian Governments will pay the remaining amount. The contract for the bridge construction was awarded in October 2000 to a Hungarian-Slovak consortium (Ganz IS Consortium) for a budget of EUR 11 638 720. The works started in October 2000 and the bridge should be opened by the end of 2001. The bridge will be reconstructed as it was originally designed, with the benefit of modern technology.

Phare success story: Latvia

Training and expert assistance for the Latvian border guard (EUR 1 million)

This particularly successful project had, as its objective, the training of Latvian border guard staff to render them capable of effectively and professionally organising the work of the border guard to fulfil the demands of the European Union, and prepare Latvia to meet the rigours of becoming, upon accession, part of its eastern border.

The project, implemented by the Finnish frontier guard in the framework of twinning, was focused on very practical matters. It was successful in developing the Latvian border guard's administration, management and leadership by improving its legislative basis, capacity for budgetary planning, human resource management and strategical planning. Training was given and recommendations made on the development of effective document control, maritime and airborne activities, communications strategies and new technical solutions in border management. Specific emphasis was laid on planning for emergency situations and dog training, Approximately one third of the Latvian border guard took part in activities financed in this project, which has significantly and sustainably improved the capability of the State border guard to guard the eastern border.

Phare success story: Lithuania

Baltic Management Institute (BMI)

One of the highlights of Phare 2000 was the fact that the Baltic Management Institute (BMI), established with Phare funds, was able to demonstrate its sustainability and continued operations without further financial support of Phare or Lithuanian national co-funding; the latter being a conditionality imposed by the Commission should the BMI not be able to support its continued operations by the time Phare funding has elapsed.

The BMI was established in 1994 and received additional Phare funding in 1997 for the provision of European management training for Lithuanian entrepreneurs and executives. In 1999, BMI registered as a public educational institution and, within less than a year, grew into a business management centre which now endeavours to become a regional training centre for business managers in the Baltic region.

Thirty EMBA students graduated from the first course in November 2000; the second class of 40 students began its EMBA programme in December 2000.

Phare success story: Poland

Alleviation of social and regional costs of coal and steel restructuring

One of the sub-projects of this programme consisted in the possibility for former coal miners or their wives to take up preferential loans for business start-ups and for investments in SMEs on the basis of employing former coal miners for a minimum period of time.

Out of the 366 loans provided so far, 142 loan contracts were signed with SMEs (for approximately EUR 2 million) and 224 with individuals for business start-ups (for approximately EUR 2 million). The beneficiaries were 145 ex-coal miners, 62 wives of ex-coal miners, 5 limited companies (Spòłka C) and 133 SMEs. Five hundred and thirty eight new work places will be created. The majority of work places were created in the transport and construction sectors.

The loan fund was especially attractive for small and micro business, which does not have easy access to bank credits. Most beneficiaries were individuals.

This scheme had an important demonstration effect in the region of former coal mines in Poland and will also be continued in the future.

Phare success story: Romania

SME pilot credit line

The SME pilot credit scheme is the first credit line financed under the Phare programme in Romania. Its implementation started in June 1999, when three commercial banks selected by local tender ('Ion Țriac' Bank, Banca Românească, and CEC Romanian Savings Bank) started receiving loan applications from SMEs in 16 counties. Total finance Phare available was EUR 5.75 million.

The objective of the scheme was to stimulate commercial banks to support SME development by providing affordable long-term finance for investment in productive assets. The aim of the scheme was to create a sustainable mechanism for commercial lending to SMEs, showing banks that SME lending can be profitable. The scheme is revolving: once loans are repaid by borrowers, banks extend further credits to other SMEs. Phare involvement ended on 31 December 2000, when Romanian authorities became the only responsible institutions for monitoring scheme implementation.

After 22 months of implementation, the results of the scheme were as follows: out of 144 credit applications pre-screened by the implementing banks, 75 were approved and received finance worth EUR 8.4 million, out of which banks co-finance was EUR 3.4 million and Phare contribution was EUR 5 million.

The main outcomes of the scheme were:

- ☐ this successful scheme design could be used for developing other similar SME finance schemes;
- ☐ the scheme provided SME finance which was otherwise not available on the Romanian financial market;
- ☐ enterprises financed increased their profits (some of them doubled their profit further to the funding provided under this scheme), exports, and employment.

Phare success story: Slovakia

Privatisation of State-owned banks

The authorities have made impressive progress in 2000 in the restructuring and privatisation of the State-owned banks. The latter can serve as a good example of successful cooperation of the European Commission with the World Bank, USAID and the British know-how fund in supporting a transition country in a major step towards market economy.

In a well-guided bank privatisation and financial sector restructuring programme, Phare has financed a total of EUR 5.38 million. A total of nine projects has been set up to strengthen the administrative structures at the Ministry of Finance coordinating the reform, to cover the costs for legal advisors and, partly, the privatisation advisors and to support the newly created institution for the settlement of bad loans, Slovenska Konsolidacna, SKA.

As for the banking sector, privatisation of the three largest State-owned banks, accounting for more than 46 % of assets, is on track. This represents a major success for the current government. Great progress was made last year in restructuring and recapitalising the State-owned banks.

Approximately SKK 108 000 million — or 13 % of GDP — of bad assets were taken out, reducing their share of non-performing loans to less than 20 %. With the support of Phare, the bad loans were transferred to the newly established consolidation agency. In December 2000, Slovakia's biggest bank, SLSP, was sold to Austria's Erste Bank. In February, the International Finance Corporation (IFC), and EBRD signed an agreement on the sale of a 12.5 % stake of VUB to each IFI. All remaining shares will be sold before the end of 2001.

The progress has been regularly monitored by a donor coordination group, which involves all mentioned institutions as well as the responsible Slovak institutions. The Slovak Government's programme of enterprise and financial sector restructuring has achieved significant results.

Phare success story: Slovenia

Support to Slovene trade, investment and promotion office (TIPO)

The year 2000 saw the end of a Phare project that offered support in strengthening Slovene trade, investment and promotion office (TIPO). The TIPO was established within the former Ministry of Economic Relations with the objective of maximising the contribution of export business and foreign direct investments (FDI) to the economic development of Slovenia.

The Phare project, from the budget line 1997, can be seen as a logical continuation of Phare projects of 1994 and 1995 budget year where investment promotion and export development was supported with EUR 1.25 million. The 1997 project was launched in 1999 with the following immediate objectives:

- ☐ assistance to export-oriented companies to increase the scope of exports, and improvement of their export performances;
- ☐ support to the FDI promotion and increased inflow of FDI.

Phare contribution to the 1997 project was EUR 0.5 million while the duration of the contract was 12 months.

The project delivered outputs that contributed to the following:

- ☐ an FDI inflow worth EUR 50 million and generating 500 new jobs. The investment was linked with a German investor controlled by a British conglomerate;
- ☐ further strengthening of the internal management skills of TIPO.

The cost-sharing grant scheme was effectively reviewed, allowing the learning of important lessons from the scheme.

EU EXPENDITURE — THE STRUCTURAL FUNDS IN 2000

The Structural Funds are the main instrument for attaining increased economic and social cohesion in the Community

Background and the financial perspective

The 2000 financial year was the first of the new 2000–06 programming period adopted at the Berlin European Council in March 1999. On 24 and 25 March 1999, the Heads of State or Government meeting in Berlin decided to allocate EUR 213 000 million to structural measures in the Union between 2000 and 2006.

Of that amount, EUR 195 000 million (at 1999 prices) was to go to the 15 existing Member States through assistance from the Structural Funds and of that figure 69.7 % was earmarked for the regions eligible under Objective 1. These regions are located in 13 Member States: all except Denmark and Luxembourg. For the programming period 2000–06, total public structural expenditure planned in the Objective 1 regions should, across the EU as a whole, amount to an annual average of EUR 90 000 million. The structural expenditure of the Member States (excluding the EU contribution) should account for just over 1 % of Union GDP on average, but 7 % in Greece and almost 5 % in Ireland and Portugal. The Structural Funds should also account for an average of 18 % of total public expenditure (national and Community) in these regions. However, this percentage amounts to 29 % in Spain and 37 % in Portugal, so providing substantial support to the public development effort in those countries.

On 6 May, Parliament adopted the new Interinstitutional Agreement which incorporates the financial perspective for 2000–06. The Structural Funds come under Heading 2 'Structural operations' of the financial perspective, which also covers the Cohesion Fund.

On 21 June 1999, the Council of the European Union adopted the new regulations for the various funds. The main aim of the revision of the regulations was to make Community structural assistance more effective without compromising the basic principles of the earlier reforms from 1988 to 1993. The main innovations introduced by the amended regulations concerned:

(a) concentration of the priority objectives of the Structural Funds: the seven objectives were reduced to three;

(b) strict application of the criterion of concentration (the 75 % eligibility rule) (1);

(c) introduction of a system of transitional support for regions or areas which were eligible under the regionalised objectives in 1994–99;

(d) introduction of a performance reserve: 4 % of the commitment appropriations in each indicative national allocation would be set aside in the performance reserve;

(e) enlargement and strengthening of the partnership to increase added value. The partnership operates in accordance with the subsidiarity principle: selection of the partners remains a matter for the Member State;

(f) simplification of the system of programming by incorporating major projects and global grants into the other forms of assistance;

(g) decentralised programming of measures: the Member State or managing authority adopts the programme complement — and not the Commission — after it has been agreed by the Monitoring Committee;

(h) changes to the rules on financial management which now have a clearer and simpler basis to permit better implementation of the budget and establish a more effective link with programme realisation;

(i) the Member State takes general responsibility for implementation, monitoring and the effectiveness of assistance, so that there is a precise definition of the specific responsibilities of the managing authority, the Monitoring Committee and the authorities responsible for surveillance;

(j) evaluation is no longer regarded as a separate exercise but, while remaining independent, forms an integral part of the process of preparing, implementing, monitoring and revising programming: it is becoming a management tool;

(k) closer links between structural policies and the European employment strategy and the priorities of the national action plan for employment (2);

(l) the legislation for rural development measures was extensively amended and simplified by Regulation (EC) No 1257/1999 with measures to be funded either by the Structural Funds or the EAGGF Guidance Section in Objective 1 regions and by the EAGGF Guarantee Section elsewhere;

(m) implementation of a global system for information and early monitoring of compliance with Community rules on State aids.

The commitment appropriations for the Structural Funds in the financial perspective for the period 2000–06 come to EUR 195 010 million at 1999 prices for EU-15 (EUR 210 973 million at current prices). The overall allocation for structural operations will enable aid per capita under the Structural Funds in eligible regions to be maintained at 1999 levels. Assistance for regions no longer eligible for Objective 1 or the new Objective 2 will be reduced gradually. As regards the Cohesion

(1) The Commission has proposed a Council regulation on the NUTS (nomenclature of statistical territorial units).

(2) Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee on European Social Fund support for the European employment strategy, COM(2001) 16 final.

Fund, account has been taken of the progress made by the recipient countries towards genuine convergence over the last reference period.

The funds, objectives and Community initiatives

The Community's Structural Funds consist of the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund — Guidance Section (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG). With the appropriations from the Structural Funds, the Union supports three specific objectives:

- ☐ Objective 1 — development and structural adjustment of regions whose development is lagging behind;
- ☐ Objective 2 — economic and social conversion of areas in structural difficulty;
- ☐ Objective 3 — adaptation and modernisation of policies and systems for education, training and employment.

The regions eligible are determined on the basis of criteria that are specific to each objective.

Community initiatives (CIs)

Interreg III: Cross-border, transnational and inter-regional cooperation intended to encourage the harmonious, balanced and sustainable development of the whole of the Community's territory.

Leader +: Rural development.

URBAN II: Economic and social regeneration of cities and suburbs with serious structural problems, to promote sustainable urban development.

EQUAL: Transnational cooperation with a view to promoting new practices that guarantee full equality of opportunity as regards access to the labour market.

The programming and operation of the Structural Funds

Community support frameworks (CSFs) are based on development plans presented by the Member States or the regions and approved by the Commission. The 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. The Member States may also present a single programming document (SPD) consisting of the development plan and the corresponding request for aid. In this case, the single decision adopted by the Commission contains both the information normally included in the CSFs and that included in the OP.

Except for innovation schemes, operations under the Structural Funds are subject to multiannual programming over a period of seven years.

The Structural Funds also finance studies, technical assistance (TA) operations and pilot projects relating to their fields of activity. These operations also result from a call for proposals on subjects proposed by the Commission.

Two basic rules must be observed in implementing all these operations: first, the Community aid granted to each Member State must supplement funds from the public authorities without replacing them (principle of additionality) and, secondly, they must be carried out in close cooperation between the Commission and the competent authorities and agencies in the Member State concerned (principle of partnership).

Main developments under the Structural Funds in 2000

Approval of the new programmes 2000–06

The year 2000 was devoted to the preparation by the Member States of their Structural Funds programmes for the new period. These were then negotiated with the Commission services, and the committees concerned consulted, before formal adoption of the documents. The year 2000 saw the (late) adoption of a very large number of programmes and several postponements into 2001. There are a number of interrelated reason for delays in adopting programmes: at Community level (publication of guidelines, determination of eligible areas, adoption of regulations, management rules); at Member State level (programming, complex procedures for determining allocations and priorities, local partnerships, setting up new structures and functions); subsequent negotiations with the Commission; the pure workload involved in launching the new programming period. These problems are, however, of a one-off nature, and will not affect the subsequent budget years, except in a need for re-budgeting and most likely an increase in payment appropriations to partly compensate for the low implementation in 2000.

The rigour required and the complexity of this process of preparation and negotiation meant that it was not possible to finalise all the programmes in 2000. Part of the appropriations earmarked were thus carried forward for allocation in 2001 and succeeding years, following adjustment of the financial perspective, as envisaged under the Financial Regulation and the Interinstitutional Agreement.

The 2000 financial year was characterised by:

- ☐ implementation of the new regulatory framework, leading to considerable under-utilisation as a result of programming delays for the 2000–06 period and the carry-over of substantial amounts of commitments and payments to 2001;
- ☐ closure of the 1994–99 period, leading to the carry-over of EUR 2 200 million in commitments and EUR 3 600 million in payments from 1999 to 2000;
- ☐ the financing of outstanding obligations from the 1994–99 period (EUR 164 million) from commitment appropriations not used for IM and TA in 2000.

Financial implementation in 2000 — commitments and payments (detail)

Implementation of commitments

In 2000, Structural Fund appropriations came to EUR 32 252 million, 92 % of the total for structural operations and 35 % of the total budget.

In 2000, commitments made totalled EUR 17 843 million (55.3 % of all appropriations authorised) and unused commitment appropriations came to EUR 14 409 million (see Table 3). However, these figures include the commitment appropriations for financing outstanding obligations from the 1994–99 period, which were implemented in full in 2000. Commitment appropriations used for the new period therefore total EUR 15 446 million (51.7 % of the total annual appropriation).

The unused commitment appropriations (EUR 14 409 million) were:

- ☐ either carried over to 2001 (EUR 8 226 million);
- ☐ or re-entered in the budget for the 2002–06 period (EUR 6 153 million).

The remaining commitment appropriations — some EUR 31 million for IM & TA — lapsed.

TABLE 3

Total commitment appropriations implemented in 2000 by objective and fund

(million EUR)

	EAGGF (1)	FIFG (2)	ERDF (3)	ESF (4)	Annual appropriation used (a) (5)=(1)+(2)+(3)+(4)	Rate of implementation by objective	Carry-over used (b) (6)	Total used (7)=(5)+(6)
Objective 1	1 239	325	8 176	2 058	11 797	56.8 %	906	12 704
Objective 2			144	23	167	4.6 %	543	710
Objective 3				3 317	3 317	94.6 %	57	3 373
FIFG, outside Objective 1		143			143	88.5 %	29	172
CI				0		0 %	851	851
IM and TA		1	12	9	22	13.9 %	11	33
Total	**1 239**	**468**	**8 331**	**5 408**	**15 446**		**2 397**	**17 843**
Rate of implementation by Fund	42.6 %	82.5 %	49.7 %	55.4 %	51.7 %		100 %	55.3 %

(a) Initial budget and transfers.
(b) Carry-overs and transfers to finance the deficit.

The highest implementation rate is for the FIFG (82.5 %). The implementation rate for the ESF comes to 55.4 %. On the other hand, the implementation rates for the ERDF (49.7 %) and the EAGGF (42.6 %) are relatively low. The appropriations carried over from the previous year to cover outstanding commitments were used in full.

Examining implementation in relation to the objectives gives a completely different picture. Virtually all the programmes have been adopted for Objective 3 (94.6 %) and the FIFG outside Objective 1 areas (88.5 %). The adoption of programmes for Objective 1 has been slow (56.8 %), but most were virtually ready for adoption in late 2000. On the other hand, the rate of adoption for Objective 2 programmes has been very low (4.6 %), reflecting programming problems, particularly as regards definition of eligible areas. Many programmes were therefore presented very late to the Commission.

None of the CI programmes were adopted in 2000 because of the late publication (mid-May) of the guidelines laying down the objectives, scope and implementing procedure for each CI. The Member States then had six months to present their proposals to the

Commission (by November). Because of the time needed for negotiation, these programmes could not be ready for the end of the year. All the appropriations for the CIs therefore qualify for re-entry in the budget.

Implementation of payments

As Table 4 shows, payments in 2000 came to EUR 25 905 million, 79.4 % of total payment appropriations authorised in the budget. Unused payment appropriations came to EUR 6 716 million (21 % of all appropriations authorised) of which EUR 1 380 million relate to payment appropriations carried over (21 % of all underutilised appropriations).

TABLE 4

Total payment appropriations used in 2000 by fund and objective

(million EUR)

	EAGGF (1)	FIFG (2)	ERDF (3)	ESF (4)	Implementation of annual appropriation [a] (5)=(1)+(2)+(3)+(4)	Implementation rate by objective	Implementation, completion lines and carry-overs [b] (6)	Implementation, total appropriations authorised (7)=(5)+(6)
Objective 1	588	158	2 715	895	4 355	53.7 %	11 130	15 485
Objective 2			37	12	48	7.2 %	3 811	3 860
Objective 3				1 434	1 434	97.2 %	1 661	3 094
Other operations outside Objective 1		60			60	100 %	921	981
CI					0	0 %	2 301	2 301
IM & TA		0	4	6	10	25.5 %	175	185
Total	**588**	**218**	**2 755**	**2 346**	**5 907**		**19 999**	**25 905**
Implementation rate by fund	57.9 %	99.7 %	46.1 %	69.8 %	55.8 %		90.7 %	79.4 %

([a]) Initial budget and transfers.
([b]) Including EUR 2 210 million carried over from 1999.

The implementation rate for new programmes comes to 55.8 %, with an uneven breakdown between Funds. The FIFG has a very high implementation rate (99.7 %). The rate for the ESF is 69.8 % and for the EAGGF 57.9 %. On the other hand, the implementation rate for the ERDF is very low (46.1 %). The implementation rate for old programmes is 90.7 %.

For Objective 3 and the FIFG outside Objective 1 areas, the implementation rate is virtually 100 %. The implementation rate for Objective 1 is 53.7 %. However, the implementation rate for Objective 2 and the CIs is very poor since programmes have not been adopted and no advance payments have therefore been made.

In 2000, payments (EUR 26 000 million) with an implementation rate of 79.4 % outstripped commitments (EUR 18 000 million) with an implementation rate of 55.3 %, automatically leading to a reduction in outstanding commitments at the end of 2000.

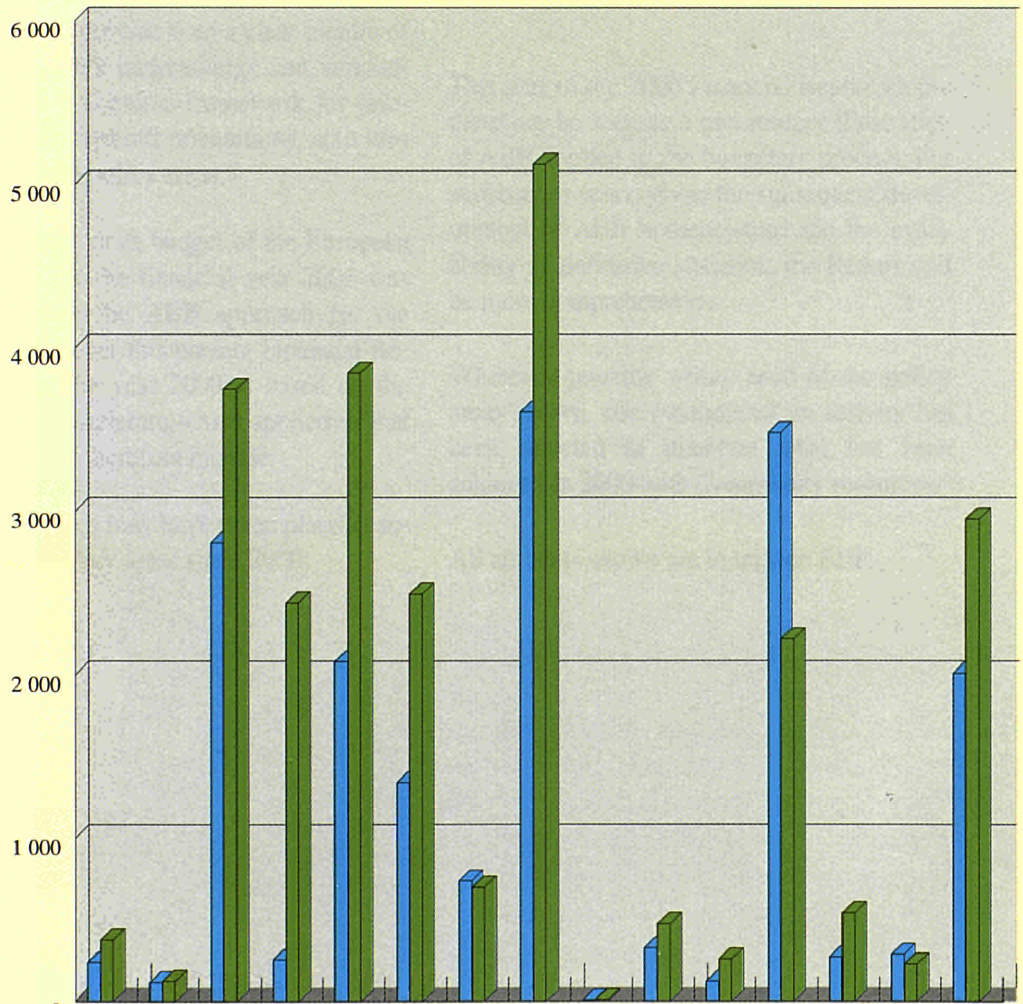
Implementation of Community commitments and payments — by Member State

Figure 3 breaks down the commitments and payments in 2000 by Member State. The commitments are net of decommitments and repayments of payments on account.

FIGURE 3

Commitments and payments by Member State in 2000

(million EUR)



	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Commitment	240	117	2 809	256	2 080	1 341	738	3 608	7	328	123	3 483	273	290	2 010
Payment	380	125	3 748	2 443	3 847	2 496	700	5 123	10	477	260	2 220	542	230	2 955

Because of the cross-frontier nature of some operations, in particular the Interreg and PEACE initiatives, commitments and payments cannot be attributed to a specific Member State in the accounts. Again, some payments and commitments in connection with technical assistance cannot be attributed to one Member State in particular. Figure 3 sets out the commitments and payments entered in the accounts at 31 December 2000, with the exception of these cases.

MAIN OPERATIONAL POLICY AREAS AND ACTIVITIES (BY ACTIVITY-BASED BUDGETING — ABB)

Introduction

The purpose of ABB is to provide the means for an allocation of resources which is consistent with political priorities and a management of resources which is itself consistent with pre-defined objectives. ABB thus provides a conceptual framework, which allows for the coherent integration of the planning, budgeting and management processes. ABB seeks to provide a clear framework for translating the Commission's policy priorities and objectives into action, either through legislative, financial or any other public policy means. For this purpose, all of what the Commission does is structured in terms of activities, which will provide both a clear picture of the Commission's undertakings and simultaneously offer a common framework for priority setting. For overall orientations, activities are grouped into policy areas.

The preliminary draft budget of the European Commission for the financial year 2001 was presented using the ABB approach for the first time. However this present Financial Report covering the year 2000 is based on the budgetary nomenclature which applied in that year. It does not therefore include:

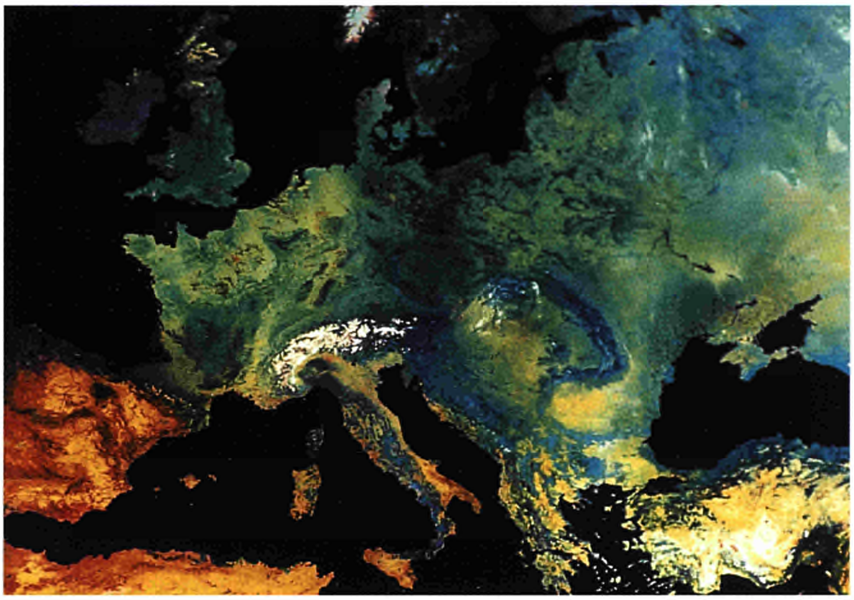
- ☐ changes which may have taken place in activities or policy areas since 2000;
- ☐ management and support expenditure for which the statistical data were not stabilised in 2000;
- ☐ administrative policy areas which are horizontal in nature (such as the Commission's policy coordination and legal advice, the Commission's administration, budget and audit, statistics and pensions);
- ☐ policy areas which do not have significant operational expenditure (competition, internal market, trade, taxation and customs union).

This part of the 2000 Financial Report should therefore be seen as a preliminary illustration of ABB applied to the budgetary process. For subsequent years, given the subsequent development of ABB nomenclature and the availability of definitive statistics, the Report will be more comprehensive.

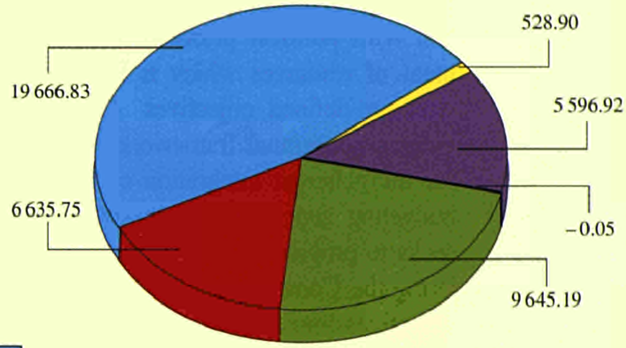
Wherever possible within each of the policy areas shown, one example of an activity has been selected to illustrate what has been achieved in 2000 with Community resources.

All amounts shown are in million EUR.

The agriculture and rural development policy area

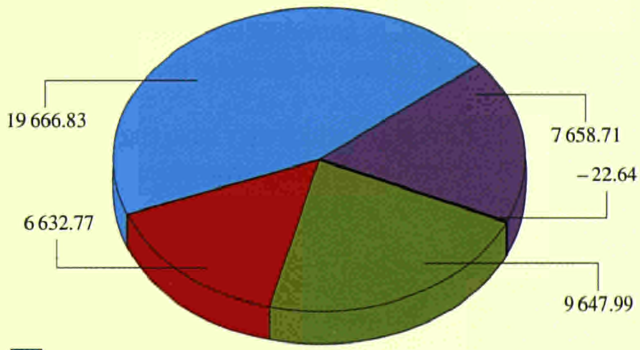


Agriculture and rural development activities 2000 — Commitments in million EUR



(1) Of which negative expenditure on the clearance of accounts

Agriculture and rural development activities 2000 — Payments in million EUR



(1) Of which negative expenditure on the clearance of accounts

The year 2000 was the first year of the new programming period. For agriculture, this contains three main elements: the reform of some of the main agricultural sectors, the re-inforcement of rural development, and the creation of Sapard. From 2000, the rural development policies previously financed — in the framework of the Structural Funds — by the EAGGF Guarantee, have been shifted into the Guidance Section of the EAGGF, and have since been governed by one single new regulation. Rural development has become the second pillar of the common agricultural policy. Finally, in view of enlargement, a special scheme, called the Sapard pre-accession instrument, was set up to help candidate countries to adapt and modernise their agricultural structures, so as to make their agriculture more competitive, more environmentally friendly, and increase the quality of the products.

Concerning the Agenda 2000 reforms, as these entered into force at the beginning of the marketing year 2000/01 (1 July or 1 September 2000), they did not have an impact on the 2000 budget. This will take place in the 2001 budget when a first significant increase of expenditure is scheduled due to the gradual shift from price support to direct income support. It will be recalled that the reforms concern mainly three sectors: arable crops (cereals, oilseeds and protein crops), the wine sector and beef meat. The entry into force of the dairy reform is foreseen for the beginning of the marketing year 2005/06.

Concerning the agricultural markets, the situation was, in general, favourable and the agricultural markets indicate in general a positive trend. This translated into market expenditure which was slightly lower than for the proceeding years. However, the beef sector was hit by the most serious crisis ever when, in October, new cases of BSE were discovered in some Member States which were thought BSE-free. Nevertheless, as market expenditure paid by Member States after 15 October 2000 is charged to the 2001 budget, there was no impact of the BSE crisis on the 2000 budget execution.

Regarding rural development, the Commission and the Member States made great efforts so that most of the programmes presented by Member States could be adopted before the end of the budget year. This made it possible to finance the first new programmes, as well as the advance payments that Member States were entitled to, according to the new regulation on rural development. This led to a slight over-consumption of the appropriations devoted to rural development under Heading 1b of EUR 92.4 million or 2.3 %, though expenditure remained well below the ceiling set at Berlin (the remaining margin was EUR 210 million).

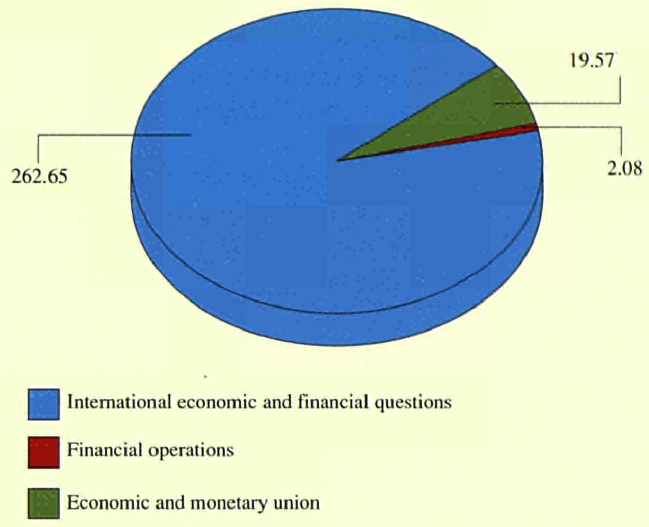
In relation to Sapard, as all programmes were adopted by the end of the year, all appropriations could be committed. However, since none of the paying agencies could yet be accredited, no payments could be made in 2000. These agencies are necessary to guarantee the correct use of EU funds. Their establishment appears to be more difficult than initially foreseen.

The economic and financial affairs policy area

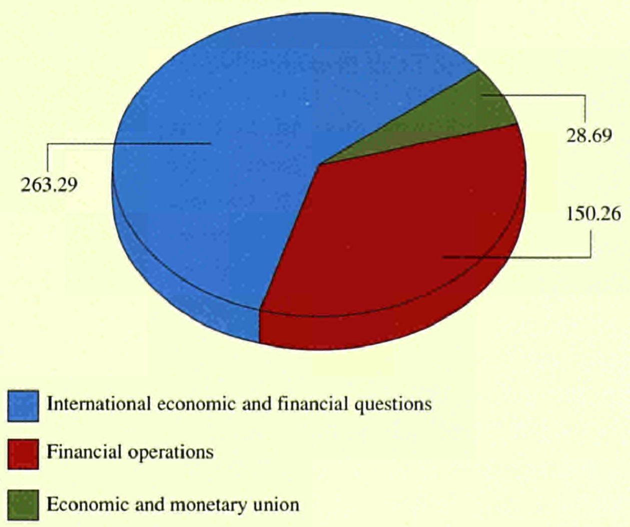
The economic and financial affairs policy area consists of the following activities with operational budgetary appropriations:

- ☐ international economic and financial questions;
- ☐ financial operations;
- ☐ Economic and monetary union.

Economic and financial affairs activities 2000 — Payments in million EUR



Economic and financial affairs activities 2000 — Commitments in million EUR



Under the activity 'Financial operations' the following is an example of what has been achieved in 2000.

Budget line B5-510

('Technology facility for small and medium-sized enterprises: improve access to risk capital')

European Technology Fund start-up facility

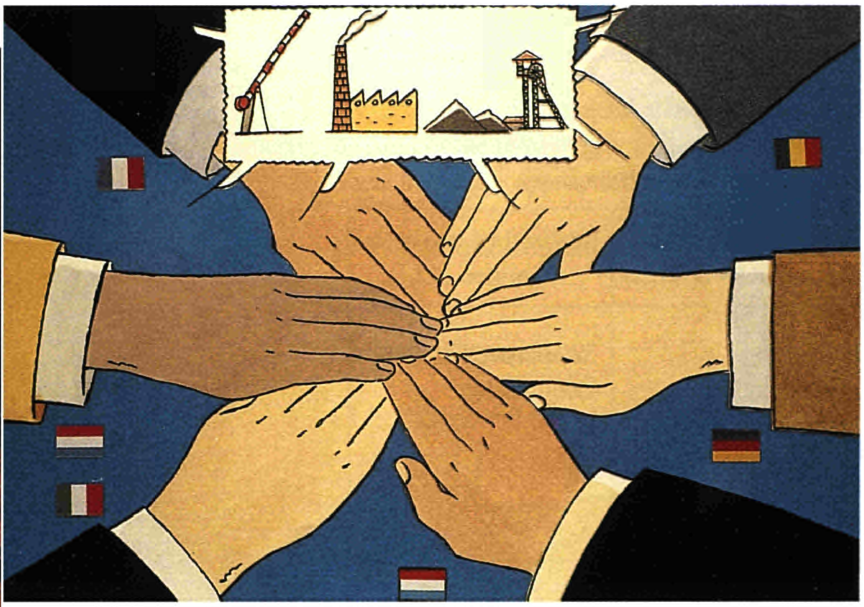
The Commission committed the whole amount allocated to the European Investment Fund (EIF). The EIF then, following the approval of the Commission, signed contracts with venture capital funds indicating a maximum commitment and then makes disbursements, following the requirements of the venture capital funds based on their investment pipeline in SMEs.

SME guarantee facility

The Commission committed the whole amount allocated to the EIF. The EIF then, following the approval of the Commission, signs contracts with financial intermediaries, such as guarantee schemes, indicating a maximum commitment and then makes disbursement, following the payment demands of the financial intermediaries, in order to cover loan losses.

Main components of the activity	Achievements	Realised quantity of the output by activity	Realised related costs in million EUR
ETF start-up facility	Investments in venture capital funds as well as related costs, such as management fees and marketing costs	Four new investments approved by the Commission	32 approved by the Commission
SME guarantee facility	Grants aimed at the provision of loan guarantees to SME and covering loan losses, as well as related costs, such as management fees and marketing costs	± 35 000 SME loans / 6 new intermediaries approved by the Commission	40 approved by the Commission

The enterprise policy area

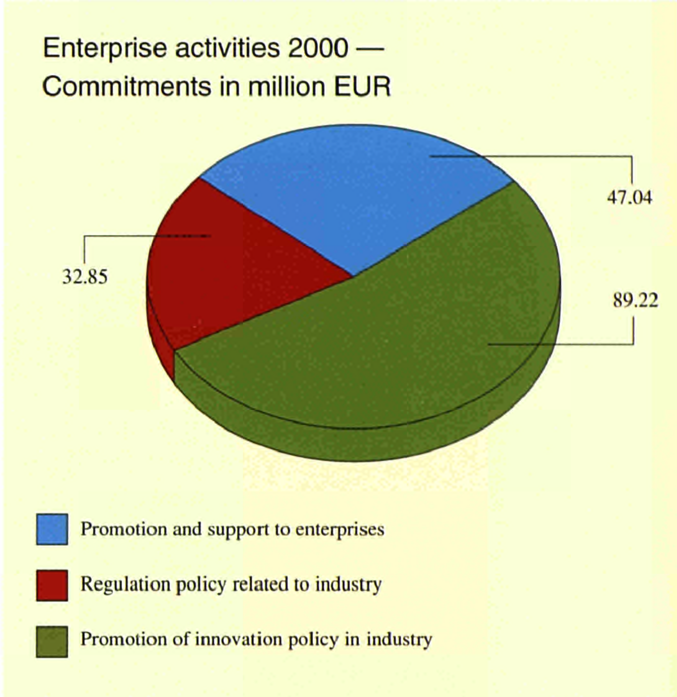


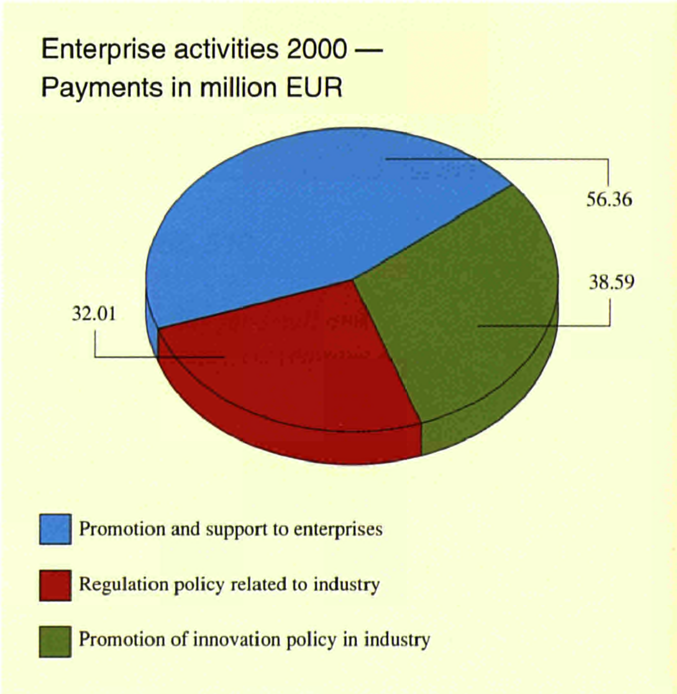
The enterprise policy area consists of the following activities with operational budgetary appropriations:

☐ promotion and support to enterprises;

☐ regulatory policy related to industry;

☐ promotion of innovation policy in industry.





Under the activity 'Promotion and support to enterprises' the following is an example of what has been achieved in 2000.

Budget line B5-5120

('Measures in favour of small and medium-sized enterprises (third multiannual programme for SMEs in the European Union 1997–2000'))

Main components of the activity	Achievements
Simplify and improve the administrative and regulatory business environment	— actions in liaison with the Member States resulted in two forums in Portugal and France and two seminars in Copenhagen and Athens — several studies on the state of preparation of European SMEs and their use of the euro — training for business leaders on the transfer of enterprises
Improve the financial environment for enterprises	— two actions to help the creation of Business Angels networks and a feasibility study on the creation of mutual guarantee societies — the fourth Round Table of Bankers and SMEs — nine projects to set up Business Angels networks
Help SMEs to Europeanise and internationalise their strategies, in particular through better information and cooperation services	— aid to European information centres throughout the European Union, including regular training courses and the enhancement of information material — promotion of SME policy actions, including fairs, videos, brochures and a strengthening of EuroInfo information material — BC-Net and BRE computer and Internet facilities — Europartenariat and Interprise: organisation of the Palermo Europartenariat 4 and 5 December which attracted some 2 000 enterprises — promotion of subcontracting partnerships, in particular IBEX; a study on subcontracting in central and eastern Europe; and the financing of scholarships for the participation of SMEs in the Japan industry insight programme
Promote entrepreneurship and support target groups	— a study on support services to SMEs — three studies on the tourism sector — a study and two projects in the field of e-commerce
Improve SME policy instruments	— preparation of the seventh report of the SME observatory — establishing statistics on SMEs and in particular on e-commerce and on the social economy

The employment and social affairs policy area

The employment and social affairs policy area consists of the following activities with operational budgetary appropriations:

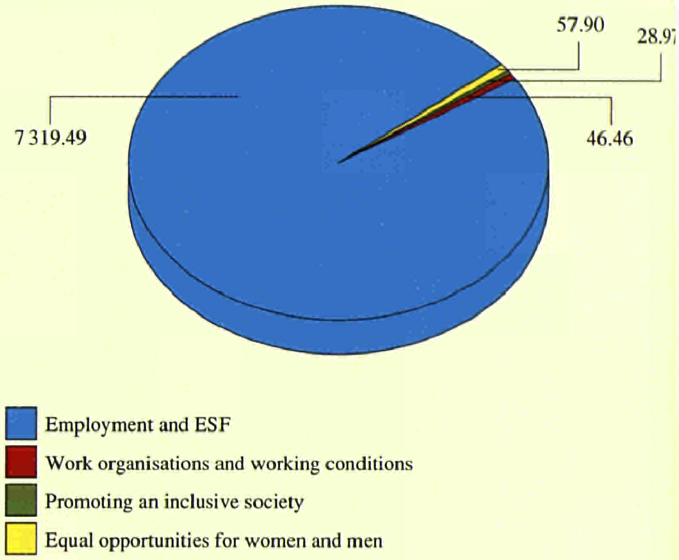
☐ employment and European Social Fund;

☐ work organisations and working conditions;

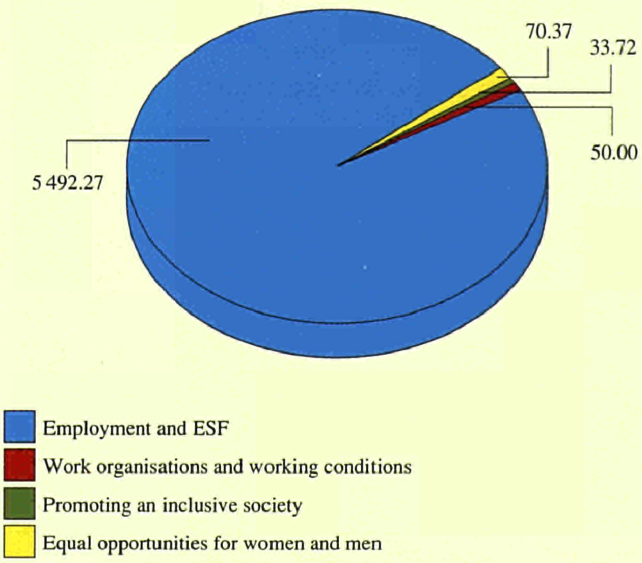
☐ promoting an inclusive society;

☐ equal opportunities for women and men.

Employment and social affairs activities 2000 —
Payments in million EUR



Employment and social affairs activities 2000 —
Commitments in million EUR



Under the activity 'Work organisations and working conditions' the following is an example of what has been achieved in 2000.

Budget line B3-400

('Social dialogue and European social dimension')

☐ promotion of industrial relations and social dialogue;

☐ training and information actions for workers' organisations;

☐ information, consultation and participation of representatives.

Main components of the activity	Achievements
Promotion of industrial relations and social dialogue	— actions and meetings to support social dialogue at EU level — meetings between the social partners — extending social dialogue — promoting the financial participation of workers — improving knowledge of industrial relations — codes of conduct and fundamental social rights — studies, meetings of experts
Training and information actions for workers' organisations	— aid to the functioning of the European Trades Union Institute, the 'Académie Syndicale Européenne' and the 'Europäisches Zentrum für Arbeitnehmerfragen' — actions in favour of other workers' organisations
Information, consultation and participation of representatives	— training for enterprises' representatives — actions to support information and consultation — innovatory actions

The transport policy area

The transport policy area consists of the following activities with operational budgetary appropriations:

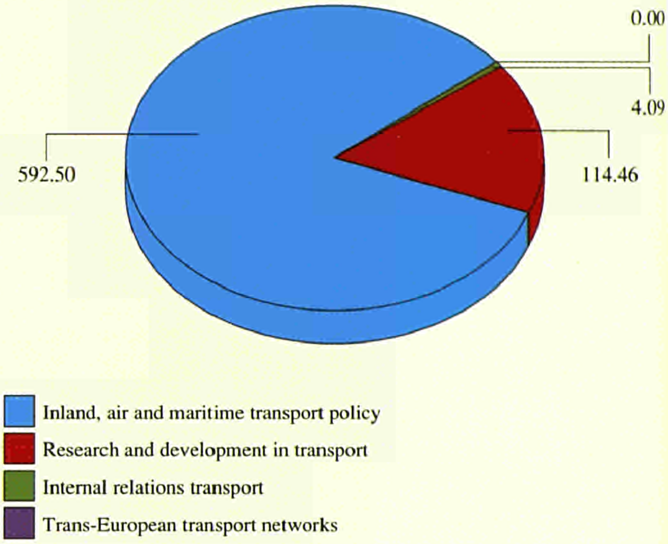
☐ inland, air and maritime transport policy;

☐ research and development in the field of transport;

☐ trans-European transport networks.

Under the activity 'Trans-European transport networks', the following is an example of what has been achieved in 2000.

Transport activities 2000 —
Commitments in million EUR

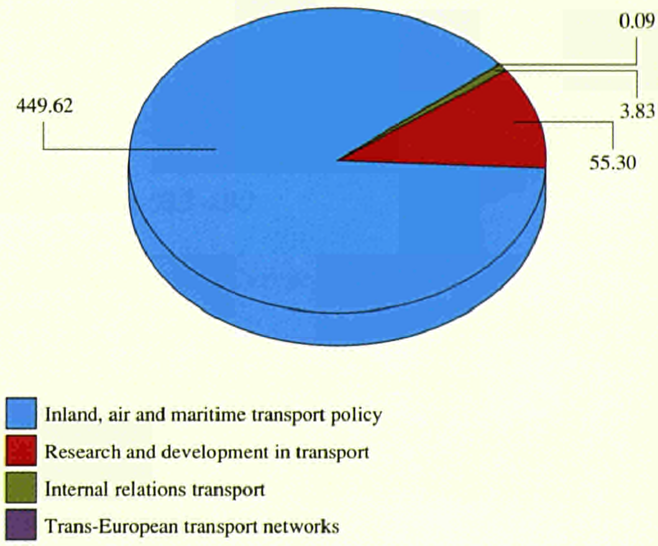


Budget line B5-700

('Financial aid to projects of common interest in the field of trans-European transport networks' — contribution to the establishment and development of the trans-European networks, considered essential for the proper working of the single market and for social and economic cohesion').

In 2000, Member States and project promoters submitted nearly 300 bids for a total of more than EUR 1 700 million of requested support. A total of 99 actions amounting to EUR 580.659 million were supported in 2000 from the original budget of EUR 580.85 million.

Transport activities 2000 —
Payments in million EUR

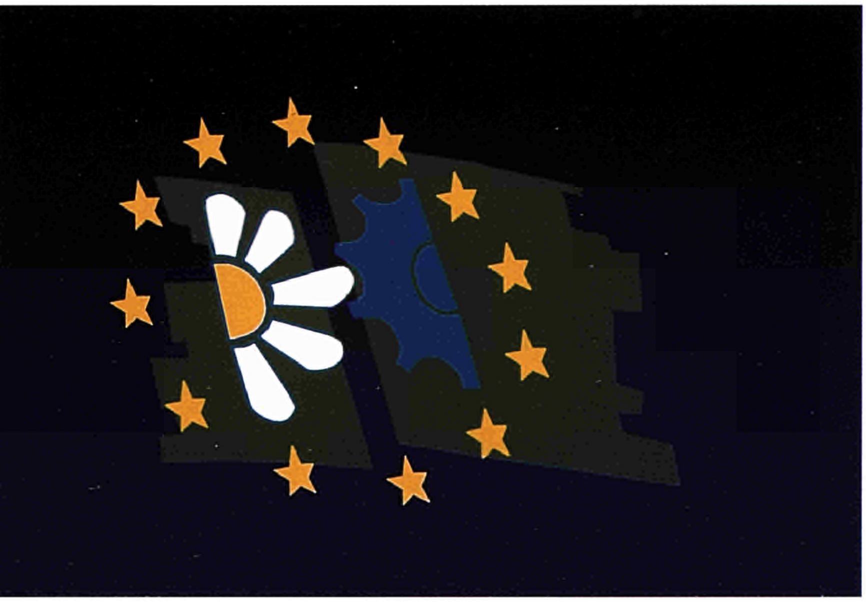


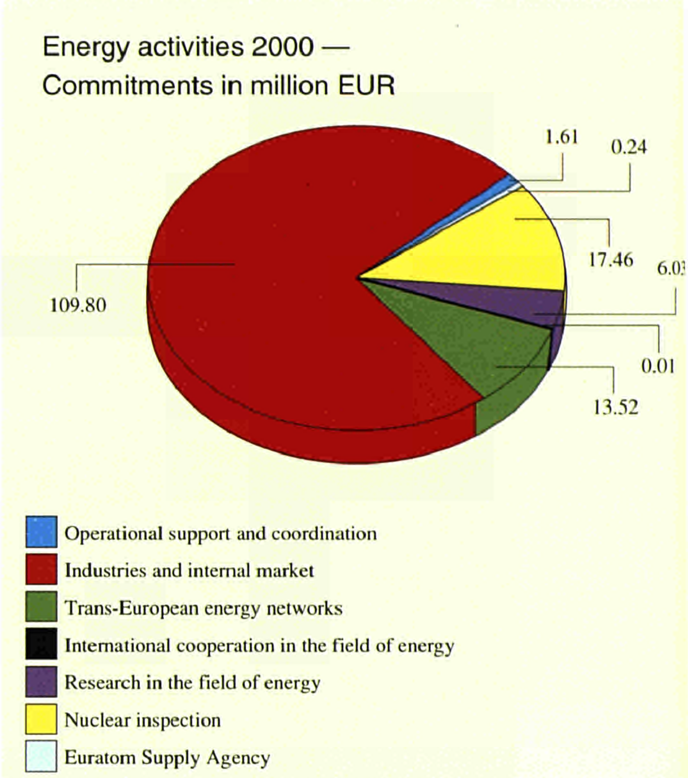
Several major projects had moved to the construction phase and were progressing well, resulting in a large drawdown of allocated support (for example, PBKAL Belgian Section involving final payments for decisions going back as far as 1989 and the Channel Tunnel rail link) or had even neared completion (e.g. Oresund fixed link and Malpensa).

Priority projects absorbed a smaller share of commitment appropriations than in previous years as three of them — Malpensa airport, Cork–Dublin–Belfast–Larne railway line and Oresund fixed link — have been completed while some of the big high-speed train projects have not entered their construction phase yet.

Main components of the activity	Realised quantity of the output by activity	Realised related support in million EUR
Air traffic management	7	14.70
Airports	7	11.10
Combined transport	1	5.00
Global navigation satellite systems	1	12.00
Inland waterways	4	15.80
Multi-modal	1	34.00
Ports	2	2.50
Rail	45	346.12
Rail traffic management	1	35.00
Road	17	71.40
Road traffic management	12	32.13
Vessel traffic management	1	0.90
Grand total	**99**	**580.65**

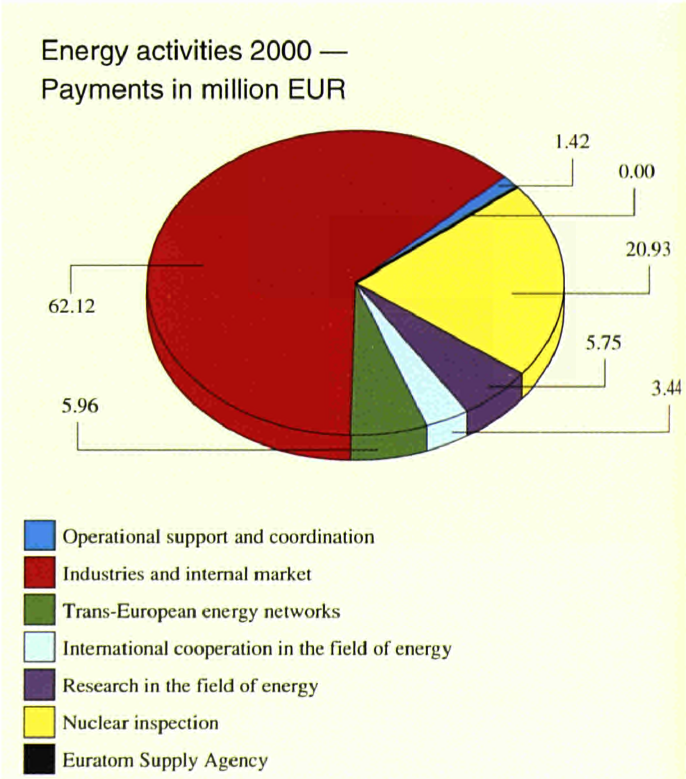
The energy policy area





The energy policy area consists of the following activities with operational budgetary appropriations:

- ☐ general operational support and coordination for the Energy DG ;
- ☐ energy: industries and internal market;
- ☐ trans-European energy networks;
- ☐ international cooperation in the field of energy;
- ☐ research in the field of energy;
- ☐ nuclear inspection;
- ☐ Euratom Supply Agency.



Under the activity 'Industries and internal market', the following is an example of what has been achieved in 2000.

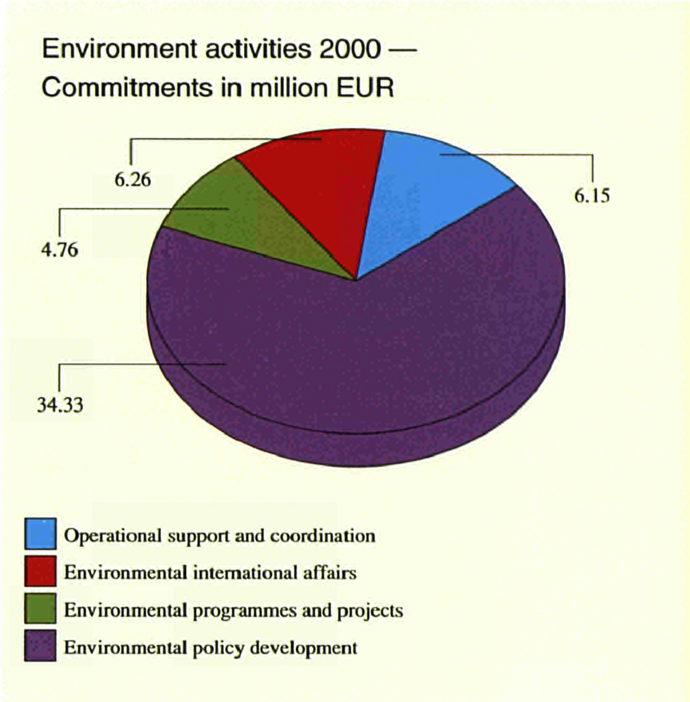
Budget line B6-6151

('Preservation of the ecosystem — energy: sustainable development')

Cleaner energy, including sources of renewable energy; economic and efficient energy for a competitive Europe

Main components of the activity	Achievements	Realised quantity of the output by activity	Realised related costs in million EUR
Cleaner energy	Shared-cost projects	43	61.350
	Concerted actions	3	1.817
	Exploratory grants	15	0.330
	Scholarships	2	0.183
	Accompanying measures	6	1.565
	Demonstration projects	13	23.800
	Combined measures	7	11.000
	Others	5	0.284
	Total	**68**	**100.329**
Economic energy	Shared-cost projects	60	67.550
	Concerted actions	4	3.034
	CRAFT	1	0.560
	Exploratory grants	18	0.397
	Scholarships	5	0.721
	Accompanying measures	16	7.893
	Demonstration projects	20	24.700
	Combined measures	11	13.100
	Others	7	0.054
	Total	**142**	**118.009**
Generic activities	Shared-cost projects	3	1.133
	Concerted actions	1	0.200
	CRAFT	0	0.000
	Exploratory grants	0	0.000
	Scholarships	2	0.519
	Accompanying measures	2	0.460
	Others	0	0.000
	Total	**8**	**2.312**
Horizontal actions		0	1.733
	Total	**210**	**222.383**

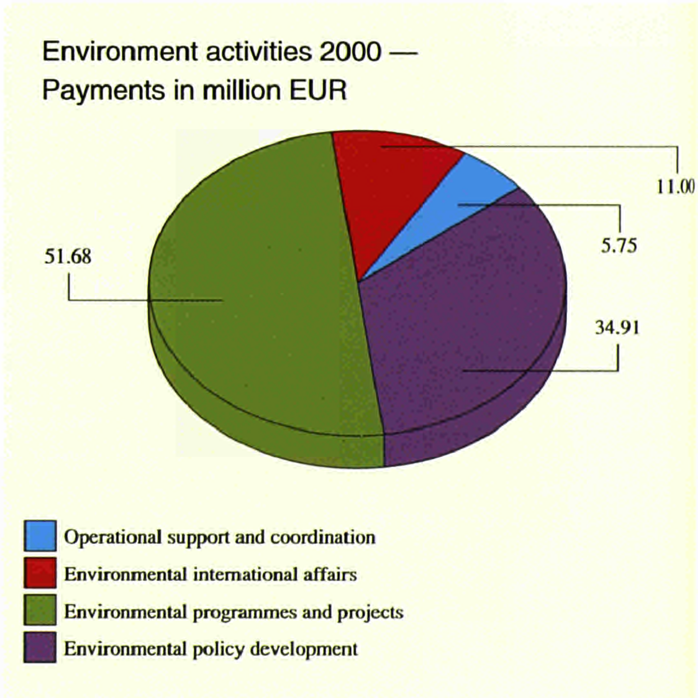
The environment policy area



The environment policy area consists of the following activities with operational budgetary appropriations:

- ☐ general operational support and coordination for the Environment DG;
- ☐ environmental international affairs;
- ☐ environmental programmes and projects;
- ☐ environmental policy development.

Regulation (EC) No 1655/2000 concerning the financial instrument for the environment (LIFE), relating to LIFE III 2000 to 2004, was adopted by co-decision on 17 July 2000. Credits for the year 2000 were transferred, on approval of the budgetary authority, to the budgetary line on 11 October 2000. The late adoption of the regulation delayed publication of the call for proposals LIFE III and their subsequent evaluation.



Under the activity 'Environmental policy development' the following is an example of what has been achieved in 2000.

Budget line B4-3300

('Community co-operation on civil protection, marine pollution and environmental emergencies')

Community action programme in the field of civil protection.

Main components of the activity	Achievements
Improve the protection of persons, environment and property in the event of natural and technological disasters Support and supplement Member States' efforts in this field Special emphasis on facilitating cooperation, exchange of experiences and best practices Mutual assistance between Member States	The Dutch Ministry of the Interior and Kingdom Relations, Crisis Management and Fire Services Department proposed a project under the major project on disaster medicine. The long-term objective of this major project is that people living or travelling in the European Member States should receive the same high quality medical care in the event that a large-scale accident or disaster should strike. In this context this project involves the development of policy papers, publication of guidelines and dissemination of information in the areas of: — cross-border mutual assistance between Member States — psycho-social care — preparation on large-scale accidents and disasters

The research policy area

The research policy area consists of the following activities with operational budgetary appropriations:

☐ research on life sciences;

☐ research on growth and durable competition;

☐ research on preserving the ecosystem;

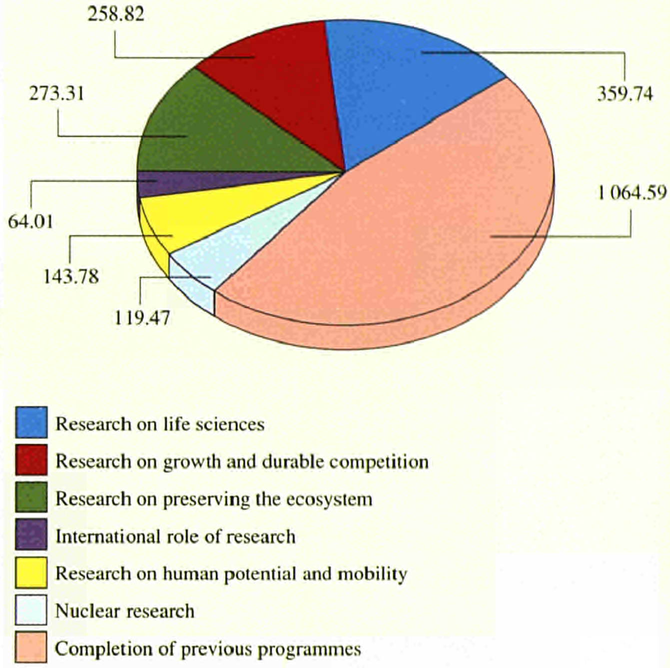
☐ international role of research;

☐ research on human potential and mobility;

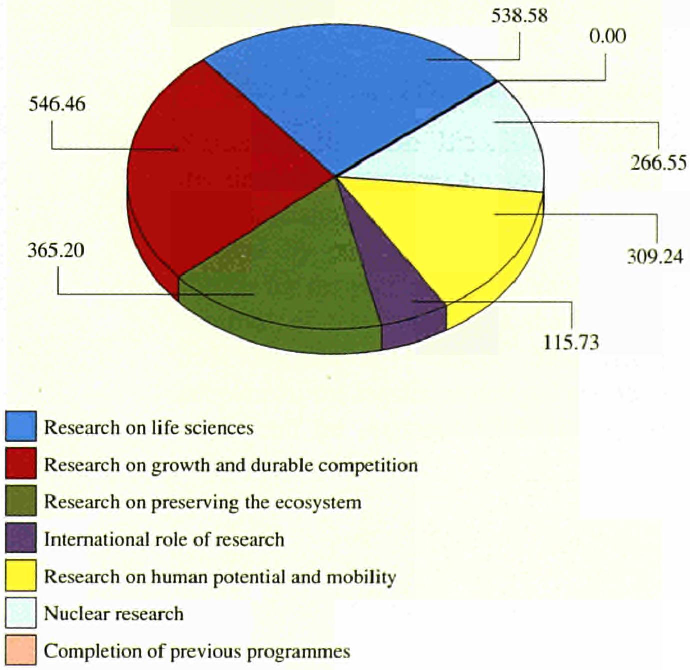
☐ nuclear research;

☐ directly financed research (direct actions).

Indirect research activities 2000 —
Payments in million EUR



Indirect research activities 2000 —
Commitments in million EUR



Under the activity 'Research on protecting the ecosystem' the following is an example of what has been achieved in 2000.

Budget line B6-614

('Preservation of the ecosystem — environment and sustainable development')

Contributing to sustainable development by concentrating efforts on key-activities essential to social well-being and Europe's economic competitiveness

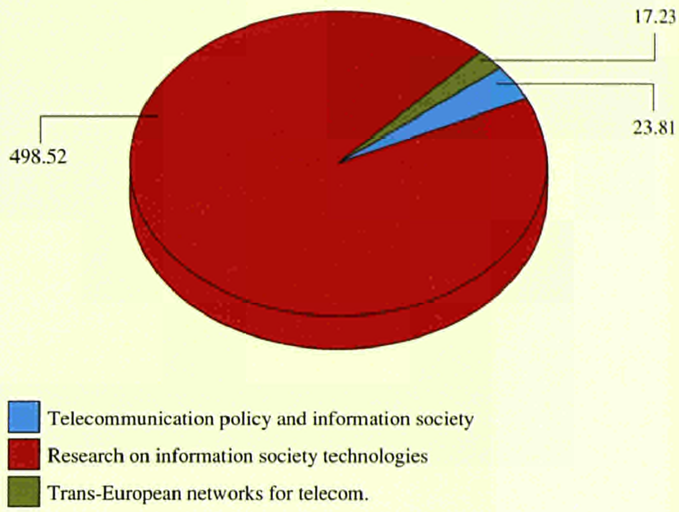
Main components of the activity	Achievements	Realised quantity of the output by activity	Realised related costs in million EUR
Sustainable management and water quality	Shared-cost projects	42	61.609
	CRAFT	7	4.063
	Exploratory grants	20	0.444
	Scholarships	10	1.583
	Accompanying measures	4	0.364
	Total	**83**	**68.063**
Planetary change, climate and biodiversity	Shared-cost projects	41	57.863
	Concerted actions	6	3.174
	Exploratory grants	7	0.157
	Scholarships	20	3.366
	Accompanying measures	11	1.445
	Total	**85**	**66.005**
Sustainable management of marine ecosystems	Shared-cost projects	24	39.485
	CRAFT	1	0.524
	Exploratory grants	4	0.085
	Scholarships	6	0.928
	Accompanying measures	1	0.025
	Total	**36**	**41.047**
Tomorrow's city and cultural heritage	Shared-cost projects	32	34.999
	CRAFT	2	1.016
	Exploratory grants	4	0.090
	Scholarships	5	0.620
	Total	**43**	**36.725**
Generic activities	Shared-cost projects	19	19.954
	Concerted actions	2	0.598
	CRAFT	2	0.973
	Others (study)		0.196
	Total	**23**	**21.721**
Support to research infrastructure	Shared-cost projects	4	4.513
	Concerted actions	1	0.629
	Total	**5**	**5.142**
Horizontal actions	Experts		0.428
	Others		0.132
	Total		**0.560**

The information society policy area

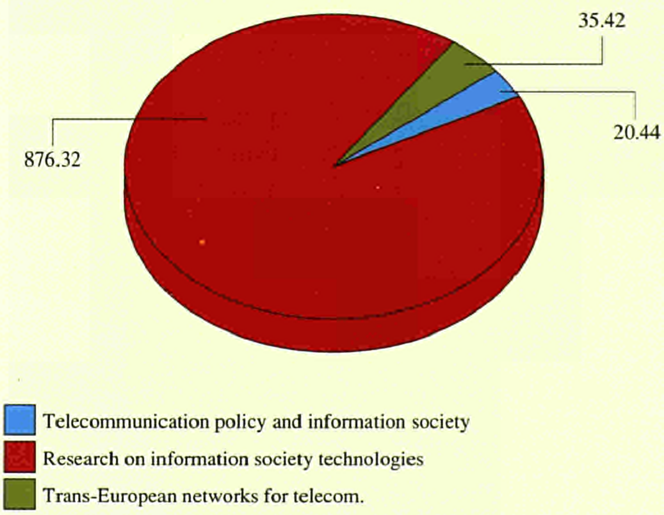
The information society policy area consists of the following activities with operational budgetary appropriations:

- ☐ telecommunication policy and information society;
- ☐ research on information society technologies;
- ☐ trans-European networks for telecom.

Information society activities 2000 — Payments in million EUR



Information society activities 2000 — Commitments in million EUR



Under the activity 'Trans-European networks for telecom.' the following is an example of what has been achieved in 2000.

Budget line B5-720

('Trans-European networks in the telecommunications field')

The establishment of trans-European networks within the fields set out in the 'White Paper on Growth, Competitiveness and Employment' is considered to be an important stimulus to a regain of economic activity and to future dynamism.

In the trans-European telecommunications sector, action is founded on a three-level structure: networks-services-applications, which reflects the convergence between telecommunications, informatics and content, and extends Community action to cover the new needs and requirements of the information society, based on the development of Internet applications and on mobile and satellite communication systems.

Main components of the activity	Achievements	Realised quantity of the output by activity	Realised related costs in million EUR
Development and integration of interoperable base networks	Satellite communication systems, mobile networks, global interoperability	1	1.943
Support to generic services based on the Internet	Intranets/extranets, electronic commerce, promotion of offer of services	8	10.622
Applications in domains of general interest	Stimulation of investments, promotion of exemplary projects	23	20.656
Accompanying measures	Support and coordination actions, evaluation of actions and projects	4	1.804

The fisheries policy area

The fisheries policy area consists of the following activities with operational budgetary appropriations:

- ☐ fisheries markets;
- ☐ international organisations and fisheries agreements;
- ☐ fisheries research;
- ☐ conservation of fisheries resources;
- ☐ control of common fisheries policies;
- ☐ general operational support and coordination — Financial Instrument for Fisheries Guidance (FIFG). The bulk of the appropriations in 2000 have been used under FIFG (for fleet renewal and modernisation of fishing vessels; small-scale coastal fishing; protection of marine resources in coastal waters).

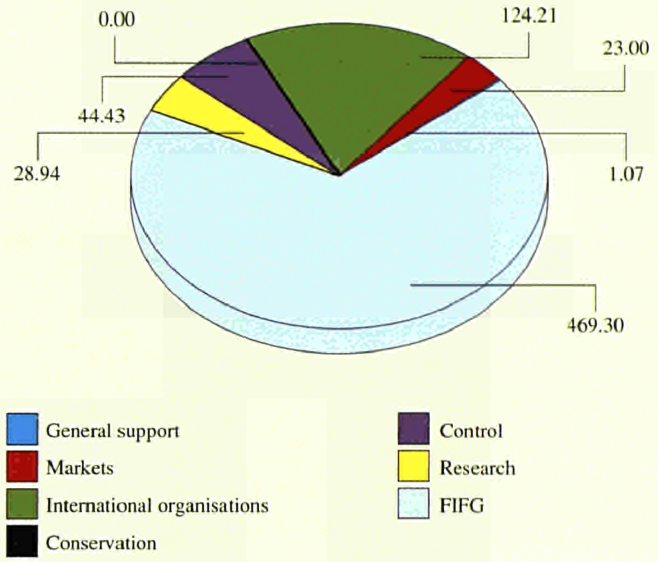
Under the activity 'Control of common fisheries policy', the following is an example of what has been achieved in 2000.

Budget line B2-901

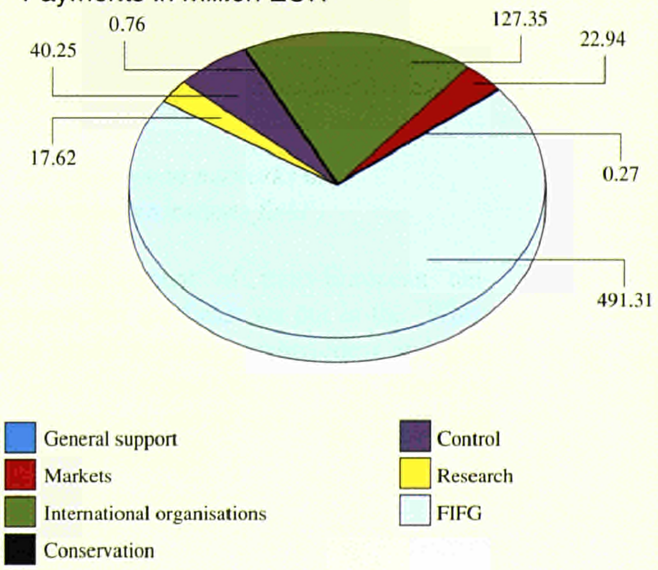
(Control of common fisheries policy)

Financial participation in control and surveillance operations carried out by the Member States. Control is considered the cornerstone of the common fisheries policy with the following specific objectives: furnish the inspection services with efficient and modern equipment; put in place the means and computer networks necessary for exchanges of control information; encourage training of control personnel.

Fisheries activities 2000 —
Commitments in million EUR



Fisheries activities 2000 —
Payments in million EUR



In 2000, the priorities were: putting in place the satellite surveillance system (VMS); surveillance ships and aircraft where these address persistent gaps; informatics and pilot projects to introduce new technologies; training.

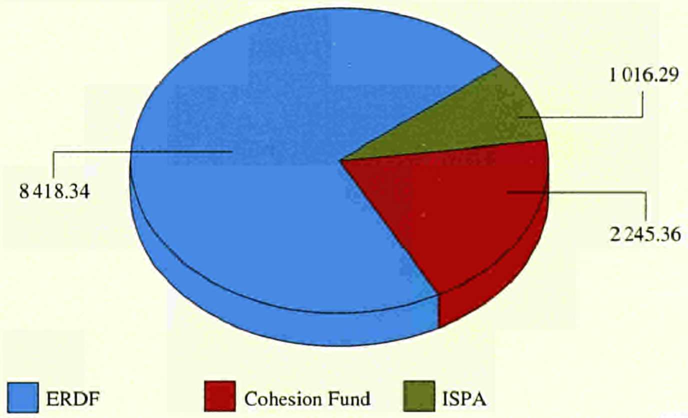
Main components of the activity	Achievements
Investments — new and modernised surveillance ships — new and modernised planes/helicopters — new technologies (informatics networks) — VMS	Modernisation and replacement of ships and aircraft used for inspection duties in the Member States. The Community financial participation has reinforced the capacities of the Member States to control the fishery activities in their respective jurisdictions. VMS, as a result of the effort of cooperation between the Member States and the Commission, is a major success in fisheries control.
Training for national officials	These initiatives have been particularly productive, resulting in a better understanding of the systems of control

The 'regional policy' policy area

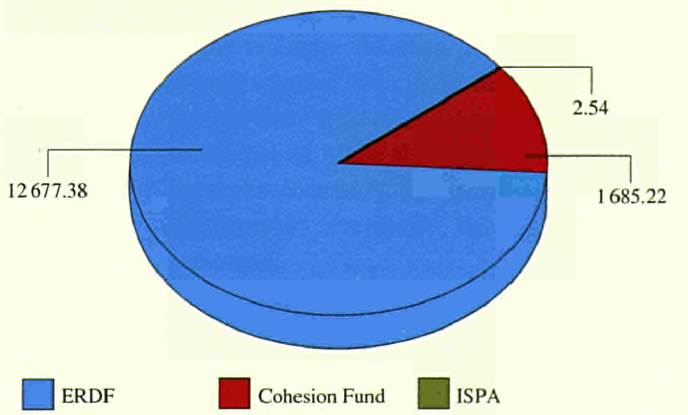
The 'regional policy' policy area consists of the following activities with operational budgetary appropriations:

- ☐ ERDF and other regional interventions;
- ☐ Cohesion Fund;
- ☐ instrument for structural policies for pre-accession (ISPA)

Regional policy activities 2000 —
Commitments in million EUR



Regional policy activities 2000 —
Payments in million EUR



Approval of the new programmes 2000–06

In addition to the Structural Funds and ISPA (which are reported in detail), the Cohesion Fund is an important activity within the regional policy/cohesion area.

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 (Spain, Portugal, Greece and Ireland).

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 funding of transport infrastructure and environmental projects must be evenly balanced, the target ratio set by the Commission being 50:50.

Total budget
The Cohesion Fund budget for 2000–06 is EUR 18 000 million. It went up from ECU 1 500 million in 1993 to more than ECU 2 600 million in 1999 at 1992 prices.

Allocation to each Member State

The indicative percentage of assistance allotted to each of the eligible Member States was fixed by the European Council in Berlin (March 1999) as follows:

Greece	16–18 %
Ireland	2–6 %
Portugal	16–18 %
Spain	61–63.5 %

Cohesion Fund budget execution in 2000

The definitive amount, after indexation, of the Cohesion Fund resources in 2000 is EUR 2 659 million.

Commitments and payments (by country and by sector) — budgetary execution including credits carried over to 2001.

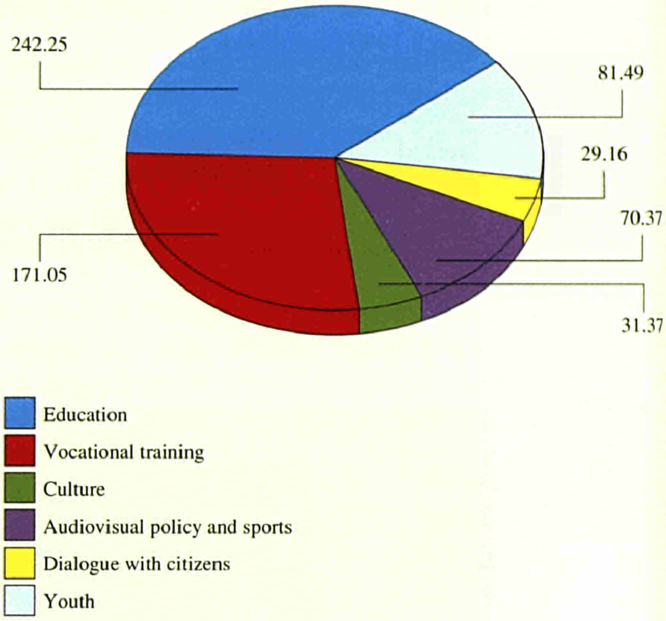
	Environment		Transport		Mixed	Total	
Country	Amount (EUR)	% Env.	Amount (EUR)	% Trans.	Amount (EUR)	Amount (EUR)	%
(a) Commitments							
Spain	749 218 170	46.8 %	851 923 302	53.2 %	164 496	1 601 305 968	60.3 %
Greece	163 815 574	37.6 %	271 716 947	62.4 %	0	435 532 521	16.4 %
Ireland	136 967 016	80.7 %	32 657 648	19.3 %	0	169 624 664	6.4 %
Portugal	176 586 501	39.3 %	272 461 436	60.7 %	1 722 650	450 770 587	17.0 %
Technical assistance	0	0.0 %	0	0.0 %	1 677 809	1 677 809	n.s.
Total	**1 226 587 261**	**46.2 %**	**1 428 759 333**	**53.8 %**	**3 564 955**	**2 658 911 549**	**100.0 %**
(b) Payments							
Spain	547 028 885	48.1 %	589 632 725	51.9 %	691 333	1 137 352 943	67.5 %
Greece	166 619 671	55.0 %	136 208 560	45.0 %	0	302 828 231	18.0 %
Ireland	52 271 877	41.1 %	74 988 716	58.9 %	195 249	127 455 842	7.6 %
Portugal	106 916 040	93.2 %	7 777 796	6.8 %	1 773 490	116 467 326	6.9 %
Technical assistance	0	0.00 %	0	0.00 %	1 119 124	1 119 124	n.a
Total	**872 836 473**	**51.9 %**	**808 607 797**	**48.1 %**	**3 779 116**	**1 685 223 466**	**100.0 %**

The education and culture policy area

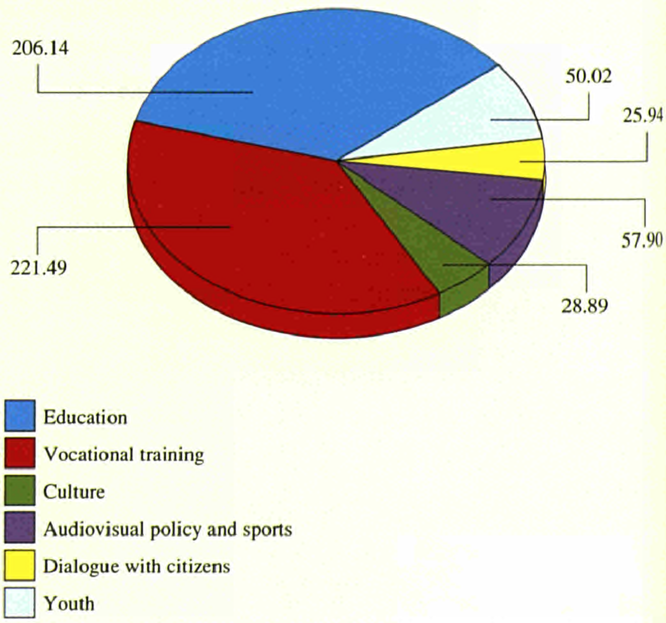
The education and culture policy area consists of the following activities with operational budgetary appropriations:

- ☐ education;
- ☐ vocational training;
- ☐ culture;
- ☐ audiovisual policy and sports;
- ☐ dialogue with the citizens;
- ☐ youth.

Education and culture activities 2000 — Commitments in million EUR



Education and culture activities 2000 — Payments in million EUR



Under the activity 'Vocational training' the following is an example of what has been achieved in 2000.

Budget line B3-1021

(Leonardo da Vinci)

- ☐ Setting up a European educational dimension to favour the development of life-long education and training allowing the development of knowledge, skills and citizenship.
- ☐ Strengthening the aptitudes and skills of people, especially the young, following a first professional training course, irrespective of level.
- ☐ Improving the quality of and access to life-long professional training and the acquisition of skills and aptitudes.
- ☐ Promote and strengthen the contribution of professional training to the process of innovation so as to improve competitiveness and the entrepreneurial spirit.

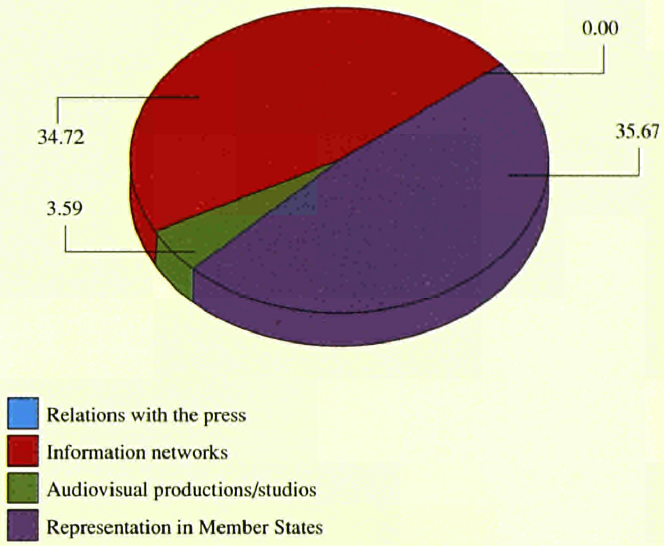
Main components of the activity	Achievements	Realised quantity of the output by activity	Realised related costs in million EUR
Mobility	Placings (short and long term) and exchanges	31 000	57.771
Pilot projects	Pilot projects and thematic actions	139	52.728
Language competence	Projects	14	4.489
Transnational networks	Projects	12	3.654
Reference tools	Projects	18	7.475
Accompanying measures		12 900	11.441
Support costs			4.496

The media and communications policy area

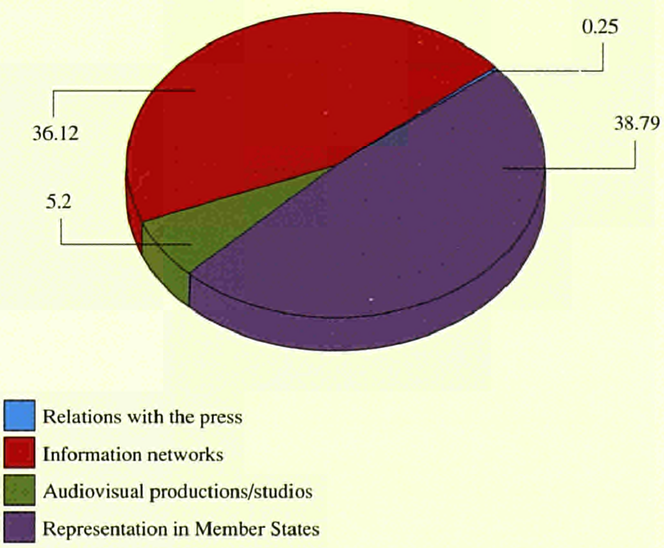
The media and communications policy area consists of the following activities with operational budgetary appropriations:

- ☐ information networks;
- ☐ relations with the press;
- ☐ audiovisual productions and studios;
- ☐ representation in the Member States.

Media and communication activities 2000 — Payments in million EUR



Media and communication activities 2000 — Commitments in million EUR



Under the activity 'Information networks' the following is an example of what has been achieved in 2000.

Budget line B3-306

Prince ('programme d'information du citoyen européen' — information programme for the European citizen)

Main components of the activity	Achievements
Information campaign on the euro	— partnerships with the Member States: all the euro-zone States as well as Sweden concluded a convention with the Commission for their 2000 information activities on the euro — transnational partnerships with SMEs, civil society, the young, school pupils, vulnerable groups, regional and local authorities, ultra peripheral regions — a web site: technical assistance to update the QUEST database (questions/answers on the euro) — a euro kiosk at the Hanover Expo 2000 to distribute information on the euro to the public, as well as an important conference on 'The euro and enlargement' — brochures, publicity material, audiovisual productions and seminars for third countries — videos, CD-ROMs, exhibitions, Euronews audiovisual co-productions
Dialogue on Europe	— transnational exhibitions, Internet site, audiovisual and paper media — organisation of discussion meetings in the representation offices throughout the Union — over 150 discussions organised with citizens under this initiative to accompany the Intergovernmental Conference
Information campaign on enlargement	— launch of the campaign which will increase in size in following years

The health and consumer protection policy area

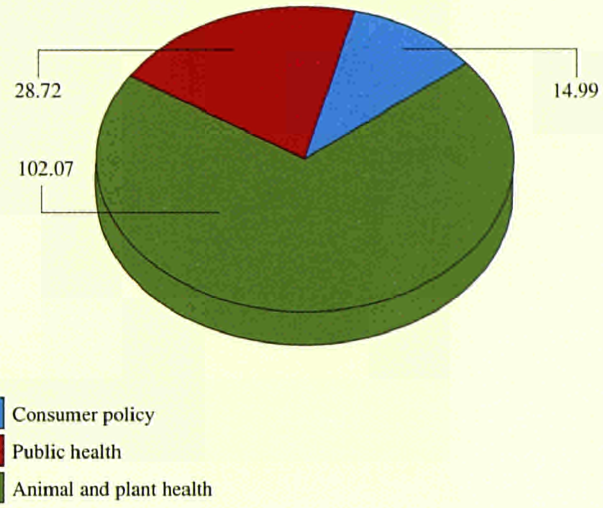
The health and consumer protection policy area consists of the following activities with operational budgetary appropriations:

☐ consumer policy;

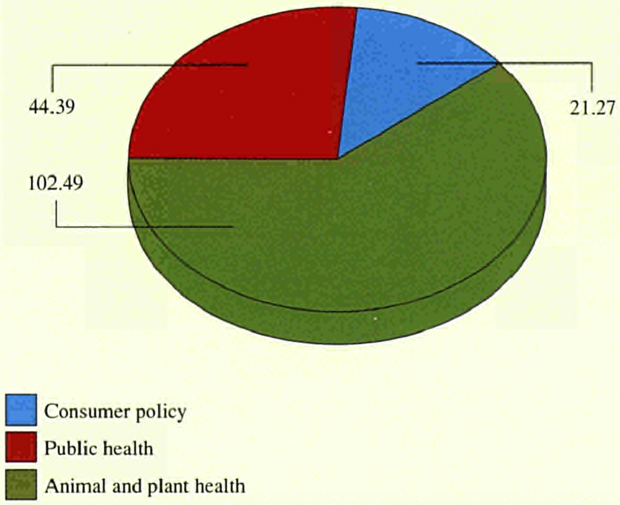
☐ public health;

☐ animal and plant health.

Health and consumer protection activities 2000 — Payments in million EUR



Health and consumer protection activities 2000 — Commitments in million EUR



Under the activity 'Public health' the following is an example of what was achieved in 2000

Budget line B3-43

(Public health, health promotion, information on health, health education and training in public health)

☐ cooperation between Member States to define strategies and exchange experience;

☐ transnational networks of promotion, education, training;

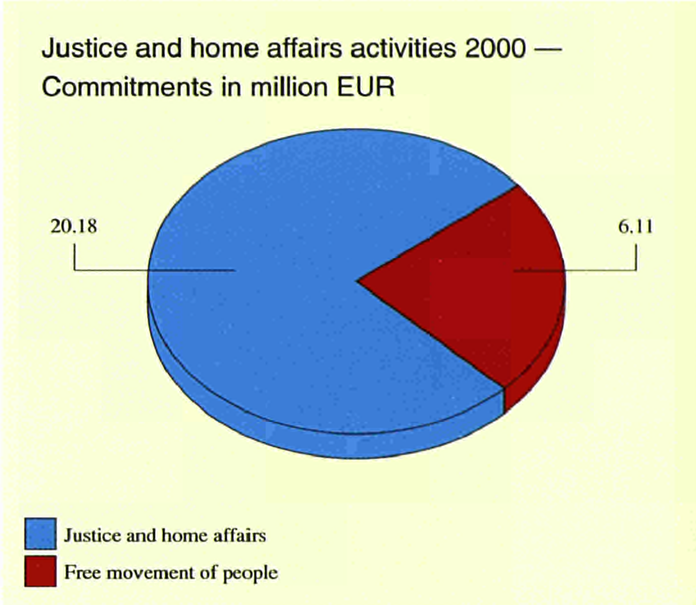
☐ support for innovatory projects.

Main components of the activity	Achievements
Health promotion	— strategies and structures for promoting health — specific prevention and health promotion actions — health information — health education — professional training in public health and health promotion
Combating cancer	— collection of data and research — information and education — early detection and screening — training, quality control and assurance
Drug abuse	— data, research, evaluation — information, health education and training
AIDS and other communicable diseases	— surveillance and control of communicable diseases — combating transmission: information, education and training — help for people with HIV/AIDS and combating discrimination
Health and well-being: rare diseases	— European network — training — transnational collaboration — surveillance
Health and well-being: pollution-related diseases	— actions to improve information on diseases linked to pollution — actions to improve the understanding, perception, evaluation and management of these diseases and the efficacy of preventive measures
Health and well-being: injury-prevention	— Community system for collecting and exchanging information on injuries — specific action on epidemiological monitoring of injuries and exchanges of information
Health monitoring	— setting up Community health indicators — setting up a Community network to share health data — analyses and reports

The justice and home affairs policy area

The justice and home affairs policy area consists of the following activities with operational budgetary appropriations:

- ☐ justice and home affairs;
- ☐ free movement of people.

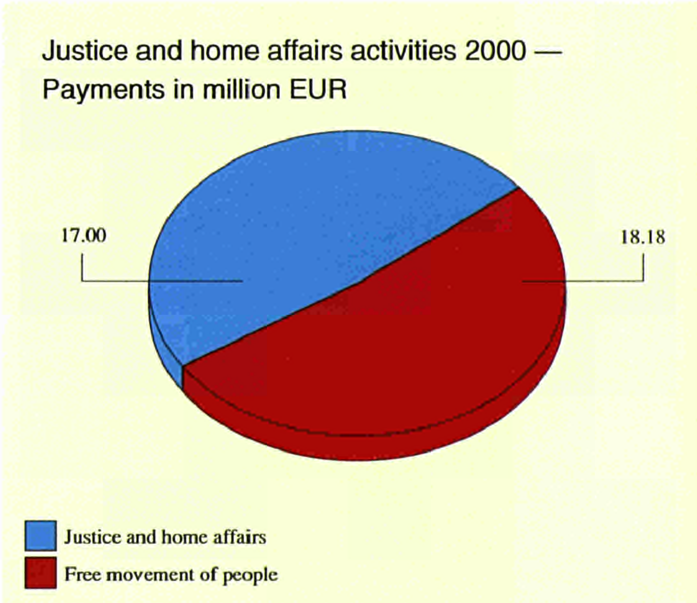


Under the activity 'Justice and home affairs' the following is an example of what has been achieved in 2000.

Budget line B5-820

(Programme for training, exchanges and cooperation in the domains of JHA)

- ☐ strengthen cooperation in the treatment of questions of common interest mentioned in Article K1 of the Treaty on European Union;
- ☐ support in this aim collaborative efforts undertaken between the Member States' appropriate administrative services;
- ☐ contribute to the implementation of any convention, common action or common position decided by the Council under Article K3.



Main components of the activity	Achievements	Realised quantity of the output by activity	Realised related costs in million EUR
Grotius (programme of incentives and exchanges for legal practitioners)	Training Exchanges Meetings Research Documentation **Total**	**47**	**2.052**
STOP (incentive and exchange programme for persons responsible for combating trade in human beings and the sexual exploitation of children)	Training Exchanges Meetings Research Evaluation Information **Total**	**18**	**1.493**
OISIN (programme for the exchange and training of, and cooperation between, law enforcement authorities)	Training Exchanges Meetings Research Operational projects Information **Total**	**50**	**2.918**
Odysseus (programme of training, exchanges and cooperation in the field of asylum, immigration and crossing of external frontiers)	Training Exchanges Meetings Research Documentation Evaluation **Total**	**36**	**3.000**
Falcone (exchanges, training and cooperation for persons responsible for actions to combat organised crime)	Training Joint projects Exchanges Research Documentation Meetings Evaluation **Total**	**35**	**2.286**

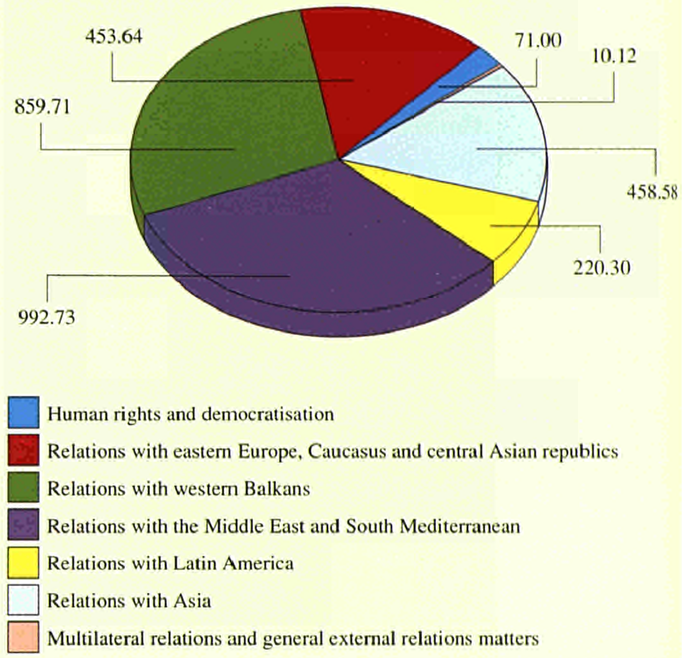
The external relations policy area

The external relations policy area consists of the following activities with operational budgetary appropriations:

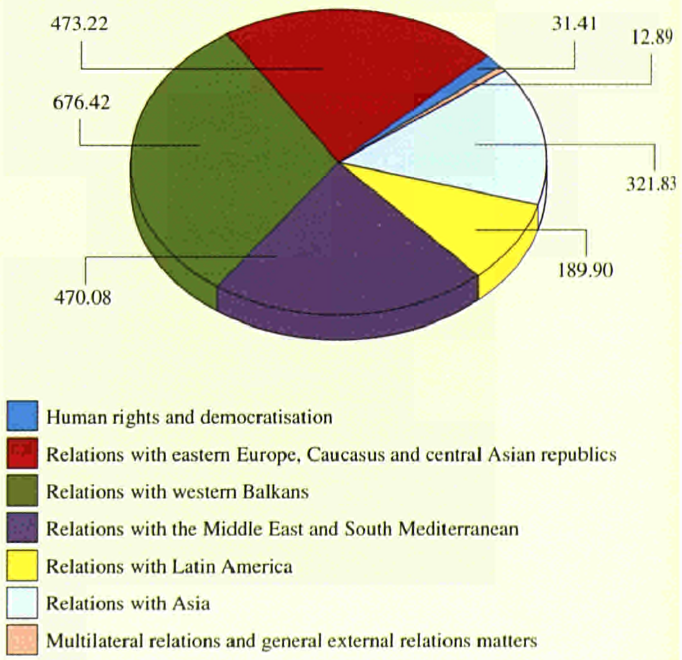
- ☐ human rights and democratisation;
- ☐ relations with eastern Europe, Caucasus and central Asian republics;
- ☐ relations with western Balkans;
- ☐ relations with the Middle East and South Mediterranean;
- ☐ relations with Latin America;
- ☐ relations with Asia;
- ☐ common foreign and security policy;
- ☐ relations with non-EU OECD countries;
- ☐ multilateral relations and general external relations matters.

(A major portion of these activities is shown in the following charts: for reasons of legibility not all activities can be shown)

External relations activities 2000 —
Commitments in million EUR



External relations activities 2000 —
Payments in million EUR



Under the activity 'Relations with the Middle East and South Mediterranean' the following is an example of what has been achieved in 2000.

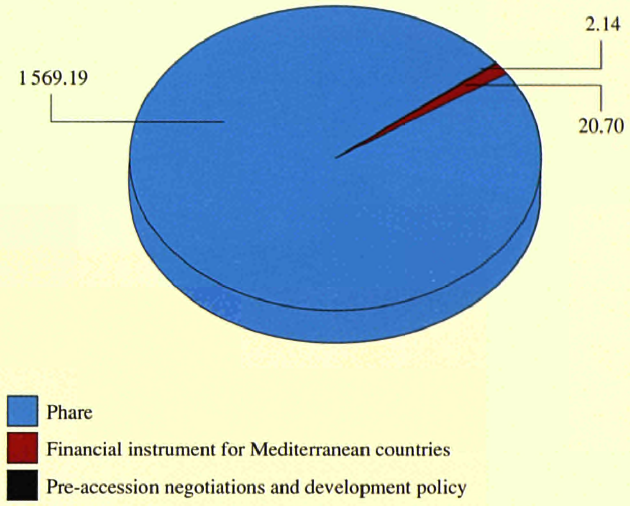
Budget line B7-4100

(Financial and technical measures to accompany the reform of economic and social structures under the Euro-Mediterranean partnership (MEDA))

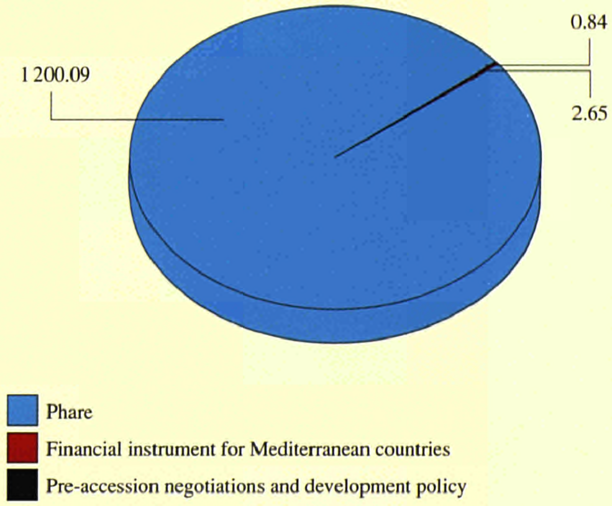
Main components of the activity	Achievements	Realised quantity of the output by activity
Support for economic transition	— Jordan: private sector	15
	— Morocco: sectoral adjustment finances	52
	— Syria: business administration	14
	— Tunisia: private sector	30
	— Turkey: structural adjustment	150
	— WBG: banking sector-SMEs	3.1
	Subtotal	**264.1**
Support for a better socioeconomic structure	— Algeria: media, police, PTT	30.2
	— Egypt: drainage sector	12.7
	— Jordan: culture	0.3
	— Morocco: health, waste, courts, tourism	88.6
	— Syria: energy, tourism, telecomms	24.0
	— Tunisia: education, waste	45.6
	— Turkey: waste water, health, education	160.3
	— WBG: waste water, cash facility	93.7
	Subtotal	**455.4**
Support for regional integration	— peace process, energy and environment, cultural heritage, SME and commerce, transport, youth, statistical cooperation, other actions	139.1
	— technical support	20.5
	Subtotal	**159.6**
	Total	**879.1**

The enlargement policy area

Enlargement activities 2000 —
Commitments in million EUR



Enlargement activities 2000 —
Payments in million EUR



The enlargement policy area consists of the following activities with operational budgetary appropriations:

- ☐ financial instrument for eastern European pre-accession countries (Phare);
- ☐ financial instrument for candidate Mediterranean countries;
- ☐ enlargement pre-accession negotiations and policy development.

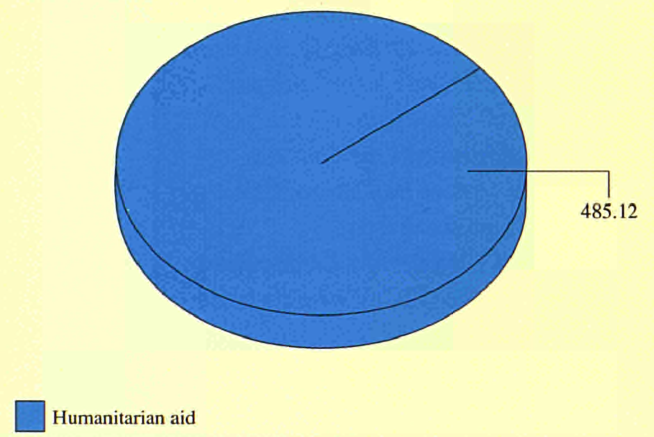
A detailed overview of Phare activities in 2000 is given in the 'Enlargement' section of this report, together with those of the other pre-accession instruments ISPA and Sapard.

The humanitarian aid policy area

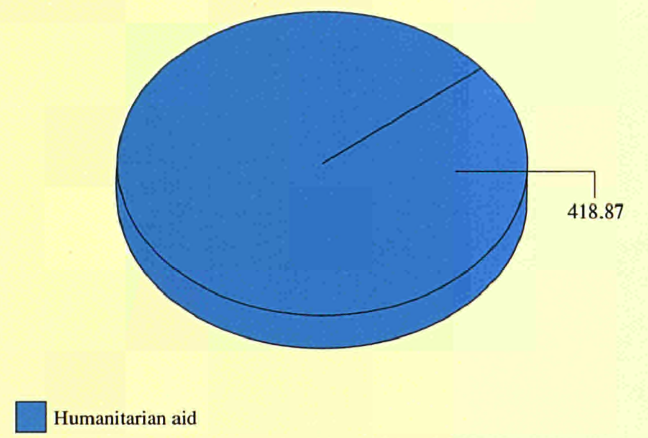
The humanitarian aid policy area consists of the following activities with operational budgetary appropriations:

- ☐ aid, including emergency food aid, to help the populations of the developing countries and other third countries hit by disasters or serious crises;
- ☐ operational support and disaster preparedness.

Humanitarian aid activities 2000 — Commitments in million EUR



Humanitarian aid activities 2000 — Payments in million EUR



The following is what has been achieved in 2000:

Main components of the activity	Achievements
Humanitarian aid	— ECHO's response to the humanitarian crisis in 2000 was channelled through 121 funding decisions totalling an amount of 491.7 million: 488.9 million [1] was financed through the Commission's budget and 2.85 million was drawn from EDF funds. — 993 contracts with a total amount of EUR 545 million (this contracts figure also includes 242 contracts for the implementation of some 1999 decisions) were signed to fund humanitarian projects in more than 60 countries. — The geographical distribution of funds reflects the dramatic improvement of the situation in the western Balkans in 2000, bringing ECHO's funding to the region down from EUR 447 million in 1999 to EUR 98.7 million. As a consequence mainly of the aggravating situation in the DRC, West Africa and the droughts in the east, the share of funds allocated to the ACP region in 2000 increased to 35 % in 2000. Allocations to other regions remained more or less stable, with 16 % going to Asia, 10 % to North Africa/Middle East and the CIS/NIS respectively and 6 % to Latin America. Many ECHO interventions funded projects specifically designed to meet the needs of the most vulnerable population segments. For example, 47 projects with a total budget of EUR 16.7 million were targeted for the specific needs of disaster-affected children. ECHO's main partner group remains EC NGOs (65 % of funding), followed by the UN (19 %) and other international organisations (10 %). Due to the strong emphasis on food aid operations due to the droughts in many regions, the World Food Programme was ECHO's biggest individual partner in 2000 (EUR 43 million in contracts). Through its partners, ECHO was able to provide relief to approximately 18 million people in 2000.

[1] Budget implementation = EUR 488.9 million for new decisions and EUR 0.8 million for adjustments relating to previous years = EUR 489.7 million.

The following table gives an overview of the geographical distribution of decisions for humanitarian aid adopted in 2000.

Region	Amount (1 000 EUR)
Africa, Caribbean, Pacific	170 178
Horn of Africa	54 063
Great Lakes	63 630
West Africa	17 702
Caribbean, Pacific, Indian Ocean	4 835
Southern Africa	29 948
Eastern Europe, NIS (1)	147 630
NIS region	48 930
Western Balkans	98 700
Asia, Latin America, Middle East, North Africa	157 627
Asia	77 072
Middle East/North Africa	48 495
Latin America	24 560
Dipecho (2)	7 500
Other expenditures (3)	16 280
Total decisions 2000	**491 715**

(1) NIS = new independent States (Caucasus, Tajikistan, etc.).
(2) Dipecho = disaster preparedness.
(3) Expenditures for experts, subvention programmes, evaluations, audits.

The operation of the European Anti-Fraud Office (OLAF)

The protection of the Community's financial interests, like its corollary, fraud prevention and the fight against economic and financial crime, was given high political priority with the creation of the European Anti-Fraud Office (OLAF) and the general anti-fraud reform launched in mid-1999. The priorities for the Commission services in this realm were defined in the overall strategic approach adopted on 28 June 2000. In addition, OLAF represents a powerful mechanism to ensure a Community presence on the ground and at the same time to develop legislation for existing and future Community policies.

Since 1 June 1999, the European Anti-Fraud Office has been evolving towards a new organisation reflecting the additional resources allocated to it by the European Parliament and the Council for the years 1999, 2000 and 2001 — up to a total of 300 staff. Until that time, the existing structures of OLAF are being reorganised and adapted as new resources become available. Continuity with ongoing operational activities has ensured that the fight against organised crime and financial crime has continued on the ground.

The priorities defined by OLAF 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 is evidenced by its capacity to ensure more dynamic cooperation with the national authorities on the ground and enhance the judicial dimension of common actions. The Office therefore gives its full support to national investigation services, aiming to be a platform of services and to develop full-fledged partnership. Specific powers of administrative investigation are 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 point, OLAF allows 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 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 of 28 April 1999 establishing the European Anti-Fraud Office (OLAF);
- ☐ European Parliament and Council Regulations 1073/1999 and 1074/1999 of 25 May 1999, concerning investigations conducted by the European Anti-Fraud Office;
- ☐ 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;
- ☐ more generally, the legal framework for the fight against fraud is based on the new Article 280 of the EC Treaty, resulting

from the Amsterdam Treaty which acknowledges the special mission of the Commission in the protection of financial interests. Article 280 also makes the Commission and the Member States partners in this fight, due to report jointly to the European Parliament and the Council.

OLAF's report

Regulations 1073/1999 and 1074/1999 require the Director of the Office 'to report regularly 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 first report of the kind, adopted on 23 May 2000 (1), 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.

OLAF's activity report specifies the Office's powers and procedures as determined by the legislation governing it. The Office's operational activity is considered in terms of both statistics and analysis. It covers the action taken during the report period on operational files opened earlier. It also sets out all the issues raised by the Office's operational activity to serve as a basis for future policy.

The Office's other activities, especially in conceiving legislative initiatives to support the Commission's global anti-fraud approach as well as the competent authorities' operational activity in the Member States, are covered by the report on the protection of financial interests prepared by the Commission under Article 280 of the EC Treaty (2).

(1) Activity report July 1999 to July 2000 (OJ C 360, 14.12.2000), adopted by the Council on 5.12.2000.

(2) Annual report 1999 on the protection of the Communities' financial interests and the fight against fraud (COM(2000) 718 final; adopted 8.11.2000).

BORROWING AND LENDING ACTIVITIES

1. Borrowing

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 and those carried out by the European Investment Bank (EIB) from its own resources under the EEC Treaty.

However, given that the New Community Instrument (NCI) ceilings have been fully used up and in view of the suspension of Euratom activities within the EU, no finance was mobilised on the basis of these instruments in 2000. With regard specifically to the NCI, almost all loans have now been repaid.

Should the recipient of a loan granted by the Union default, the corresponding funds borrowed by the Union would be repaid from the general budget. Some of the loans granted by the EIB 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.

2. Lending in third countries

2.1. Overview

Financial support to third countries that have concluded cooperation agreements with the Community takes a variety of forms depending on the geographical areas concerned and the objectives pursued. It generally involves bilateral loans (macrofinancial or balance-of-payments support) in cases where the Union helps to restore the macroeconomic equilibrium in a particular country. In other cases, it may involve ordinary loans in the form of either direct financing for individual projects or global loans for banking institutions, which allocate them to smaller local projects.

In the first case, the Commission administers the financing in accordance with the Council directives. In the second case, it is essentially the EIB that administers the loans on its usual terms, very often with a guarantee from the Commission budget.

2.2. The Community's macrofinancial assistance

Macrofinancial assistance in the form of loans is, by its very nature, exceptional and forms part of the efforts of the international community to provide, in conjunction with the Bretton Woods institutions, balance-of-payments support to certain countries grappling with transitional difficulties.

The Community's assistance focuses on neighbouring regions, such as central and eastern Europe, the western Balkans, the new European States of the former Soviet Union and the countries of the southern Mediterranean. Disbursements are themselves linked to the beneficiary countries' meeting objectives in terms of macroeconomic stabilisation and structural reforms. In these circumstances, the number of operations effected each year is limited, and it is difficult to make valid comparisons for the assistance given from one year to the next. However, as the applicant countries make considerable progress in terms of macroeconomic adjustment, macrofinancial assistance will prove to be less necessary. The Balkans region currently receives from the Community a significant amount of macrofinancial assistance which includes a large 'grant' element.

In 2000 the Council decided on two macrofinancial assistance operations: one in the form of loans to Moldova (maximum of EUR 15 million) and the other consisting of both loans and grants to Tajikistan (maximum of EUR 75 million in loans and EUR 35 million in grants). Two budget-support operations in the form of outright grants were also approved in 2000: one for Kosovo (maximum of EUR 35 million) and the other for Montenegro (maximum of EUR 20 million).

As regards disbursements, assistance in the form of loans amounted to EUR 160 million in 2000, broken down as follows: EUR 100 million for Romania and EUR 60 million for Bulgaria, under operations approved by the Council in November 1999. Assistance totalling EUR 62 million was also paid out in 2000 in the form of outright grants, of which EUR 20 million went to FYROM (Council decision of November 1999), EUR 35 million to Kosovo (Council decision of February 2000) and EUR 7 million to Montenegro (Council decision of May 2000).

2.3. EIB lending under Council Decisions 97/256/EC and 2000/24/EC (and related amendments ([1]))

2.3.1. EIB objectives and priorities

In central and eastern Europe, the Bank is lending in the countries that have applied for EU membership and helping them to create the economic framework that will enable them to join (the Bank also assists Cyprus, Malta and Turkey, which are applicant countries outside that region) ([2]). In addition, the

([1]) See Decisions 98/348/EC, 98/729/EC, 1999/786/EC and 2000/688/EC.

([2]) In addition to its activities under mandate in the framework of the Council decisions, the Bank has renewed its substantial pre-accession facility for lending from its own resources without budgetary guarantee in order to help the countries that have applied for EU membership.

Bank provides lending in Albania, FYROM, Bosnia-Herzegovina and (since 2000) Croatia.

The EIB gives priority to upgrading, modernising and developing the communications and energy sectors, with particular emphasis on trans-European networks (TENs) in the form of the road and rail corridors defined by the Pan-European Conference of Transport Ministers as development priorities for the medium term. Environmental issues related to EIB projects are given priority in the framework of the gradual adaptation of the legislation of the countries concerned to that of the EU. The EIB also supports SMEs and other industrial initiatives, in particular when involving EU partners either directly or through its global loan instrument.

In the countries that are candidates for EU membership, the Bank's activities are conducted within the framework of the EU programme to help the candidate countries prepare for accession, in particular by financing investment aimed at integrating their infrastructure with that of the EU and by assisting SMEs. Whenever possible, projects are co-financed with other institutions. The Bank's activities thus form part of a concerted approach that is being pursued in close cooperation with the Commission and, as appropriate, with the international financial institutions working in the countries concerned.

The Bank cooperates closely with the Phare/ISPA programme, with which it has developed a productive relationship, much appreciated by the beneficiary countries. In addition to frequent Phare assistance during the pre-investment phase to ensure that the necessary studies and technical assistance are implemented in support of EIB projects, the Bank cooperates with Phare in co-financing infrastructure projects.

The contributions of Phare/ISPA and the IFIs to projects financed by the EIB in 2000 are shown in the table below. Additional projects were co-financed within the framework of the Bank's pre-accession facility, which is outside the scope of this report.

For south-eastern Europe, the Bank has established a special Balkans task force to identify infrastructure projects which should be financed as a priority, in cooperation with other IFIs within the framework of the Stability Pact for the region.

In the Mediterranean region, the Bank's lending under mandate takes place mainly within the framework of the Euro-Mediterranean partnership, in support of the economic development of the countries concerned. EIB lending supports individual investment projects and, through the global loan mechanism, smaller projects and SMEs, while at the same time strengthening the financial sector in the various countries. The Bank also lends under the TERRA programme (Turkey earthquake reconstruction and rehabilitation action).

In Asia and Latin America, the Bank finances projects that are of mutual interest to the countries concerned and the European Union (co-financing with EU promoters, transfer of technology, cooperation in the fields of energy and environmental protection).

In the Republic of South Africa (RSA), the Bank's objective is to contribute to the successful completion of the country's reconstruction and development programme.

2.3.2. EIB lending in 2000

In 2000 the Bank signed 20 loan contracts totalling EUR 1 484 million in central and eastern Europe within the framework of the Council decisions. Loans for projects in Bulgaria, Romania and the Slovak Republic accounted for 85 % of the total. The Bank signed loans in seven countries.

☐ Bank activity continues to support the economic development of the countries con-

TABLE 5

Co-financing in central and eastern Europe and the Balkans in 2000

Country	Project	Cost	EIB	Phare/ ISPA	Multilateral institutions	Bilateral institutions	Other ([1])
Albania	Rehabilitation and upgrading of about 86 km of roads	71	34	8		20	9
Bosnia-Herzegovina	Electric power reconstruction	223	60		70	62	31
Romania	Improvement of power transmission system	200	96	21	54		29
Romania	Road rehabilitation IV	491	245	72			174
	Total	985	435	101	124	82	243

([1]) Including funds of States, promoters and commercial banks.

cerned, principally by financing strategic infrastructure. Of total financing of EUR 766 million, 52 % was allocated to the communications sector, including construction of two motorway sections in Bulgaria on pan-European transport corridor VII, construction of a combined road-rail bridge on pan-European transport corridor IV between Bulgaria and Romania, modernisation of the road and railway networks in Romania and Bosnia-Herzegovina, modernisation of the port infrastructure in Lithuania, and extension and modernisation of the fixed telecommunications networks in the Slovak Republic and Slovenia.

☐ A loan in support of industry and services for a car production plant in the Slovak Republic accounted for 11 % of total financing (EUR 160 million).

☐ In the water management and miscellaneous sector, EUR 360 million (25 %) were allocated to reconstruction and prevention measures following flood damage in Romania as well as to rehabilitation of urban infrastructure, while EUR 12 million went towards a waste incineration project in the Slovak Republic.

☐ Finally, global loans totalling EUR 30 million (2 %) were allocated in support of SMEs in Bulgaria and the Slovak Republic.

In the Mediterranean region, the Bank signed 19 loans in eight countries in 2000. One loan in Algeria absorbed some small amounts remaining under the third and fourth financial protocols with that country, while a first loan was granted under the third financial protocol with Syria.

Loans for projects in Turkey accounted for some 48 % of overall lending, while Algeria and Tunisia accounted for a further 24 %.

☐ Some 38 % of total financing (EUR 455 million) was allocated to the water management and miscellaneous sector. Projects financed included the rehabilitation and reconstruction of earthquake-damaged urban

TABLE 6

Co-financing in the Mediterranean countries in 2000

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other (1)
Egypt	Rehabilitation and extension of agricultural land drainage networks in the Nile valley and delta	284	50	52	42	140
Morocco	Construction and upgrading of rural roads	118	53		24	41
Morocco	Development of a gold mine in the Western Atlas	71	30		20	21
Jordan	Eshidiya Phosphate Mines B	116	30		15	71
Jordan	Jordan Bromine Company B	85	30		18	37
Tunisia	Dualling of rail lines and modernisation of the rail network	81	25	21		35
Tunisia	Development of regional systems for solid waste management	59	25		9	25
Tunisia	Extension of the light metro network in Tunis	67	30		13	24
Turkey	Rehabilitation and reconstruction of earthquake-damaged urban infrastructure	493	150	79		264
Turkey	Rehabilitation and reconstruction of earthquake-damaged industrial installations	493	150	79		264
Syria	Electricity transmission	279	75		75	129
	Total	**2 146**	**648**	**231**	**216**	**1 051**

(1) Council Decision 97/256/EC invites the Bank 'to aim to cover the commercial risk on 25 % of its lending under this decision from non-sovereign guarantees to be expanded upon whenever possible insofar as the market permits on an individual mandate basis'.

infrastructure in Turkey as well as agricultural drainage and regional waste management development in Egypt and Tunisia respectively.

☐ Road projects in Algeria and Morocco and rail projects in Tunisia were financed under the heading of communications and accounted for 21 % of total financing in the region (EUR 248 million).

☐ Jordan, Morocco and Turkey benefited from loans to the industry and services sector representing 13 % of total financing (EUR 160 million). The loans went to a phosphate mine and manufacturing facilities for bromine and bromine derivatives in Jordan, development of a gold mine in Morocco and investment in pollution abatement measures in Turkey.

☐ In the energy sector, EUR 120 million (10 % of total financing) went towards upgrading the power transmission and supply networks in Syria and Tunisia.

TABLE 7

Mutual interest projects in the countries of Asia and Latin America

Country	Project	Mutual interest
Brazil	Modernisation and extension of mobile telephony network in six north-eastern States	A company owned, managed and operated by a leading European shareholder, Telecom Italia (TI), will implement the project. TI has made massive strategic long-term investments in Latin America in general and in Brazil in particular. In addition, the project has a significant developmental potential in an underdeveloped region that has historically been overlooked by commercial lenders.
	Modernisation and extension of mobile telephony network in States of Bahia and Sergipe in north-eastern Brazil	The project is implemented by a company owned, managed and operated by leading European shareholders with a strategic long-term commitment to Latin America and to Brazil in particular. As with the project mentioned above, this project allows the Bank to support an underdeveloped region that has historically been overlooked by commercial lenders.
	Modernisation of two plants for manufacturing new range of compact passenger cars in the State of São Paulo	The project will be implemented by the subsidiary of a leading European company, the Volkswagen group, which has established a prominent position in Latin America in general and in Brazil in particular. The project will result in transfers of technology from Europe. In addition, it will help safeguard jobs and improve the quality of the Brazilian vehicle fleet in terms of emissions and safety, and contribute to the modernisation of local manufacturing industries.
Argentina	Expansion and conversion of gas-fired power station into combined-cycle plant in Tucumán, northern Argentina	Apart from the involvement of a European shareholder (Repsol), the project will result in the transfer of technology, thus enabling more efficient use of local energy resources. Commercial banks participate as co-financiers under a Coface facility and by providing their guarantee.
	Construction of gasline; part-replacement and extension of distribution network in Buenos Aires Province	There are two European partners (British Gas and Repsol). The project also involves the transfer of technology and will have beneficial effects on the environment. Commercial banks could potentially participate by providing their guarantee.
	Extension of water supply and sewerage networks of Posadas and Garupá, in Misiones Province, eastern Argentina	There will be a European shareholder (Dragados group) and the project will involve the transfer of technology and beneficial effects on the environment. Commercial banks participate by providing their guarantee.
	Construction of glass-container production line in Mendoza	Apart from the fact that there is a European shareholder (the Saint-Gobain group), the project will contribute to increasing the competitiveness of the Argentine viticulture by improving the quality and reducing the cost of packaging. The environment will benefit through the increased use of recycled glass.
Mexico	Construction and operation of a natural gas supply network in Mexico City	This is a joint venture with a strong European participation (Gaz de France). It will also entail an important transfer of technology and will open up the Mexican market to the presence of one of the most important European firms of the sector. Natural gas will replace LPG as well as fuel oil and gasoil in the local energy markets, thus helping to reduce polluting emissions in densely populated areas.
Indonesia	Extension of Sumatra's gas transmission network, including a pipeline to export gas to Singapore	The project will have a positive impact on the environment both in Indonesia and Singapore. In addition, it will stimulate regional development between Indonesia and Singapore, two Member States of ASEAN.
Bangladesh	Construction of a cement plant near Chhatak in north-eastern Bangladesh	The Lafarge group has the controlling interest in the joint venture undertaking the project. It will also act as the industrial operator of the facility. The project would be the first major integrated cement plant in Bangladesh, helping Lafarge to establish a stronghold in a rapidly growing market. Bangladesh would benefit from the project as a result of (i) the transfer of European expertise in cement technology, operation and management, and (ii) foreign exchange savings by reducing the volume of imported cement.
Thailand	Construction of an air traffic control complex at the new Bangkok international airport	The project is of mutual interest due to its enhancement of communications between Thailand and the EU. The project also stimulates regional development and integration.

☐ Global loans in Egypt, Gaza/West Bank, Tunisia and Turkey accounted for 18 % of overall financing (EUR 210 million).

The Bank signed 11 loans for an overall amount of EUR 532 million in six countries in Asia and Latin America.

☐ Loans in favour of the industry and services sector in Argentina, Bangladesh and Brazil accounted for 27 % of total financing (EUR 144 million).

☐ In the energy sector, gas pipeline and power station projects in Argentina, Mexico and Indonesia accounted for 43 % of total financing (EUR 227 million).

☐ Communications projects, including telecommunications in Brazil and an air traffic control complex in Thailand, accounted for EUR 139 million (26 %).

☐ EUR 20 million was allocated to a water supply and treatment project in Argentina (4 %).

In 2000 the Bank signed four loan contracts totalling EUR 140 million in the Republic of South Africa, with EUR 50 million (36 %) going to a telecommunications project, EUR 25 million (18 %) to an industrial project and EUR 65 million (46 %) to global loans benefiting small and medium-scale ventures.

2.3.3. Risk sharing [1]

The Council decisions provide coverage under the Community guarantee for 65 % of the overall amount of loans signed. Under the risk-sharing arrangements, EIB loans with non-sovereign project guarantees are covered only for political risk by the Community guarantee, whereas loans with sovereign project guarantees are covered for all risks by it. The Bank would call the Community guarantee for an individual loan only if the project guarantee for that loan failed to reimburse the Bank, either for political reasons in the case of a non-sovereign project guarantee or for any reason in the case of a sovereign project guarantee. Such a call would be for the full loan amount outstanding.

During 2000 the Bank continued to work towards the risk-sharing objective.

First mandates

(Council decisions covering the period from 31 January 1997 to 31 January 2000)

The cumulative total for risk-sharing loans since the start of lending under the Council decisions relating to the period up to 31 January 2000 was EUR 1 697 million at the end of 2000, i.e. 23 % of the overall lending ceiling and 24 % of lending to date. The details for each region are as follows:

☐ In central and eastern Europe, risk sharing in respect of EIB lending amounted to EUR 896 million (25.4 % of the lending ceiling for those countries and 26 % of lending to date). With reference to central and eastern Europe, it should be noted that all lending under the Bank's pre-accession facility is entirely at the Bank's risk.

☐ In the Mediterranean region, the full amount of the first mandate had already been signed at the end of 1999. Risk sharing in respect of EIB lending remained, therefore, unchanged at EUR 71 million (3.1 % of lending under the first mandate).

[1] Council Decision 97/256/EC invites the Bank 'to aim to cover the commercial risk on 25 % of its lending under this decision from non-sovereign guarantees to be expanded upon whenever possible insofar as the market permits on an individual mandate basis'.

☐ In Asia and Latin America, risk sharing in respect of EIB lending totalled EUR 730 million, or 81 % of the lending ceiling ([1]) for those countries (the full amount of which has been signed).

☐ No risk-sharing loans have been signed in the Republic of South Africa.

☐ The risk-sharing arrangements do not apply to lending in Bosnia-Herzegovina.

Second mandates

(Council decisions covering the period from 1 February 2000 to 31 January 2007)

The cumulative total for risk-sharing projects under the Council decisions as from 1 February 2000 was EUR 560 million at the end of 2000, that is 22 % of lending to date.

☐ In central and eastern Europe, risk sharing in respect of EIB lending totalled EUR 230 million, that is 17 % of lending to date.

☐ In the Mediterranean region, one project representing 4 % of the amounts signed has been signed under the risk-sharing arrangement. As already explained, it has to be remembered that, in accordance with the programming procedures inherent in the Euro-Mediterranean partnership, projects are often signed with governments or public bodies. It is thus expected that the risk-sharing total for the Mediterranean countries will remain relatively low.

☐ In Asia and Latin America, risk sharing in respect of EIB lending amounted to EUR 300, or 76 % of lending to date.

([1]) An amount of EUR 122 million of lending in Asia and Latin America under the previous interim mandate is also covered by the guarantee arrangements laid down in the Council decisions.

3. Budgetary impact of lending

Lending activities have an impact on the Community budget when they are accompanied by Community guarantees, interest subsidies or special conditions comparable to risk-bearing operations for the lender.

Budget guarantees

On 22 December 1999 the Council decided on a general renewal of the Community guarantee for EIB loans outside the EU for a period of seven years (Council Decision 2000/24/EC; OJ L 9, 13 January 2000). The new ceilings for each area are 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 823 million.

The overall ceiling for the guarantee is therefore EUR 18 410 million and the Commission budget covers 65 % of that amount (compared with 70 % under the previous mandate). The new decision calls on the EIB to seek other sources of (commercial) guarantee from its financial intermediaries where possible and sets a target rate of 30 % of the ceiling (as opposed to 25 % under the previous mandate).

This guarantee programme will expire on 31 January 2007; it may automatically be extended by six months if the loan ceiling has not been reached.

On 7 November 2000 the Council decided to extend this scheme to EIB loans concluded in Croatia by including this country in the group of central and eastern European countries (Council Decision 2000/688/EC; OJ L 285 of 10 November 2000). As a result, the ceiling guaranteed for this group was increased to EUR 8 930 million (up by EUR 250 million) and the overall ceiling to 18 660 million.

The EIB's previous mandate is almost complete and risk sharing between sovereign and non-sovereign guarantees was effected according to the commitments agreed (24 %), proportionally reducing the budgetary reserve for the coverage of such risks. For the second mandate, the first year of application saw the signature of loans corresponding to 13.5 % of the ceiling, with risk sharing already equivalent to 21 % of the loans signed.

TREASURY REPORT

The Commission has accounts with the treasuries and/or the central banks of Member States. It uses these accounts to receive its revenue and to make the bulk of its payments transactions to governmental organisations of the Member States, in particular those relating to the EAGGF Guarantee Section.

Each month, the revenue received (expressed in euro or in national currencies for those countries not a part of the euro zone) 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 levies.

The Commission uses its commercial banking network to make payments for its administrative expenditure and for the payments directly to recipients other than the national authorities.

In order to ensure the availability of Community funds to the final recipients under the optimal conditions of speed and cost-efficiency, the Commission, via calls for tenders, has opened accounts in euro and in national currencies in all the Member States. For its payments, the Commission uses the international SWIFT payment network. In 2000, the number of payments sent by electronic transfer again increased and, in 2001, almost all payments will be sent by this network.

The annual out-turn of the budget, in income and in expenditure terms, can present variations in relation to the initial forecast. This determines whether there is a positive or negative balance for the financial year. A surplus for the financial year can be caused either by an under-utilisation of the appropriations, or because of a revenue out-turn higher than the amount provided for in the budget, or by the two simultaneously, which has been the case for 2000.

The cash situation in the course of the financial year depends on the monthly movements 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 envisage several possibilities. The Commission did not make use of the options either to anticipate by one month the payment of customs duties and agricultural levies, or to overdraw on its accounts with the national Treasuries. On the other hand, the early payment of own resources VAT and GNP, due to the individual

needs of EAGGF in particular with regard to the set aside of certain arable areas, was used in 2000, as in the previous years, to cover the EAGGF payments for the months of January and February.

The balance of the bank accounts at the end of the financial year was very high, as a result of higher income as well as the under-implementation of the budget. Consequently, there was a considerable surplus for the exercise, which will reduce (in the form of a supplementary and amending budget for the year 2000) the own resources to be paid by the Member States in 2001.

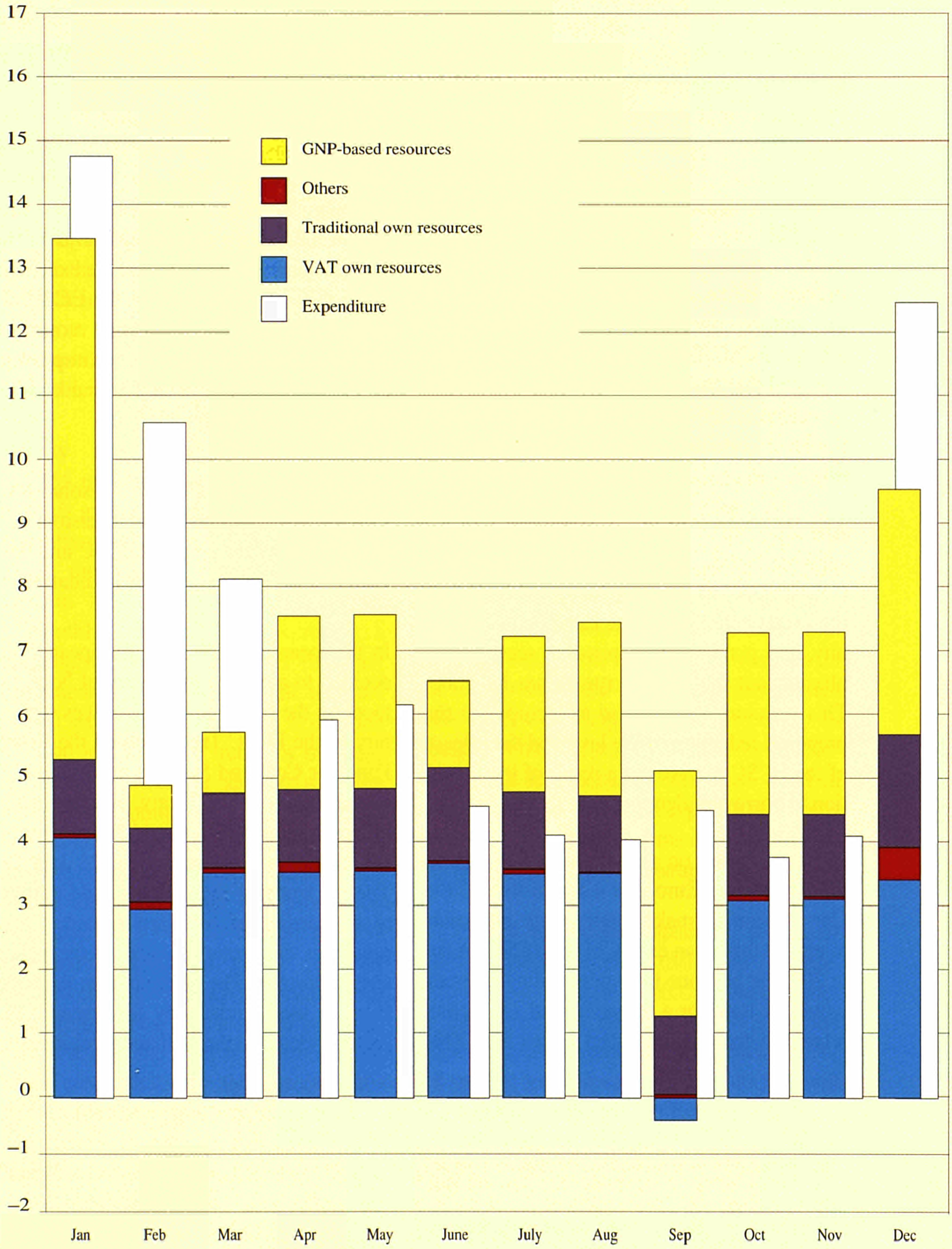
The rules also stipulate that the positive and negative balances resulting from payment and revenue transactions should be spread over the year in proportion to each Member State's estimated contribution to the budget as a whole. This balance is maintained by transfers between the central banks and/or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

Following a call for tenders, the Commission has opened special interest-bearing accounts for fines imposed in respect of infringements of the competition regulations which have been disputed at the Court of Justice by the companies concerned.

Monthly revenue and expenditure, 2000

(1 000 million EUR)



THE ECSC's FINANCIAL AND BUDGETARY ACTIVITIES IN 2000

Expiry of the ECSC Treaty

With a view to the expiry on 23 July 2002 of the ECSC Treaty under the terms of Article 97, a wide-ranging debate was launched in the early 1990s involving all the interested parties: Member States, Council, Commission, ECSC Consultative Committee, European Parliament, and the industries concerned. In theory, several options were available: renewal of the Treaty, expiry of the Treaty immediately or as scheduled, or a compromise scenario.

In view of the foreseeable developments in the sectors concerned, it was soon decided that the ECSC Treaty should expire as scheduled and that the coal and steel sectors should be placed under the ordinary regime set up by the Treaty establishing the European Community [1].

Already in 1992, the Commission suggested [2], the gradual incorporation ('phasing in') of the coal and steel sectors into the Treaty establishing the European Community, and put forward a possible scenario for phasing out budgetary expenditure by 2002. This scenario was updated to incorporate the proposed reduction of the levy and the release of the ECSC reserves as a result of the reduction in borrowing/lending activity [3].

In its resolution on growth and employment, the Amsterdam European Council invited the Commission to make 'appropriate proposals to ensure that upon expiry of the ECSC Treaty in 2002 the revenue from outstanding reserves would be used for a research fund for sectors related to the coal and steel industries'. This was in line with the wishes already expressed by the European Parliament, the ECSC Consultative Committee and the two industries, which, through their levy payments have provided most of the ECSC assets. Already in 1997, the Commission suggested an overall approach along the lines proposed by the Amsterdam European Council.

On this basis, in their resolutions of 20 July 1998 and 21 June 1999, the Council and the representatives of the governments of the Member States [4] recognised the justification for this approach and stressed the excellent results of research funded by the ECSC. They also recognised the important contribution made by these activities to the improvement of the competitiveness and social conditions in the coal and steel industries.

On the basis of the Council's resolutions, the Commission proposed draft decisions to the Council on winding up the ECSC and the use of the ECSC's assets after its liquidation [5].

In the meantime, the Nice European Council decided to annex to the Treaty of Nice a protocol on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel. It was decided that, on the expiry of the Treaty, all assets and liabilities of the ECSC would be transferred to the European Community on 24 July 2002. The net worth of these assets and liabilities is to be considered as assets intended for research in the sectors related to the coal and steel industries. The revenue from these assets is to be used exclusively for research in the sectors related to the coal and steel industry.

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(1) See in particular the Commission communication entitled 'The future of the ECSC Treaty' SEC(91) 407 final, 15.3.1991.

(2) 'Future of the ECSC Treaty — financial activities' (SEC(92) 1889 final) of 18 November 1992.

(3) Communication entitled 'The future of the ECSC Treaty — borrowing/lending activities' — COM(93) 512 final.

(4) OJ C 247, 7.8.1998, OJ C 190, 7.7.1999.

(5) COM(2000) 518–520 final (OJ C 29, 31.1.2001).

Iron and steel industry

Failing any clear signs that the trend is being reversed in the main steel-consuming industries, except for some possible levelling-off in the construction sector and a slight fall in activity in the car industry, demand for steel should normally remain steady during the months ahead, thus guaranteeing that production stays at satisfactory levels.

However, it is not impossible that the need for adjustment to the currently high stock levels throughout the economic chain might lead to a slowdown in orders and, thus, to a gradual weakening in steel production, although this ought to stabilise at a very satisfactory level, at least in the short term.

Community steel production will have reached 155 million tonnes for 1999, as a result of some ground gained in the last quarter; consequently, production will be only 2.9 % down on the absolute production record achieved in 1998. Since the beginning of 2000, monthly statistical surveys reveal a marked improvement in the level of crude steel production, giving an overall increase for the first six months of around 8 % over the same period in 1999. The trend for the third quarter, however, was far slower, with the growth in total Community steel production for the first nine months of 2000 down 5.6 % on the same period in 1999. It is therefore expected that the Union's total steel production for the whole of 2000 will exceed the 159 million tonnes announced in the previous forecast and could even reach the record level of 162 million tonnes, which would be an increase of 4 % over the level achieved in 1999, and would ensure that very high capacity utilisation rates for that year are maintained.

Furthermore, in the main Member States, these statistics show steel production up sharply during the same period in Germany (+ 13 %), healthy increases in Italy (+ 7.8 %), France (+ 5.7 %) and Spain (+ 4.8 %), but a fall of 7.7 % in the United Kingdom.

The sustained bullish mood in the business sector within the Union, fuelled by the good economic prospects and a continuing favourable international environment, suggest that there will be no significant developments in steel consumption in 2001. Hence, in anticipation of a certain shrinkage in imports, and given an actual temporary weakening of demand partly as a result of de-stocking, Community steel production in 2001 should be of the order of 162 million tonnes. This volume would be a mere 0.3 % down on the production for 2000.

This outlook should not, however, lead us to ignore the danger of an unforeseeable reversal in recent trends, which may even be exacerbated by other particularly disruptive parallel phenomena, as witnessed not so long ago.

Consequently, despite its excellent level of competitiveness, the Community steel industry must remain vigilant, so as to be able to react quickly to the slightest movements in the Community steel market and thus contain their adverse consequences as effectively as possible. Other factors must also be considered, such as uncertainty about the trend in energy prices, the fact that capacity utilisation is reaching its limits and the serious difficulties in recruiting skilled labour.

As regards production capacities, the maximum production potential (MPP) for raw steel is forecast to increase to 205.8 million tonnes in 2002, after bottoming out at 199.9 million tonnes, which corresponds to a growth rate of 1.8 million tonnes/year, of which 40.5 % will be produced by electric-arc furnaces (EAF).

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 180.0 million tonnes in 1999 to 186.6 million in 2003, owing mainly to greater capacity for hot wide strip. The forecasts have thus been revised slightly downwards in relation to those in the 1999 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.

Coal industry

Coal

Deliveries

Inland coal deliveries in the Member States in 2000 totalled 242.9 million tonnes, which was some 10 million tonnes less (– 4.0 %) than the 1999 figure of 253 million tonnes. The high oil prices did little to slow the downward trend, despite the fact that sustained economic growth in the EU resulted in increased energy demand.

The 2000 data by sector show that deliveries to power stations totalled 164.5 million tonnes, which was 5.2 % less than the 1999 figure of 173.4 million. Deliveries declined considerably in Denmark, France and Portugal and to a lesser extent in the United Kingdom, while they increased slightly in Sweden and Ireland and remained relatively stable in the other countries.

In 2000 the volume of deliveries to coking plants remained very much the same at just over 48 million tonnes. 'Other' industries appear to be following the same trend, with deliveries totalling approximately 13 million tonnes, while the domestic sector (including issues to workers), where deliveries were 5.1 million tonnes (compared with 6 million in 1999), saw a drop of 15.8 %.

It is forecast that there will be a moderate decline in total inland deliveries in the Member States in 2001 and that the growth in imports will not offset the drop in production.

Production

Coal production in the Member States has continued to decline owing to the high cost of domestic production compared with imported coal, which is available at very low prices despite the increase in the last quarter. In 2000 production is expected to be about 85.4 million tonnes, compared with 99.9 million in 1999, that is down by almost 15 million tonnes or 15 %.

Forecasts for annual production in 2001 show a continuing decline in indigenous production. Total production is expected to fall to approximately 77 million tonnes, representing a further drop of 9 %, which will affect Germany in particular.

Imports

In 2000 imports from non-EU countries were estimated at 153.6 million tonnes, which is much the same as in 1999 and represents over 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. The New York Mercantile Exchange (Nymex) thus intends to launch in March a future contract for steam coal. The pattern of supplier countries is basically unchanged, with South Africa remaining the leading exporter to Europe with about 35 million tonnes, followed by Australia with about 25 million. In all, these two countries supplied more than a third of EU coal imports in 2000.

It is forecast that imports in 2001 will be approximately 160 million tonnes, slightly up on 2000.

Coke

In 2000, total coke production in the Member States was 37.5 million tonnes, compared with 36.8 million in 1999.

Inland deliveries totalled 43.2 million tonnes in 2000, of which 39 million, or over 90 %, went to the steel industry. This compares with 43.1 million tonnes in 1999. Coke imports from non-EU countries were 6.6 million tonnes in 2000 and are not expected to change in 2001.

It is forecast that coke production will fall to 35.8 million tonnes in 2001 owing to the closure of a plant in Germany.

State aid

Public 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.

([1]) OJ L 329, 30.12.1993, p. 12.

The main points regarding 2000 are as follows:

1. On 20 September 2000, the Commission authorised ([2]) France to grant financial aid to the coal industry for the financial years 1997, 1998 and 1999 totalling EUR 2 939.4 million (FRF 19 374 million), of which EUR 1 109.1 million (FRF 7 311 million) was for current production (1997: EUR 371.1 million; 1998: EUR 383.7 million; 1999: EUR 354.3 million), while EUR 1 830.3 million (FRF 12 063 million) went to cover inherited liabilities (1997: EUR 585.1 million; 1998: EUR 614.9 million; 1999: EUR 630.4 million).

2. On 20 September 2000, the Commission authorised ([3]) France to grant financial aid to the coal industry for the financial year 2000 totalling EUR 1 010.2 million (FRF 6.627 million), of which EUR 389.6 million (FRF 2 556 million) was for current production, while EUR 620.6 million (FRF 4 071 million) went to cover inherited liabilities.

3. On 13 December 2000, the Commission authorised Spain ([4]) to grant financial aid for the financial year 2000 totalling EUR 1 121.1 million (ESP 185 541 million), of which EUR 698.3 million (ESP 116 180 million) was for current production, while EUR 422.9 million (ESP 70 361 million) went to cover inherited liabilities.

4. On 21 December 2000, the Commission authorised Germany ([5]) to grant financial aid to the coal industry for the financial years 2000 and 2001 totalling EUR 8 672.6 million (DEM 17 309 million), of which

([2]) Decision 2001/85/ECSC; OJ L 29, 31.1.2001, p. 45.
([3]) Decision 2001/58/ECSC; OJ L 21, 23.1.2001, p. 12.
([4]) Decision 2001/162/ECSC; OJ L 58, 28.2.2001, p. 24.
([5]) Decision not yet published.

EUR 6 235.5 million (DEM 12 445 million) was for current production, while EUR 2 437.1 million (DEM 4 864 million) went to cover inherited liabilities.

5. On 13 December 2000, the Commission authorised the United Kingdom ([1]) to grant financial aid for the financial year 2000 totalling EUR 28.65 million (GBP 17.5 million) for current production at the Longannet production unit.

6. On 14 February 2001, the Commission authorised the United Kingdom ([1]) to grant financial aid for the financial year 2000 totalling EUR 96.9 million (GBP 59.1 million) for current production at the following production units: Maltby, Rossington, Harworth, Selby, Hatfield and Blenkinsopp.

7. On 11 April 2001, the Commission authorised the United Kingdom ([1]) to grant financial aid for the financial year 2000 totalling EUR 17.1 million (GBP 10.4 million) for current production at the following production units: Betws Colliery, Central Surface Mines, North-East Surface Mines, East Pit Extension, Hay Royds Colliery, Eckington Colliery, Tower Colliery, Elwyn Complex and Blaentillery No 2.

During the year under review there were no new legal disputes. Ongoing cases are summarised below.

(a) Complaints

On 26 August 1997, the Commission received a complaint (ref. 97/4717) from five French companies ([2]), including Thion et Cie, against the public company Charbonnages de France concerning the alleged misuse of State aid it had received. On 20 January 1999, not having concluded that the complaint was manifestly unfounded, the Commission sent the French Government a letter of formal notice ([3]) in accordance with Article 88 of the ECSC Treaty concerning the State aid paid since 1994, that is aid granted for the financial years 1994, 1995 and 1996, regularly authorised by the Commission ([4]), and the aid for the financial years 1997 and 1998. The French Government replied by letter of 8 April 1999. For these reasons, the Commission, while authorising the State aid, postponed its decision on the amounts of FRF 35 million for 1997 and FRF 45 million for each year from 1998 to 2000.

(b) Applications

A UK company, RJB Mining Plc, lodged applications with the Court of First Instance of the European Communities against certain Commission decisions, namely:

- Case T-156/98 concerning the decision of 29 June 1998 authorising the acquisition by RAG AG of Saarbergwerke AG and Preussag Anthrazit GmbH. On 31 January 2001, the Court of First Instance annulled the abovementioned decision on the grounds that the Commission had not thoroughly examined the effects which any non-notified State aid would have on the companies' financial and commercial position. The applicant claimed that this qualified as aid because the symbolic acquisition price of DEM 1 did not reflect the true

([1]) Decision not yet published.

([2]) Thion & Cie, Maison Balland Brugneaux, Société Nouvelle Vinot Postry, Etablissements Lekieffre, Charbogard.

([3]) OJ C 99, 10.4.1999, p. 9.

([4]) Decision 95/465/ECSC (financial year 1994); Decision 95/579/ECSC (financial year 1995); Decision 96/458/ECSC (financial year 1996).

value of the industrial activities purchased ([1]).

- ☐ Case T-12/99 concerning Decision 1999/270/ECSC of 2 December 1998 on the authorisation of State aid to the German coal industry for 1998. The case is currently being examined by the Court of First Instance.

- ☐ Case T-63/99 concerning Decision 1999/299/ECSC of 22 December 1998 on the authorisation of State aid to the German coal industry for 1999. The case is currently being examined by the Court of First Instance.

- ☐ Case T-170/99 concerning Decision 1999/451/ECSC of 4 May 1999 on the authorisation of State aid to the Spanish coal industry for 1999. The case is currently being examined by the Court of First Instance.

- ☐ Case T-110/98 concerning Decision 98/687/ECSC of 10 June 1998 on the authorisation of State aid to the German coal industry for 1997. On 9 September 1999, the Court found against the applicant on two matters of law concerning the annulment of the decision. The applicant lodged an appeal with the Court of Justice. The appeal was recorded as Case C-427/99 P ([2]) and is currently being examined by the Court of Justice.

- ☐ Case T-111/98 concerning Decisions 98/635/ECSC, 98/636/ECSC and 98/637/ECSC of 3 June 1998 on the authorisation of State aid to the Spanish coal industry for 1994, 1995, 1996, 1997 and 1998. The case is currently being examined by the Court of First Instance.

([1]) The Commission sent the German Government a letter of formal notice on this matter on 4 February 2000. The German Government replied on 5 May 2000 and maintained that the operation did not involve any additional State aid to that notified annually. An independent expert report by the company ING-BARINGS was submitted in support of this claim.

([2]) OJ C 20, 22.1.2000, p. 14.

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 ([3]). 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 24 700 million, of which EUR 24 080 million from borrowed funds and EUR 644 million from own funds (Special Reserve and former Pension Fund).

With the guarantees granted during the same period (EUR 93 million), the total of ECSC financial activity is EUR 24 820 million.

([3]) OJ C 175, 28.6.1994.

At 31 December 2000 EUR 1 850 million remained due on loans from borrowed funds and EUR 129.8 million on loans from own resources.

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 2000 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 2000, since the provisions entered in the ECSC balance sheet at 31 December 1999 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 2000 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. withdrawal from provision for financing the ECSC operating budget;
4. miscellaneous resources.

For 2000 these types of revenue were EUR 54 million, 72 million, 6 million and 3 million respectively.

Total revenue in the ECSC's operating budget came to EUR 135 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 49 million was spent in 2000 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).

Research aid

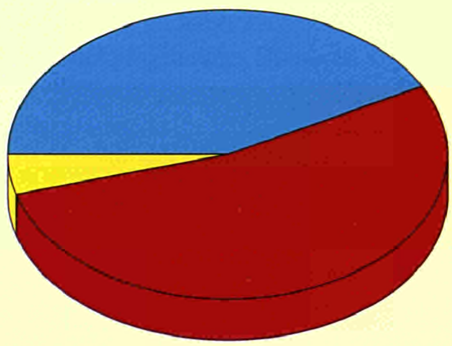
Under Article 55 of the ECSC Treaty, EUR 81 million was granted in aid for technical research in the coal and steel sector in 1999.

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 25 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.

ECSC operating budget revenue, 2000

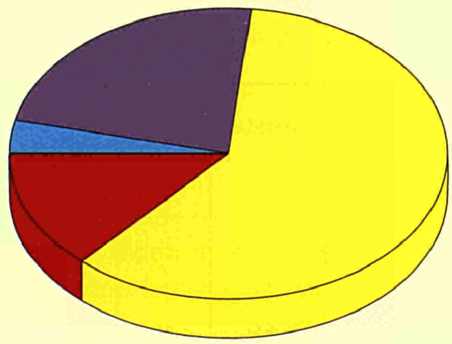
(million EUR)



Current revenue		57.0
— Yield from 0.0 % levy	0.0	
— Net balance	54.0	
— Miscellaneous resources	3.0	
Cancellation of commitments which are not implemented		72.0
Withdrawal from provision for financing the ECSC operational budget		6.0

ECSC operating budget expenditure, 2000

(million EUR)



Administrative expenditure	5.0
Redeployment aid	31.0
Research aid	81.0
Conversion aid	0.0
Social measures for the coal industry	18.0
Provision for the financing of the ECSC operating budget	0.0
	135.0

EUROPEAN DEVELOPMENT FUND: FINANCIAL OUT-TURN

Introduction

After years of intense discussion following publication of the Commission Green Paper on relations between the European Union and the ACP countries in 1996, negotiation of the new ACP–EU partnership agreement was completed in 2000 and it was signed in Cotonou on 23 June. The Cotonou Agreement provides the ACP countries with financial resources totalling EUR 25 000 million over the period 2000–07. The ninth EDF has been allocated EUR 13 500 million while EUR 9 900 million represents the balance outstanding from previous EDFs and EUR 1 700 million comes from the EIB's own resources. The agreement will enter into force once it has been ratified by all the Member States and at least two thirds of the ACP countries. However, in accordance with the decision of the ACP–EC Council of Ministers of 27 July 2000 regarding transitional measures valid from 2 August 2000, most of the provisions of the Cotonou Agreement entered into force early, with the exception of the financial resources of ninth EDF. The ratification procedure is under way.

General trends

The upswing in EDF activities has continued in 2000: EUR 3 757 million in decisions representing the highest level ever reached for the EDF and most of the performing countries running out of resources by the end of the year. Also contributing to this achievement is the decision taken on the debt-relief initiative for heavily indebted countries: HIPC initiative — EUR 1 000 million.

These results represent 85 % of the initially projected amount (EUR 4 250 million), but correspond to the figures presented by Commissioner Nielson at the Development

1 000 EUR	EDF	Aggregate total		Annual figures						
		As at 31/12/2000	% of appropriation	1996	1997	1998	1999	2000	of which	
								Total	NIPs	Regional cooperation
Decisions	6	7 496 083	96	(53 008)	24 216	(44 644)	(22 719)	29 811	35 116	–6916
	7	10 754 495	93	1 017 873	591 769	116 834	205 290	113 870	95 086	–1 994
	8	8 348 082	63			2 224 097	2 510 248	3 613 736	1 081 055	441 613
Total		**26 598 660**		**964 865**	**615 985**	**2 296 287**	**2 692 819**	**3 757 417**	**1 211 257**	**432 703**
Assigned funds	6	7 258 510	93	120 457	109 117	563 444	66 889	30 641	17 006	10 227
	7	9 363 127	81	1 259 557	852 298	563 443	350 166	294 741	160 324	69 134
	8	3 796 288	28			893 967	931 547	1 970 775	426 754	142 359
Total		**20 417 925**		**1 380 014**	**961 415**	**2 020 854**	**1 348 602**	**2 296 157**	**604 084**	**221 720**
Payments	6	7 136 123	91	199 131	173 843	153 872	103 771	100 838	64 114	18 809
	7	8 499 377	74	1 118 250	1 038 852	819 131	627 066	478 191	279 544	91 158
	8	1 980 296	15			466 621	544 540	969 135	177 330	87 071
Total		**17 615 796**		**1 317 381**	**1 212 695**	**1 439 624**	**1 275 377**	**1 548 164**	**520 988**	**197 038**

Appropriations (1 000 EUR) sixth EDF: 7 829 081; seventh EDF: 11 514 96; eighth EDF: 13 345 115.

Council's meeting in November 2000. It should be noted as well that those countries that still have resources are often facing difficulties in preparing sound projects.

With payments standing at EUR 1 548 million, the implementation of the EDF in 2000 represents an increase of 21 % over 1999, but is well below the forecast presented in September 2000 (EUR 2 025 million): an implementation rate of 76 % of the forecast.

The results regarding the assigned funds, the translation of decisions into contracts, are particularly positive and represent an increase of 70 % over 1999.

A part of the lower than expected implementation rate for the payments in 2000 may be attributed to the low level of the assigned funds in 1999. But payments, corresponding to the implementation of contracts, should increase substantially in 2001, taking into account the high level of assigned funds in 2000.

More specifically, commitments under national and regional programmes advanced significantly in 2000, with respectively EUR 1 211 million and EUR 432 million in decisions, EUR 604 million and EUR 221 million in assigned funds. This confirms the general trend in EDF activities. Given the deferred cycles of decisions, commitments and payments in a five-year programming cycle, payments were significantly lower than commitments in 2000. This should reverse during 2001 and 2002, when financing decisions taken in 1999 and 2000 will lead to increased implementation.

The domestic situation in the recipient countries constitutes, as always, an important factor in the fulfilment of the forecasts; these have been negatively affected by the situation in Côte d'Ivoire, Togo, Fiji, Haiti, Liberia and the Great Lakes region.

Development cooperation

Continuing the same exercise as in 1999 [1], the Commission conducted a mid-term review in 2000 of development cooperation with 34 countries [2]. The review was based on a number of predetermined performance criteria and on macroeconomic, sectoral and budget management criteria. This cooperation was deemed satisfactory or less satisfactory but making progress in 22 countries, which were able to receive the whole of the second tranche for their indicative programmes. Eight countries failed to meet the criteria and were therefore unable to obtain the second tranche. The remaining five countries which had not met all the criteria received part of the second tranche for their indicative programmes.

In 2000, 17 ACP countries and one region received additional resources (third tranche) for national and regional indicative programmes under the eighth EDF. A total of EUR 125.6 million was allocated to countries which had registered a sound performance in terms of the absorption of appropriations and quality of implementation and which had committed all or virtually all of their initial allocation under the eighth EDF.

Sectoral breakdown

The sectoral breakdown shown in the figure below combines the figures for the sixth, seventh and eighth EDFs.

Over 27 % of commitments in 2000 were for debt-related projects, following the decision by the ACP–EC Council of Ministers to allocate EUR 1 000 million in exceptional

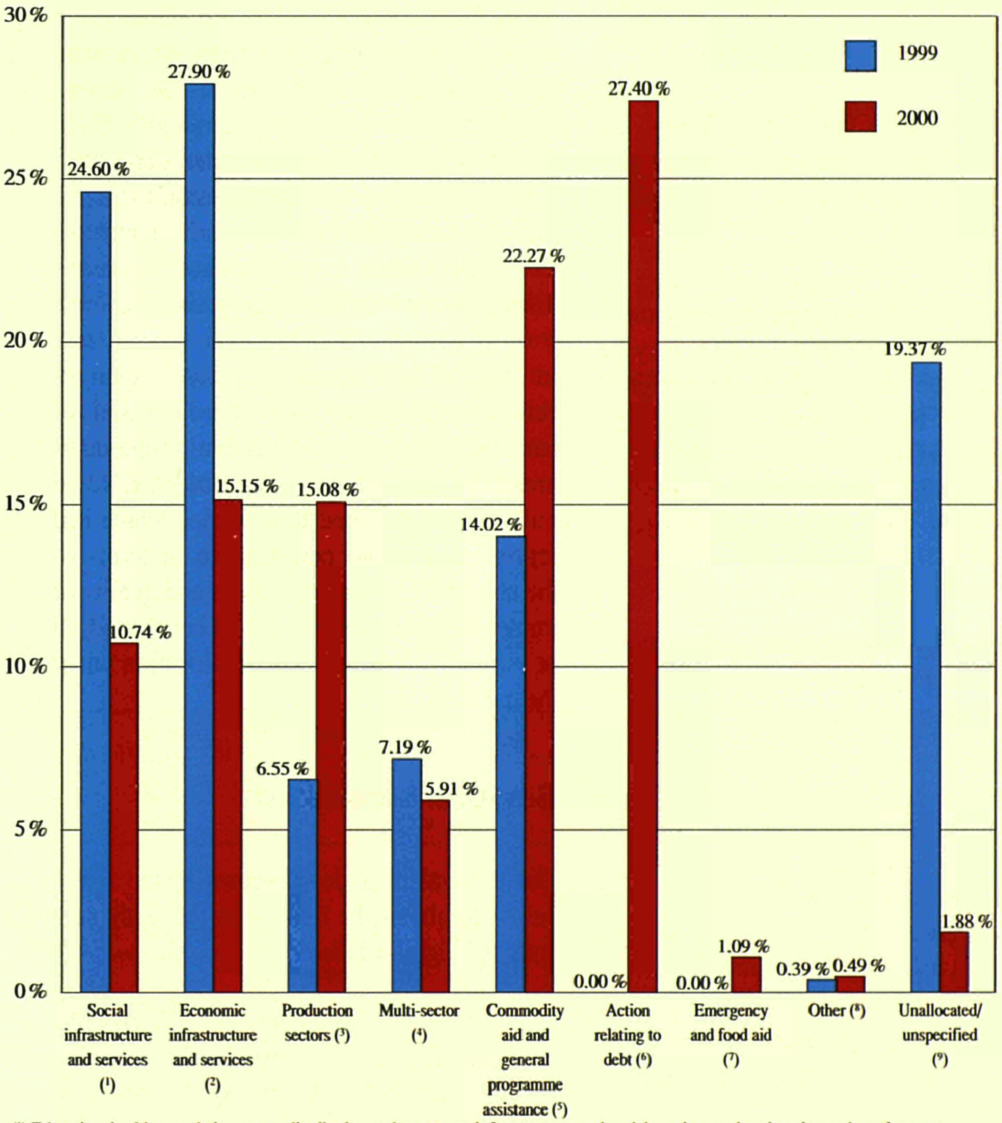
(1) In 1999, there were mid-term reviews of eight countries, for which it was decided to grant the whole of the second tranche for the national indicative programme.

(2) Some 34 decisions by the EDF Committee in 2000. Cooperation was suspended with 10 countries, 17 small countries received the whole amount of the NIP in a single tranche and one country did not sign its NIP until 2001.

assistance for the heavily indebted ACP countries ([1]).

Commitments for infrastructures and social and economic services fell sharply compared with 1999, but still accounted for a quarter of the projects.

Percentage breakdown of commitments by OECD sector 2000 — sixth, seventh and eighth EDFs



(1) Education, health, population, water distribution and treatment, infrastructures and social services such as housing and employment.
(2) Transport and storage, communications, energy, banks and financial services.
(3) Agriculture, industry, trade and tourism.
(4) Multisectoral aid, environment, biological diversity, rural and urban development.
(5) Structural adjustment, aid in the form of products (budget support, import subsidies), government and civil society.
(6) Projects relating to debt.
(7) Food aid, emergency aid and aid for refugees.
(8) Administrative costs.
(9) Unspecified sectors, awareness of development issues.

([1]) OJ C 141 (May 1998) and OJ L 103 (April 2000).

Activities during the year 2000

Regional integration

The objective of the Commission's regional support is to promote sustainable social and economic development through enhanced co-operation and integration, especially trade and market integration. The Commission works with a variety of regional organisations representing the ACP countries.

In West Africa, reinforcement of the process of integration and regional cooperation through the eight-member Union économique et monétaire ouest-africaine (UEMOA) and the larger Economic Community of West African States (Ecowas) should lead to new possibilities for growth. The PARI 2 programme (programme régionale d'appui à l'intégration) is a second support programme for the UEMOA and amounts to EUR 65 million. It was signed in March 2000 and is focused on capacity building in the national administrations to implement reforms, support to the UEMOA and to other institutions.

For the Central African Region, with its Communauté économique et monétaire (CEMAC) and the Communauté économique des États de l'Afrique centrale (CEEAC), EDF support in the past has been limited for political and economic reasons. However, it was decided in principle to provide technical assistance to CEMAC to enable it to work on regional and commercial integration. It is hoped therefore that progress may now be made.

In eastern and southern Africa, Comesa (Common Market for East and Southern Africa) is the biggest regional player, with its 20 members, the launching of a free trade area in October 2000 and the objective of a customs union by 2004. It has an active and generally successful programme of promotion of regional integration through trade development. Not surprisingly, therefore, the Commission has a large and varied programme of support for Comesa amounting to EUR 46.7 million (see annex for details.) The Commission also provides technical support to IGAD (the Intergovernmental Authority on Development) and to the East African Community, with which Comesa cooperates.

In southern Africa, the current SADC (Southern Africa Development Community) programme includes a statistical project and preparation of a new capacity-building project with five components: regional integration, implementation of the trade and transport protocols, setting up a SADC tribunal, information and communication technology/management information systems and statistics. Assistance to the legal sector to develop rules for the SADC Tribunal has been completed and the report produced will serve as the basis for setting up this tribunal, which will be a first in trade integration in Africa.

For the island regions, cooperation continued through Cariforum (ACP Forum of Caribbean States), Caricom (Caribbean Community), the Indian Ocean Commission and the South Pacific Forum Secretariat. A 'Strategic planning in public services' project of EUR 1.3 million began in 1999 to improve the ability of national Cariforum public services to formulate and manage their policies. It has started well, with operational links established with Haiti and the Dominican Republic. A EUR 4 million Caribbean regional anti-money laundering programme, based in Trinidad, became fully operational in 2000 and provides assistance to most Cariforum countries.

Lastly, for the PALOP countries (Pays africains de langue officielle portugaise — (Angola, Cape Verde, Guinea Bissau, Mozambique and São Tomé and Príncipe), work in the year 2000 in the institutional field consisted of preparing programmes of legal, administrative and statistical support.

In 2000, regional funds set aside for intra-ACP cooperation were mainly used for training and providing information on the Cotonou Agreement and on adaptation to the requirements of the World Trade Organisation. Thus, six seminars were held in different countries across the ACP world in order to inform partners of the implications of the Cotonou Agreement and to assist with the programming of future EDF support; eight training seminars on adapting to the new trade rules were also organised and two meetings of trade ministers, including one in Gabon in November 2000. Funds were also granted towards various other conferences, ranging from Expo 2000 in Hanover to a seminar on the Internet in Mali. In the immediate future, work will continue on the adaptation of ACP countries trade systems to the global market and on training in use of the new technologies — two elements of vital importance for ACP countries.

Institutional support

In most ACP countries, technical assistance to the national authorising officer is being provided by the Commission to help them with the management of EDF and other donor funds and to train the national staff to take over these activities themselves in the future.

The following are some interesting examples of the types of institutional project that the Commission is supporting.

In Burkina Faso, the Commission is playing a major role in supporting the government in its programme of legal reforms, through carrying out a detailed study of the needs, which led to the decision not only to continue support to these reforms but also to set up a fund to support, as appropriate, representative political institutions, the electoral system, civil society (in particular, human rights and the media) and the participation of women in public affairs. This EUR 16 million programme is just starting.

In Mali, in 2000, the Commission began a wide-ranging programme in support of decentralisation by the government to 682 communes, with the objective of improving the services provided by the communes to the very poor. The programme aims to help the communes deliver the public services that are legally their responsibility. A network of advice centres is being set up to assist the communes, as well as a national fund for investment in the communes. The programme is due to last five years and amounts to EUR 39 million. This programme is complemented by another which will specifically focus on filling the gap (the continuum) between emergency and longer-term development aid in the northern areas of Mali, where the Tuaregs had been the beneficiaries of emergency aid that is now stopping.

One important landmark in EU relations with Africa was the signing and provisional application of the trade development and cooperation agreement with South Africa from 1 January 2000. A minimum of EUR 360 million is due to be committed over the years 2000–02, including support to democratisation, protection of human rights and sound public management as one priority.

In Malawi, a EUR 8.5 million project for the ‘Promotion of the rule of law and justice’ is providing training and technical resources to institutions such as the Ministry of Justice, the Judiciary, the Law Faculty, the Law Commission and the Prisons Service, as well as ancillary institutions such as the Anti-Corruption Bureau, the National Compensation Tribunal and the National Archives. It was one of the first Commission programmes with an ACP country in the area of legal reform and, not surprisingly, a complex one. The programme is being adapted as it progresses to take account of lessons learnt and it could prove a helpful model for future projects in the legal sector.

In Haiti, despite a difficult political situation, a EUR 4.44 million project started in 1999 in support of governance in the education sector and is due to last three years. It has already largely achieved its objectives of restructuring the Education Ministry, making management improvements and carrying out work on decentralisation. The government made a contribution to this project of EUR 240 000 and the private sector participated since they are heavily involved in the provision of education.

Future perspectives

With the Cotonou Agreement as the basis for the Commission's development work, AIDCO will continue with and expand its activities in the areas of regional integration and institutional support in the ACP countries. Increasing emphasis will be placed on these issues in the context of other programmes, such as support to a sector where good governance is essential and trade development programmes. However, such reforms and changes are far-reaching; they take time and a large amount of effort by all concerned. Furthermore, the results cannot be seen overnight. However, with time and the will to achieve, the strengthening of regional groupings in the ACP countries should better enable them to play a larger role in the global economy, whilst within ACP countries themselves, improvements in governance should be to the benefit of whole populations and thereby help bring greater prosperity.

Debt and support for structural adjustment

Debt

As in the Lomé Convention, ACP–EC cooperation under the Cotonou Agreement recognises the seriousness of the problem of international debt and its repercussions on economic growth (Article 66). The HIPC ([1]) initiative totalling EUR 1 000 million was launched in response to this concern.

In July 2000, an initial tranche of EUR 250 million, the contribution to the HIPC Trust Fund, was released to the African Development Bank. At the same time, the Commission made an initial payment of EUR 100 million to the Trust Fund opened at the EIB for relief to ACP HIPC in respect of debts to the Community.

Structural adjustment facility

Volume

In 2000, financing decisions in support of structural adjustment programmes (all sources — SA and NIP) totalled EUR 570 million, allocated to 19 ACP countries. Of this total, EUR 460 million came from the structural adjustment facility; the remainder was covered by the indicative programmes. At the end of 2000, payments thus came to EUR 179 million, of which EUR 147 million was for structural adjustment.

Type

In 2000 the Commission presented a communication to the Council and Parliament on Community support for economic reform programmes and structural adjustment. In its resolution of 18 May 2000, the Council welcomed the balanced assessment made by the Commission, highlighting both the positive results and the limits to Community action. It encouraged the Commission, on the basis of its proposals, to continue implementing the new approach that was gradually developed this year for certain ACP countries.

Under this approach, the Community's macroeconomic assistance takes the form of support

([1]) Heavily indebted poor countries.

for the poverty reduction strategy papers (PRSPs), with close attention given to the results of poverty reduction policies and the quality of budget management. The support programmes are targeted less on given areas of expenditure, but take account of the improvement in the management of public finances and the fight against corruption. The Commission therefore focuses on improving social services, the sound management of public finances, strengthening the country's supervisory capacities, consulting civil society, developing instruments to assess the quality of budgetary management (public spending reviews, audits) and on adjusting aid according to the results obtained, without however penalising the poorest countries. The impact of these activities on the population is gauged by appropriate indicators. This approach is generally shared by the international aid community. The Commission realises that these are ambitious policies. This is a long-term operation that requires close collaboration with the BWI and complementarity and coherence with the Member States' operations.

Stabex and Sysmin

These instruments from the Lomé Convention have not been taken over in the Cotonou Agreement. They have been replaced by indicative financial allocations to mitigate the harmful effects of erratic export earnings. These instruments were therefore applied for the last time in 2000.

Stabex

The Commission adopted the following transfer decisions in 2000:

- ☐ On 24 July 2000, 21 ACP countries received 29 transfers for the 1999 year of application; after consultations under Articles 202 and 203 of the convention the total amount of eligible transfers came to almost EUR 236 million.
- ☐ On 27 December 2000, three ACP countries received three transfers for the 1998 year of application and two ACP countries received two transfers for the 1999 year of application; after consultations under Articles 202 and 203 of the convention the total amount of these transfers came to almost EUR 67 million.
- ☐ On the same date, the Commission took a decision on the volume of the unexpended balances arising under the second financial protocol (Article 195 point (a) of the convention) to be earmarked for 27 ACP countries, a total of almost EUR 71 million.

On 26 September 2000 the ACP–EC Committee of Ambassadors decided to set up a reserve to finance, before 31 December 2000, Stabex transfer decisions for the 1998 and 1999 years of application (EUR 168 million) and to repay the balances under the second financial protocol (EUR 72 million under Article 195a of the Lomé Convention). On 31 December 2000, the funds remaining in the reserve ([1]) were to be transferred to the general reserve for the eighth EDF to be set up in accordance with ACP–EC Council of Ministers Decision No 1/2000 of 27 July 2000.

Sysmin special financing facility

The year's efforts were concentrated on the surveys to identify the countries eligible from the amounts available under the transitional measures.

([1]) 1998 and 1999 years of application: EUR 101 016 649 = (168 000 000–66 983 351) reimbursement of remaining transfers: EUR 1 308 512 = (72 000 000–70 691 488).

ACP–EC Committee of Ambassadors Decision No 3/2000 of 26 September 2000 fixed the balance of the Sysmin facility at almost EUR 411 million. According to ACP–EC Council of Ministers Decision No 1/2000 of 27 July 2000, this sum is to be used to support programmes which will be identified after examination of Sysmin requests submitted before 1 August 2000, but for which decisions could not be taken before 31 December 2000.

The Commission had received 16 Sysmin requests from the ACP countries by that date. Two countries (Zambia and Guyana) were officially recognised as eligible under Sysmin and financing proposals were presented to the EDF Committee for a decision, while two others (Guinea and Togo) were not considered eligible. Eligibility and projects are still being examined for the other 12 requests (Botswana, Dominican Republic, Gabon, Ghana, Mauritania, Namibia, Niger, PNG, Senegal, Sierra Leone, Suriname and Zimbabwe). One overseas territory (New Caledonia) has also submitted a Sysmin request under the eighth EDF. The volume of finance committed for deciding on eligibility and examining the programmes proposed is EUR 1.63 million.

In 2000, the Commission took financing decisions totalling EUR 92.5 million (12.5 for Guyana and 80 for Zambia). A list of 13 recipients (Botswana, Dominican Republic, Gabon, Ghana, Guyana, Mauritania, Namibia, Niger, PNG, Senegal, Sierra Leone, Suriname and Zambia) has been drawn up with their indicative allocations for implementing the measures resulting from the ongoing examinations. Zimbabwe has not been entered on this list and a separate decision will be taken at a later date.

Other areas of cooperation

Rural development

Volume

In 2000 all the projects and programmes committed for 'rural development' (including microproject programmes) totalled EUR 130 million, divided between the seventh (45 %) and eighth EDF (54 %). This figure should be compared with the average of EUR 73 million over the period 1996–2000 and confirms the upward trend in allocations since 1998. The microproject programmes (51 % of total allocations to rural development) are largely responsible for this increase and for keeping the average volume of projects around EUR 4 million. However, with 3.5 % of total commitments over the period 1996–2000, rural development as such still accounts for a marginal share of EDF allocations.

The increase of financial allocations for rural development over five years also shows that these programmes normally require longer preparation than the average, probably because of their complexity.

Type

In 2000 the Commission put the finishing touches to its new policy and strategy for rural development. This policy, which is the result of intensive consultations between departments and with the Member States, refocuses the objectives of rural development on fighting the poverty which undeniably predominates in rural areas. By providing a consistent framework for Community assistance and its instruments, it should ultimately lead to an increase in the appropriation and thus in effectiveness and impact.

Agriculture

Volume

EDF allocations to agriculture came to EUR 177 million in 2000 (4.7 % of the total), virtually all of it (99 %) from the resources of the eighth EDF. Although this is 43 % lower than in 1999 when wide-ranging programmes were committed for agricultural research and animal health, commitments are still well above the average for 1996–2000. Most operations are in the research and crops subsectors, which account for 33 % and 34 % of allocations respectively.

Thanks to the major programmes of support for agricultural research, the increase in the average volume of projects which began in 1999 was confirmed in 2000, when it came to EUR 4.3 million. However, the average for 1996–2000 is still around EUR 2.5 million. In 2000, 5 % of EDF resources were allocated to agriculture, that is 6.35 % of all allocations between 1996 and 2000.

Type

In 2000 the finishing touches were put to the strategy papers for agriculture, livestock and fisheries. A similar initiative was launched to draw up a Community policy in support of agricultural research.

In addition, in late 2000, the first steps were taken towards the presentation of a Commission communication to the Council in 2001 on the refocusing of development policy in the fisheries sector on the objective of poverty reduction.

These initiatives setting out clear strategic priorities for Community operations are intended to improve the relevance and refocus the objectives for more effective measures to combat poverty.

Although allocations to agriculture from EDF funds are higher than the average over the period 1996–2000, closer examination gives cause for concern as there has been a drastic decline in the financing of national agricultural development programmes. After the wave of restructuring in the national institutions responsible for agriculture in the nineties, it is important that the ninth EDF should revive Community support, backed by more effective institutions, in order to refocus Community cooperation on rural poverty.

Sustainable development and environment

In 2000 the concept of sustainable development was further integrated into policies and programmes in several ways. As an overarching initiative, the Commission undertook an extensive preparatory process for an EC strategy for integrating environment into EC development cooperation. A communication, outlining elements of such a strategy, was adopted on 18 May 2000. A follow-up document, with a comprehensive strategy, was under preparation for presentation to the Development Council in 2001.

In 2000, a total of EUR 147 million, or 4 % of the overall total commitment of EUR 3 800 million from the sixth, seventh and eighth EDFs, was committed for 34 (out of 726) projects with a primary environmental focus, with payments totalling EUR 5.2 million. This is a slight increase over the 3 % commitment proportion for primary environmental projects under the seventh EDF over the period 1990–95. For projects with a high environmental risk (major transport, irrigation, waste treatment, etc.), environmental impact assessments (EIA) were carried out on a regular basis.

Work continued on the draft environment integration manual. This manual, which is expected to be finalised in 2001, will be an important tool for integration of the environment into activities funded from the EDF and other financial instruments.

Finally, it is to be noted that in the Cotonou partnership agreement attention is given to environmental aspects through Article 32 on environment and natural resources. This article specifies that cooperation on environmental protection and sustainable utilisation and management of natural resources shall aim at, among others, mainstreaming environmental sustainability into all aspects of development cooperation.

Risk capital

Volume

Commitments from EDF resources (risk capital) for ACP countries increased in 2000 to EUR 207.2 million; an additional EUR 8 million came from Sysmin resources. Nineteen projects received assistance from risk capital alone (EUR 165.2 million) and seven others from a combination of loans from own resources and from risk capital (EUR 105 million).

Payments from risk capital under the two Lomé IV protocols also increased to EUR 142.8 million at the end of 2000.

More than half the operations financed are in the private sector. Industry and services, communications infrastructure and energy all received aid. Twenty-one ACP countries were involved and there were four regional operations.

Assessment

Financing met with difficulties in 2000 because of the political situation of countries facing or recovering from armed conflict or political crises and of other countries with a fragile business climate or a persistent failure to meet payment deadlines.

Implementation of a number of projects was delayed by the slowness of sectoral and regulatory reform, the complex procedures for financing projects, in particular the increasing consideration of environmental aspects, or the privatisation process.

Old or dormant commitments

Under the EDF, the problem of closing commitments is systematically monitored by means of a regular exchange of information with the delegations to investigate the causes and also by means of the introduction of a reporting system for anomalies noted in the system of accounts. The use of additional temporary staff to make up the backlog (open commitments dating back more than five years) meant that an investigation could start in 2000 into the measures to be taken to close old commitments; this operation should be completed at the end of this year. Pre-1995 commitments totalling EUR 280 million were closed, reducing commitments outstanding from this period from EUR 901 million to EUR 621 million.

ANNEX

CONSOLIDATED ACCOUNTS OF THE EUROPEAN UNION

(Summary)

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:

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

- 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 No 2673/1999 of 13 December 1999 and supplemented by a regulation laying down certain implementing rules.

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 29 December 2000 (1), except for the following:

- ☐ intangible 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.

(1) The ECB was closed on 30 and 31 December 2000.

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 1999 and 15 October 2000, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2001.

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 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 carry-overs 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.

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.

2.6.2. Stocks are valued at the price of the last supplies received, converted at the euro rate applying on 29 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 29 December. In line with the principle of prudence, an adjustment must be made where there is a probable loss.

[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 carry-overs of appropriations from year N – 1 to year N.

2.6.4. Entitlements are entered in the accounts at their face value, converted at the euro rate applying on 29 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 29 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 29 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 2000 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 2000 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 2000

TABLE I

Out-turn balance

(million EUR)

	2000	1999
Revenue		
Own resources	86 637.043	82 082.876
Surpluses available	4 541.234	3 471.881
Other revenue	1 546.145	1 353.313
of which EFTA/EEA contribution	*74.805*	*65.077*
Total (a)	*92 724.422*	*86 908.070*
Expenditure		
Payments for the year	80 255.540	79 248.908
of which EFTA/EEA participation	*66.874*	*54.096*
Carry-overs to the following year (Table 3)	2 609.313	5 019.165
EFTA/EEA appropriations carried over from 1999 to 2000	3.016	0.192
Total (b)	*82 867.869*	*84 268.265*
Out-turn for the year: (a) – (b)	9 856.553	2 639.804
Cancellation of unused appropriations		
Carried over from previous year	1 953.041	508.102
of which EFTA/EEA participation	*1.427*	*0.000*
Exchange differences for the year	– 190.520	71.984
Overspend of appropriations carried over	0.000	0.000
Adjustment of 1999 balance ([1])		
of which European Community		
of which EFTA/EEA		
Balance	**11 619.074**	**3 219.890**
of which EFTA/EEA balance	*6.342*	*10.789*

([1]) This amount could not be included in the 1999 exercise since the carry-over of the corresponding appropriations took place after the closure of the 1999 management accounts.

TABLE II

Implementation of commitment and payment appropriations by institution

						Commitment
	Commitment appropriations authorised	Commitments made				
		On current year	On carry-overs	Total	%	Automatic carry-overs
	1	2	3	(4 = 2 + 3)	(5 = 4/1)	6
European Parliament	979 924 397.00	972 828 892.09		972 828 892.09	99.28	
Council	354 456 000.00	349 679 250.23		349 679 250.23	98.65	
Commission	94 712 427 951.83	75 411 449 613.15	2 467 398 629.79	77 878 848 242.94	82.23	225 584 332.94
Court of Justice	131 256 645.00	129 366 000.08		129 366 000.08	98.56	
Court of Auditors	70 312 467.00	66 338 196.81		66 338 196.81	94.35	
Economic and Social Committee	107 375 313.98	77 123 605.35	26 398 877.98	103 522 483.33	96.41	
Committee of the Regions	35 164 833.00	32 103 334.67		32 103 334.67	91.29	
Ombudsman	3 914 584.00	3 228 988.95		3 228 988.95	82.49	
Total	**96 394 832 191.81**	**77 042 117 881.33**	**2 493 797 507.77**	**79 535 915 389.10**	**82.51**	**225 584 332.94**

						Payment
	Payment appropriations authorised	Payments made				
		On current year	On carry-overs	Total	%	Automatic carry-overs
	1	2	3	(4 = 2 + 3)	(5 = 4/1)	6
European Parliament	1 083 255 275.72	885 733 890.92	94 201 060.87	979 934 951.79	90.46	87 095 001.17
Council	405 012 681.54	307 998 468.92	44 136 076.55	352 134 545.47	86.94	41 680 781.31
Commission	92 947 910 230.30	78 791 558 454.80	2 884 900 790.60	81 676 459 245.40	87.88	609 696 944.22
Court of Justice	138 331 978.98	122 011 479.45	5 951 437.41	127 962 916.86	92.50	7 354 520.63
Court of Auditors	78 064 468.78	58 592 180.80	7 449 261.14	66 041 441.94	84.60	7 746 016.01
Economic and Social Committee	114 602 143.37	65 817 768.32	31 263 231.24	97 080 999.56	84.71	9 975 488.14
Committee of the Regions	37 022 892.28	27 421 697.53	857 938.54	28 279 636.07	76.38	4 681 637.14
Ombudsman	4 404 337.81	2 844 081.27	381 212.28	3 225 293.55	73.23	384 907.68
Total	**94 808 604 008.78**	**80 261 978 022.01**	**3 069 141 008.63**	**83 331 119 030.64**	**87.90**	**768 615 296.30**

(EUR)

appropriations						
Appropriations carried over to following year		%	Cancelled	%	Commitments outstanding at year end	Appropriations made available again in 2001
Other carry-overs 7	Total (8 = 6 + 7)	(9 = 8/1)	(10 = 1 – 4 – 8)	(11 = 10/1)	12	13
			7 095 504.91	0.72	87 095 001.17	
			4 776 749.77	1.35	41 680 781.31	
8 942 593 773.00	9 168 178 105.94	9.68	7 665 401 602.95	8.09	65 876 645 930.55	7 799 017.00
			1 890 644.92	1.44	7 354 520.63	
			3 974 270.19	5.65	7 746 016.01	
			3 852 830.65	3.59	10 231 968.35	
			3 061 498.33	8.71	4 681 637.14	
			685 595.05	17.51	384 907.68	
8 942 593 773.00	**9 168 178 105.94**	**9.68**	**7 690 738 696.77**	**7.98**	**66 035 820 762.84**	**7 799 017.00**

appropriations						
Appropriations carried over to following year				Cancelled		%
Other carry-overs 7	Total (8 = 6 + 7)	% (9 = 8/1)	On current year 10	On carry-overs 11	Total (12 = 10 + 11)	(13 = 12/1)
	87 095 001.17	8.04	7 095 504.91	9 129 817.85	16 225 322.76	1.50
	41 680 781.31	10.29	4 776 749.77	6 420 604.99	11 197 354.76	2.76
1 840 697 653.00	2 450 394 597.22	2.64	7 089 829 572.27	1 731 226 815.41	8 821 056 387.68	9.49
	7 354 520.63	5.32	1 890 644.92	1 123 896.57	3 014 541.49	2.18
	7 746 016.01	9.92	3 974 270.19	302 740.64	4 277 010.83	5.48
	9 975 488.14	8.70	5 183 179.54	2 362 476.13	7 545 655.67	6.58
	4 681 637.14	12.65	3 061 498.33	1 000 120.74	4 061 619.07	10.97
	384 907.68	8.74	685 595.05	108 541.53	794 136.58	18.03
1 840 697 653.00	**2 609 312 949.30**	**2.75**	**7 116 497 014.98**	**1 751 675 013.86**	**8 868 172 028.84**	**9.35**

TABLE III
Expenditure

Heading	Payment appropriations authorised 1	Payments made				Automatic carry-overs
		On current year 2	On carry-overs 3	Total (4 = 2 + 3)	% (5 = 4/1)	6
1. Agriculture						
Market expenditure (except rural development) (Titles B1-1 to B1-3)	36 617 398 536.71	36 208 635 438.68	120 799 875.75	36 329 435 314.43	99.22	52 273 093.73
Rural development and accompanying measures (Titles B1-4 and B1-5)	4 204 900 000.00	4 176 433 949.61	0	4 176 433 949.61	99.32	0
Heading 1 — Total	*40 822 298 536.71*	*40 385 069 388.29*	*120 799 875.75*	*40 505 869 264.04*	*99.23*	*52 273 093.73*
2. Structural operations						
Objective 1 (B2-10)	20 103 389 271.00	13 980 118 984.26	1 505 055 677.01	15 485 174 661.27	77.03	0
Objective 2 (B2-11)	4 863 451 662.00	3 402 605 545.59	456 938 031.36	3 859 543 576.95	79.36	0
Objective 3 (B2-12)	3 343 830 000.00	3 094 135 484.00	0	3 094 135 484.00	92.53	0
Other structural operations (except Objective 1) (B2-13)	1 056 703 000.00	980 585 365.61	0	980 585 365.61	92.80	0
Community initiatives (B2-14)	3 026 324 028.00	2 052 546 204.41	248 844 698.99	2 301 390 903.40	76.05	0
Innovation schemes and technical assistance (B2-16)	227 388 819.00	184 735 444.23	0	184 735 444.23	81.24	0
Cohesion Fund (B2-3)	2 958 686 544.00	1 685 223 465.94	0	1 685 223 465.94	56.96	0
European Economic Area (B2-4)	0	0	0	0	0.00	0
Heading 2 — Total	*35 579 773 324.00*	*25 379 950 494.04*	*2 210 838 407.36*	*27 590 788 901.40*	*77.55*	*0*
3. Internal policies						
Other agricultural operations (B2-5)	84 010 000.00	76 329 284.56	0	76 329 284.56	90.86	0
Other regional operations (B2-6)	17 677 000.00	16 824 027.95	0	16 824 027.95	95.17	0
Transport (B2-7)	16 700 000.00	11 925 634.47	0	11 925 634.47	71.41	0
Fisheries and the sea (B2-9)	41 350 000.00	41 293 658.98	0	41 293 658.98	99.86	0
Education, vocational training, youth (B3-1)	547 584 461.77	483 730 261.77	0	483 730 261.77	88.34	32 037 001.10
Culture and audiovisual media (B3-2)	115 363 008.84	88 195 822.39	0	88 195 822.39	76.45	18 409 354.93
Information and communication (B3-3)	99 692 659.30	90 176 868.83	33 309.46	90 210 178.29	90.49	476.34
Other social operations (B3-4)	127 326 239.35	107 002 583.16	269 909.05	107 272 492.21	84.25	1 058 150.09
Energy (B4-1)	36 734 945.64	28 423 690.23	0	28 423 690.23	77.38	972 340.65
Euratom nuclear safeguards (B4-2)	19 400 000.00	18 919 401.68	0	18 919 401.68	97.52	0
Environment (B4-3)	150 933 851.09	93 818 469.16	9 178 303.51	102 996 772.67	68.24	803 368.12
Consumer protection (B5-1)	20 107 146.50	15 066 261.52	0	15 066 261.52	74.93	0
Aid for reconstruction (B5-2)	3 698 000.00	1 697 186.65	0	1 697 186.65	45.89	0
Internal market (B5-3)	155 699 016.29	128 476 063.92	0	128 476 063.92	82.52	3 267 607.05
Industry (B5-4)	103 772 000.00	93 542 296.00	10 128 000.00	103 670 296.00	99.90	0
Information market (B5-5)	109 010 455.89	46 317 132.73	0	46 317 132.73	42.49	2 336 984.21
Statistical information (B5-6)	30 540 726.00	27 910 850.52	0	27 910 850.52	91.39	0
Trans-European networks (B5-7)	565 513 476.82	502 912 365.09	4 695 257.23	507 607 622.32	89.76	0
Cooperation in the fields of justice and home affairs (B5-8)	79 804 445.55	52 143 282.96	4 469 334.98	56 612 617.94	70.94	0
Action against fraud (B5-9)	5 400 000.00	3 324 686.84	0	3 324 686.84	61.57	0
Research (B6)	4 085 741 504.26	3 301 139 377.45	102 821 217.18	3 403 960 594.63	83.31	262 323 009.52
Heading 3 — Total	*6 416 058 937.30*	*5 229 169 206.86*	*131 595 331.41*	*5 360 764 538.27*	*83.55*	*321 208 292.01*
4. External actions						
EDF (B7-1)	0	0	0	0	0.00	0
Food aid (B7-20)	439 654 650.00	437 502 325.07	0	437 502 325.07	99.51	0
Humanitarian aid (B7-21)	546 997 325.49	421 919 084.46	118 963 856.55	540 882 941.01	98.88	37 236.47
Cooperation — Asian developing countries (B7-30)	332 939 998.84	321 831 045.65	1 423 325.92	323 254 371.57	97.09	243 398.84
Cooperation — Latin-American developing countries (B7-31)	215 839 860.00	189 901 317.61	5 275 228.69	195 176 546.30	90.43	0
Cooperation — Developing countries in southern Africa and South Africa (B7-32)	131 614 630.00	110 136 980.91	0	110 136 980.91	83.68	0
Cooperation — Mediterranean countries and Middle East (B7-4)	522 689 900.00	472 728 631.89	251 473.66	472 980 105.55	90.49	0
European Bank for Reconstruction and Development (B7-51)	6 413 000.00	6 412 500.00	0	6 412 500.00	99.99	0

(EUR)

Appropriations carried over to following year			Cancelled			
Other carry-overs 7	Total (8 = 6 + 7)	% (9 = 8/1)	On current year 10	On carry-overs 11	Total (12 = 10 + 11)	% (13 = 12/1)
	52 273 093.73	0.14	218 091 467.59	17 598 660.96	235 690 128.55	0.64
	0	0.00	28 466 050.39	0	28 466 050.39	0.68
	52 273 093.73	*0.13*	*246 557 517.98*	*17 598 660.96*	*264 156 178.94*	*0.65*
1 020 000 000.00	1 020 000 000.00	5.07	2 746 024 849.74	852 189 759.99	3 598 214 609.73	17.90
150 000 000.00	150 000 000.00	3.08	814 546 445.41	39 361 639.64	853 908 085.05	17.56
	0	0.00	249 694 516.00	0	249 694 516.00	7.47
	0	0.00	76 117 634.39	0	76 117 634.39	7.20
	0	0.00	240 254 946.59	484 678 178.01	724 933 124.60	23.95
	0	0.00	39 031 555.77	3 621 819.00	42 653 374.77	18.76
300 000 000.00	300 000 000.00	10.14	815 771 127.06	157 691 951.00	973 463 078.06	32.90
	0	0.00	0	0	0	0.00
1 470 000 000.00	*1 470 000 000.00*	*4.13*	*4 981 441 074.96*	*1 537 543 347.64*	*6 518 984 422.60*	*18.32*
	0	0.00	7 680 715.44	0	7 680 715.44	9.14
852 000.00	852 000.00	4.82	972.05	0	972.05	0.01
	0	0.00	4 774 365.53	0	4 774 365.53	28.59
	0	0.00	56 341.02	0	56 341.02	0.14
15 700 000.00	47 737 001.10	8.72	16 117 198.90	0	16 117 198.90	2.94
4 400 000.00	22 809 354.93	19.77	4 357 831.52	0	4 357 831.52	3.78
1 050 000.00	1 050 476.34	1.05	8 373 131.17	58 873.50	8 432 004.67	8.46
	1 058 150.09	0.83	18 785 365.10	210 231.95	18 995 597.05	14.92
	972 340.65	2.65	7 338 914.76	0	7 338 914.76	19.98
	0	0.00	480 598.32	0	480 598.32	2.48
28 300 000.00	29 103 368.12	19.28	18 712 013.81	121 696.49	18 833 710.30	12.48
	0	0.00	5 040 884.98	0	5 040 884.98	25.07
2 000 000.00	2 000 000.00	54.08	813.35	0	813.35	0.02
	3 267 607.05	2.10	23 955 345.32	0	23 955 345.32	15.39
	0	0.00	101 704.00	0	101 704.00	0.10
1 500 000.00	3 836 984.21	3.52	58 856 338.95	0	58 856 338.95	53.99
	0	0.00	2 629 875.48	0	2 629 875.48	8.61
	0	0.00	57 033 287.53	872 566.97	57 905 854.50	10.24
3 725 000.00	3 725 000.00	4.67	18 831 162.59	635 665.02	19 466 827.61	24.39
	0	0.00	2 075 313.16	0	2 075 313.16	38.43
	262 323 009.52	6.42	329 985 109.36	89 472 790.75	419 457 900.11	10.27
57 527 000.00	*378 735 292.01*	*5.90*	*585 187 282.34*	*91 371 824.68*	*676 559 107.02*	*10.54*
	0	0.00	0	0	0	0.00
	0	0.00	2 152 324.93	0	2 152 324.93	0.49
	37 236.47	0.01	4 041 004.56	2 036 143.45	6 077 148.01	1.11
	243 398.84	0.07	7 855 554.35	1 586 674.08	9 442 228.43	2.84
14 122 000.00	14 122 000.00	6.54	4 596 542.39	1 944 771.31	6 541 313.70	3.03
	0	0.00	21 477 649.09	0	21 477 649.09	16.32
17 802 000.00	17 802 000.00	3.41	30 409 268.11	1 498 526.34	31 907 794.45	6.10
	0	0.00	500	0	500	0.01

TABLE III *(continued)*

Heading	Payment appropriations authorised 1	Payments made On current year 2	On carry-overs 3	Total (4 = 2 + 3)	% (5 = 4/1)	Automatic carry-overs 6
Cooperation — New Independent States and Mongolia (B7-52)	433 379 530.00	418 442 983.14	10 347 339.93	428 790 323.07	98.94	0
Other cooperation measures (B7-53)	133 506 000.00	110 978 358.02	15 000 000.00	125 978 358.02	94.36	0
Cooperation — Republics formerly part of Yugoslavia (B7-54)	745 856 092.10	609 594 030.10	66 827 689.37	676 421 719.47	90.69	151 042.10
Other cooperation measures (B7-6)	350 160 255.37	272 884 890.11	5 232 863.31	278 117 753.42	79.43	85 255.37
Human rights and democracy (B7-7)	92 432 769.00	50 990 431.95	2 164 281.78	53 154 713.73	57.51	0
International fisheries agreements (B7-80)	147 386 500.00	127 347 354.82	0	127 347 354.82	86.40	0
Other external aspects of certain Community policies (B7-81 to B7-87)	62 251 790.00	41 643 783.74	0	41 643 783.74	66.90	92 720.60
Pre-accession Mediterranean countries	2 000 000.00	0	0	0	0.00	0
Common foreign and security policy (B8-0)	38 360 000.00	19 560 207.58	3 644 237.96	23 204 445.54	60.49	0
Heading 4 — Total	*4 201 482 300.80*	*3 611 873 925.05*	*229 130 297.17*	*3 841 004 222.22*	*91.42*	*609 653.38*
5. Administration						
Part A (except pensions)	4 590 628 458.82	3 685 629 595.39	376 749 096.94	4 062 378 692.33	88.55	390 944 468.67
Pensions (all institutions)	582 918 122.64	580 580 560.17	28 000.00	580 608 560.17	99.60	135 460.00
Heading 5 — Total	*5 173 546 581.46*	*4 266 210 155.56*	*376 777 096.94*	*4 642 987 252.50*	*89.80*	*391 079 928.67*
6. Reserves						
Monetary reserve (B1-6)	810 000 000.00	0	0	0	0.00	0
Guarantee (B0-23 and B0-24)	203 000 000.00	186 290 500.00	0	186 290 500.00	91.77	0
Emergency aid (B7-91)	23 000 000.00	0	0	0	0.00	0
Heading 6 — Total	*1 036 000 000.00*	*186 290 500.00*	*0*	*186 290 500.00*	*17.98*	*0*
7. Pre-accession aid						
Agriculture (B7-01)	150 000 000.00	0	0	0	0.00	0
ISPA (B7-02)	175 000 000.00	2 542 025.66	0	2 542 025.66	1.45	0
Phare (candidate countries) (B7-03)	1 254 444 328.51	1 200 872 326.55	0	1 200 872 326.55	95.73	3 444 328.51
Heading 7 — Total	*1 579 444 328.51*	*1 203 414 352.21*	*0*	*1 203 414 352.21*	*76.19*	*3 444 328.51*
Grand total	**94 808 604 008.78**	**80 261 978 022.01**	**3 069 141 008.63**	**83 331 119 030.64**	**87.90**	**768 615 296.30**

(EUR)

Appropriations carried over to following year			Cancelled			
Other carry-overs 7	Total (8 = 6 + 7)	% (9 = 8/1)	On current year 10	On carry-overs 11	Total (12 = 10 + 11)	% (13 = 12/1)
	0	0.00	2 271 546.86	2 317 660.07	4 589 206.93	1.06
7 392 000.00	7 392 000.00	5.54	135 641.98	0	135 641.98	0.10
64 674 000.00	64 825 042.10	8.69	4 537 019.90	72 310.63	4 609 330.53	0.62
37 171 000.00	37 256 255.37	10.64	19 664 109.89	15 122 136.69	34 786 246.58	9.93
20 900 000.00	20 900 000.00	22.61	3 602 337.05	14 775 718.22	18 378 055.27	19.88
	0	0.00	20 039 145.18	0	20 039 145.18	13.60
2 006 653.00	2 099 373.60	3.37	18 508 632.66	0	18 508 632.66	29.73
	0	0.00	2 000 000.00	0	2 000 000.00	100.00
9 003 000.00	9 003 000.00	23.47	1 436 792.42	4 715 762.04	6 152 554.46	16.04
173 070 653.00	*173 680 306.38*	*4.13*	*142 728 069.37*	*44 069 702.83*	*186 797 772.20*	*4.45*
	390 944 468.67	8.52	76 292 942.71	61 012 355.11	137 305 297.82	2.99
	135 460.00	0.02	2 094 979.83	79 122.64	2 174 102.47	0.37
	391 079 928.67	*7.56*	*78 387 922.54*	*61 091 477.75*	*139 479 400.29*	*2.70*
	0	0.00	810 000 000.00	0	810 000 000.00	100.00
	0	0.00	16 709 500.00	0	16 709 500.00	8.23
	0	0.00	23 000 000.00	0	23 000 000.00	100.00
	0	*0.00*	*849 709 500.00*	*0*	*849 709 500.00*	*82.02*
140 100 000.00	140 100 000.00	93.40	9 900 000.00	0	9 900 000.00	6.60
	0	0.00	172 457 974.34	0	172 457 974.34	98.55
	3 444 328.51	0.27	50 127 673.45	0	50 127 673.45	4.00
140 100 000.00	*143 544 328.51*	*9.09*	*232 485 647.79*	*0*	*232 485 647.79*	*14.72*
1 840 697 653.00	**2 609 312 949.30**	**2.75**	**7 116 497 014.98**	**1 751 675 013.86**	**8 868 172 028.84**	**9.35**

TABLE IV

Commitments from differentiated appropriations outstanding at 31 December 2000

Heading	Year in			
	Before 1996		1996	
	Amount	%	Amount	%
1. Agriculture				
Market expenditure (except rural development) (B1-1 to B1-3)	0.03	42.6	0.05	57.4
Subtotal 1	*0.03*	*42.6*	*0.05*	*57.4*
2. Structural operations				
Objective 1 (B2-10)	621.9	3.3	169.39	0.9
Objective 2 (B2-11)	219.59	4.2	619.94	12
Objective 3 (B2-12)	20.61	0.6	44.85	1.2
Other structural actions (except Objective 1) (B2-13)	15.84	1.7	53.05	5.8
Community initiatives (B2-14)	426.11	10.1	361.66	8.6
Innovation schemes and technical assistance (B2-16)	111.41	28.4	19.03	4.8
Cohesion Fund (B2-3)	252.76	4.6	214.38	3.9
Subtotal 2	*1 668.22*	*4.3*	*1 482.30*	*3.9*
3. Internal policies				
Research (B6)	134.15	2.2	198.86	3.3
Other agricultural operations (B2-5)	13.9	6.7	12.2	5.9
Other regional operations (B2-6)	3.29	50	0.2	3
Transport (B2-7)	0.15	0.5	0.06	0.2
Fisheries and the sea (B2-9)			3.97	3.9
Education, vocational training, youth (B3-1)	11.67	2.5	23.51	5
Culture and audiovisual media (B3-2)	2.46	1.9	1.18	0.9
Information and communication (B3-3)	0.9	0.9	3.1	3.3
Other social operations (B3-4)	2.26	1.6	2.89	2.1
Energy (B4-1)	3.72	7.1	3.89	7.4
Euratom nuclear safeguards (B4-2)	0.22	1.6	0.42	3.1
Environment (B4-3)	33.1	12.7	21.91	8.4
Consumer protection (B5-1)			0.06	0.2
Internal market (B5-3)	25.14	14	10.56	5.9
Industry (B5-4)	0.6	1		
Information market (B5-5)	3.45	0.9	1.52	0.4
Statistical information (B5-6)	0.01	0	0.19	0.5
Trans-European networks (B5-7)	176.67	14.2	67.28	5.4
Cooperation in the fields of justice and home affairs (B5-8)	0.72	1.2	0.22	0.4
Action against fraud (B5-9)	0.12	2.1	0.15	2.7
Subtotal 3	*412.51*	*4.3*	*352.17*	*3.7*
4. External actions				
Food aid (B7-20)	37.34	3.3	64.97	5.8
Humanitarian aid (B7-21)	0.01	0	5.1	1.2
Cooperation — Asian developing countries (B7-30)	538.43	25.3	236.58	11.1
Cooperation — Latin-American developing countries (B7-31)	260.33	21.2	146.97	12
Cooperation — Developing countries in southern Africa and South Africa (B7-32)	34.45	7.9	41.39	9.5
Cooperation — Mediterranean countries and Middle East (B7-4)	339.67	9.4	207.69	5.7
European Bank for Reconstruction and Development (B7-51)				
Cooperation — New independent States and Mongolia (B7-52)	128.63	9	125.95	8.8
Other cooperation measures (B7-53)	0.21	0.8	0.81	2.9
Cooperation — Republics formerly part of Yugoslavia (B7-54)	7.21	0.7	41.83	4.1
Other cooperation measures (B7-6)	42.22	5.9	45.33	6.3
Human rights and democracy (B7-7)	4.81	2.2	9.45	4.3
International fisheries agreements (B7-80)	7.26	34.4	0.89	4.2
Other external aspects of certain Community policies (B7-81 to B7-87)	14.47	7.3	12.31	6.2
Pre-accession Mediterranean countries				
Common foreign and security policy (B8-0)		6.9		6.9
Subtotal 4	*1 415.03*	*11.2*	*941.5*	*7.4*
7. Pre-accession aid				
Agriculture (B7-01)				
ISPA (B7-02)				
Phare (candidate countries) (B7-03)	98.77	2.9	90.77	2.7
Subtotal 7	*98.77*	*2*	*90.77*	*1.9*
Total	**3 594.57**	**5.5**	**2 866.78**	**4.4**

(million EUR)

which commitments were contracted								Totals
1997		1998		1999		2000		
Amount	%	Amount	%	Amount	%	Amount	%	
								0.08
								0.08
307.3	1.7	2 086.34	11.2	7 450.04	40.1	7 952.19	42.8	18 587.17
328.78	6.3	428.65	8.3	3 117.59	60.1	468.7	9	5 183.24
28.31	0.8	364.61	10	1 288.98	35.3	1 900.07	52.1	3 647.43
2.52	0.3	33.58	3.7	691.05	76.1	111.77	12.3	907.8
365.04	8.6	389.43	9.2	2 049.03	48.5	631.36	15	4 222.64
45.37	11.6	100.13	25.5	100.01	25.5	16.8	4.3	392.75
452.58	8.3	700.53	12.8	1 763.52	32.2	2 093.94	38.2	5 477.71
1 529.88	*4*	*4 103.25*	*10.7*	*16 460.24*	*42.8*	*13 174.83*	*34.3*	*38 418.73*
470.85	7.7	845.62	13.9	1 419.18	23.3	3 018.33	49.6	6 086.99
17.6	8.5	48.11	23.2	80.58	38.8	35.05	16.9	207.44
0.09	1.4					3	45.6	6.58
0.61	2.1	2.8	9.8	9.62	33.7	15.34	53.7	28.57
12.08	11.9	19.86	19.6	21.78	21.5	43.7	43.1	101.39
40.77	8.6	63.04	13.3	73.67	15.6	259.92	55	472.57
1.88	1.4	8.6	6.6	29.11	22.4	87.03	66.8	130.26
4.51	4.8	7.12	7.5	22.79	24.1	56.35	59.5	94.76
5.26	3.8	10.94	7.8	30.24	21.7	87.87	63	139.45
6.07	11.6	12.48	23.9	23.93	45.8	2.19	4.2	52.28
1.4	10.1	1.06	7.7	2.02	14.6	8.69	62.9	13.81
31.53	12.1	53.36	20.5	95.64	36.7	25.36	9.7	260.91
0.62	2.4	2.35	9	5.93	22.7	17.16	65.7	26.11
11.58	6.5	17.32	9.7	28.99	16.2	85.52	47.7	179.11
		46.33	74.7	15.13	24.4			62.06
8.05	2.2	32.62	8.8	147.41	39.8	177.71	47.9	370.76
1.16	2.8	3.63	8.9	9.91	24.4	25.8	63.4	40.7
115.64	9.3	170.99	13.8	247.9	20	462.82	37.3	1 241.30
1.42	2.3	5.76	9.5	20.49	33.8	32.09	52.9	60.7
0.28	4.9	0.58	10.2	0.97	17.1	3.56	63	5.65
731.4	*7.6*	*1 352.56*	*14.1*	*2 285.30*	*23.9*	*4 447.46*	*46.4*	*9 581.41*
111.82	9.9	215.05	19.1	268.64	23.9	428.33	38	1 126.14
4.95	1.2	28.08	6.6	126.65	29.8	260.13	61.2	424.92
306.74	14.4	322.53	15.1	272.44	12.8	452.29	21.2	2 129.01
181.19	14.8	206.2	16.8	198.37	16.2	232.27	19	1 225.33
80.88	18.7	67.66	15.6	85.98	19.8	123.21	28.4	433.57
558.77	15.5	749.66	20.7	787.35	21.8	972.21	26.9	3 615.34
		17.55	34.2	33.75	65.8			51.3
165.33	11.6	258.16	18.1	312.07	21.8	439.79	30.8	1 429.93
						26.93	96.4	27.95
89.74	8.9	111.25	11	206.04	20.4	552.89	54.8	1 008.97
65.7	9.1	96.84	13.5	182.06	25.3	287.73	40	719.87
11.73	5.4	38.31	17.6	64.77	29.8	88.35	40.6	217.43
0.11	0.5	7.72	36.6	2.18	10.3	2.94	14	21.1
19.15	9.6	19.96	10	65.79	33	67.85	34	199.53
						7.7	100	7.7
1.35	4.2	5.65	17.5	0.89	2.7	22.17	68.7	32.28
1 597.47	*12.6*	*2 144.62*	*16.9*	*2 606.97*	*20.6*	*3 964.80*	*31.3*	*12 670.38*
						528.9	100	528.9
						1 013.75	100	1 013.75
116.32	3.5	537.3	16	1 034.07	30.8	1 481.00	44.1	3 358.23
116.32	*2.4*	*537.3*	*11*	*1 034.07*	*21.1*	*3 023.65*	*61.7*	*4 900.88*
3 975.07	**6.1**	**8 137.73**	**12.4**	**22 386.59**	**34.1**	**24 610.74**	**37.5**	**65 571.48**

CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION AT 31 DECEMBER 2000

Assets

(EUR)

Heading	31 December 2000	31 December 1999
I. Initial costs	**0.00**	**0.00**
II. Intangible fixed assets	**3 319 803.29**	**6 517 892.73**
III. Tangible fixed assets	**3 261 254 218.12**	**3 019 119 517.68**
A. Land and buildings	1 320 843 388.85	1 399 669 750.21
B. Fixtures and fittings, machinery and tools	34 249 471.39	94 655 391.60
C. Furniture and vehicles	57 969 161.25	176 876 698.63
D. Computer equipment	67 918 698.33	132 946 870.88
E. Leasing, financing and similar entitlements	1 390 932 638.73	851 569 942.33
F. Other tangible fixed assets	6 127 185.42	4 526 402.42
G. Fixed assets under construction and advances in respect of tangible fixed assets	383 213 674.15	358 874 461.61
IV. Investments	**1 856 483 517.61**	**1 777 820 170.33**
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	1 578 983 517.61	1 500 320 170.33
1. Subscriptions and shareholdings	22 879 266.68	27 622 551.42
2. Receivables	0.00	0.00
3. Guarantees and advances granted	1 437 110 538.51	1 318 894 990.73
4. Other	118 993 712.42	153 802 628.18
V. Long-term assets	**2 236 322 170.79**	**2 557 209 489.14**
A. Loans granted from the budget	664 389 451.97	847 428 147.06
B. Loans granted from borrowed funds	1 413 915 807.28	1 547 598 032.03
C. Other long-term receivables	158 016 911.54	162 183 310.05
VI. Stocks	**82 368 240.13**	**151 863 752.23**
A. Office supplies and other consumables	8 708 894.80	7 289 176.78
B. Scientific equipment	69 433 187.65	139 709 063.66
C. Publications Office stocks	4 226 157.68	4 865 511.79
VII. Short-term assets	**4 050 765 994.66**	**5 256 704 957.33**
A. Long-term receivables due in less than one year	511 179 140.98	2 735 684 644.02
1. Loans granted from the budget	238 191 226.28	31 893 868.75
2. Loans granted from borrowed funds	253 278 229.70	2 684 384 578.27
3. Other assets with a term of more than one year which are due in less than one year	19 709 685.00	19 406 197.00
B. Current assets	3 530 014 033.16	2 509 888 441.97
1. Advances paid to Member States	0.00	0.00
2. Advances owed by Member States	1 306 847 907.80	323 119 679.66
(a) EAGGF	414 949 211.04	138 217 990.73
(b) VAT paid and recoverable from Member States	22 278 329.86	21 687 555.54
(c) Other receivables	869 620 366.90	163 214 133.39
3. Amounts owed by Community institutions and bodies	5 733 579.78	24 292 315.89
4. Sundry debtors	2 217 432 545.58	2 162 476 446.42
C. Sundry receivables	9 572 820.52	11 131 871.34
1. Amounts owed by staff	9 378 524.73	11 048 315.71
2. Other	194 295.79	83 555.63
VIII. Cash investments	**28 372 890.52**	**40 454 375.92**
IX. Disposable assets	**17 312 576 774.01**	**11 254 861 205.20**
X. Transitional accounts	**83 729 930.21**	**251 026 662.54**
Total	**28 915 193 539.34**	**24 315 578 023.10**

Liabilities

(EUR)

Heading	31 December 2000	31 December 1999
I. Own capital	**17 867 727 577.82**	**9 039 080 663.72**
A. Economic result of the exercise	11 981 957 854.41	9 027 606 129.66
1. Budgetary execution result	11 612 731 945.86	3 209 100 914.26
2. Result of adjustments	– 369 225 908.55	5 818 505 215.40
B. Results carried over from previous exercises	5 819 228 525.55	0.00
Results of adjustments	5 819 228 525.55	0.00
Budgetary balance 1999	0.00	0.00
C. Reserves	66 541 197.86	11 474 534.06
1. Revaluation reserve	65 869 625.09	0.00
2. Borrowing-lending reserve	671 572.77	11 474 534.06
II. Provisions for risks and liabilities	**1 497 353 116.63**	**1 206 681 575.52**
A. Provisions for major repairs and maintenance	0.00	0.00
B. Other provisions for risks and liabilities	1 497 353 116.63	1 206 681 575.52
III. Long-term liabilities	**2 886 469 565.04**	**2 811 331 841.58**
A. Financial liabilities	1 312 426 534.21	1 511 351 250.95
B. Other long-term liabilities	1 574 043 030.83	1 299 980 590.63
IV. Short-term liabilities	**5 968 181 979.75**	**10 736 834 742.31**
A. Long-term liabilities falling due within the year	465 557 765.65	2 786 268 231.01
B. Other short-term financial liabilities	2 760 004 139.49	2 793 974 795.85
C. Current liabilities	2 729 950 243.83	5 142 261 929.15
1. Member States and EFTA countries	17 657 688.87	11 524 422.50
2. Community institutions and bodies	27 028 016.02	26 469 527.26
3. Appropriations to be carried over	2 609 312 949.30	5 019 165 412.94
4. Sundry creditors	75 951 589.64	85 102 566.45
D. Other liabilities	12 669 830.78	14 329 786.30
V. Transitional accounts	**695 461 300.10**	**521 649 199.97**
Total	**28 915 193 539.34**	**24 315 578 023.10**

1. This balance sheet takes account of the provisions of Commission Regulation (EC) No 2909/2000 of 29 December 2000 on the accounting management of the European Communities' non-financial fixed assets. 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 institution.

2. Tangible and intangible fixed assets include all property with a purchase value of at least EUR 420, in accordance with Article 130 of Commission Regulation No 3418/93 laying down detailed rules for implementing the financial regulation, modified by Commission decision of 16 November 2000.

3. In accordance with Title IV, Chapter 4 of Commission Regulation (EC) No 2909/2000 of 29 December 2000, all assets entered on the balance sheet, with the exception of land, fixed assets in the course of construction, advances and payments on account as defined in Article 14 of the regulation and works of art referred to in Article 19, shall be depreciated. The depreciation method to be applied shall be the straight-line method and by full year (pro rata temporis is not applicable). The depreciation rates shall be those set out in the annex to the regulation.

Where a fixed asset has undergone improvements or revaluations, depreciation of the improved asset shall continue over its residual life having due regard to the new value. Where revaluations or improvements are applied to assets completely depreciated, the length of depreciation is fixed at 10 years.

For the 2000 exercise, all the institutions have entered depreciation in the accounts, including the Court of Auditors, Parliament, Council, Economic and Social Committee and Committee of the Regions, for the first time.

The depreciations of the Court of Justice will be revised during the 2001 exercise, following the definitive installation of a computerised inventory system.

4. The accounting of tangible and intangible assets and stocks in the delegations, whilst more complete and reliable than for the previous exercise, is still not wholly satisfactory.

5. The financial statements take account of the provisions of the European Communities' consolidation manual whose objective is to establish a uniform set of accounting rules valuations and presentation for the preparation of the consolidated accounts.

ASSETS

II. Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets without physical substance. These assets must constitute a resource controlled by the institution and generate future economic benefits for the European Communities.

Computer software developed within the Institutions do not constitute intangible fixed assets. It has not been possible to include the intangible fixed assets in the different JRC offices and sites.

(EUR)

Intangible fixed assets	Computer software
A. Acquisition value	
Previous year end	11 284 239.90
Adjustments	– 1 531 085.76
Changes during the year:	
— acquisitions before 1999	953 279.00
— acquisitions during the year	1 501 438.70
— disposals and withdrawals	– 430 132.66
— transfers between headings	528 684.50
Year end	12 306 423.68
B. Depreciation and reduction in value	
Previous year end	4 766 347.17
Adjustments	277 463.26
Changes during the year:	
— decided	3 964 631.39
— cancelled following disposal, withdrawal	– 159 180.80
— transfers between headings	137 359.37
Year end	8 986 620.39
Net book value year end (A – B)	**3 319 803.29**

The cumulative depreciation of intangible fixed assets depreciated for the first time in 2000 is EUR 1 996 611.04.

All of the assets shown in the balance sheet have been depreciated.

III. Tangible fixed assets

A. Land and buildings

• Joint Research Centre

For the land and buildings of JRC at ISPRA, in the absence of historical data on acquisition costs and on the costs of annual improvements prior to 1998, the evaluation carried out by an external firm at 31 December 1997 has been used as basis for acquisition costs. The modifications in the years 1998 to 2000 have been calculated. The depreciation method followed has been:

1. for buildings fully depreciated at 1 January 1998, a new depreciation schedule has been fixed;

2. for buildings not fully depreciated at 1 January 1998, the depreciation has been calculated on the residual life having regard to the recalculated value at 1 January 1998.

For the land and buildings of JRC at Geel, the valuation of 31 December 2000 carried out by the external firm has been used, the increase in value so identified has not been depreciated.

• Delegations

The values of land and buildings in the delegations outside the European Union, as well as the associated depreciation, have been revised ([1]).

([1]) In some developing countries, the value of the land cannot be distinguished from the value of the building.

• European Parliament

In May 1998, Parliament invoked its purchase option in respect of a complex in Brussels for which the final investment cost (not including land) comes to EUR 1 097 million. In two memoranda of understanding with Parliament, the Kingdom of Belgium made a contribution to the purchase of the land and the development costs.

One clause in the memorandum stipulates that, if Parliament moves to other premises, the land will be returned to the Belgian State for BEF 1 or for its market value. An adjustment has therefore been made for the value of the land, which is now entered in the balance sheet at BEF 1.

B. Leasing, financing and similar entitlements

Article 4 of Regulation (EC) No 2909/2000 on the accounting management of the European Communities' non-financial fixed assets fixes the rules for the treatment of leasing, financing and similar entitlements.

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 billion, 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 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 51.3 million — are recorded under short-term liabilities (EUR 7.4 million) and long-term liabilities (EUR 43.9 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

B.1. Shareholdings

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 programme (ECIP).

• 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.2. 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 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 2000.

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 1 266.2 million) corresponds to the target amount [1] for the Guarantee Fund calculated on the basis of the amount outstanding at 31 December 2000. The Guarantee Fund surplus to be repaid to the Community budget during the first quarter of 2001 (EUR 166 million) is entered as own capital.

[1] The target amount corresponds to 9 % of the amount outstanding.

IV. 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	27 622 551	20 430 175
Changes during the year:				
— acquisitions			63 562	
— disposal, withdrawal			– 4 806 846	– 25 502
— transferred between headings				
Year end	*600 000 000*	*600 000 000*	*22 879 267*	*20 404 673*
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				20 430 175
Changes during the year:				
— decided				0
— cancelled following disposal, withdrawal				0
— transferred between headings				– 25 502
Year end	*0*	*0*	*0*	*20 404 673*
D. Amounts not called	442 500 000	480 000 000		
Year end	*442 500 000*	*480 000 000*	*0*	*0*
Net book value Year end (A + B – C – D)	**157 500 000**	**120 000 000**	**22 879 267**	**0**

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.

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.

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.

For the borrowing and lending operations, the yield on loans and the costs of borrowings in 2000 are as follows:

(EUR)

Description	Cost of borrowings	Yield on loans
Medium-term financial assistance	86 123 363.70	86 137 989.93
Food aid	3 569 396.93	3 569 588.80
Balance of payments	68 805 985.06	68 886 092.39
NCI treasury instrument	12 724 189.03	12 724 189.03
Normal	2 721 198.91	2 854 858.21
Euratom	533 242.66	976 230.70
Total	**174 477 376.29**	**175 148 949.06**

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.

The amounts outstanding on ECIP loans and loans granted from borrowed funds at 31 December 2000 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 2000 is included under long-term assets.

Changes in volume of loans granted by the European Communities are indicated in the following table:

(EUR)

	> 1 year	< 1 year	Loans outstanding at 31 December 2000
A. Loans from budgets			
ECIP	53 581 233.62	48 096 990.20	101 678 223.82
Other	610 808 218.35	190 094 236.08	800 902 454.43
Subtotal	*664 389 451.97*	*238 191 226.28*	*902 580 678.25*
B. Loans from borrowed funds			
Financial assistance	1 309 000 000.00	252 000 000.00	1 561 000 000.00
Balance of payments	0.00	0.00	0.00
NCI	104 915 807.28	1 278 229.70	106 194 036.98
Euratom	0.00	0.00	0.00
Subtotal	*1 413 915 807.28*	*253 278 229.70*	*1 667 194 036.98*
C. Other long-term loans			
MEDIA I	26 139 392.54		26 139 392.54
Other	131 877 519.00	19 709 685.00	151 587 204.00
Subtotal	*158 016 911.54*	*19 709 685.00*	*177 726 596.54*
Total	**2 236 322 170.79**	**511 179 140.98**	**2 747 501 311.77**

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 2.8 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. Total interest on this action amounts to the equivalent of EUR 52 million, of which only the interest accumulated at the date of the balance sheet has been entered in short-term assets.

VI. Stocks

This item covers the stocks of office supplies and consumables at 31 December 2000, 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 valued every year and entered in the balance sheet at the lower of two values: acquisition cost or costs of last-in stock or market price.

It also includes the stocks of publications held by the Office for Official Publications of the European Communities, valued according to special valuation rules [1].

(EUR)

Description		Acquisition value	Value adjustment (surplus, damaged or obsolete stock)	Net book value
A. Office supplies		2 818 375.13	15 393.24	2 802 981.89
Other consumables		6 144 608.30	238 695.39	5 905 912.91
	Subtotal	*8 962 983.43*	*254 088.63*	*8 708 894.80*
B. Scientific equipment		5 909 069.65		5 909 069.65
Basic scientific equipment		46 351 951.00		46 351 951.00
Fissile material		35 036 876.00	17 879 632.00	17 157 244.00
Heavy water		14 923.00		14 923.00
	Subtotal	*87 312 819.65*	*17 879 632.00*	*69 433 187.65*
C. Stocks of publications		4 226 157.68		4 226 157.68
	Subtotal	*4 226 157.68*		*4 226 157.68*
	Total	**100 501 960.76**	**18 133 720.63**	**82 368 240.13**

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. 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.

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 8.2 million).

It also comprises 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 2 010.6 million — 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 the rules allowing this information to be obtained are effective only from 2001. Consequently, and in order not to overstate entitlements, an adjustment for bad debts of 79.77% (EUR 1 604 million) has been estimated and entered in the accounts. This adjustment has been estimated on the one hand on the basis of declarations by the

[1] See the rules on the valuation of the Office for Official Publications of the European Communities' stocks of publications.

Member States for the year 2001, and on the other on information obtained during controls carried out.

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. A reduction in specific value has been calculated for an amount of EUR 1.1 million.

• Other receivables

The figure of EUR 869.6 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.

It also includes own resources — this year totalling EUR 2 035.4 million — which, under Article 6(2)(b) of Regulation 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.

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.

However, the Commission is unable to make a precise calculation of the impact of this overestimate, since the level of detailed information which exists on the potential recovery of these debts is very limited and incomplete. In accordance with the principle of prudence, an adjustment of the value of EUR 1 286.8 million has been estimated on the basis of recoveries in previous years. This correction has been entered in the assets section of the balance sheet, reducing the figure for amounts owed by the Member States.

(million EUR)

Description	2000	1999
Established own resources entered in the A account provided for in Article 6(2)(a) of Council Regulation No 1552/89, to be recovered	74.557	55.083
Established own resources entered in the separate account provided for in Article 6(2)(b) of Council Regulation No 1552/89, to be recovered	2 035.407	1 951.876
Value adjustment	–1 286.812	–1 951.876
Established own resources under the fifth subparagraph of Article 10(3) of Council Regulation No 1552/89, as amended by Regulation No 2729/94	0.000	73.043
Taxes to be recovered	22.278	21.688
Interest on late payment	10.668	9.443
EAGGF Guarantee }	2 010.609	1 041.928
Adjustment }	–1 603.863	–1 041.928
Clearance of EAGGF Guarantee accounts	8.202	3.517
Additional levies, 1998/99 campaign	0.000	134.701
National pensions (subrogation)	0.049	0.049
Own resources to be regularised	35.752	25.595
Total	**1 306.847**	**323.119**

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 2000 as established entitlements outstanding. An adjustment for unrecoverable debts yet undetermined has been entered for the first time.

2. 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 639.4 million. In the case of outstanding fines, EUR 973 million has been disregarded following an appeal against the Commission decision. In addition, EUR 171.4 million has been collected provisionally.

3. All debtors owing sums resulting from loans paid from borrowed funds.

4. All amounts owed as a result of Guarantee Fund operations. These amounts (EUR 215.1 million) break down as capital (EUR 94.6 million), loan interest (EUR 62.1 million) and default interest (58.4 million).

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 2000. This has been deducted from the value of these entitlements on the assets side of the balance sheet.

5. Amounts paid to financial intermediaries but not yet forwarded to final beneficiaries. This heading includes 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 792 million (including bank interest of EUR 49 million) — thus corresponds to the funds held by the intermediaries at 31 December 2000.

As mentioned in the replies to the DAS 99 (point 8.8), the Commission carried out in 2000 a survey of these financial intermediaries. Given on the one hand the non-accounting character of the procedure adopted and on the other the number of intermediaries and their geographical dispersion, the amount shown in the accounts may not be complete. Nevertheless an improvement compared to 1999 is to be noted.

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 2000	31 December 1999
1. Shares		
2. Fixed-income bonds		
3. Term accounts		
— maturity < 1 month	7 950 000.00	21 560 286.43
— maturity > 1 month end < 1 year	20 422 890.52	18 894 089.49
— maturity > 1 year		
Total	**28 372 890.52**	**40 454 375.92**

IX. Disposable assets

(EUR)

Description	31 December 2000	31 December 1999
A. Accounts with treasuries	15 918 997 076.72	10 200 633 910.95
B. Accounts with central banks	283 437 061.05	253 068 407.86
C. Accounts for borrowing/lending operations	62 655 550.45	1 940 793.92
D. Current accounts	932 829 047.33	505 787 791.78
E. Imprest accounts	114 132 776.33	120 868 972.15
F. Cash in hand	519 476.69	561 328.54
G. Transfers of funds	5 784.44	172 000 000.00
Total	**17 312 576 773.01**	**11 254 861 205.20**

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 1.5 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 2000	31 December 1999
Imprest accounts	115 614 731.51	122 257 329.48
Adjustment	– 1 481 955.18	– 1 388 357.33
Net book value	**114 132 776.33**	**120 868 972.15**

X. Transitional accounts

(EUR)

Description	31 December 2000	31 December 1999
Interest	21 253 060.90	106 440 374.64
Expenditure to be charged		96 945 540.10
Pre-paid expenses	54 501 922.38	47 636 467.03
Interinstitution	7 716 856.36	0.00
Other charges carried over and acquisitions	258 090.57	4 280.77
Total	**83 729 930.21**	**251 026 662.54**

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

Until the closure of the 1999 exercise, this post reflected mainly the counterpart of the different assets posts which were registered as budgetary expenditure for the exercise in question. The post also included adjustments to asset values, provisions and the counterpart of assets which were in various asset account lines and which were not reflected in the balance sheet until their realisation.

For the first time, a new accounting procedure covering these elements has been put in place following the adoption of the consolidation manual. Instead of reflecting these adjustments directly in own capital, an economic result for the exercise is identified.

The heading 'Own capital' now covers:

- the economic result of the exercise:
  - the result of the execution of the budget of the European Community;
  - the result of adjustments made;
- the results carried over from previous exercises;
- the reserves.

A. Economic result

(EUR)

Results of adjustments	31 December 2000
Positive adjustments	
1. Reduction in charges: increase in assets	
a. Set-up costs	0.00
b. Intangible fixed assets	2 983 402.20
c. Tangible fixed assets	747 053 959.39
d. Investments	28 525 046.00
e. Loans granted from the budget	62 067 617.36
f. Stocks	9 612 429.52
g. Other expenditure	143 524 316.30
2. Depreciations	119 556 788.38
3. Reductions in value	665 931 078.68
4. Provisions	0.00
5. Entitlements arising during the exercise	1 548 859 755.92
Total positive adjustments (A)	*3 328 114 393.75*
Negative adjustments	
1. Reduction in product: reduction in assets	
a. Set-up costs	0.00
b. Intangible fixed assets	1 961 218.02
c. Tangible fixed assets	212 859 208.60
d. Investments	5 610 191.74
e. Loans granted from the budget	32 001 482.13
f. Stocks	79 107 941.62
g. Entitlements recorded in previous exercises	260 777 922.41
h. Adjustment entitlements off-budget previously own capital	407 044 787.15
2. To depreciations	787 169 150.56
3. To reductions in value	737 700 181.60
4. To exceptional depreciations and reductions in value	7 009 827.52
5. To provisions	288 623 963.42
7. Non-budgetary charges	76 184 276.92
Total negative adjustments (B)	*2 896 050 151.69*
Result of adjustments of the exercise (A – B)	**432 064 242.06**

Economic result of the exercise	31 December 2000
Budgetary execution result	**11 612 731 945.86**
Result of adjustments	432 064 242.06
Correction of economic results of previous exercises (increases in value of tangible fixed assets)	– 62 838 333.51
Net result of adjustments	**369 225 908.55**
Economic result of the exercise	**11 981 957 854.41**

C. Reserves

(EUR)

Reserves borrowing/lending activities							
Borrowing/ lending instrument	Balance at 31 December 1999 (a)	Result of the exercise (b)	Allocation to risk provision (c)	From special reserve (d)	Aggregate result (e) =(a) + (b) + (c) + (d)	Transfer to budget (f)	Balance at 31 December 2000 (e) + (f)
MFA	840 747.74	14 626.23	– 840 747.74	0.00	14 626.23	0.00	14 626.23
FMA	19 418.62	191.87	– 10 000.00	0.00	9 610.49	– 9 418.62	191.87
BOP	66 996.77	80 107.33	– 66 996.77	0.00	80 107.33	0.00	80 107.33
Euratom	8 279 823.51	442 988.04	– 1 150 000.00	0.00	7 572 811.55	– 7 129 823.51	442 988.04
NCI	2 267 547.42	133 659.30	– 300 000.00	0.00	2 101 206.72	– 1 967 547.42	133 659.30
Total	**11 474 534.06**	**671 572.77**	**– 2 367 744.51**	**0.00**	**9 778 362.32**	**– 9 106 789.55**	**671 572.77**

II. Provisions for risks and liabilities

(EUR)

Description	Provision at 31 December 1999	Change over year	Provision at 31 December 2000
A. Major repairs	0.00		0.00
B. Other risks and liabilities			
Guarantee Fund	1 205 231 971.16	60 937 209.42	1 266 169 180.58
Provision dismantling JRC nuclear installations	0.00	227 686 754.00	227 686 754.00
Borrowing-lending:			
— NCI	1 176 433.29	253 004.25	1 429 437.54
— Euratom	200 000.00	950 000.00	1 150 000.00
— Balance of payments	73 171.07	– 6 174.30	66 996.77
— Financial aid	0.00	840 747.74	840 747.74
— Food aid	0.00	10 000.00	10 000.00
Total provisions risks and liabilities	**1 206 681 575.52**	**290 671 541.11**	**1 497 353 116.63**

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 2001.

III. Long-term liabilities

This heading includes liabilities due in more than one year.

Financial liabilities include liabilities contracted by the European Communities under borrowing and lending activities.

'Other long-term liabilities' includes all other liabilities whose amounts are known and whose duration is more than a year.

(EUR)

Description	31 December 1999	Exchange differences	31 December 2000
1. Financial liabilities: borrowings			
NCI	105 351 250.95	– 86 924 716.74	18 426 534.21
Euratom	0.00	0.00	0.00
Balance of payments	0.00	0.00	0.00
Financial assistance	1 406 000 000.00	– 112 000 000.00	1 294 000 000.00
Food aid	0.00	0.00	0.00
Subtotal	*1 511 351 250.95*	*– 198 924 716.74*	*1 312 426 534.21*
2. Other long-term liabilities			
Staff funds (1)	18 906 314.18	1 571 753.89	20 478 068.07
Deposits and guarantees (2)	2 331 548.85	457 218.03	2 788 566.88
NCI	157 271 720.24	– 33 858 514.23	123 413 206.01
Leasing (3)	750 941 165.90	443 807 989.10	1 194 749 155.00
EBRD subscriptions (4)	51 300 000.00	– 7 425 000.00	43 875 000.00
Other (5)	319 230 041.46	– 130 491 006.59	188 739 034.87
Subtotal	*1 299 980 590.63*	*274 062 440.20*	*1 574 043 030.83*
Total	**2 811 331 841.58**	**75 137 723.46**	**2 886 469 565.04**

(1) **Staff funds:** This heading covers the unemployment fund for temporary staff at all the institutions and the welfare fund for Commission local staff in non-member countries.

(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 2000 are as follows:

(EUR)

Description	Balance at 31 December 1999	New borrowings	Repayments	Exchange differences	Balance at 31 December 2000
1. Borrowings					
MTA	1 591 000 000.00	160 000 000.00	– 185 000 000.00		1 566 000 000.00
FMA	0.00				0.00
BOP	2 482 746 455.47		– 2 482 746 455.47		0.00
NCI	130 186 119.23		– 41 247 683.41		89 704 763.91
Euratom	12 237 885.21		– 12 237 885.21	766 328.09	0.00
Total	**4 216 170 459.91**	**160 000 000.00**	**– 2 721 232 024.09**	**766 328.09**	**1 655 704 763.91**

The amounts outstanding on borrowings at 31 December 2000 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	1 294 000 000.00	272 000 000.00	1 566 000 000.00
BOP	0.00	0.00	0.00
Euratom	0.00	0.00	0.00
NCI	18 426 534.21	71 278 229.70	89 704 763.91
Subtotal	*1 312 426 534.21*	*343 278 229.70*	*1 655 704 763.91*
2. Other	1 574 043 030.83	122 279 535.95	1 696 322 566.78
Total	**2 886 469 565.04**	**465 557 765.65**	**3 352 027 330.69**

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 (see table below).

B. Other financial liabilities

(EUR)

Description	31 December 2000	31 December 1999
Other financial liabilities		
• current accounts	0.00	0.00
• imprest accounts	0.00	0.00
• ongoing transfers ([1])	2 760 004 139.49	2 793 974 795.85
Total	**2 760 004 139.49**	**2 793 974 795.85**

([1]) This item covers payments booked to the budget in 2000 but only effected by the accounting officer between the closure of the accounts and 15 January 2001 (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.

C.2. Community bodies

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

C.3. Appropriations to be carried over

At 31 December 2000, the breakdown of appropriations to be carried over, taking all the institutions together, was as follows:

(EUR)

Description	31 December 2000	31 December 1999
Appropriations to be carried over:		
— non-differentiated appropriations carried over automatically	438 489 918.27	516 866 415.94
— non-differentiated appropriations carried over by the budgetary authority	0.00	59 492 878.00
— appropriations carried over by Commission decision	1 840 697 653.00	4 241 439 896.00
— differentiated current year's appropriations in respect of contributions by third parties	330 125 378.00	201 366 223.00
— differentiated appropriations carried over from 1999 in respect of contributions by third parties	0.00	0.00
Total	**2 609 312 949.27**	**5 019 165 412.94**

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.

V. Transitional accounts

(EUR)

Description	31 December 2000	31 December 1999
Interest	21 254 430.04	106 993 786.76
Revenue to be booked	91 990 775.64	263 649 975.16
Revenue institutions to be regularised	3 733 496.09	
Reuse to carry forward	96 201 304.82	150 412 933.24
Reuse to be booked	454 977 782.90	
Exchange differences	26 686 076.82	592 336.62
Accrued expenses and amounts to be carried over	617 433.79	168.19
Total	**695 461 300.10**	**521 649 199.97**

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 reuse. 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.

OFF-BALANCE-SHEET COMMITMENTS — POTENTIAL LIABILITIES AND ASSETS AT 31 DECEMBER 2000

Potential liabilities at 31 December 2000

(EUR)

1. [1]	Commitments against differentiated appropriations not covered by carry-overs of payment appropriations			63 429 543 396
2. [1]	Aid planned but not committed in respect of			211 929 134 983
	2.1. Structural Funds (aid planned but not committed for the period 2000–06)		194 463 405 045	
	Objective 1	*135 300 424 717*		
	Objective 2	*24 075 151 999*		
	Objective 3	*22 737 328 329*		
	FIFG (outside Objective 1)	*1 055 500 000*		
	Community initiatives	*11 295 000 000*		
	2.2. Cohesion Fund		16 386 546 759	
	2.3. ISPA		865 524 429	
	2.4. Protocols with the Mediterranean countries		132 100 000	
	2.5. External relations		42 250 000	
	2.6. Fisheries agreements		39 308 750	
3. [1]	EAGGF Guarantee			23 162 514 193
	3.1. Expenditure by Member States under the EAGGF Guarantee Section between 16 October 2000 and 31 December 2000		22 526 913 000	
	3.2. Potential liabilities connected with the clearance of the EAGGF Guarantee accounts pending judgment by the Court of Justice		635 601 193	
	Belgium	*9 474 700*		
	Germany	*17 243 525*		
	Greece	*151 338 162*		
	Spain	*202 467 430*		
	France	*103 988 586*		
	Ireland	*6 114 081*		
	Italy	*110 869 268*		
	Luxembourg	*1 390 851*		
	Netherlands	*25 265 847*		
	Finland	*1 222 875*		
	United Kingdom	*6 225 869*		
4. [1]	Repayment guarantee			24 628 571 678
	4.1. On loans granted by the EIB from its own resources to non-member countries	*(million EUR)*	22 719 000 000	
	65 % guarantee	*2 916*		
	70 % guarantee	*7 320*		
	75 % guarantee	*1 465*		
	100 % guarantee	*11 018*		
	4.2. On borrowings contracted by the European Communities (amounts carrying a budget guarantee at 31 December 1999)		1 655 704 764	
		Total authorised ceiling (million EUR)		
	NCI (including reconstruction)	*6 830*	*89 704 764*	
	Financial assistance	*3 270*	*1 566 000 000*	
	4.3. Signed by EIF (EC holds 30 % of EIF authorised capital)		253 866 914	

Potential liabilities at 31 December 2000 *(continued)*

(EUR)

5. (1)	Leasing and long-term rental commitments			1 385 574 062
	5.1. Long-term rental–lease			
	Commission:		804 894 767	
	5.1.1. Land	*1*		
	5.1.2. Buildings — Brussels	*588 812 384*		
	5.1.3. Buildings — Luxembourg	*76 257 327*		
	5.1.4. Buildings — Publications Office	*72 704 934*		
	5.1.5. Buildings — Delegations	*67 120 121*		
	Other institutions		578 364 114	
	5.1.5. 'Palais' Court of Justice	*2 068 425*		
	5.1.6. Buildings — ESC	*512 970 174*		
	5.1.7. Buildings — Council	*41 325 515*		
	5.1.8. Buildings — Parliament	*22 000 000*		
	5.2. Transport and computer equipment		2 315 182	
6.	*SWAPS*			274 285 371
	6.1. Currency swaps to be delivered: NCI		59 285 371	
	6.2. Exchange rates swaps to be delivered *Financial assistance*		215 000 000	
7.	Correction of budgetary imbalances			p.m.
8. (1)	Commitments in respect of pensions			15 850 000 000
9. (1)	Potential liabilities in respect of contributions to related organisations			922 500 000
10. (1)	Other potential liabilities			13 000 000
	10.1. Brussels Capital Region tax		13 000 000	
13.	Dismantling JRC nuclear installations			220 000 000
14. (1)	Renovation of the Berlaymont			374. 000 000
	Total			**342 189 123 683**

(1) See explanatory note.

All of these potential liabilities (except those at points 4.1, 4.2 and 6) should be financed, if they become payable, by the Community budget in future years. The Community budget is financed by the Member States.

Potential assets at 31 December 2000

(EUR)

4. (1)	Guarantees received from third-party guarantors in respect of loans granted by:		22 825 194 037
	4.1. the EIB and covered by a Community guarantee	22 719 000 000	
	4.2. the Commission: NCI	106 194 037	
6.	*SWAPS*		267 250 000
	6.1. Currency swaps to be received: NCI	47 250 000	
	6.2. Exchange rates swaps to be received: *Financial assistance*	220 000 000	
11. (1)	Commitments received (bank guarantees) in respect of fines (cases still pending at 31 December 2000)		639 451 500
12. (1)	Potential assets relating to cases of fraud and irregularities in the field of:		1 416 492 000
	EAGGF Guarantee	1 099 255 000	
	Structural operations	317 267 000	
15. (1)	EAGGF Guarantee		155 320 000
	Net potential gain on disposal of agricultural stocks	155 320 000	
	Foreseeable sales value at 30 September 2000 — *EUR 1 040.26 million*		
	Book value of stocks — *EUR 884.94 million*		
16.	Estimates of amounts receivable		151 640 998
	Forecasts	151 640 998	
	Forecasts	p.m.	
	Total		**25 455 348 535**

(1) See explanatory note. Potential assets linked to potential liabilities have the same number in the explanatory notes.
Should these entitlements (except those at points 4 and 6) become actual, liquid and payable, they will be added to the budgetary revenue of the exercise in which they are received. Consequently they will increase the budgetary result of the exercise reserved for the Member States.

OFF-BALANCE-SHEET COMMITMENTS — POTENTIAL LIABILITIES AND ASSETS EXPLANATORY NOTES (SUMMARY)

Point 1

Commitments not yet paid (RAL)

Commitments against differentiated appropriations still outstanding at 31 December 2000 totalled EUR 65 600 million of which EUR 2 200 million is covered by carry-overs of payment appropriations from 2000 to 2001.

The report 'Strategy relating to outstanding commitments' was presented to the budgetary authority on 15 November 2000. This report analyses the part of the outstandings which may be due to delays in payment and thus should be liquidated as soon as possible.

Point 2

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. Expenditure from 16 October 2000 to 31 December 2000. 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 2000 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

Repayment guarantee

4.1. Loans made by the EIB from its own resources in favour of third countries. As formulated, the guarantee legally covers the loans signed by the EIB at 31 December 2000 (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 2000, the amount paid out totalled EUR 12 103 million (EUR 12 060 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 16 784 million paid out up to 31 December 1999, EUR 4 681 million has already been repaid.

For the loans granted by the EIB covered by the Community budget guarantee (EUR 22 719 million), third-country guarantees have been obtained.

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	10 397 917.9
Guarantees by public institutions in the Member States	4 998 119.83
Banks or long-term credit institutions	72 371 465.04
Loans to Member States	18 426 534.21
Total	**106 194 036.98**

The Community has not received third-party guarantees for loans granted under the financial assistance scheme or food aid. However, these loans, totalling EUR 1 615.5 million, are guaranteed by the Guarantee Fund.

4.3. At 31 December 2000, the EIF had signed guarantees totalling EUR 2 846.2 million: this represents a maximum potential risk of EUR 853.9 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 253.9 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 5

Long-term rental–lease

5.1. Buildings

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:

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

5.1.2. 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	440 164 117
State-owned buildings	3 670 324
Long-term leases	144 977 943
Total	**588 812 384**

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 (Article 83(2)).

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 Regulations) 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 2000 in line with the additional entitlements acquired in 1998, 1999 and 2000.

The liabilities cover the pension rights of the following persons:

1. staff in active employment at 31 December 2000 in all the institutions and agencies covered by the Community pensions scheme;
2. persons receiving a retirement pension;
3. persons receiving a survivor's pension;
4. orphans;
5. persons receiving an invalidity pension;
6. members and former members of the Commission.

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

1. updated mortality tables;
2. calculation interest in accordance with standard IAS 19: 2.5 % compound;
3. closed-group model (participants at 31 December 2000);
4. application of the principle of married staff in active employment, without taking orphans' pensions into account;
5. the marital situation of persons no longer at work, taking orphans' pensions into account;
6. elimination of the effect of the weighting, inflation or general revaluation of salaries/pensions;
7. average salary progression of around 2 %;
8. a pensionable age of 60;
9. 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.

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:

(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 10

Other potential commitments

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.

Point 11

Fines

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 2000. 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 2000 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	410 000 (2)	400 000 (1)	10 000 (1)		
	2	*410 000 (2)*	*400 000 (1)*	*10 000 (1)*		
1992	1	1 000 000 (1)	1 000 000 (1)			
	1	*1 000 000 (1)*	*(without guarantee)*			*1 000 000 (1)*
1994	44	151 130 000 (44)	143 406 411 (37 + 2 in part)	3 813 589 (1 + 2 in part)	1 700 000 (2)	2 210 000 (2)
	24	*42 530 000 (24)*	*15 060 000 (20)*	*27 460 000 (3)*		*10 000 (1)*
1995	43	250 966 000 (43)	223 843 000 (33)	25 165 000 (8)	102 000 (1)	1 856 000 (1)
	7	*61 643 000 (7)*	*39 325 000 (4)*	*22 318 000 (3)*		
1997	1	8 800 000 (1)		8 800 000 (1)		
	1	*7 883 326 (1)*		*7 883 326 (1)*		
1998	38	532 510 000 (38)	422 122 500 (19 + 1 in part)	21 647 500 (6 + 1 in part)	1 800 000 (1)	86 940 000 (11)
	37	*518 710 000 (37)*	*418 502 500 (22 + 2 in part)*	*63 557 500 (7 + 2 in part)*		*36 650 000 (6)*
1999	11	112 350 000 (11)	87 250 000 (8)	20 700 000 (2)		4 400 000 (1)
	10	*107 950 000 (10)*	*87 250 000 (8)*	*20 700 000 (2)*		
2000	25	233 882 000 (25)	78 914 000 (16)	29 504 000 (3)	950 000 (1)	124 514 000 (5)
	24	*232 932 000 (24)*	*78 914 000 (16)*	*29 504 000 (3)*		*124 514 000 (5)*
Total decisions ***notified***	**165**	**1 291 048 000 (165)**	**956 935 911 (115 + 3 in part)**	**109 640 089 (22 + 3 in part)**	**4 552 000 (5)**	**219 920 000 (20)**
	106	***973 058 326 (106)***	***639 451 500 (71 + 4 in part)***	***171 432 826 (22 + 2 in part)***		***162 174 000 (12)***

NB: Fines pending are shown in italics.

Point 12

Fraud and irregularities

The two following tables are based on the formal reports submitted by the Member States in accordance with Regulations (EEC) No 595/91 ([1]) and (EC) 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).

([1]) EAGGF Guarantee.
([2]) Structural operations.

☐ 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. Henceforth, the Member States are obliged to submit annually to the Commission a statement on their pending recoveries (Article 8, Regulation 438/2001).

☐ A large proportion of the total for EAGGF Guarantee is, for objective reasons, irrecoverable through 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 2001. 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 2000 had not yet been adopted.

Potential assets linked to fraud and irregularities reported under Regulation No 595/91 (EAGGF)

(1 000 EUR)

Member State	Balance to be recovered Cases reported < 2000 (a)	Balance to be recovered Cases reported 2000 (b)	At law (c)	Irrecoverable (d)	Art. 3 Reg. 595/91 (e)	Total (f) = a + b - d - e
Belgium	23 937	38 896	17 764	25	474	62 334
Denmark	9 597	55	5 049	3 703		5 949
Germany	189 860	56 275	29 345	15 639	4 114	226 382
Greece	70 886	11	39 836	86		70 811
Spain	130 171	25 629	48 339	20 196	62	135 542
France	52 872	12 358	33 430	2 127		63 103
Ireland	4 949	833	0	243		5 539
Italy	1 183 766	280 665	387 051	69 035	947 023	448 373
Luxembourg	15	0	0	0		15
Netherlands	31 409	10 123	8 095	2 261	27 525	11 746
Austria	4 010	171	0	0		4 181
Portugal	20 924	14 240	18 790	1 282		33 882
Finland	19	3	0	0		22
Sweden	164	92	0	0		256
United Kingdom	30 936	17 475	15 077	17 321		31 090
Total	**1 753 515**	**456 826**	**602 776**	**131 918**	**979 198**	**1 099 225**

Potential assets linked to fraud and irregularities under Regulations Nos 1681/94 and 1831/94 (structural actions)

(1 000 EUR)

Member State	Balance to be recovered 1994–98	Balance to be recovered 2000	Total
Belgium	945	0	945
Denmark	331	127	458
Germany	40 314	12 389	52 703
Greece	9 601	2 549	12 150
Spain	17 646	10 012	27 658
France	3 561	9 963	13 524
Ireland	3 202	8 757	11 959
Italy	66 310	14 389	80 699
Luxembourg	0	0	0
Netherlands	1 064	16 173	17 237
Austria	0	1 363	1 363
Portugal	37 281	2 553	39 834
Finland	260	336	596
Sweden	999	171	1 170
United Kingdom	50 644	6 327	56 971
Total	**232 158**	**85 109**	**317 267**

Point 13

Decommissioning the JRC nuclear research installations

The decommissioning of the JRC nuclear research installations and the removal of waste is estimated to cost EUR 220 million. The Commission accepts that these estimates involve a margin of error of around 20 %. Experience elsewhere in the world indicates that such costs are frequently underestimated, and often by a wide margin.

Point 15

At 30 September 2000, there was a net potential gain of EUR 155.3 million for the disposal of agricultural stocks — a net higher figure than in the previous year.

Virtually all (EUR 140 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 value of new stocks is written down from the date on which they are formed. The 2001 budget contains EUR 530 million for the depreciation of these stocks (Subsection B1), broken down as follows:

(million EUR)

Cereals	88
Rice	34
Olive oil	
Alcohol	155
Skimmed-milk powder	1
Butter	74
Beef	178
Total	**530**

GLOSSARY

Abbreviation or acronym meaning

ACP African, Caribbean and Pacific States

Altener Programme for the promotion of renewable energy sources in the Community

Ariane Programme of support for books and reading

Bridge Biotechnology research for innovation, development and growth in Europe

CAP Common agricultural policy

CE Compulsory expenditure

CFSP Common foreign and security policy

CIS Commonwealth of Independent States

COM Reference to official Commission publications

Connect Innovation and connection of Community programmes — preparatory measures

CSF Community support framework

EAEC European Atomic Energy Community (Euratom)

EAGGF-Guarantee European Agricultural Guidance and Guarantee Fund, Guarantee Section

EAGGF-Guidance European Agricultural Guidance and Guarantee Fund, Guidance Section

ECSC European Coal and Steel Community

ECU European currency unit

EDF European Development Fund

EEA European Economic Area

EEC European Economic Community

EFTA European Free Trade Association

EIB European Investment Bank

Erasmus European Community action scheme for the mobility of university students

ERDF European Regional Development Fund

ESF European Social Fund

Esprit European strategic programme for research and development in information technology

EU European Union

Euratom See EAEC

EURES European employment services

FIFG Financial Instrument for Fisheries Guidance

FORCE Community action programme for the development of continuing vocational training

FP Financial perspective

GATT General Agreement on Tariffs and Trade

GDP Gross domestic product

GNP Gross national product

IMPs Integrated Mediterranean programmes

Impact Information market policy actions

JET Joint European Torus

JHA Justice and home affairs ('third pillar')

Kaleidoscope 2000 Programme of support for artistic and cultural activities of a European dimension

Leonardo Action programme for the implementation of a European Community vocational training policy

LIFE Financial instrument for the environment

Lingua Promotion of the teaching and learning of foreign languages

MEDA Measures to accompany the reforms to the economic and social structures in non-member countries of the Mediterranean basin

NCE Non-compulsory expenditure

NCI New Community Instrument

OCTs Overseas countries and territories

PDB Preliminary draft budget

PDSAB Preliminary draft supplementary and amending budget

PEACE Community initiative to support the peace process in Northern Ireland

PETRA Action programme for the training and preparation of young people for adult and working life

Phare Poland–Hungary: aid for restructuring of the economy

p.m. Pour mémoire (token entry)

RACE Research and development in advanced communication technologies for Europe

Raphael Community action programme concerning the cultural heritage

RTD Research and technological development

SAB Supplementary and amending budget

SAVE Specific actions for vigorous energy efficiency

Socrates Community action programme in the field of education

SPD Single programming document

Stabex System of stabilisation of export earnings for agricultural products

Sysmin System of stabilisation of export earnings for mineral products

Tacis Technical assistance to the Commonwealth of Independent States

TENs Trans-European networks

VAT Value added tax

European Commission

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BELGIQUE/BELGIË

Jean De Lannoy
Avenue du Roi 202/Koningslaan 202
B-1190 Bruxelles/Brussel
Tél. (32-2) 538 43 08
Fax (32-2) 538 08 41
E-mail: jean.de.lannoy@infoboard.be
URL: http://www.jean-de-lannoy.be

La librairie européenne/ De Europese Boekhandel
Rue de la Loi 244/Wetstraat 244
B-1040 Bruxelles/Brussel
Tél. (32-2) 295 26 39
Fax (32-2) 735 08 60
E-mail: mail@libeurop.be
URL: http://www.libeurop.be

Moniteur belge/Belgisch Staatsblad
Rue de Louvain 40-42/Leuvenseweg 40-42
B-1000 Bruxelles/Brussel
Tél. (32-2) 552 22 11
Fax (32-2) 511 01 84
E-mail: eusales@just.fgov.be

DANMARK

J. H. Schultz Information A/S
Herstedvang 12
DK-2620 Albertslund
Tlf. (45) 43 63 23 00
Fax (45) 43 63 19 69
E-mail: schultz@schultz.dk
URL: http://www.schultz.dk

DEUTSCHLAND

Bundesanzeiger Verlag GmbH
Vertriebsabteilung
Amsterdamer Straße 192
D-50735 Köln
Tel. (49-221) 97 66 80
Fax (49-221) 97 66 82 78
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ESPAÑA

Boletín Oficial del Estado
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Fax (34) 915 38 21 21 (libros),
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E-28001 Madrid
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E-mail: libreria@mundiprensa.es
URL: http://www.mundiprensa.com

FRANCE

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