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EUROPEAN UNION

FINANCIAL REPORT 2003

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FOREWORD

The EU budget 2003 was the first to be established, implemented and controlled according to the new Financial Regulation. This new regulation entered into force in January 2003 and replaced its 25 year old predecessor. It covers rules on the establishment of the budget according to policy areas, clearly attributes roles to all those involved in the budgetary process, lays down rules on awards of grants, contracts, accounting and control provisions, and strengthens budgetary principles. It provides a comprehensive rulebook for modern financial management in all aspects of the EU budget.

For the year 2003 the Union was entrusted with a budget of EUR 99.7 billion in commitment appropriations, an increase of only 0.26 % over the 2002 budget. The payment appropriations amounted to EUR 98.4 billion, which represented only 1.02 % of Community gross national income (GNI). This budget successfully combined budgetary rigour while meeting European policy priorities. The funds were used to prepare for enlargement, to foster stability and security in the EU and outside, as well as to encourage sustainable and inclusive economic development.

As in previous years specific new demands occurred in the field of foreign policy. Funding was secured for humanitarian aid and a first tranche of reconstruction aid for Iraq after the war. The role of the EU in foreign policy was strengthened when the EU budget took over financing of a joint European police force in Bosnia-Herzegovina, asserting the Community aspects of joint actions to ensure stability.

The exceptional heat and drought in summer 2003 had an impact on spending on agriculture. To help farmers, payments normally scheduled for 2004 were advanced to 2003. The climatic conditions also caused major forest fires in Portugal, Spain and France. The new Solidarity Fund instrument, only created in 2002, provided Union aid for the affected regions.

At the end of 2003 a total of EUR 90.6 billion had been spent. EUR 5 billion was already handed back to Member States during the year, EUR 2.2 billion was carried over to 2004, and a surplus of EUR 5.5 billion entered into the 2004 budget thus lowering the contributions from Member States to that budget.

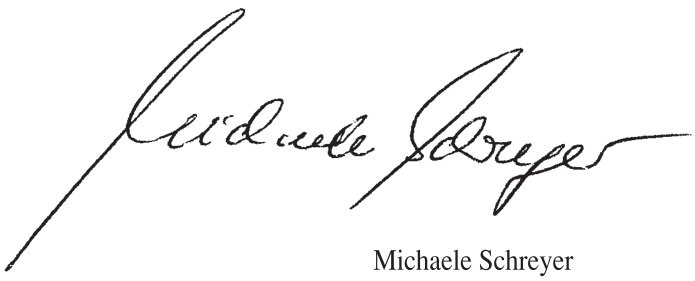
Important steps for the preparation of enlargement to 10 new Member States were taken in 2003. In December 2002 agreement was reached at the Copenhagen European Summit on amounts for the new Member States for the period 2004–06. In spring 2003 the Financial Perspective was adjusted accordingly, to have all necessary preparations ready in time for the signing of the Accession Treaties in April 2003 in Athens as planned. The adjusted Financial Perspective also includes budgetary provisions for the Turkish Cypriot Community in the event of the settlement of the de facto division of the country.

In 2003 the Commission started to prepare the next financial framework for the years 2007–13 as the current financial perspective, decided at the 1999 Berlin Summit will expire at the end of 2006. The Commission has focussed on the objectives that the Union wishes to achieve in the next years. The EU is aiming to become the most competitive and dynamic knowledge-based economy in the world by 2010. It aims to create an area of freedom, security and justice. Europe has decided to take on more responsibilities in the wider world and the integration of the new Member States should make a success of enlargement. At the same time, the proposal must respect budgetary discipline and rigour.

The Commission’s proposed figures are both ambitious and sensible. Despite enlargement and a reorientation towards new priorities, they fully respect the ceiling for the size of the EU budget that currently applies, and which the Member States agreed for a Union of 15 several years ago. They even stay well below this maximum of 1.24 % of EU national income with an average of

1.14 % of EU GNI over the period. With its proposal 'Building our common future: policy challenges and budgetary means of the enlarged Union, 2007-2013' the Commission has opened the negotiations. It is convinced that the EU budget offers real value added for the areas it covers.

This report on the 2003 budget shows in how many areas the EU is active with the help of the EU budget, which makes up less than 2.5 % of public expenditure. For that, EU citizens have the advantages of an internal market, a highly developed common agriculture, the economic support for the poorer regions to encourage cohesion, a high level of environmental protection, joint research actions, support for mobility of students and teachers, trainees to learn with and from each other and, last but not least, the largest and most successful peace project in the world. That shows just how good an investment the EU budget really is.



Michaele Schreyer

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1. THE ECONOMIC SITUATION OF THE EUROPEAN UNION IN 2003

The turnaround in economic activity in the EU came in the third quarter of 2003. GDP in the euro area increased by 0.4 % quarter-on-quarter in the third quarter, after three quarters of stagnation. Data from survey indicators suggest a consolidation of the pace of the recovery during the fourth quarter of 2003. In the third quarter of 2003, net exports stopped being a drag on economic activity, as foreign demand increased. Exports of goods and services grew by 1.8 % in the third quarter after three quarters of negative growth. Imports, on the other hand, remained negative, reflecting the weakness of domestic demand. In the autumn 2003 forecast, the average growth rate of GDP was estimated to be 0.8 % in the EU as a whole and 0.4 % in the euro area in 2003.

Private consumption grew by 0.3 % in the third quarter for the EU as a whole. However, in the euro area private consumer spending grew by only 0.1 % in the third quarter. Stubborn inflation and uncertainties regarding employment growth are still weighing on consumer confidence and probably pushing the savings rate up. Ongoing pension reform plans in several Member States might also have contributed to an upward adjustment of savings. Investment fell during each of the first three quarters of 2003. However, the speed of the decline in investment slowed down through the year. From a 1.2 % quarter-on-quarter fall in the first quarter, the negative growth of investment was no more than 0.2 % in the third quarter. Preliminary information based on business surveys suggests better prospects for investment growth in the fourth quarter of 2003.

Exports and imports of goods and services had been on a decelerating trend since the beginning of 2001, primarily because of weak global demand. The growth contribution of net exports turned negative in the last quarter of 2002. However, in the third quarter of 2003, the improved global environment boosted exports significantly, leading to a large positive contribution of net exports to GDP growth.

Inflation, measured by the harmonised index of consumer prices (HICP), in the European Union as a whole slowed to 1.8 % year-on-year in December 2003 from 2.3 % in March. Since April, headline inflation has not exceeded the annual rate of 2 %. Core inflation (headline excluding unprocessed food and energy) hovered within the range of 1.7 and 2 % throughout 2003. In the euro area, HICP inflation was slightly higher than that for the EU as a whole, reaching 2 % in December. Although it dipped below 2 % in July, inflation was then boosted by rises in energy and unprocessed food prices.

Employment growth was flat in the first half of 2003 and weak employment for the second half of the year is expected, in part reflecting a delayed response to the recent slowdown in economic activity. At sectoral level, some contrasting developments were apparent, as employment continued to contract in agriculture and in industry, while it increased in services and construction. The rise of the unemployment rate in the euro area, standing at 8.8 % in December, was limited when compared with the 8.6 % recorded in December 2002. The EU-15 unemployment rate stood at 8 % in December 2003, while it was 7.9 % one year earlier. However, in several Member States the unemployment rate continued to increase rather sharply.

The general government deficit for the EU as a whole is estimated to have widened (according to the autumn 2003 forecasts) to 2.7 % of GDP in 2003 from 1.9 % in 2002. For the euro area the deficit climbed to 2.8 % of GDP in 2003 compared with 2.2 % of GDP in 2002. In 2003, the general government balance deteriorated in almost all EU countries. The debt to GDP ratio for the EU as a whole is estimated at 64.1 % in 2003, compared with 62.5 % in 2002. For the euro area, the debt to GDP ratio increased to 70.4 % in 2003, from 69 % in 2002.

Stock markets reached their lowest levels since 1997 just before the outbreak of the war in Iraq in March 2003. After it became clear that the war would be short-lived and that damages to oil supplies would be limited, stock markets staged a recovery. An additional boost was provided, from mid-2003 onwards, by growing evidence of stronger growth in the US and, to a lesser extent, in Japan.

After weakening to around USD 1.10 in August 2003, the euro exchange rate continued to appreciate against the US dollar and finished the year close to historical highs. Among the reasons contributing to the euro appreciation, the risks related to the large US external deficit have received much attention. While the appreciation of the euro has a negative impact on euro area exports, this effect is dampened by potential terms of trade gains, lower interest rates and favourable capital flows. In December 2003, the euro had appreciated by almost 21 % against the dollar and nearly 7 % against the JPY (year-on-year). The trade-weighted exchange rate of the euro was 10.8 % higher in December 2003 than in the same month in the previous year.

2. THE FINANCIAL FRAMEWORK OF THE EUROPEAN UNION: FUTURE CHALLENGES FOR THE ENLARGED UNION 2007–13

Introduction

Ambitious goals have seen, among others, the Community grow from its six founder members to a Union of 15 Member States in 1995 and from 1 May 2004 an enlargement to 25 Member States with a combined population of more than 450 million. This enlarged Union presents unique opportunities for improving the prosperity and quality of life of every EU citizen. The challenge is to seize this potential and to do this, appropriate instruments are needed. One such instrument is the EU budget which, since 1988, has been defined within a financial framework covering several years — the financial perspective. Successive financial perspectives have reflected common political ambitions, such as enlargement. The choices to be made are not just about money, but how to maximise the impact of EU common policies so that the added value of every euro spent at EU level is further improved.

Overview of the financial perspective system

In the late 1980s, the financial perspective system was pioneered by the then Commission President Jacques Delors, to strengthen budgetary discipline, improve the budgetary procedure and encourage interinstitutional cooperation. It is an instrument whereby the Community's institutions (Parliament, Council and Commission), based on a proposal by the Commission, agree in advance on the main budgetary priorities for a given period and establish a framework for Community expenditure. So far, three multiannual financial packages have been adopted: Delors 1 (1988 to 1992); Delors 11 (1993 to 1999); and Agenda 2000, the current package covering 2000 to 2006.

The financial perspective cannot be regarded as a multiannual budget in the true sense as the annual budgetary procedure is essential for determining the actual level of spending under the agreed ceilings. It sets the framework.

The financial perspective defines the maximum amounts (ceilings) and the composition of foreseeable expenditure, and is divided into headings reflecting the various policy options revolving around the main political priorities adopted for the period in question. This approach facilitates the assessment of the funds that need to be provided to implement each of these priorities and enhances predictability as to the evolution of EU expenditure. Each heading has an amount of commitment appropriations for each year. In addition the maximum indicative amount of payment appropriations expressed as a percentage of Community gross national income (GNI) is given, which must respect the own resources (the revenue from Member States to finance the expenditure) ceiling that is also fixed as a percentage of Community GNI.

Between these two ceilings there is a safety margin for unforeseen expenditure that might arise in the event of lower growth than anticipated or unforeseen crises. In addition, other adjustments are allowed by the agreement of the three institutions as follows.

- ☐ An annual technical adjustment to take account of the most recent economic environment, for example, the evolution of economic growth and inflation so as to ensure that the initial allocated expenditure retains its purchasing power.

- ☐ Adjustment to take account of budget implementation and the relation between commitment and payment appropriations. For example, the annual ceilings for commitment appropriations of the Structural Funds subheading were raised for each of the years 2002–06 to compensate for delays in the adoption of programmes in 2001. This allowed for the unused allocation for 2001 to be transferred to subsequent years.

- A revision in the event of unforeseen circumstances in compliance with the own resources ceiling. In principle this revision is intended to cover important and lasting changes of policy priorities.

While the ceilings of the financial perspective are binding, to face growing unforeseen needs during the annual budgetary procedure a general flexibility instrument with an annual ceiling of EUR 200 million was created under the current financial package (Agenda 2000). This is meant to cover clearly identified expenditure for a given financial year that cannot be met from within existing ceilings of the financial perspective. Based on a Commission proposal and the agreement of the other institutions it has been mobilised regularly since 2000, for example, to finance the reconstruction of Kosovo.

Furthermore, following the disastrous floods in central Europe during summer 2002, another flexibility device, the European Union Solidarity Fund was agreed. It has an annual maximum amount of EUR 1 billion that can be mobilised above the financial perspective ceiling to provide rapid financial assistance in the event of such events.

The current financial package: Agenda 2000

Preparations for the negotiations on the current financial package covering 2000 to 2006 started in July 1997, when the Commission issued the communication, 'Agenda 2000: For a Stronger and Wider Union'. This document covered the political ambitions of the time:

- reform of the common agricultural policy (CAP),
- future of economic and cohesion policy,
- establishment of a pre-accession strategy,
- consequences of future enlargement, and
- financing of the Community.

A reference financial framework for the years 2000 to 2006 was also presented by the Commission that included provision for the development of the Community's policies and for the accession of a number of the applicant countries without changing the own resource ceiling of 1.24 % of GNI.

In March 1998, following discussions of these documents by the institutions, the Commission presented a proposal for the new financial perspective. It included a set of legislative proposals on the reform of CAP, new guidelines on structural operations and pre-accession aid and a report on the implementation and renewal of the 1993 interinstitutional agreement. In October 1998, the Commission completed the series of Agenda 2000 documents by presenting a report on the operation of the own resources system.

Following further negotiations the main components of the Agenda 2000 package were agreed at the Berlin European Council in March 1999. After a final round of negotiations, Parliament adopted the new interinstitutional agreement that incorporated the financial perspective for 2000–06. The package took account of the additional expenditure that would be necessary at the time of enlargement, but keeping the own resources ceiling at 1.24 % of GNI during the entire period.

TABLE 1
Financial perspective (EU-15) — adjusted to 2003 prices

(million EUR)

	Current prices				2003 prices		
Appropriations for commitments	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
1. Agriculture	41 738	44 530	46 587	467 378	46 285	45 386	45 094
CAP (not including rural development)	37 352	40 035	41 992	42 680	41 576	40 667	40 364
Rural development and accompanying measures	4 386	4 495	4 595	4 698	4 709	4 719	4 730
2. Structural operations	32 678	32 720	33 638	33 968	33 652	33 384	32 588
Structural Funds	30 019	30 005	30 849	31 129	30 922	30 654	29 863
Cohesion Fund	2 659	2 715	2 789	2 839	2 730	2 730	2 725
3. Internal policies ([1])	6 031	6 272	6 558	6 796	6 915	7 034	7 165
4. External actions	4 627	4 735	4 873	4 972	4 983	4 994	5 004
5. Administration ([2])	4 638	4 776	5 012	5 211	5 319	5 428	5 536
6. Reserves	906	916	676	434	434	434	434
Monetary reserve	500	500	250	0	0	0	0
Emergency aid reserve	203	208	213	217	217	217	217
Guarantee reserve	203	208	213	217	217	217	217
7. Pre-accession aid	3 174	3 240	3 328	3 386	3 386	3 386	3 386
Agriculture	529	540	555	564	564	564	564
Pre-accession structural instrument	1 058	1 080	1 109	1 129	1 129	1 129	1 129
Phare (applicant countries)	1 587	1 620	1 664	1 693	1 693	1 693	1 693
Total appropriations for commitments	**93 792**	**97 189**	**100 672**	**102 145**	**100 974**	**100 046**	**99 207**
Total appropriations for payments	**91 322**	**94 730**	**100 078**	**102 767**	**99 553**	**97 659**	**97 075**
Appropriations for payments as % of GNP (ESA 79)	1.10 %	1.10 %	1.12 %	1.10 %	1.04 %	1.00 %	0.97 %
Appropriations for payments as % of GNI (ESA 95)	1.07 %	1.08 %	1.10 %	1.08 %	1.02 %	0.98 %	0.95 %
Available for accession (appropriations for payments)			**4 397**	**7 266**	**9 626**	**12 387**	**15 396**
Agriculture			1 698	2 197	2 652	3 172	3 680
Other expenditure			2 699	5 069	6 974	9 215	11 716
Ceiling, appropriations for payments	**91 322**	**94 730**	**104 475**	**110 033**	**109 179**	**110 046**	**112 471**
Ceiling, payments as % of GNP (ESA 79)	1.10 %	1.10 %	1.17 %	1.18 %	1.14 %	1.12 %	1.12 %
Margin for unforeseen expenditure	0.17 %	0.17 %	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 %
Ceiling, payments as % of GNI (ESA 95)	1.07 %	1.08 %	1.15 %	1.16 %	1.12 %	1.10 %	1.10 %
Margin for unforeseen expenditure	0.17 %	0.16 %	0.09 %	0.08 %	0.12 %	0.14 %	0.14 %
Own resources ceiling	1.24 %	1.24 %	1.24 %	1.24 %	1.24 %	1.24 %	1.24 %

([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 1999/64/Euratom (OJ L 26, 1.2.1999, pp. 1 and 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 pension scheme, up to a maximum of EUR 1 100 million at 1999 prices for the period 2000–06.

The next financial framework (2007–13) for an enlarged EU

The main focus for Agenda 2000 was on gearing up Europe to make enlargement happen. With this now a reality the next financial perspective needs to be focused on meeting the new expectations of all Member States. In February 2004, the Commission presented its outline for the new financial perspective of the enlarged Union to cover the period 2007 to 2013. While this includes the ideas and proposals of the current Prodi Commission, the negotiations and final decisions will be the responsibility of the new Commission to be nominated later in 2004.

Enlargement is viewed as the biggest achievement of the current Commission — so what does it see as the political priorities to meet the demands and opportunities presented by this historic event? Three main priorities have been proposed.

Sustainable development — to increase European citizens' prosperity in a sustainable way by encouraging growth and solidarity by:

☐ transforming the EU into a dynamic knowledge-based economy geared for growth by taking action to improve research, boost enterprise and innovation, establish networks at European level and to enhance the role of education;

☐ pursuing greater cohesion in the context of an enlarged Union to boost overall economic performance while at the same time reducing economic and social disparities across the EU;

☐ reinforcing the competitiveness of agriculture, strengthening rural development, ensuring sustainable exploitation of fish resources and the quality of the environment through actions that support sustainable management and protection of natural resources.

European citizenship — to guarantee citizenship and freedom, security and justice inside and outside the Union by:

☐ managing the EU's external borders and migration flows in support of the actions of Member States;

☐ ensuring security through continued EU actions for preventing and fighting crime and terrorism;

☐ creating an effective area of justice by providing legal certainty to back up cross-border transactions;

☐ supporting access to basic goods and services through measures as diverse as protecting EU citizens against natural disasters, reinforcing environmental safety standards, promoting information concerning the safety of goods and encouraging access to health and education services;

☐ fostering European culture and diversity by measures to support cultural cooperation especially concerning the Union's youth.

The EU as a global partner — by asserting itself in the world as well as its neighbourhood through coherent external relations tools contributing to global security and prosperity that in turn influence the well-being and security of EU citizens.

These political priorities are the cornerstone of the proposed next financial perspective. The challenge ahead, while respecting the basis of sound financial management, is to match the limited resources available to the needs of the EU citizens. Against a backdrop of intense pressure on public finances at national level, the current proposal sees the Union staying within the current budgetary disciplines.

TABLE 2

Overview of the new financial framework 2007–13

(million EUR at 2004 prices)

Appropriations for commitments	2006 (1)	2007	2008	2009	2010	2011	2012	2013	
1. Sustainable growth	47 582	59 675	62 795	65 800	68 235	70 660	73 715	76 785	
1a. Competitiveness of growth and employment	8 791	12 105	14 390	16 680	18 965	21 250	23 540	25 825	
1b. Cohesion of growth and employment (2)	38 791	47 570	48 405	49 120	49 270	49 410	50 175	50 960	
2. Preservation and management of natural resources	56 015	57 180	57 900	58 115	57 980	57 850	57 825	57 805	
of which : Agriculture — market-related expenditure and direct payments	43 735	43 500	43 673	43 354	43 034	42 714	42 506	42 293	
3. Citizenship, freedom, security and justice	1 381	1 630	2 015	2 330	2 645	2 970	3 295	3 620	
4. The EU as a global partner (3)	11 232	1 630	12 175	12 945	13 720	14 495	15 115	15 740	
5. Administration (4)	3 436	1 630	3 815	3 950	4 090	4 225	4 365	4 500	
Compensation	1 041								
Total appropriations for commitments	**120 688**	**121 745**	**138 700**	**143 140**	**146 670**	**150 200**	**154 315**	**158 450**	
Total appropriations for payments (2)(3)	**114 740**	**124 600**	**136 500**	**127 700**	**126 000**	**132 400**	**138 400**	**143 100**	**Average**
Appropriations for payments as a percentage of GNI	1.09%	1.15%	1.23%	1.12%	1.08%	1.11%	1.14%	1.15%	1.14%
Margin available (%)	0.15%	0.09%	0.01%	0.12%	0.16%	0.13%	0.10%	0.09%	0.10%
Own resources ceiling as a percentage of GNI	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%

(1) 2006 expenditure under the current financial perspective has been broken down according to the proposed new nomenclature for reference and to facilitate comparisons.

(2) Includes expenditure for the solidarity fund (EUR 1 billion in 2004 at current prices) as from 2006. However, corresponding payments are calculated only as from 2007.

(3) The integration of the EDF in the EU budget is assumed to take effect in 2008. Commitments for 2006 and 2007 are included only for comparison purposes. Payments on commitments before 2008 are not taken into account in the payment figures.

(4) Includes administrative expenditure for institutions other than the Commission, pensions and European Schools. Commission administrative expenditure is integrated into the first four expenditure headings.

Conclusion

The general consensus is that the financial perspective has proved a useful instrument in that it:

- ensures an orderly progression of finances;
- provides a framework for multiannual aid programmes;
- facilitates planning with certainty while allowing flexibility when needed;
- enhances interinstitutional cooperation; and
- encourages decision-makers of national governments to adopt a medium term focus.

Negotiations on the new financial perspective between the EU institutions are expected to be protracted and difficult as has been the case for previous financial packages. But the cooperation between the institutions that has been engendered by the financial perspective instrument over the past years should lead to an agreed framework that will deliver concrete specific priorities that will benefit all Member States and their citizens while optimising the relationship of actions taken at national and Union levels.

3. ESTABLISHING THE 2003 BUDGET

1. Policy strategy priorities

The annual policy strategy (APS) decision is the first stage in the annual budgetary strategic planning and programming cycle. It seeks to define the Commission's policy priorities and ensure that there is the right match between tasks and resources for the coming financial year. This sets the framework for preparing the preliminary draft budget and for the operational programming of the directorates-general and services. The cycle is completed with the adoption of the legislative and work programme, by which the Commission, on the basis of the budgetary process, operational programming and the results of the interinstitutional dialogue, announces the actions it intends to take forward over the coming year.

In the APS decision of 27 February 2002, the Commission decided to retain for 2003 one central priority, the enlarged Europe, and two closely associated priorities — on the one hand, stability and security, which are an expression of the new continental responsibilities of the enlarged Europe and, on the other, a sustainable and inclusive economy, which will continue to represent the socioeconomic base on which the enlarged Europe will be built.

2. Evolution of the 2003 budget

Initial statements by the budgetary authority

In its conclusions of 5 March, the Council emphasised the need for the same degree of budgetary restraint as exercised by Member States. On 12 March Parliament adopted a resolution setting out its priorities in this field. It regarded enlargement and preparation of the administration for enlargement as 'absolute priorities'. The other political priorities included the reform of the institutions, in particular the Commission, external assistance to Afghanistan and its neighbours, and the strengthening of internal security in the European Union.

Preliminary draft budget (PDB)

The preliminary draft budget was approved by the Commission on 30 April. It totalled some EUR 99.692 billion in commitment appropriations (up by 1.1 % on the voted 2002 budget), leaving beneath the financial perspective ceiling a margin of around EUR 2.6 billion in commitments. For payments, the PDB amounted to EUR 97.880 billion (an increase of 2.3 % compared with 2002, representing 1.03 % of Community gross national income), leaving an adequate margin of EUR 5.058 billion. For the third consecutive year, the preliminary draft was presented in accordance with both the traditional nomenclature and the activity-based budgeting approach.

Draft budget (Council's first reading)

The draft 2003 budget established by the Council at first reading on 19 July came to EUR 99.548 billion in appropriations for commitments and EUR 96.992 billion in appropriations for payments. The total amount of payment appropriations was thus equivalent to 1.02 % of Community GNI.

The flexibility instrument

On 10 July, in line with the provisions of the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure, the Commission proposed that EUR 124 million be mobilised by the flexibility instrument. The appropriations were to cover the financing of the specific action for the conversion of the Spanish and Portuguese fishing fleets (EUR 27 million), the Community emergency measure for the scrapping of fishing vessels as part of the reform of the common fisheries policy (EUR 32 million) and the amount in excess of the ceiling on administrative expenditure which the institutions need to prepare for enlargement (EUR 66 million). At the conciliation meeting on 25 November, the budgetary authority agreed to take EUR 12 million from the flexibility instrument to complete the Spanish and Portuguese fleet restructuring programme in the 2003 budget. This use is an exception to the principle according to which the flexibility instrument should not, as a rule, be used to cover the same needs two years running.

Letters of amendment

Letters of Amendment are the instrument which the Commission uses during the budgetary procedure to adapt its preliminary draft budget to conditions that were not known when it was presented. The instrument was used four times in the budgetary procedure 2003.

- ☐ On 17 July, the Commission adopted Letter of Amendment No 1/2003 to incorporate a line in the 2003 PDB and EUR 32 million in reserve for the initial measures for scrapping vessels in support of the Commission's proposal to reform the common fisheries policy.

- ☐ Letter of Amendment No 2/2003, adopted by the Commission on 18 September, proposed the budgetary structure needed to accommodate three new Commission administrative offices. It was also to create lines in the 2003 budget to cover utilisation of the new European Solidarity Fund to provide Community disaster relief.

- ☐ Letter of Amendment No 3/2003 was adopted by the Commission on 30 October. It reduced appropriations for agriculture by EUR 337 million in Heading 1a. It also proposed the creation of a line for genetic resources for EUR 1.5 million under Heading 3, rebalanced the amounts between the line and the reserve for fisheries agreements (with no net impact) and proposed anticipating a surplus of EUR 500 million from the agricultural budget of 2002.

- ☐ Finally the Commission, by accelerated written procedure on 28 November, adopted Letter of Amendment No 4/2003. It dealt with the effects of the new financial regulation on nomenclature and the budgetary remarks for all institutions. In addition, it proposed harmonising the remarks for the BA-lines for subsection B7 to clarify their use, especially for decentralisation and the dismantling of technical assistance offices. This letter of amendment was budgetary neutral.

Parliament's first reading

Parliament's first reading on 24 October brought the draft budget to EUR 100.192 billion for commitments and EUR 99.933 billion for payments. This corresponded to increases of 0.7 % and 4.5 % respectively over the 2002 final budget. The appropriations for payments represented 1.04 % of EU GNI. Parliament had added almost EUR 3 billion in payments compared to the Council's first reading.

On BA lines (for administrative support and management expenditures relating to programmes), Parliament decided to cut the appropriations of all lines where the implementation at 15 July was lower than 10 % and to increase the corresponding operational lines by the same amount. Parliament created global reserves for lines where implementation was between 10 and 35 %.

Council's second reading

The Council's second reading of the 2003 draft budget was preceded by a conciliation meeting with Parliament to try and find a global package solution. The negotiation centred on the remaining amount for the restructuring programme for the Spanish and Portuguese fisheries fleet and the use of the flexibility instrument for this purpose, financing in Heading 4, in particular for the Global Health Fund and Afghanistan, CFSP, administrative expenditure and the global increase in payment appropriations. The expenditure decided on by the Council in its second reading totalled EUR 99.454 billion (+ 0.02 % over 2002) in commitment appropriations and EUR 96.896 billion (+ 1.3 % over 2002) in payment appropriations. As a percentage of Member States' GNI, this draft budget represented a share of 1.01 %.

The preliminary estimate of the 2002 budget balance entered in the 2003 budget via Letter of Amendment No 3/2003 was increased to EUR 1 billion. Finally, joint declarations were agreed together with Parliament on endeavouring to eliminate the abnormal outstanding commitments (RAL), on the implementation profile, on the financial consequences of enlargement, on the evaluation before end-2003 of implementation and on the calculation methodology of the aid granted by the EU Solidarity Fund.

The budget voted (Parliament's second reading)

The general budget for 2003 was adopted on 19 December after Parliament's second reading. The budget as adopted totalled EUR 99.686 billion for commitments and EUR 97.503 billion for payments. Compared with the 2002 final budget, commitment appropriations remained at roughly the same level (an increase of 0.3 %). Appropriations for payments rose by a modest 1.9 %, which also reflected the consolidation efforts being made by Member States with their national budgets. This trend left a substantial margin of EUR 5.435 billion in payments and EUR 2.623 billion in commitments. The payment appropriations in the 2003 budget amounted to 1.02 % of Member States' gross national income, the authorised limit being 1.24 %.

3. Budgetary adjustments

Appropriations carried forward from 2002 to 2003

As a general rule, appropriations which have not been used at the end of the financial year for which they were entered are cancelled. However, they may be carried over to the following financial year only, by a decision taken by the institution concerned by 15 February.

Commitment appropriations may be carried over in two cases:

- ☐ the preparatory stages of the commitment procedure have been completed by 31 December and these amounts may then be committed up to 31 March of the following year; and
- ☐ the basic act was adopted in the final quarter of the financial year and the Commission has been unable to commit the appropriations by 31 December.

Payment appropriations may be carried over in respect of amounts needed to cover existing commitments, when the appropriations budgeted for the following financial year do not cover requirements.

TABLE 3

Overview of the various stages of the 2003 budgetary procedure

Commitments

(million EUR)

Heading	Final budget 2002	Financial perspective 2003	Preliminary draft budget 2003	Council (first reading)	Parliament (first reading)	Council (second reading)	Voted budget 2003	Difference Voted budget 2003/Final budget 2002 (%)
1. Agriculture Margin	44 255 2 332	47 378	44 780 2 598	44 830 2 548	45 174 2 204	44 780 2 598	44 780 2 598	1.2
2. Structural operations Margin	33 838 -200	33 968	34 027 -59	33 968 0	33 995 -27	33 980 -12	33 980 -12	0.4
3. Internal policies Margin	7 157 -599	6 796	6 716 80	6 674 122	6 793 2	6 698 98	6 796 0.2	-5.0
4. External action Margin	4 873 0	4 972	4 912 60	4 892 80	5 047 -75	4 859 113	4 949 23	1.6
5. Administration Margin	5 178 0.5	5 381	5 436 -55	5 365 16	5 362 19	5 316 65	5 360 20	3.5
6. Reserves Margin	676 0	434	434 0	434 0	434 0	434 0	434 0	-35.8
7. Pre-accession aid Margin	3 457 -129	3 386	3 386 0	3 386 0	3 386 0	3 386 0	3 386 0	-2.1
Total appropriations for commitments **Margin**	**99 434** **1 405**	**102 315**	**99 692** **2 623**	**99 548** **2 767**	**100 192** **2 123**	**99 454** **2 861**	**99 686** **2 629**	**0.3** **-**

Payments

(million EUR)

Heading	Final budget 2002	Preliminary draft budget 2003	Council (first reading)	Parliament (first reading)	Council (second reading)	Voted budget 2003	Difference Voted budget 2003/Final budget 2002 (%)
1. Agriculture	44 255	44 780	44 830	45 174	44 780	44 780	1.2
2 Structural operations	32 129	33 548	33 013	34 521	33 023	33 173	3.2
3. Internal policies	6 157	6 132	6 112	6 233	6 121	6 204	0.8
4. External action	4 665	4 692	4 681	4 951	4 664	4 844	3.8
5. Administration	5 178	5 436	5 365	5 362	5 316	5 360	3.5
6. Reserves	676	434	434	434	434	434	35.8
7. Pre-accession aid	2 595	2 857	2 557	3 256	2 557	2 707	4.3
Total appropriations for payments **Margin**	**95 656** **4 589**	**97 880** **5 058**	**96 992** **5 946**	**99 933** **3 005**	**96 896** **6 042**	**97 503** **5 435**	**1.9** **—**

The Commission decided to carry forward the following appropriations:

(million EUR)

Heading	Commitments	Payments
1. Agriculture	84	84
2. Structural operations	1	3 254
3. Internal policies	22	86
4. External action	35	32
5. Administration	3	3
Total	**145**	**3 372**

The main carryover (EUR 3 254 million) concerned the settlement of payments for the programming period of 1994–99 of the Structural Funds that were closed in 2002.

4. Amending budgets

Amending budget No 1/2003 adopted on 1 July. Its purpose was to cover the participation of around 100 representatives from the future Member States in three plenary sessions of the Committee of the Regions in 2003 (EUR 70 000).

Amending budget No 2/2003 adopted on 3 September. Its purpose was to enter the surplus of EUR 7.4 billion from the 2002 financial year.

Amending budget No 3/2003 adopted on 22 September. The purpose was threefold: to make additional funds available for the scrapping of fishing vessels; to create a new budget line for communication and information work on the European Union's role in the world; and to modify the title and remarks of the budget item for the European Inter-University Centre (increase of EUR 1.7 million).

Amending budget No 4/2003 adopted on 23 September. Its purpose was to adjust the breakdown of national contributions to the 2003 budget.

Amending budget No 5/2003 adopted on 9 October by merging two amending budget proposals. Its purpose was to mobilise the European Union Solidarity Fund in respect of three disasters resulting from the sinking of the Prestige off the Spanish coast, the earthquake in the Italian regions of Molise and Apulia and the eruption of Mount Etna, and in respect of the many large-scale fires which affected Portugal in the summer of 2003 (EUR 104.8 million).

Amending budget No 6/2003 adopted on 4 December. It covered two elements: the reduction of payment appropriations for the outstanding commitments of the pre-2000 programmes of the Structural Funds and a technical addition of a remark to budget line B7-811 (decrease of EUR 5 billion).

Amending budget No 7/2003 adopted on 4 December. The purpose was to finance, by a frontloading operation in 2003, the staff salary adjustment in 2004, (increase of EUR 21.9 million).

The impact of the amending budgets was

- ☐ an increase of EUR 127 million in commitment appropriations (0.13 % to the initial appropriations);
- ☐ a net decrease of EUR 4 978 million in payment appropriations (5.2 %).

5. Transfers

Each institution may, within its own section of the budget, make transfers from one budget line to another subject to certain conditions.

The Commission is allowed to make transfers within budget lines of the same chapter. Other transfers require a decision by the budgetary authority. In 2003 the budgetary authority decided on the following transfers with structural changes for the budget:

Transfers from the initial reserve (transfers of provisional appropriations)

The initial reserve consisting of provisional appropriations is voted together with the initial budget. These appropriations are provisional in the sense that their purpose has been defined, but the budgetary authority has set conditions that have to be fulfilled before they can be released, for example adoption of the legislation, presentation of work programme or progress report, etc.

The breakdown of transfers from the initial reserve by heading was as follows:

(million EUR)

Heading	Commitments			Payments		
	Initial reserve	Transfers	Current (unused) reserve end-2003	Initial reserve	Transfers	Current (unused) reserve end-2003
1. Agriculture	18	1	17	18	1	17
3. Internal policies	236	208	29	101	61	40
4. External action	35	35	0	31	18	13
5. Administration	7	2	5	7	2	5
Total	**296**	**245**	**51**	**157**	**82**	**75**

Transfers between chapters

Transfers between chapters had the following impact on the headings:

(million EUR)

Heading	Commitments			Payments		
	Transfers to a chapter	Transfers from a chapter	Impact between headings	Transfers to a chapter	Transfers from a chapter	Impact between headings
1. Agriculture	678	-678	0	678	-678	0
2. Structural operations	0	0	0	1 635	-1 225	410
3. Internal policies	6	-6	0	134	-369	-235
4. External actions	168	-53	115	122	-219	-97
5. Administration	60	-60	0	60	-60	0
6. Reserves	0	-115	-115	0	-79	-79
7. Pre-accession aid	0	0	0	10	-10	0
Total	**912**	**-912**	**0**	**2 639**	**-2 639**	**0**

The main transfer of commitment appropriations was EUR 115 million from the emergency aid reserve (B7-91) to the external action heading to cover needs arising from humanitarian crises in Iraq, southern Africa and Ethiopia.

For structural operations, the omnibus transfer proposal for 2003 included an increase of EUR 1.5 billion for Objective 1 measures under the European Regional Development Fund to cover expected additional payment needs based on Member States' forecasts and the rapid implementation during 2003. This transfer was mostly offset by appropriations from within the heading, mainly from Community initiatives (EUR 520 million) because of the slow start of these programmes and the need to set up the management structures in the countries concerned and also from the Cohesion Fund (EUR 350 million), The balance of this increase for Objective 1 measures was met from internal policies (EUR 340 million) and external action (EUR 175.4 million)

In internal policies, transfers of commitment appropriations within the heading mainly concerned Research and technological development (B6), as available appropriations were identified to be used in the best conditions for the different priorities of the sixth research framework programme. These transfers will be offset in future years. The main transfer for payment appropriations was EUR 300 million from research and technological development, specifically for the completion of the fifth EC framework programme (1998 to 2002).

The main transfer movements for external action were included in the annual omnibus transfer and chiefly concerned an increase of EUR 64.5 million for MEDA (measures to accompany the reforms to the economic and social structures in the Mediterranean non-member countries), to cover a higher rate of payments than initially forecast relating mainly to payments for Morocco and Palestine.

4. EU BUDGET REVENUE IN 2003

The budget of the European Union is financed by own resources and other revenue. In 2003, own resources amounted to EUR 83.6 billion and other revenue to EUR 9.8 billion (of which EUR 7.4 billion corresponded to the surplus carried over from the previous year).

When the Council and Parliament approve the annual budget, total revenue must equal total expenditure. The total amount needed to finance the budget follows automatically from the level of total expenditure. However, since out-turns of revenue and expenditure usually differ from the budgeted estimates, a balance remains for the year. As a rule, there is a surplus, which reduces Member States' own resources payments in the subsequent year.

Own resources

The basic rules on the system of own resources are laid down in a Council decision (currently 2000/597/EC, Euratom), adopted unanimously by the Council and ratified by all Member States.

Own resources can be defined as revenue accruing automatically to the EU in order to finance its budget without the need for any subsequent decision by national authorities.

The overall amount of own resources needed to finance the budget is determined by total expenditure less other revenue. The total amount of own resources cannot exceed 1.24 % of the gross national income (GNI) of the EU.

Own resources can be divided into the following categories:

- ☐ traditional own resources (customs duties, agricultural duties and sugar levies);
- ☐ the VAT-based resource;
- ☐ the GNI-based resource ('the additional resource').

Finally, a specific mechanism for correcting the budgetary imbalance of the United Kingdom is also part of the own resources system.

The traditional own resources are levied on economic operators and simply passed on by the Member States to the EU budget, whereas the last two categories of own resources, including the UK correction payments, are levied directly on Member States.

Traditional own resources (customs duties, agricultural duties and sugar levies)

The so-called traditional own resources accrue directly to the EU budget. Member States collect the amounts on behalf of the EU and pass on the amounts to the Commission, after deduction of 25 % to cover their collection costs.

Agricultural duties and customs duties are levied on imports of agricultural and non-agricultural products from third countries, at rates based on the Common Customs Tariff. In 2003, they corresponded to 1.2 % and 11.3 % of total own resources, respectively.

Sugar levies are paid by sugar producers to finance the export refunds for sugar. These levies offset expenditure of virtually the same amount. Revenue from this source amounted to 0.5 % of total own resources payments in 2003.

The own resource based on value added tax (VAT)

The VAT-based own resource is levied on the Member States' VAT bases, which are harmonised for this purpose in accordance with Community rules. The same percentage is levied on the harmonised base of each Member State. However, the VAT base taken into account can never exceed 50 % of the gross national income of the Member State in question. This rule is intended to stop the less prosperous Member States having to pay out of proportion to their contributive capacity, since consumption and hence VAT tend to account for a higher percentage of a country's national income at relatively lower levels of prosperity.

In 2003, the 50 % 'capping' was applied to five Member States (Greece, Spain, Ireland, Luxembourg and Portugal).

The maximum percentage rate of the VAT base that can be called was set at 0.75 % in 2003. However, this rate must be decreased to take account of the UK correction (see below). The actual rate of call of VAT in 2003 was 0.5083 % (rounded figure). This corresponded to EUR 21.3 billion or 25.4 % of total own resources.

The own resource based on gross national income [1] (GNI)

The GNI-based own resource was first introduced in 1988 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. The same percentage rate is levied on each Member States' GNI, which is established in accordance with Community rules.

The rate is fixed during the budgetary procedure. The amount of the GNI resource needed depends on the difference between total expenditure and the sum of all other revenue.

In 2003, the rate of call of the GNI-based resource amounted to 0.5436 % (rounded figure) of total EU GNI. This corresponds to EUR 51.2 billion or 61.3 % of total own resources.

[1] As from 2002 the concept of GNI has replaced that of gross national product (GNP) in the area of the EU budget.

The correction in favour of the United Kingdom

The current UK correction mechanism was introduced in 1985 to correct the imbalance between the United Kingdom's share in payments to the Community budget and its share in Community expenditure in the Member States. It has been modified on several occasions to compensate for changes in the system of financing the EU, but the basic principles remain the same.

This imbalance is calculated as the difference between the percentage share of the UK in EU expenditure paid in the Member States ('allocated expenditure') and the UK share in total VAT- and GNI-based own resources payments. The difference in percentage points is multiplied by the total amount of EU expenditure allocated to the Member States. The UK is reimbursed 66 % of this budgetary imbalance.

The cost of the correction is borne by the other Member States (14 Member States in 2003). The distribution of the financing is first calculated on the basis of each country's share in total EU GNI. The financing share of Germany, the Netherlands, Austria and Sweden is, however, restricted to one quarter of its normal value. This cost is redistributed across the remaining Member States (10 remaining Member States in 2003).

The total amount of the UK correction paid in 2003 amounted to EUR 5.2 billion.

Other revenue

The sources of finance for the general budget not coming from own resources include tax and other deductions from staff remunerations, bank interest, contributions from non-member countries to certain Community programmes (e.g. in the research area), repayments of unused Community financial assistance, interest on late payments as well as the balance from the previous year. However, this last item is mainly derived from the difference between the out-turn of own resources payments and expenditure in the previous year.

In 2003 other revenue amounted to EUR 9.8 billion, of which EUR 7.4 billion corresponded to the surplus carried over from 2002.

TABLE 4

Own resources payments by Member State in 2003

(in EUR)

	Total net traditional own resources (75 %)	VAT own resources at uniform rate	GNI own resources	United Kingdom correction	Total own resources
	(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)
Belgium	1 163 775 075	562 749 404	1 464 510 644	294 966 017	3 486 001 140
Denmark	215 986 192	380 655 333	988 502 164	192 537 384	1 777 681 073
Germany	2 287 713 874	4 773 914 174	11 706 075 091	434 928 514	19 202 631 652
Greece	155 356 761	387 538 222	829 715 543	161 088 605	1 533 699 131
Spain	753 333 385	1 880 691 134	4 007 714 805	787 689 028	7 429 428 353
France	1 040 262 334	3 684 212 453	8 787 054 081	1 642 207 416	15 153 736 283
Ireland	104 524 192	289 934 171	604 211 805	128 857 595	1 127 527 763
Italy	1 118 888 603	2 369 735 150	6 945 254 715	1 324 625 740	11 758 504 208
Luxembourg	12 461 449	54 942 234	113 864 345	23 251 522	204 519 549
Netherlands	1 283 702 785	1 110 217 966	2 439 287 355	86 324 547	4 919 532 652
Austria	166 804 123	511 569 612	1 211 788 935	45 786 475	1 935 949 144
Portugal	97 819 259	334 235 150	717 028 882	143 840 993	1 292 924 285
Finland	76 186 255	317 877 227	787 657 531	156 194 552	1 337 915 564
Sweden	280 879 521	594 946 217	1 582 729 780	42 715 667	2 501 271 185
United Kingdom	2 099 460 185	4 006 880 030	9 049 765 244	-5 184 890 301	9 971 215 158
Total	**10 857 153 992**	**21 260 098 475**	**51 235 160 920**	**280 123 754**	**83 632 537 140**
% of total	13.0 %	25.4 %	61.3 %	0.3 %	100.0 %

Total amount of own resources in % of total EU GNI: 0.89 %

Ceiling of own resources in % of total EU GNI: 1.24 %

FIGURE 1
EU revenue 2003

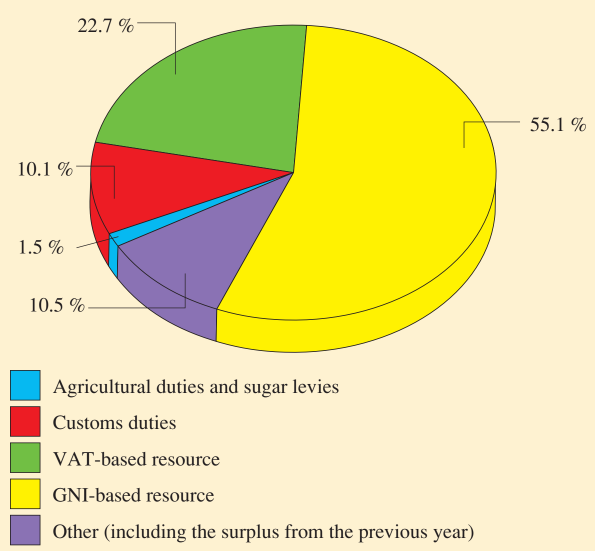


FIGURE 2
EU revenue 1993–2003

(billion EUR)

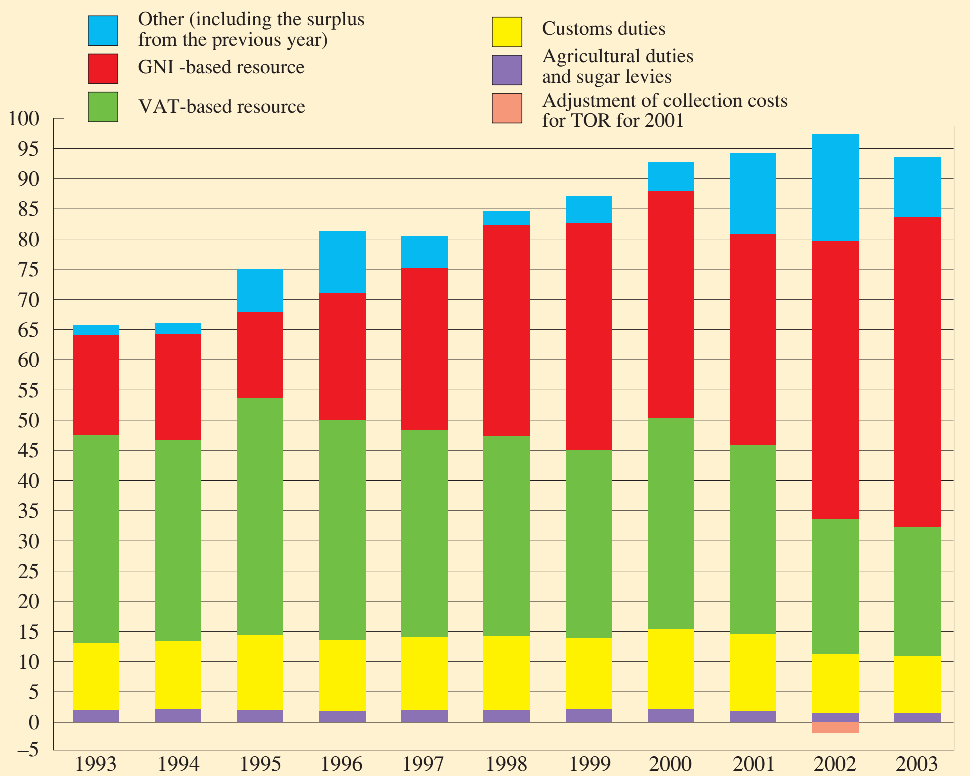
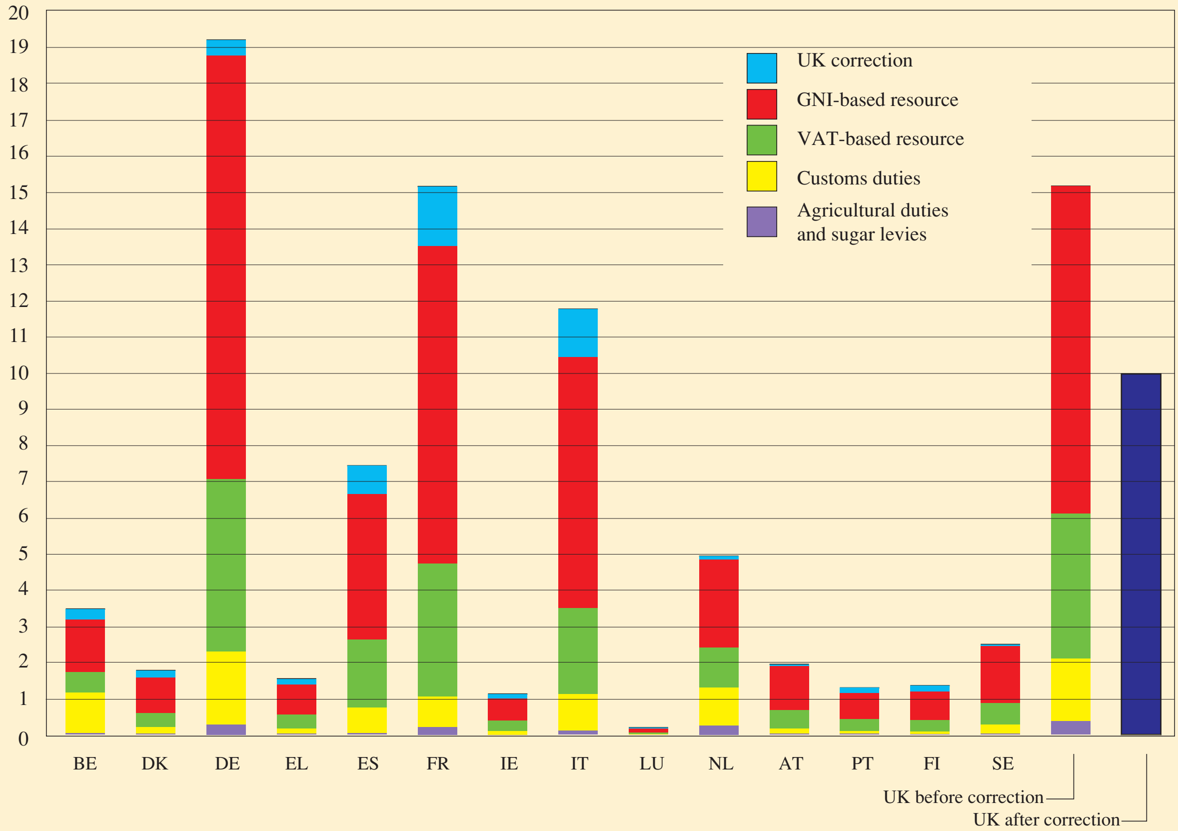


FIGURE 3
Own resources by Member State in 2003

(billion EUR)



5. BUDGET IMPLEMENTATION IN 2003

TABLE 5

Implementation of commitments and payments as at 31 December 2003

Provisional data

Heading	Commitments												
	Initial voted budget without reserve	EFTA	Current reserve commitments	Carried forward appropriations	Amending budgets	Transfers		Other appropriations	Authorised appropriations	Implementation as at 31.12.2003		Implementation as at 31.12.2002	
						Budget authority	Other			Amount	%	Amount	%
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (1+2+4+5+6+7+8)	(10)	(11) = (10)/(9)	(12)	(13)
1. Agriculture													
Agricultural expenditure (out of rural development) (B1-1 to B1-3)	40 064.5		17.0	34.6		1.0	0.0	0.2	40 100.3	39 782.3	99%	38 867.6	98%
Rural development and accompanying measures (B1-4)	4 698.0			49.4			0.0		4,747.4	4,679.7	99%	4,349.4	93%
Subtotal	**44 762.5**		**17.0**	**84.0**		**1.0**	**0.0**	**0.2**	**44 847.7**	**44 462.0**	**99%**	**43 217.0**	**97%**
2. Structural operations													
Objective 1 (B2-10)	21 577.2							0.1	21 577.3	21 577.0	100%	21 335.3	100%
Objective 2 (B2-11)	3 651.8								3 651.8	3 651.8	100%	3 731.3	100%
Objective 3 (B2-12)	3 718.9								3 718.9	3 718.9	100%	3 646.0	100%
Other structural operations (outside Objective 1 regions (B2-13))	171.9								171.9	171.9	100%	173.5	100%
Community initiatives (B2-14)	1 866.0			0.4					1 866.4	1 853.7	99%	1 965.7	100%
Innovation schemes and technical assistance (B2-16)	143.3			0.8				0.2	144.3	136.5	95%	183.4	98%
Other specific structural operations (B2-2)	12.0								12.0	12.0	100%	185.0	100%
Cohesion fund (B2-3)	2 839.0							31.1	2 870.1	2 865.3	100%	2 791.5	100%
Subtotal	**33 980.1**			**1.2**				**31.4**	**34 012.7**	**33 987.1**	**100%**	**34 011.7**	**100%**
3. Internal policies													
Research and technological development (B6)	4 054.9	81.9				32.9	0.0	427.0	4 596.7	4 280.8	93%	4 519.8	96%
Other agricultural operations (B2-5)	41.6					-0.6		0.3	41.3	37.7	91%	52.5	95%
Other regional actions (B2-6)						15.0			15.0	15.0	100%	15.0	100%
Transport (B2-7)	32.1		6.7			15.4			47.5	39.4	83%	25.5	85%
Other measures concerning fisheries and the sea (B2-9)	68.0					1.4			69.4	65.0	94%	60.5	95%
Education. vocational training and youth (B3-1)	559.2	11.8		9.7		3.5	0.0	130.2	714.4	671.7	94%	604.3	94%
Culture and audiovisual media (B3-2)	117.5	2.4		0.8				27.9	148.6	130.4	88%	133.3	94%
Information and communication (B3-3)	117.0			1.5				0.7	119.2	97.1	81%	84.3	77%
Social dimension and employment (B3-4)	172.7	1.9		1.6		4.4		8.0	188.6	177.0	94%	149.2	92%
Contributions to European political parties (B3-5)			7.0										
Energy (B4-1)		1.0				48.0		7.3	56.3	53.6	95%	33.4	93%
Euratom nuclear safeguards (B4-2)	18.8								18.8	13.0	69%	19.1	99%
Environment (B4-3)	224.4	0.5		0.3		6.2		11.7	243.1	217.0	89%	212.0	99%
Consumer policy and consumer health protection (B5-1)	22.6	0.5							23.1	23.0	99%	21.0	96%
Aid for reconstruction (B5-2)	0.6								0.6	0.6	100%	0.9	100%
Internal market (B5-3)	152.5	1.1	3.5	2.4		29.9		6.0	191.9	165.9	86%	176.6	92%
Industry (B5-4)								60.0	60.0	59.8	100%		
Labour market and technological innovation (B5-5)	122.5	2.4		2.0				26.6	153.5	137.8	90%	103.9	95%
Statistical information (B5-6)		0.7		1.4		33.4		2.9	38.4	24.2	63%	35.1	88%
Trans-European networks (B5-7)	725.1	0.5		2.1		-5.5		4.8	727.0	713.4	98%	641.2	94%
Area of freedom, security and justice (B5-8)	122.7	0.3	11.7			23.7		2.1	148.8	139.1	93%	121.6	85%
Combating fraud (B5-9)	7.2								7.2	6.8	94%	5.9	96%
Solidarity fund (B2-4)					104.8				104.8	104.8	100%	599.0	100%
Reserve for administrative expenditure (B5-96)	0.6								0.6				
Subtotal	**6 560.0**	**105.0**	**28.9**	**21.8**	**104.8**	**207.7**	**0.0**	**715.5**	**7 714.8**	**7 172.7**	**93%**	**7 614.0**	**95%**

(million EUR)

Payments													Stock of RAL		Payments		Decommitments on RAL as at 01.01.2003 ([1])
Initial voted budget without reserve	EFTA	Current reserve payments	Carried forward appropriations	Amending budgets	Transfers		Other appropriations	Authorised appropriations	Implementation as at 31.12.2003		Implementation as at 31.12.2002		as at 01.01.2003	as at 31.12.2003	On RAL prior to 2003	On 2003 commit-ments	
					Budget authority	Other			Amount	%	Amount	%					
(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22) = (14+15+17+18+19+20+21)	(23)	(24) = 23/22	(25)	(26)	(27)	(28) = 27+10-23+31	(29)	(30)	(31)
40 064.5		17.0	265.9		1.0	0.0	0.2	40 331.6	39 699.5	98%	39 171.2	97%	231.2	311.5	209.9	39 489.6	-2.5
4,698.0			49.4			0.0		4 747.4	4 679.7	99%	4 349.4	93%				4 679.7	
44 762.5		**17.0**	**315.3**		**1.0**	**0.0**	**0.2**	**45 079.0**	**44 379.2**	**98%**	**43 520.6**	**97%**	**231.2**	**311.5**	**209.9**	**44 169.3**	**-2.5**
19 366.6			1 978.2	-2 744.5	1 435.4		0.1	20 035.8	18 986.0	95%	15 369.1	82%	36 711.8	38 165.0	17 479.5	1 506.5	-1 137.81
4 405.6			217.2	-622.7	-50.0			3 950.1	3 587.0	91%	1 641.2	48%	10 063.0	9 443.2	3 489.7	97.3	-684.6
3 695.8			153.2	-421.9				3 427.1	2 548.3	74%	2 404.4	72%	6 992.4	7 697.9	2 490.6	57.7	-465.1
506.1			30.7	-243.4				293.4	175.8	60%	155.0	41%	983.3	858.1	175.6	0.2	-121.3
2 280.2			874.8	-949.3	-520.0			1 685.7	801.0	48%	556.5	25%	5 256.9	5 877.8	785.4	15.6	-431.8
180.0				-18.3	-0.2		0.2	161.7	145.3	90%	185.8	76%	365.2	314.6	101.8	43.5	-41.8
89.0								89.0	89.0	100%	39.0	100%	146.0	69.0	89.0		
2 650.0					-454.8			2 195.2	2 195.1	100%	3 148.0	100%	6 212.4	6 847.8	1 990.9	204.2	-34.8
33 173.3			**3 254.1**	**-5 000.1**	**410.4**		**0.3**	**31 838.0**	**28 527.5**	**90%**	**23 499.0**	**74%**	**66 731.0**	**69 273.4**	**26 602.5**	**1 925.0**	**-2 917.2**
3 649.9	63.3				-368.8	0.0	814.0	4 158.4	3 279.5	79%	3 667.2	81%	7 520.8	8 311.7	2 183.5	1 096.0	-210.4
64.9		0.5					0.3	65.2	44.7	69%	62.6	88%	94.5	62.2	31.6	13.1	-25.3
3.0					12.2			15.2	3.2	21%	15.0	100%	3.4	15.0	3.2		-0.2
27.4		8.5	5.5		0.9			33.8	27.1	80%	16.1	58%	39.7	48.6	18.3	8.8	-3.3
62.0					9.1			71.1	34.4	48%	39.5	68%	124.5	136.6	17.3	17.1	-18.5
514.3	10.8				1.9	0.0	181.4	708.3	607.6	86%	592.4	84%	485.3	532.2	146.7	460.9	-17.1
102.9	2.5				14.0	0.0	44.6	164.0	123.2	75%	118.4	77%	165.2	169.7	70.3	52.9	-2.6
108.1						0.0	0.7	108.8	75.8	70%	87.2	80%	77.2	84.2	36.9	38.9	-14.25
154.2	1.5	3.5	0.3		4.8		7.8	168.6	137.1	81%	132.2	88%	157.6	179.7	68.1	69.0	-17.8
		7.0															
32.5	0.6	8.8			0.2		7.1	40.4	31.2	77%	29.1	71%	74.7	93.1	29.7	1.5	-4.0
18.7							0.1	18.8	10.8	57%	16.5	93%	12.9	14.7	5.8	5.0	-0.4
199.8	0.5				7.5		17.5	225.3	169.9	75%	151.9	93%	324.5	351.5	87.4	82.5	-20.1
19.9	0.4							20.3	16.4	81%	19.3	94%	23.5	29.0	12.4	4.0	-1.0
0.6								0.6	0.6	100%	0.9	100%				0.6	
165.7	1.0	0.6			11.3		6.7	184.7	142.4	77%	141.1	79%	177.5	185.9	84.1	58.3	-15.0
		62.0						62.0	25.1	40%			62.0	62.4	25.1		-34.3
147.9	1.3				0.7		26.4	176.3	121.3	69%	108.1	70%	372.6	319.1	93.1	28.2	-70.0
21.6	0.7				10.1		4.0	36.4	29.5	81%	32.3	84%	44.9	37.6	24.0	5.5	-2.0
673.2	0.5		7.0		1.7		4.8	687.2	631.4	92%	656.3	92%	1 308.2	1 346.2	422.1	209.3	-44.0
129.4	0.3	11.0	12.2		15.4		2.1	159.4	108.2	68%	77.0	51%	132.3	159.7	43.5	64.7	-3.4
6.5								6.5	4.0	62%	4.6	93%	3.5	5.9	1.8	2.2	-0.4
					104.8			104.8	48.5	46%	599.0	100%		56.3		48.5	
6 102.9	**83.4**	**39.9**	**87.0**		**-174.2**	**0.0**	**1 117.4**	**7 216.5**	**5 671.9**	**79%**	**6 566.6**	**83%**	**11 204.8**	**12 201.4**	**3 404.9**	**2 267.0**	**-504.1**

TABLE 5 *(continued)*

Heading	Commitments												
	Initial voted budget without reserve	EFTA	Current reserve commitments	Carried forward appropriations	Amending budgets	Transfers		Other appropriations	Authorised appropriations	Implementation as at 31.12.2003		Implementation as at 31.12.2002	
						Budget authority	Other			Amount	%	Amount	%
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (1+2+4+5+6+7+8)	(10)	(11) = (10)/(9)	(12)	(13)
4. External actions													
Food aid and support operations (B7-20)	425.7					15.0		2.5	443.2	438.5	99%	506.0	99%
Humanitarian aid (B7-21)	441.7					104.0		40.9	586.6	586.2	100%	520.3	100%
Cooperation with Asian developing countries (B7-30)	562.5					-1.0		1.2	562.7	557.9	99%	574.9	99%
Cooperation with Latin American developing countries (B7-31)	337.1			2.7		7.5		2.6	349.9	342.2	98%	333.2	96%
Cooperation with countries of southern Africa and South Africa (B7-32)	127.0							1.2	128.2	126.9	99%	124.2	99%
Cooperation with the Mediterranean third countries and the Middle East (B7-4)	754.1			0.1		29.0		4.0	787.2	782.6	99%	783.4	100%
European Bank for Reconstruction and Development (B7-51)													
Assistance to partner countries in eastern Europe and central Asia (B7-52)	507.4			30.0		-12.1		7.7	533.0	511.7	96%	444.5	93%
Other Community measures in favour of the CEEC, NIS, Mongolia and western Balkans (B7-53)													
Cooperation with the Western Balkans (B7-54)	684.6					-5.0		27.5	707.1	639.3	90%	820.9	97%
Other cooperation measures (B7-6)	482.2			2.0		-0.4		4.4	488.2	473.5	97%	429.3	98%
European initiative for democracy and the protection of human rights (B7-7)	106.0							1.7	107.7	106.0	98%	103.7	100%
International fisheries agreements (B7-80)	185.7					1.6			187.4	186.1	99%	190.4	99%
External aspects of certain Community policies (B7-81 to B7-87)	74.8		0.6			3.3		18.8	96.9	75.8	78%	73.9	78%
Common foreign and common security policy (B8-0)	47.5						0.0	6.2	53.7	53.6	100%	32.8	100%
Mediterranean countries preaccession strategy (B7-04 and B7-05)	174.0					12.2			186.2	185.9	100%	148.0	99%
Reserve for administrative expenditure (B7-96)	4.4					-4.3			0.1				
Subtotal	**4 914.7**		**0.6**	**34.8**		**149.8**	**0.0**	**118.7**	**5 218.1**	**5 066.2**	**97%**	**5 085.4**	**98%**
5. Administration													
Part A (excluding pensions)	4 620.4	1.7	6.7	16.8	21.9	-6.2	0.0	214.8	4 869.3	4 805.8	99%	4 591.3	98%
Pensions (A-19)	731.3					8.4	0.0		739.7	739.8	100%	681.0	100%
Subtotal	**5 351.7**	**1.7**	**6.7**	**16.8**	**21.9**	**2.2**	**0.0**	**214.8**	**5 609.0**	**5 545.6**	**99%**	**5 272.2**	**99%**
6. Reserves													
Guarantee reserve (B0-2)	217.0							8.8	225.8	147.9	66%	170.5	80%
Emergency aid reserve (B7-91)	217.0					-115.0			102.0				
Subtotal	**434.0**					**-115.0**		**8.8**	**327.8**	**147.9**	**45%**	**170.5**	**33%**
7. Preaccession aid													
Sapard (Pre-accession instrument (B7-01)	564.0								564.0	560.1	99%	554.6	100%
ISPA (Pre-accession instrument) B7-02)	1 129.0								1 129.0	1 129.0	100%	1 109.0	100%
Phare (pre-accession instrument) (B7-03)	1 693.0							62.9	1 755.9	1 704.2	97%	1 711.3	98%
Solidarity fund (B7-09)												129.0	100%
Subtotal	**3 386.0**							**62.9**	**3 448.9**	**3 393.4**	**98%**	**3 503.9**	**99%**
Grand total	**99 389.0**	**106.7**	**53.2**	**158.6**	**126.7**	**245.7**	**0.0**	**1 152.4**	**101 179.1**	**99 774.8**	**99%**	**98 874.8**	**98%**

([1]) For non dissociated appropriations. cancellations are included.

(million EUR)

	Payments													Stock of RAL		Payments		Decommitments on RAL as at 01.01.2003 (1)
	Initial voted budget without reserve	EFTA	Current reserve payments	Carried forward appropriations	Amending budgets	Transfers		Other appropriations	Authorised appropriations	Implementation as at 31.12.2003		Implementation as at 31.12.2002						
						Budget authority	Other			Amount	%	Amount	%	as at 01.01.2003	as at 31.12.2003	On RAL prior to 2003	On 2003 commit-ments	
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22) = (14+15+17 +18+19+20+21)	(23)	(24) = 23/22	(25)	(26)	(27)	(28) = 27+10 -23+31	(29)	(30)	(31)
	446.9							2.7	449.6	443.0	99%	416.3	99%	1 036.4	990.7	363.8	79.2	-41.2
	441.7					79.0		41.0	561.7	516.4	92%	474.3	87%	361.4	394.0	207.8	308.6	-37.2
	482.7							1.2	483.9	469.4	97%	454.3	97%	2 047.8	1 976.1	353.4	116.0	-160.2
	304.3							2.6	306.9	290.3	95%	181.8	78%	1 393.7	1 328.6	258.4	31.9	-117.0
	152.7					-23.9		1.2	130.0	118.0	91%	119.3	88%	450.1	440.9	85.0	33.0	-18.1
	720.7			0.1		39.2		4.0	764.0	748.0	98%	843.4	97%	3 581.3	3 484.7	480.4	267.7	-131.2
	8.4								8.4	8.4	100%	8.4	100%	35.4	27.0	8.4		
	515.1			13.0		-72.2		7.7	463.6	403.2	87%	395.2	84%	1 456.2	1 501.9	344.3	58.9	-62.8
												0.1	99%					
	775.0			10.0		-39.9	0.0	27.5	772.6	506.8	66%	749.2	84%	955.9	1 050.8	331.9	174.9	-37.6
	464.9		9.4	8.5		-54.1		4.7	424.0	360.0	85%	387.3	84%	802.9	896.2	261.1	98.9	-20.2
	107.5							1.7	109.2	99.4	91%	93.8	90%	234.7	235.4	75.6	23.8	-5.9
	191.2		2.5			2.4			193.6	187.8	97%	186.2	95%	20.6	17.9	5.4	182.4	-1.0
	87.5		1.1			-7.1		18.9	99.3	45.9	46%	64.6	66%	198.6	210.2	30.0	15.9	-18.3
	50.0					-5.8		6.2	50.4	31.0	62%	30.9	86%	27.5	42.9	9.0	22.0	-7.2
	59.7					3.9			63.6	57.7	91%	18.9	65%	160.6	288.8	50.0	7.7	
	5.2					-0.2			5.0									
	4 813.5		**13.0**	**31.6**		**-78.7**	**0.0**	**119.4**	**4 885.8**	**4 285.6**	**88%**	**4 423.8**	**89%**	**12 763.1**	**12 885.8**	**2 864.7**	**1 420.9**	**-657.9**
	4 620.4	1.7	6.7	470.2	21.9	-6.2	0.0	233.1	5 341.0	4 565.9	85%	4 532.2	88%	473.3	701.9	377.2	4 188.7	-11.3
	731.3					8.4	0.0		739.7	739.3	100%	679.3	100%		0.1		739.3	
	5 351.7	**1.7**	**6.7**	**470.2**	**21.9**	**2.2**	**0.0**	**233.1**	**6 080.7**	**5 305.2**	**87%**	**5 211.5**	**90%**	**473.3**	**702.0**	**377.2**	**4 928.0**	**-11.3**
	217.0							8.8	225.8	147.9	66%	170.5	80%				147.9	
	217.0					-79.0			138.0									
	434.0					**-79.0**		**8.8**	**363.8**	**147.9**	**41%**	**170.5**	**26%**				**147.9**	
	442.9					-10.0			432.9	263.5	61%	123.9	33%	1 468.8	1 765.4	263.4	0.1	
	717.5								717.5	429.0	60%	398.4	79%	2 642.3	3 342.1	402.0	27.0	-0.2
	1 547.0					10.0		91.1	1 648.1	1 547.4	94%	1 101.2	69%	4 305.4	4 417.1	1 465.4	82.0	-45.1
												129.0	100%					
	2 707.4							**91.1**	**2 798.5**	**2 239.9**	**80%**	**1 752.5**	**67%**	**8 416.5**	**9 524.7**	**2 130.8**	**109.1**	**-45.3**
	97 345.3	**85.1**	**76.6**	**4 158.2**	**-4 978.2**	**81.7**	**0.0**	**1 570.3**	**98 262.4**	**90 557.2**	**92%**	**85 144.5**	**86%**	**99 819.9**	**104 898.7**	**35 590.0**	**54 967.2**	**-4 138.3**

1. Introduction

For the budget year 2003, EUR 99.8 billion was committed from total available appropriations of EUR 101.2 billion, an implementation rate of 99 %, slightly better than the outcome for 2002. Payments amounted to EUR 90.6 billion from total available appropriations of EUR 98.3 billion, an implementation rate of 92 % compared with 86 % in 2002. About EUR 5.4 billion more payments were made than last year, relating mostly to Structural Funds. Of the appropriations not used in 2003, the Commission decided to carry forward to 2004 EUR 155 million for commitments and EUR 348 million for payments.

The implementation rates by heading were as follows:

Heading	Implementation of commitment appropriations (%)		Implementation of payment appropriations (%)	
	2003	**2002**	**2003**	**2002**
1. Agriculture	99	97	98	97
2. Structural operations	100	100	90	74
3. Internal policies	93	95	79	83
4. External action	97	98	88	89
5. Administration	99	99	87	90
6. Reserves	45	33	41	26
7. Pre-accession aid	98	99	80	67
Total	**99**	**98**	**92**	**86**

2. Agriculture (Heading 1)

(million EUR)

	Initial budget	Initial reserve	Carried forward	Amending budget (AB)	Budgetary authority transfers (less reserve)	Other appropriations	Total available appropriations	Implementation	%
Commitments	44 763	18	84	0	0	0.2	44 848	44 462	99
Payments	44 763	18	315	0	0	0.2	45 079	44 379	98

Agricultural expenditure for the year was EUR 44.4 billion, or 98 % of total available appropriations, compared with 97 % in 2002.

For common agriculture policy-related expenditure, underutilisation mainly concerned:

- the beef and veal sector (EUR 417 million), primarily due to lower payments for export refunds because of the decrease in the exported quantities of beef and the lower premium payments due to the smaller number of animals sent for compulsory slaughter;
- the sugar sector (EUR 205 million) mainly due to the volume of exported sugar that was less than anticipated in the budget;
- the wine sector (EUR 168 million) mainly because the crisis distillation scheme was not implemented in 2003.

For rural development, the implementation of commitments was 99 %.

3. Structural operations (Heading 2)

(million EUR)

	Initial budget	Initial reserve	Carried forward	Amending budget (AB)	Impact of budgetary authority transfers (less reserve)	Other appro-priations	Total available appro-priations	Imple-mentation	%
Commitments	33 980	0	33		0		34 013	33 987	100
Payments	33 173	0	3 254	-5 000	411		31 838	28 528	90

Commitments

The commitment appropriations for this heading were implemented in full.

Payments

Payment appropriations in the 2003 budget for the pre-2000 programmes of the Structural Funds were reduced by EUR 5 billion following the approval of an amending budget (AB). This amount was based on the estimated needs and decommitments in 2003 relating to the pre-2000 programmes, as the Member States' payment claims were considerably lower than the outstanding commitments (RAL).

Total payments for the heading amounted to EUR 28.5 billion, or 90 % of available appropriations, an underutilisation of around EUR 3.3 billion. For the Structural Funds in 2003, the unused appropriations mainly concerned Objective 1 (EUR 1 billion) and Objective 3 (EUR 800 million) programmes, as well as Community initiatives (EUR 880 million) because payment requests from the Member States were lower than initially envisaged. The unused appropriations in 2003 mainly related to the earlier programmes 1994–99, where payments amounted to EUR 3.5 billion of the EUR 5.9 billion available, whereas for the new Structural Fund programmes 2000–06, payments of EUR 22.7 billion were made, an implementation rate of 96 %, compared with 91 % in 2002.

After a steep increase of outstanding commitments (RAL) in previous years, the situation in the Structural Funds almost stabilised in 2003, with an increase of around 3 %, from EUR 60.5 billion at end-2002 to EUR 62.4 billion at end-2003.

4. Internal policies (Heading 3)

(million EUR)

	Initial budget + EFTA receipts	Initial reserve	Carried forward	Amending budget (AB)	Impact of budgetary authority transfers (less reserve)	Other appro-priations	Total available appro-priations	Imple-mentation	%
Commitments	6 560	236	22	105	0	821	7 715	7 173	93
Payments	6 103	101	87	0	-242	1 201	7 217	5 672	79

Commitments

Commitments made amounted to EUR 7.2 billion, or 93 %. The EUR 550 million not used was spread across the heading, with EUR 400 million concerning 'other appropriations' mainly for research and technological development (B6). These appropriations are, as a rule, carried over to the next financial year. EUR 105 million was transferred from the EU Solidarity Fund to cover emergency aid following natural disasters in Italy, Spain and Portugal.

Payments

Payments made amounted to EUR 5.6 billion, an implementation rate of 78 % as against 83 % in 2002. Excluding 'other appropriations', which, as a rule, are carried over to the next financial year, the unused appropriations for the heading were in the region of EUR 700 million, dispersed across the heading but mainly concerning:

- ☐ EUR 200 million for research and development (B6), mostly related to completion of programmes prior to 1999 (B6-51) and the fifth framework programme (B6-52);
- ☐ EUR 56 million for the EU Solidarity Fund (B2-4), which appropriations were to be carried over to 2004 to cover payments for documents signed in December 2003;
- ☐ EUR 50 million (excluding current reserve) for area for freedom, security and justice (B5-8), mainly EUR 18 million for the European Refugee Fund (B5-810), of which EUR 10 million was to be carried over to 2004.

5. External action (Heading 4)

(million EUR)

	Initial budget	Initial reserve	Carried forward	Amending budget (AB)	Impact of budgetary authority transfers (less reserve)	Other appropriations	Total available appropriations	Implementation	%
Commitments	4 915	35	35	0	115	119	5 218	5 066	97
Payments	4 814	31	32	0	-90	119	4 886	4 286	88

Commitments

Under this heading EUR 5.1 billion was committed, an implementation rate of 97 %, similar to last year. Unused appropriations mainly concern EUR 50 million for macrofinancial assistance for cooperation with the Balkan countries (B7-54).

Payments

Payments made in 2003 totalled EUR 4.3 billion, an implementation rate of 88 %. Unused appropriations amounted to EUR 600 million. Almost half of this amount related to the programme for cooperation with the western Balkans (B7-54). This chapter faces the transition from fast disbursing reconstruction aid to more traditional cooperation programmes which renders the payments forecasts more difficult during that period. An impressive increase in payments (+ 60 % or + EUR 108 million) was recorded in the budget lines for the benefit of Latin America.

6. Administration (Heading 5)

(million EUR)

	Initial budget	Initial reserve	Carried forward	Amending budget (AB)	Budgetary authority transfers (less reserve)	Other appro-priations	Total available appro-priations	Imple-mentation	%
Commitments	5 352	8	17	22	2	217	5 609	5 546	99 %
Payments	5 352	8	470	22	2	235	6 081	5 305	87 %

The commitment appropriations for administrative expenditure were practically fully implemented. EUR 562 million of payment appropriations were automatically carried over to 2004.

7. Pre-accession aid (Heading 7)

(million EUR)

	Initial budget	Initial reserve	Carried forward	Amending budget (AB)	Impact of budgetary authority transfers (less reserve)	Other appro-priations	Total available appro-priations	Imple-mentation	%
Commitments	3 386	0	0	0	0	62	3 449	3 393	98
Payments	2 707	0	0	0	0	91	2 799	2 240	80

Commitments

An implementation rate of 98 % was achieved for this heading, similar to the result in 2002.

Payments

Payments amounting to EUR 2.8 billion were made, an implementation rate of 80 %, compared with EUR 1.7 billion or 67 % last year. This represents an underutilisation of around EUR 480 million, made up of EUR 288 million for ISPA (B7-02) and EUR 170 million for Sapard (B7-01) due to late payment requests.

6. POLICY AREAS AND ACTIVITIES BY ACTIVITY-BASED BUDGETING

Activity-based budgeting (ABB) is a budgetary approach introduced by the administrative reform of the Commission. It involves a new budget structure, in which budget titles correspond to policy areas and budget chapters to activities. The operational budget is completed with the necessary administrative expenditure and staff for each policy area.

Activity statements are presented in the budgetary documents to describe and justify the activity concerned, together with the general objectives and whenever possible, outputs produced as measured by relevant indicators.

This chapter of the report is a presentation of the actions of the European Union in 2003, in ABB format, and includes the implementation of commitments in 2003. For each main policy area an example illustrating the use of resources in 2003 has been selected.

The intention is to give the reader:

- ☐ a description, albeit simplified, of activities summarising the main programmes and projects (i.e. what is the aim of the expenditure?);
- ☐ actual figures of commitments in 2003, showing clearly the budgetary significance of the activity (i.e. how much is spent?);
- ☐ tangible examples of implemented projects with the EU budgetary and Commission staff resources within policy areas (i.e. on what is it spent?).

In this presentation:

- ☐ Number of staff comprises those in 2003 within the establishment plan, together with the support staff (temporary, auxiliary and interim staff) and the linguistic services staff attributed to the policy area.
- ☐ Administrative expenditure consists of expenditure 2003 related to staff and external staff, other management expenditure, building and related expenditure and expenditure on administrative management of implemented programmes. These figures are indicated without further comment.
- ☐ Data on administrative support without appropriations and activities without budget lines have been included in the table overleaf which provides an overview of all the policy areas.

The ABB nomenclature used for this part of the report is primarily that of 2003.

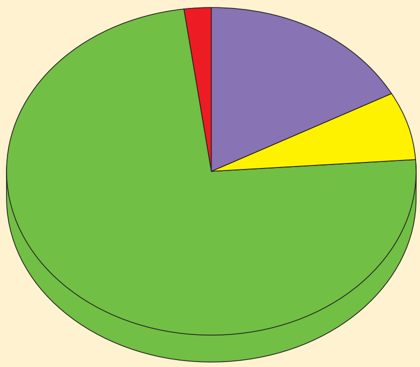
TABLE 6

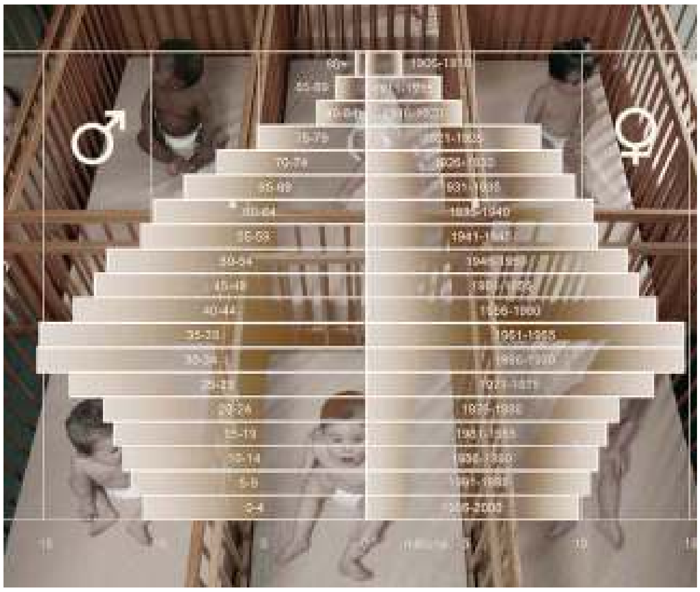
Overview of budget implementation by policy area

Policy area	Implementation 2003	
	Total appropriations (million EUR)	Human resources
Economic and financial affairs	327	517
Enterprise	263	945
Competition	78	772
Employment and social affairs	9 794	795
Agriculture and rural development	47 904	1 080
Energy and transport	985	1 015
Environment	260	615
Indirect research	2 732	1 675
Direct research	269	2 133
Information society	992	1 057
Fisheries	907	317
Internal market	56	495
Regional policy	22 009	603
Taxation and customs union	85	480
Education and culture	827	717
Press and communication	136	693
Health and consumer protection	467	830
Justice and home affairs	133	338
External relations	3 273	3 047
Trade	68	547
Development and relations with ACP countries	1 140	2 182
Enlargement	1 976	785
Humanitarian aid	562	158
Fight against fraud	48	348

Economic and financial affairs

Activities 2003 — Commitments





Number of staff: 517

Total commitments	**EUR 327 million**

Objective: To ensure the smooth functioning of Economic and Monetary Union, and the provision of high quality advice to the Commission and other Community institutions on economic and financial questions.

Administrative expenditure	**EUR 56 million**

International economic and financial questions	**EUR 22 million**

The financial interventions relate to macroeconomic aid in the form of grants to countries of the western Balkans and the New Independent States (of ex-Soviet Union). These are generally balance-of-payments support measures or general budget support which accompany IMF-backed reform programmes. Macroeconomic aid is part of the CARDS and TACIS annual allocations for the regions.

Financial operations	**EUR 242 million**

- The guarantee reserve of EUR 217 million is determined by the financial perspective and is used to guarantee loans to third countries, either directly by the Community (macro-financial assistance, Euratom loans) or by the EIB.
- Under the Enterprise programme, EUR 66 million was allocated to improving the financial environment of enterprises.

Economic and monetary union — EUR 7 million

Enhanced economic policy coordination, through multilateral surveillance of Member States' economic policies, preparation of the broad economic policy guidelines and the assessment of national stability and convergence programmes.

Example — The economic and budgetary consequences of ageing

Over the coming decades, the size and age-profile of the population of EU Member States will undergo substantial changes. The large cohorts of the post-war years will reach retirement age, while fertility rates are expected to remain low and life expectancy is expected to continue increasing. These demographic changes will lead to significant pressure for increased spending on public pensions and healthcare, and raise doubts as to whether public finances are sustainable in the long term. Such concerns acquired added significance in EMU given the commitment to ensure sound public finances at all times in accordance with the Stability and Growth Pact (SGP).

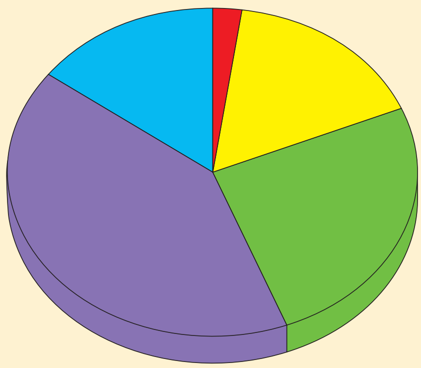
There is a growing involvement of the EU in the debate on ageing populations focusing on the steps being taken to ensure the long-term sustainability of public finances in EMU.

While Eurostat carries out long-term population projections (the latest up to 2050), the Economic and Financial Affairs DG actively works on the economic and budgetary consequences of ageing populations, among others on how to deal with the long-term sustainability of public finances within the existing EU framework for budgetary surveillance.

This is leading to attempts at EU level to develop more comparable projections for the impact of ageing on public finances and to the development of a comprehensive policy response to the economic and budgetary consequences of ageing populations by the EU, where the long-term sustainability of public finances will be systematically incorporated into the budgetary surveillance process at EU level.

Enterprise

Activities 2003 — Commitments



Number of staff: 945

Total commitments	**EUR 263 million**

Objective: To make the European Union the most competitive and dynamic knowledge-driven economy by making it more entrepreneurial and by getting still more from the internal market.

Administrative expenditure	**EUR 108 million**

Encouraging entrepreneurship	**EUR 43 million**

The multiannual programme for enterprises and entrepreneurship (2001–05) aims at promoting entrepreneurship and the business environment.

Research — Promoting innovation and change	**EUR 67 million**

The research programme 'Research and innovation' aims to improve Europe's innovation performance by stimulating a better integration between research and innovation and by working towards a more coherent policy and regulatory environment.

Getting still more from the internal market — EUR 39 million

A smooth operation of the internal market in the field of standardisation and harmonisation, in particular through the following actions:

- ‘operation and development of the internal market’ which covers the Commission’s tasks concerning the implementation of the internal market directives;
- the subsidy for the European Agency for the Evaluation of Medicinal Products;
- standardisation and approximation of laws.

Competitiveness and other policies — EUR 6 million

Developing an industrial competitiveness policy for the European Union by benchmarking and other initiatives.

Example **Benchmarking ‘business angels’**

Informal individual investors, business angels, finance and advise a large number of start-up companies. By sharing their experiences and expanding the financing opportunities of entrepreneurs they contribute to growth and employment, and make European culture more entrepreneurial.

The supply of start-up and early-stage equity finance has become more and more dependent on business angels, as venture capital funds are not able to accommodate a large number of small deals with heavy due diligence requirements. The traditional European source of start-up and early-stage financing has been bank lending, but it has become unattractive for banks due to its high overhead costs.

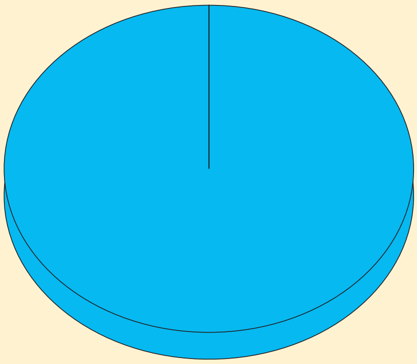
Recognition of the importance of business angels and angel networks at public policy level is needed to create an environment favouring their investments.

The focus of this benchmarking business angels project report is in the possibilities of the public sector to stimulate the activities of business angels and business angel networks. The project has been carried out by an expert group that was set up by the Enterprise DG of the European Commission. The expert group was composed of experts nominated by governments and private sector experts. This combination provided a very fruitful basis for the work of the group.

The project was anchored on the observation in several forums that the potential investment capacity of business angels in Europe had not been fully utilised. In many Member States the activities of business angel networks had not developed enough so that they could effectively facilitate the matching of investors and projects. The benchmarking project aimed to find the best practices and set up benchmarks so that the situation could be improved.

Competition

Activities 2003 — Commitments



Number of staff: 772

Total commitments	**EUR 78 million**

Objective: To guarantee uniform and fair conditions for companies in the single market and to safeguard the interests of consumers by ensuring that they receive a fair share of the efficiencies possible in a more integrated market.

Competition enforcement is one of the Commission's central Treaty obligations and will play an essential role in economic governance within the single market.

Administrative expenditure	**EUR 78 million**

Enlargement will imply significant law enforcement obligations.

Competition issues are embracing global dimensions that necessitate closer international cooperation between competition authorities in different countries.

Example: European competition policy: what does it mean for you?

For many people, the notion of 'competition policy' may seem remote, legalistic and complicated — something for lawyers and economists to debate, but nothing to do with 'ordinary people'. What use is competition policy to the man or woman in the street?

Competition in the marketplace is a simple and efficient means of guaranteeing consumers products and services of excellent quality at competitive prices. Suppliers (producers and traders) offer goods or services on the market to meet their customers' demands. Customers seek the best deal available in terms of quality and price for the products they require. The best deal for customers emerges as a result of a contest between suppliers.

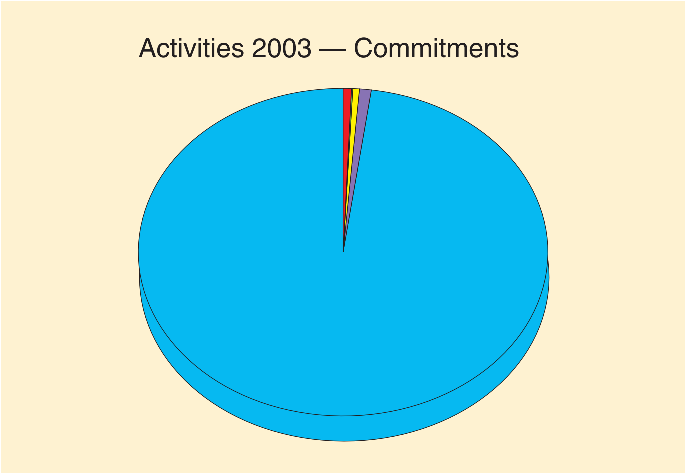
Competition policy aims to ensure wider consumer choice, technological innovation and effective price competition, thus contributing to both consumer welfare and to the competitiveness of European industry. This is achieved by ensuring that companies compete rather than collude, that dominant companies do not abuse their market power and that efficiencies are passed on to final consumers.

Ensuring effective competition: the role of the European Commission

There are four main areas of action of European competition policy.

- ☐ Antitrust and cartels: the elimination of agreements which restrict competition (e.g. price-fixing agreements, or cartels, between competitors) and of abuses by firms who hold a dominant position on the market.
- ☐ Merger control: the control of mergers between firms (e.g. a merger between two large groups which would result in their dominating the market).
- ☐ Liberalisation: introducing competition in monopolistic economic sectors (e.g. telecommunications).
- ☐ State-aid control: the control of State aid measures by Member State governments to ensure that such measures do not distort competition in the Common Market (e.g. the prohibition of a State grant designed to keep a loss-making firm in business even though it has no prospect of recovery).

Employment and social affairs



Number of staff: 795

Total commitments	**EUR 9 794 million**

Objective: To contribute to the development of a modern, innovative and sustainable European social model with more and better jobs in an inclusive society based on equal opportunities

Administrative expenditure	**EUR 91 million**

Employment and European Social Fund (ESF)	**EUR 9 577 million**

The ESF appropriations are predetermined within the overall framework for the Structural Funds. The main task of the ESF is to finance:

- development and structural adjustment of less developed regions;
- the economic and social conversion of areas in structural difficulty;
- adaptation and modernisation of policies and systems for education, training and employment;
- the EQUAL Community initiative aids the development of human resources in a context of equal opportunities.

Work organisations and working conditions — EUR 64 million

Financial aid is provided for:

- promoting both the sectoral and multisectoral aspects of the social dialogue;
- modernising labour law and industrial relations by drawing up legal instruments;
- promoting worker mobility throughout the EU, with special emphasis on coordinating national social security schemes;
- security schemes.

Promoting an inclusive society — EUR 51 million

The coordination of national social inclusion policies together with implementation of the Community programme for tackling exclusion 2002–06. It also involves the modernisation of social protection systems by supporting increased cooperation between the Member States in this field.

Equal opportunities for women and men — EUR 10 million

Application of the framework strategy on gender equality and the corresponding Community programme.

Example: Launch of the European 'job mobility portal' and the Europe-wide mobility information campaign

The new European job mobility portal, officially launched on 19 September 2003, is based around the EURES network and website.

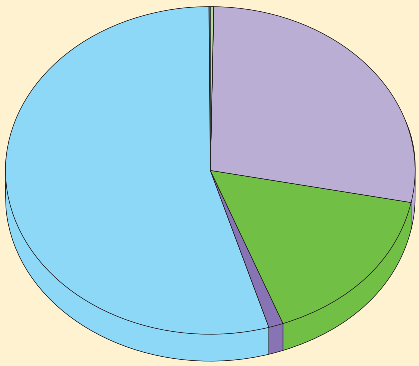
It aims to provide a user-friendly means of accessing the information needed for those contemplating a move for career or for learning purposes. As well as providing information on available jobs throughout the EEA and the possibility for jobseekers to post their CVs online, the portal will have information on living and working conditions, labour market developments (tracking shortages and surpluses of labour), and on education and training opportunities (via the Ploteus site run by the Commission's Directorate-General for Education and Culture).

The employment guidelines, adopted by the Council in July 2003, specify that by 2005 jobseekers throughout the EU should be able to consult all job vacancies advertised through Member States' employment services. It can therefore be expected that the job mobility portal will become the essential supporting mechanism to underpin labour mobility throughout the EU.

The European Commission's mobility information campaign 2003/04, whose purpose is to target employers and workers on the key dimensions, opportunities and possibilities provided by the internal market and the European labour markets for skills, was also launched on 19 September. This European-wide campaign aims at raising awareness of the advantages of jobs and learning mobility, with a wide range of information activities across Europe.

Agriculture and rural development

Activities 2003 — Commitments



Number of staff: 1 080

Total commitments	**EUR 47 904 million**

Objective: To secure guaranteed food supplies for Europe and to maintain and encourage rural development through diversification by fulfilling the consumer's needs with the production of high-quality food which at the same time respects the environment.

Administrative expenditure	**EUR 125 million**

Policy strategy and coordination	**EUR 54 million**

External relations	**EUR 5 million**

Annual contributions to international organisations.

Plant products	**EUR 26 326 million**

This activity is organised into a number of common market organisations (CMO) for the different plant sectors (cereals, olive oil, wine, textile plants, sugar, etc.) and for direct aid to arable farmers.

Animal products	**EUR 13 461 million**

This activity is organised into a number of common market organisations (CMO) for the different animal sectors (milk and milk products, beef and veal, sheepmeat, pigmeat, etc.). Price and market stabilisation and support of farm income measures are financed.

Rural development — EUR 7 768 million

The development policy, relating to farming and conversion to other activities, aims:

- to improve agricultural holdings;
- to guarantee the safety and quality of foodstuffs;
- to ensure fair and stable incomes for farmers;
- to ensure that environmental issues are taken into account;
- to develop complementary and alternative activities that generate employment, with a view to slowing the depopulation of the countryside and strengthening the economic and social fabric of rural areas;
- to improve living and working conditions and promote equal opportunities.

Audit of agricultural expenditure — EUR -395 million

Monitoring and preventive measures and clearance of accounts.

Sapard — EUR 560 million

This measure provides aid to agriculture and rural development in the candidate countries.

Example: EUR 10 million for a new EU programme to promote biological and genetic diversity

Why promote genetic diversity?

When the genetic diversity of crops and breeds diminishes and genes are lost, this can lead to a higher susceptibility to diseases and stress factors. It can also lead to a loss of genes which allow the crop or breed to adapt itself to specific local growth conditions. A sustainable, low input agriculture needs crops and breeds with a capacity to adapt themselves to local climatic and soil conditions, with variation in resistances and tolerances against pests. So, sustainable agriculture needs a highly diverse gene pool and if agriculture is to produce high added-value produce, it needs genes with good organoleptic characteristics and optimal transformation quality. For these reasons it is important to preserve genetic resources in agriculture.

In December 2003, the European Commission adopted a proposal for a Council regulation for a second EU programme for the conservation, characterisation, collection and use of genetic resources in agriculture.

The new programme, covering the period 2004–06, will promote genetic diversity and the exchange of information including close coordination between Member States and between the Member States and the European Commission for the conservation and sustainable use of genetic resources in agriculture.

It will also facilitate coordination in the field of international undertakings on genetic resources.

The programme will consist of targeted actions, concerted actions and accompanying actions.

An example of a targeted action would be the development of decentralised, permanent and widely accessible web-based inventories collecting knowledge on the genetic resources of crops and breeds available in the EU, their origins and their characteristics. This information could be made available at European and international levels. This could be the case for ex situ collections held in European gene banks, but also for all kinds of genetic resources conserved and cultivated on-farm or in the wild (in-situ).

Energy and transport

Number of staff: 1 015

Total commitments	**EUR 985 million**

Objective: To reconcile energy and transport with environmental constraints, while ensuring economic growth, safety and security of supply, by focusing on achieving the internal market, ensuring a modal shift in transport and energy together with safety-related measures and the development of trans-European networks.

Administrative expenditure	**EUR 100 million**

Inland, air and maritime transport — EUR 39 million

- Shifting the balance in favour of environmentally friendly modes of transport and putting users at the heart of this policy.
- Improving transport safety and security.
- Creation of the single European sky, and international agreements.
- Operational implementation of the European Aviation Safety Authority and the European Maritime Safety Agency.

Trans-European networks — EUR 626 million

- Adoption of proposals on infrastructure charging and the promotion of public-private partnerships, and the development of airport capacity.
- The extension of TENs to the new Member States.

Conventional and renewable energy — EUR 64 million

- Launch of a new intelligent energy for Europe programme.
- Creation of strategic stocks of oil and gas and their management at Community level.
- Security and safety in the nuclear industry.

Nuclear inspections — EUR 13 million

Ensuring the non-proliferation of nuclear material and its peaceful use by monitoring stocks and movements of civil nuclear fuels.

Research related to energy and transport — EUR 144 million

Implementing the sixth framework programme of research in respect of

- aeronautics and space;
- sustainable development, global change and ecosystems;
- supporting policies and anticipating scientific and technological needs.

Example: New rights for air passengers in the whole EU

A new regulation agreed in October 2003 by the European Parliament and the Council gives air passengers effective, all-round protection in overbooking, denial of boarding and flight cancellation situations. It introduces four important new rights.

Extend air passengers' rights to all kinds of flights

Until now, non-scheduled flights, which form a large part of the market, have been excluded. The new regulation will cover both scheduled and non-scheduled flights (including air transport sold as part of a package holiday). Also, the new regulation will apply not only to passengers departing from an airport located in a Member State but also, if the airline operating the flight is a Community carrier, to passengers flying from a third country to a Member State, unless they receive similar treatment in the third country.

Cut denied boarding

The new regulation will dramatically reduce the frequency of denying boarding against a passenger's will, by a combination of two measures.

- First, when expecting to turn passengers away, and before doing anything else, airlines will be obliged to call for volunteers to surrender their seats in exchange for advantages; in other words they would try to strike a deal with passengers interested in giving up their seats. Only if insufficient volunteers came forward, would they be allowed to deny passengers boarding against their will.
- Second, if after all airlines or tour operators do deny passengers boarding, they would have to pay compensation at a dissuasive level: EUR 250 for flights of less than 1 500 km; EUR 400 for intra-Community flights of more than 1 500 km and for other flights 1500 and 3 500 km; EUR 600 for all other flights.

In addition to financial compensation, passengers denied boarding will continue to enjoy these rights: the choice between reimbursement of their ticket and an alternative flight, and meals, refreshments and hotel accommodation.

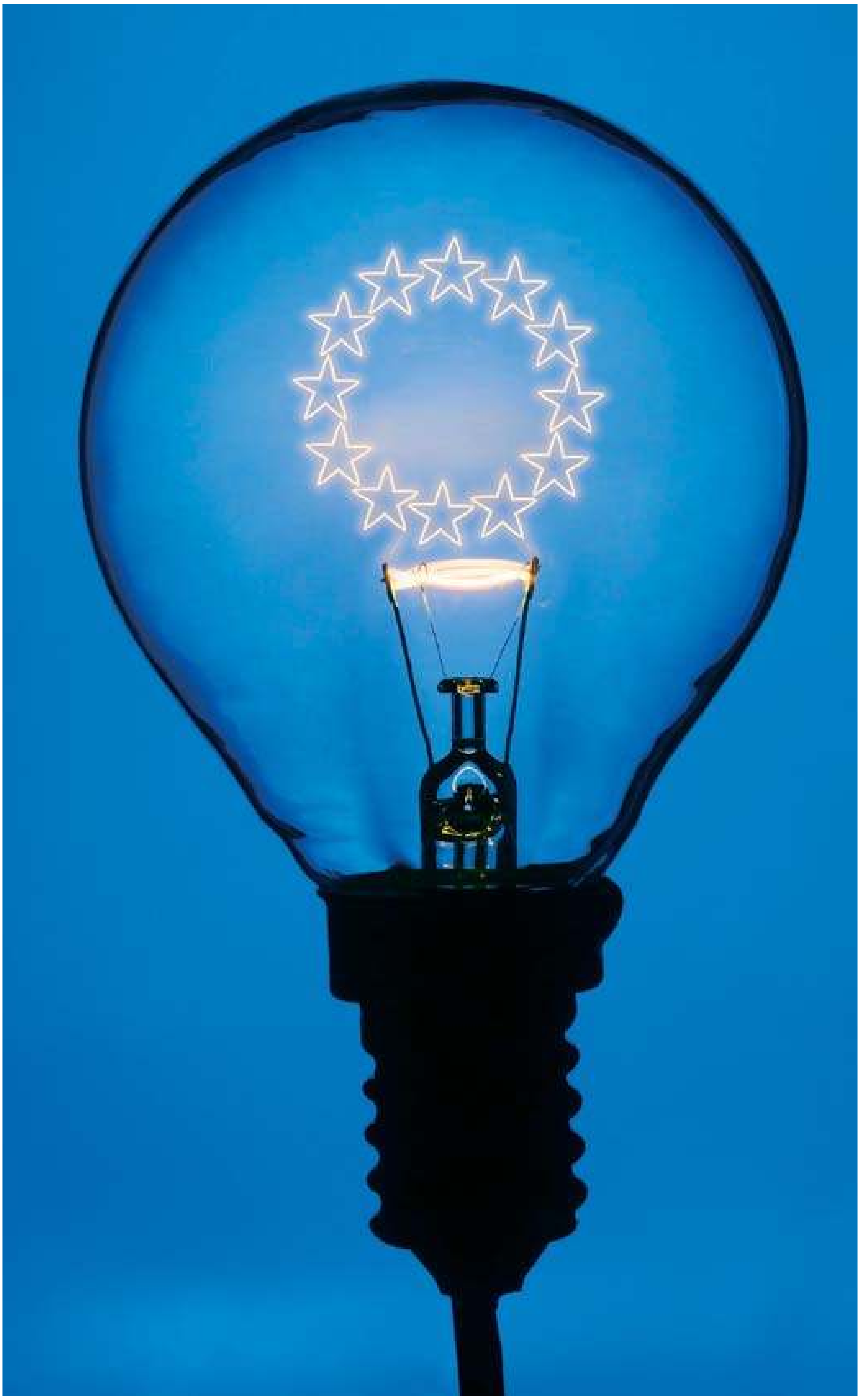
Minimise the inconvenience of cancellations

When airlines or tour operators cancel flights at their own responsibility, passengers will have the right to compensation at the rate fixed for denied boarding, unless: they are informed two weeks before the scheduled time of departure, or they are informed in due time and re-routed at a time very close to that of their original flight.

In addition, in case of cancellations, passengers will receive three other rights: meals and refreshments, and hotel accommodation, when a cancellation obliges a passenger to stay overnight, and reimbursement, when a cancellation delays a passenger for at least five hours.

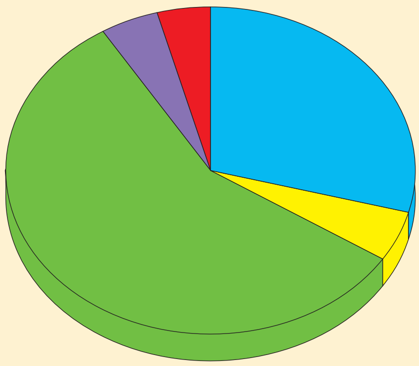
Assist passengers facing long delays

When airlines reasonably expect a long delay, they will be obliged to give passengers: meals and refreshments, and hotel accommodation, when a delay obliges a passenger to stay overnight, and reimbursement, when a delay delays a passenger for at least five hours.



Environment

Activities 2003 — Commitments



Number of staff: 615

Total commitments	**EUR 260 million**[1]

Objective: A high level of protection of the natural environment; resource-efficiency in production, consumption and waste management; promotion of sustainable development and the integration of environmental considerations into other policy areas; addressing global challenges such as climate change and biodiversity.

Administrative expenditure	**EUR 76 million**

Global environmental affairs	**EUR 13 million**

Climate change, enlargement and regional co-operation, development and the Mediterranean, biodiversity and other international issues.

Environmental programmes and projects	**EUR 149 million**

Mainly LIFE III: LIFE Nature (EUR 72 million) specifically targets the conservation of natural habitats and of species of wild fauna and flora, whereas LIFE Environment (EUR 72 million) is aimed at contributing to the development of innovative and integrated methods to further the development of Community environment policy, stressing sustainable industrial production and the inclusion of environmental considerations in land-use and management.

Monitoring forest and environmental interactions (EUR 13 million).

LIFE III third countries: support activities in the environment sector in Mediterranean third countries and the Baltic Sea (EUR 10 million).

Development of new policy initiatives — EUR 12 million

A comprehensive approach based on the sixth environmental action programme addressing priority environmental concerns.

Implementation of environment policy — EUR 11 million

- ☐ The subsidy to the European Environment Agency.
- ☐ The development of effective means to support transposition and implementation of environmental legislation.
- ☐ Promoting better environmental governance.

Example: Life-environment: 104 environmental innovation projects share EUR 69 million of Commission funding

In September 2003, the European Commission selected 104 environmental innovation projects for funding under the LIFE-Environment scheme. The projects selected will be carried out by 14 EU Member States (all except Luxembourg) and six candidate countries (Estonia, Latvia, Hungary, Romania, Slovenia and Slovakia). These projects represent a total investment of around EUR 216 million to which LIFE-Environment will provide EUR 69 million.

The projects selected apply cutting edge technology to solve environmental problems in several areas. The waste management and integrated production policy sectors predominate in terms of the number of projects selected and the EU funding allocated. The projects will receive this financial support upon their compliance with the administrative and financial provisions.

The 104 projects selected cover the following five areas: promoting the integration of environmental considerations into land-use development, planning and urban management; encouraging sustainable management of water resources; preventing, recycling and reusing waste; mitigating the environmental impact of economic activity; and promoting integrated production policy.

Integrated production policy is the theme of the largest proportion of projects selected (27 projects, EU contribution of EUR 17.4 million). However, the 25 projects dealing with waste management take the largest share of the funding (EU contribution of EUR 18.7 million, which represents 27 % of the total).

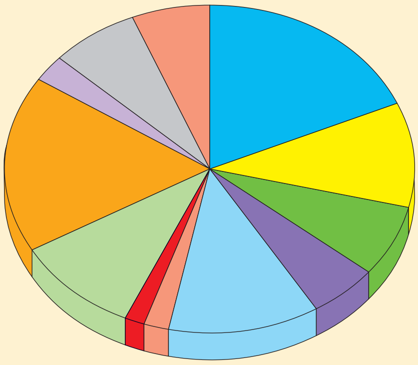
Sustainable management of water resources also draws a significant share of the funding 2003, with 20 % of the funding allocated to 24 projects (EU contribution of EUR 13.7 million).

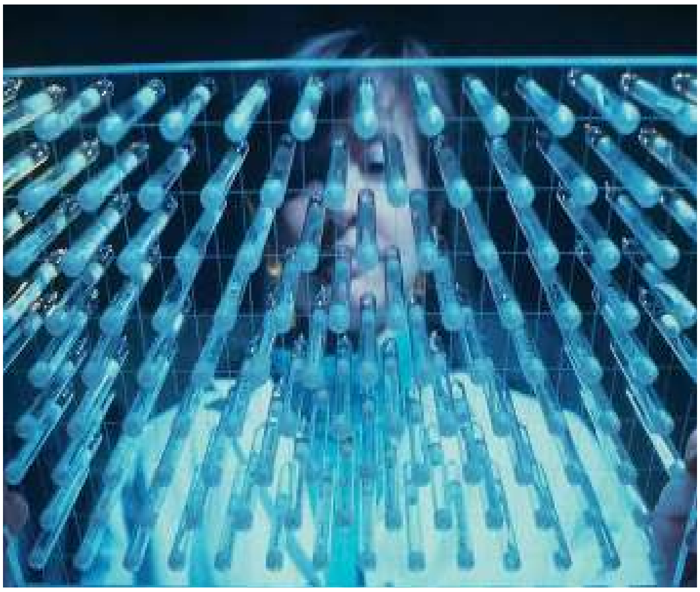
Some 17 projects co-financed to the tune of EUR 11.9 million relate to the theme of minimising the impact of economic activities, which covers clean technologies and the reduction of greenhouse gas emissions. Finally, EUR 7.5 million has been allocated to 11 projects which deal with the theme of promoting the integration of environmental considerations, whether in the urban environment, in coastal zone management, tourism or other areas of land-use development and planning.

EU funding of EUR 69 million covers approximately 32 % of the project costs for 2003. The remaining EUR 147 million comes from beneficiaries, partners and co-financiers. The average EU financial allocation per project amounts to EUR 700 000.

Indirect research

Activities 2003 — Commitments





Number of staff: 1 675

Total commitments	**EUR 2 732 million** (1)

Objective: To create the European research area, a border-free zone for research, in which scientific resources will be better deployed and research and technology efforts improved to remain competitive in an increasingly global economy.

Administrative expenditure	**EUR 43 million**

Geonomics and biotechnology for health	**EUR 504 million**

To help Europe exploit breakthroughs in decoding the genomes of living organisms, particularly for the benefit of public health and European biotechnology competitiveness.

Nanotechnologies, intelligent materials, new production processes	**EUR 283 million**

Leading edge technologies for the knowledge and intelligence-based products, services and manufacturing processes.

Aeronautics and space — EUR 193 million

To consolidate and exploit the position of the European aeronautics and space industry.

Food quality and safety — EUR 149 million

To develop an environmentally friendly system of production and distribution of safe and healthy food.

Sustainable development, global change and ecosystems — EUR 327 million

To strengthen the scientific and technological capacities needed for Europe to be able to implement sustainable development.

Citizens and governance in a knowledge based society — EUR 54 million

To develop an understanding of and to address issues related to the emergence of the knowledge-based society and people/institutions relations.

Specific measures covering a wider field of research — EUR 273 million

- To develop research activities in support of other Community policies.
- Specific research activities for SMEs.
- Measures in support of international cooperation.

Structuring the European research area — EUR 477 million

- Research and innovation.
- Human resources and mobility.
- Research infrastructures.
- Science and society.

Strengthening the foundations of the European research area — EUR 72 million

Programme coordination and joint actions at national or regional levels.

Research and training under the Euratom Treaty	**EUR 191 million**

- ☐ Controlled thermonuclear fusion.
- ☐ Management of radioactive waste.
- ☐ Radiation protection.

Management of programmes committed in accordance with the former financial regulation	**EUR 169 million**

Example: EU research drive to reduce air pollution from traffic

In December 2003, the EU signed an agreement with the United States, Japan and China to address air pollution from transport.

The accord will allow for joint research on emissions and vehicle testing, and it foresees the creation of a common scientific platform to measure and benchmark air pollution from traffic. The joint effort will offer scientific support for the forthcoming international emission requirements for transport, and a basis for the next European standards for passenger cars and light-duty vehicles (EURO V).

Cleaning up

The European Commission is preparing directives to establish exhaust limits for passenger cars and light-duty vehicles (EURO V) and for heavy-duty vehicles (EURO VI). Its Clean Air For Europe (CAFE) programme is the framework for future air quality legislation and related policy initiatives. CAFE has already identified high levels of air pollutants, such as particulate matter (PM) and ozone, as transport-related problems that need to be addressed. Other toxic components from vehicle exhaust fumes are likely to be included in future European legislation.

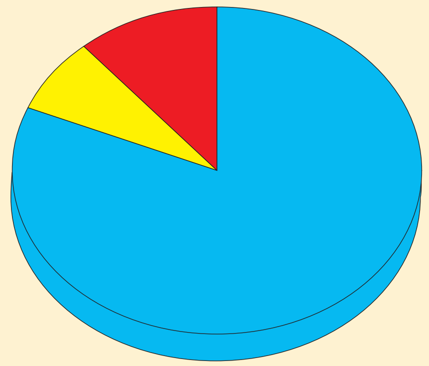
Research projects look into emissions

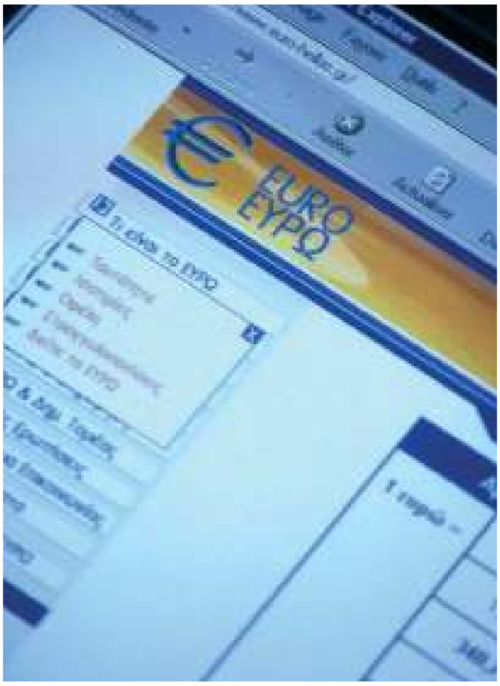
The following are research projects undertaken by the JRC.

- Fuel effects on emissions: the Commission's JRC studies the effect that new fuels can have on vehicle emissions. Tests are performed using both different qualities of diesel fuel and additives that reduce particulate matter emissions.
- Non-road mobile machinery: the JRC has contributed to developing a new test cycle for non-road mobile machinery and is coordinating an UNECE working group to define the new protocol for the worldwide harmonised test cycle.
- Worldwide motorcycle test cycle: the JRC has carried out an extensive measurement campaign to develop new emission limits for motorbikes. Over 460 chassis dynamometer tests have been performed, followed by a successful international round robin test.
- Well-to-wheel analysis: the JRC has developed a well-to-wheel analysis tool in cooperation with the European car manufacturers (EUCAR) and fuel suppliers (Concawe) associations. This enables the comparison of the total carbon dioxide (CO_2) emissions efficiency of passenger cars that use different conventional and non-conventional fuels.

Information society

Activities 2003 — Commitments





Number of staff: 1 057

Total commitments	**EUR 992 million**

Objective: To make sure that Europe's business, governments and citizens continue to play a leading role in shaping and participating in the global knowledge and information-based economy.

Administrative expenditure	**EUR 112 million**

***e*Europe and electronic communications policy**	**EUR 74 million**

To promote the development of the information society and the internal market in communications services.

Research and technological development on information society policy	**EUR 807 million**

Community support under the sixth research framework programme for research in information society technologies aims to step up innovation and enhance the competitiveness of European industrial and commercial firms and help the European public derive even greater benefits.

Example: EU moves against illegal and harmful content online

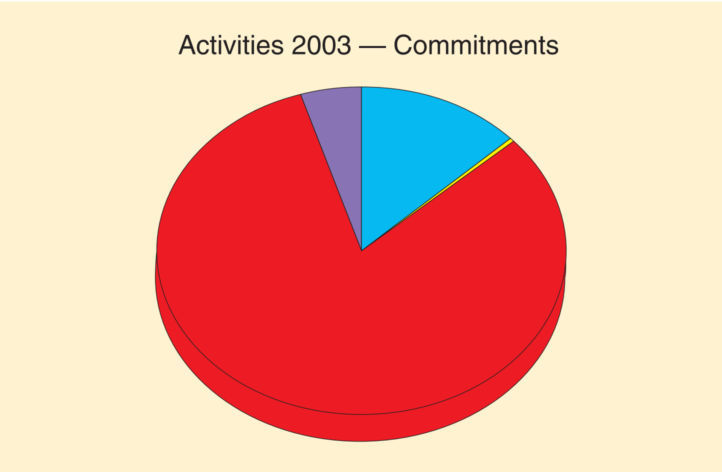
As part of Europe's determined effort to tackle illegal and harmful content on the Internet and new delivery platforms such as mobile phones, a two-year extension to the safer Internet action plan was adopted in May 2003 by the European Parliament and Council, upon a proposal from the Commission.

This is the EU's response to better equip parents and children with tools and awareness they need for daily life in an information society, and to tackle the controversial issue of illegal and harmful content on the Internet. The action plan supports a network of hotlines in Europe where illegal content can be reported. It encourages self-regulation, benchmarks content filtering and rating systems and supports a European network of safer Internet awareness centres.

The extended safer Internet action plan includes measures to encourage exchange of information and coordination with the relevant actors at national level, and has special provisions for accession countries.

Actors in the field of self-regulation are brought together through a forum — the Safer Internet Forum — modelled on the EU cyber-crime forum. The extended action plan covers many different types of illegal content or conduct including racist material, and takes account of new online technologies such as mobile and broadband content, online games, peer-to-peer file transfer and all forms of real-time communications such as chat rooms and instant messages. The networks of hotlines and awareness nodes continue to be key instruments of the programme, alongside the benchmarking of filtering software.

Direct research



Number of staff: 2 133

Total commitments	**EUR 269 million (1)**

Objective: The Joint Research Centre (JRC) operates in nuclear and non-nuclear scientific areas and its mission is to provide customer-driven scientific and technical support for the conception, development, implementation and monitoring of EU policies.

Administrative expenditure	**EUR 1 million**

Directly financed research operational appropriations EC	**EUR 35 million**

The activity comprises direct scientific and technical support action for Community policies within the sixth framework programme on two themes:

- food, chemical products and health;
- environment and sustainability.

(1) This figure includes also EFTA appropriations, PECO appropriations and third party receipts.

Directly financed research operational appropriations Euratom — EUR 221 million

- Nuclear waste management
- Safety of reactors.

Decommissioning — EUR 13 million

In addition to the sixth framework programme, financing is provided for an action plan to eliminate the weight of the nuclear past from activities.

Example: Floods — prevention, preparedness and damage assessment

In the last decade Europe has experienced a number of unusually long-lasting rainfall events that produced severe floods, e.g. in the Netherlands, Belgium, France and Germany (1993, 1995), the Czech Republic, Poland and Germany (1997), North Italy (1994, 2000) and in the UK (1998, 2000).

The trend seems to be continuing: according to the WMO statement on the status of the global climate in 2001 (WMO, 2001), in England and Wales the 24-month period ending in March 2001 was the wettest in the 236-year time series of precipitation. From October 2000 to March 2001 precipitation was also exceptional in Brittany (France), where the normal annual rainfall was exceeded by 20 to 40 % in parts of the region. A third consecutive year of severe flooding occurred in Hungary and parts of eastern Europe in March 2001 — the Tisza river reached its highest level in more than 100 years, the previous record was set in 1888. The worst flooding in Poland since the 1997 floods occurred in July after two weeks of heavy rain caused flooding in the Vistula river. In August 2002 devastating and costly floods in the Elbe and the Danube rivers were observed, and further extreme precipitation and flooding in southern France, where almost half of the normal annual rainfall fell in just one day.

And the year 2003 also started with hurricane-force winds and torrential rains across Europe, killing at least six people, flooding tens of thousands of homes and hampering rail, road and waterway traffic during the first week of January. Winds of nearly 200 kph (125 mph) and flooding caused chaos in Germany, France, Britain, Portugal, Belgium, Austria, the Netherlands and the Czech Republic with barge traffic halted on key rivers and toppled trees blocking roads and rail lines.

This summary of events seems to support projections of future climate indicating that further increase in severe floods in north and north-west Europe are likely.

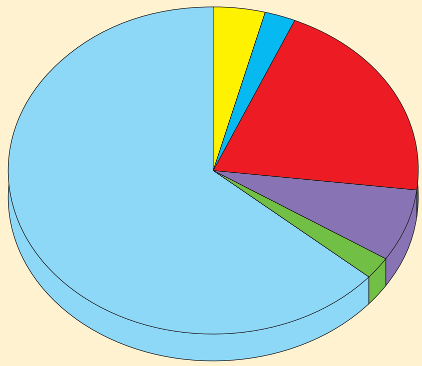
The JRC aims to complement Member State activities towards floods in terms of prevention, preparedness, and damage assessment. The activities of the Floods Group of the IES Weather Driven Natural Hazards Action therefore focus on

- prevention: evaluation of flood defence strategies in transnational catchments via scenario studies on technical measures, land-use change, historic land-use changes, and climate change;
- preparedness: development of a European flood early alert system (EFAS) with an increased flood warning time providing local water authorities, aid organisations and the EC with addition medium to long-term information;
- damage assessment: post-flood analysis based on satellite imagery and modelling.

Further, feasibility studies on regional flash-flood modelling, drought modelling and landslides are also ongoing or foreseen.

Fisheries

Activities 2003 — Commitments



Number of staff: 317

Total commitments	**EUR 907 million**

Objective: To conserve marine resources by managing them responsibly.

Administrative expenditure	**EUR 37 million**

Fisheries markets	**EUR 22 million**

Interventions concerning fisheries products are decreasing, resulting both from rising international price levels, and the entry into force of the reform of the common market organisation.

International fisheries	**EUR 185 million**

Fisheries agreements with third countries and contributions to international organisations.

Specific actions in support of the common fisheries policy	**EUR 65 million**

Specific measures in support of the internal aspects of the CFP, in particular financing of the control infrastructures of the Member States, inspection and surveillance of fishing activities, strengthening of dialogue with industry and the sectors concerned and the management of resources (systematic collection of basic data, improvement of scientific advice).

Fisheries research — EUR 20 million

Supporting policies and anticipating scientific and technological needs under the sixth framework programme.

Structural interventions for fisheries — EUR 578 million

The Financial Instrument for Fisheries Guidance (FIFG) appropriations are predetermined within the overall framework for the Structural Funds. The FIFG is financing development and the structural adjustment of the less developed regions and structural measures in the fisheries sector in other regions. Innovative actions at Community level such as studies, pilot project and experience-sharing, are also supported.

Example: Fisheries: the Commission proposes measures to protect dolphins and porpoises

The European Commission adopted in July 2003 a draft regulation to curb the accidental capture of cetaceans such as dolphins and harbour porpoises in fishing gear, as this is threatening the conservation of these species.

The measures taken by Member States under the 1992 habitats directive have been insufficient to adequately protect these animals. The Commission therefore proposes a two-pronged approach: first, a short-term step designed to tackle by-catches by immediately restricting the use of driftnets in the Baltic and phasing them out completely by January 2007, and establishing the mandatory use of acoustic devices on gill nets throughout EC waters to warn off cetaceans.

The second part will involve measures to ensure the monitoring of cetacean by-catches with a view to increasing knowledge of the phenomenon. Greater understanding of by-catches and better assessment of cetacean populations are necessary to develop more strategic measures at a later date.

Proposed measures

There are insufficient data to allow a precise estimation of the number of accidental catches of cetaceans in fishing gear, their distribution and their impact on populations. However, available scientific advice shows that most of the fishing gears commonly used in European fisheries are responsible for some cetacean by-catch. The most serious problems appear to be caused by gill nets and pelagic (mid-water) trawls. The Commission is proposing two main sets of measures to curb by-catches:

- **Phasing out the use of driftnets in the Baltic Sea:**

Harbour porpoises are the most critically endangered small cetaceans in Europe. The population of Baltic harbour porpoises is so low as to make the impact of the rare by-catches significant for the conservation of this population. To protect biodiversity, the Commission proposes to limit the length of driftnets in the Baltic to 2.5 km immediately.

- **Using acoustic deterrent devices**

Wide-ranging tests on acoustic devices, better known as ‘pingers’, have been shown to reduce by-catches of small cetaceans such as dolphins and harbour porpoises in gill-net fisheries around the world.

Monitoring of by-catches

The above mentioned measures were recommended by scientists as a first step until more information was collected on the behavioural relationships between cetaceans and fisheries in order to design more comprehensive strategies. This is why, in addition to the short-term measures outlined above, greater knowledge must be gained through monitoring of fishing activities and improved assessment and surveillance of cetacean populations. The Commission proposes therefore that Member States put in place, as a matter of priority, on-board observer schemes to monitor cetacean by-catches in the fisheries identified as presenting a high risk where pelagic trawls or gill nets are used. In the case of vessels to which the observer scheme cannot be applied for security or any such reason, Member States must establish alternative methods of independent monitoring at sea.

Internal market

Activities 2003 — Commitments

Number of staff: 495

Total commitments	**EUR 56 million**

Objective: To enhance employment and commercial opportunities, to widen the choice of goods and services, to lower prices, to promote labour mobility and international competitiveness; to ensure that the European internal market functions effectively and to formulate and execute Commission policy in key areas of the internal market; to eliminate unjustified obstacles to the free movement of goods and services and to freedom of establishment; to raise awareness and provide information concerning internal market rights and opportunities.

Administrative expenditure	**EUR 53 million**

Policy strategy and coordination	**EUR 4 million**

Example **Public procurement in the European Union**

Public procurement represents more than EUR 720 billion annually, which amounts to about 11 % of the Union's GDP. Such figures confirm the importance of public procurement in terms of impact on the Single Market and competition, as well as opening of markets for European suppliers. European public procurement policy aims to help public authorities and utilities deliver higher quality services at lower cost to Europe's citizens by bringing the benefits of the Single Market to public procurement.

European public procurement opportunities — For public contracts with an estimated value above certain thresholds, European directives establish common rules for advertising procurement needs, invitations to tender and contract award. These rules are based on the principles of non-discrimination on the basis of nationality for EU firms, free competition and transparency of award procedures. These notices have to be published in the *Supplement of the Official Journal of the European Union*, available on the TED (Tenders Electronic Daily) database.

National public procurement opportunities — For those public procurement opportunities below the thresholds and which do not fall under the European directives different rules and practices are applied at European and national levels. Information on those public procurement opportunities are available in national databases.

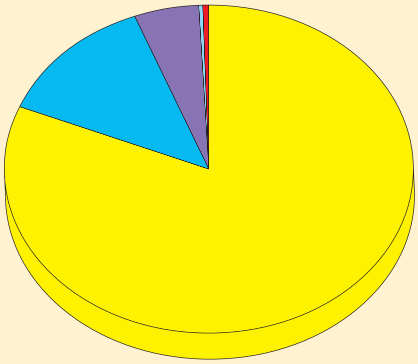
More information:

SIMAP ('Système d'Information pour les Marchés Publics') The SIMAP website is the official procurement site of the European Union. This site provides specific tools like the electronic on-line notification service and background information on rules and procedures, both at European and national levels. For suppliers, the site provides information on the procurement market. It makes it possible to search opportunities in all linked (or hosted) databases and sites (Purchaser Profiles), including smaller contracts and third countries acquisition; a special Search and Retrieval mechanism allows the selection of specific opportunities, even below the thresholds or outside the European Union. The Purchaser Profiles will make it possible to directly access the tender documents relating to the call for tenders or to consult the annual acquisition plan of a certain contracting authority.

SIMAP has also a guide on remedies relating to public procurement. This guide outlines the remedies available in Member States in respect of breaches of the European Union (EU) procurement rules, as implemented into national law. Separate chapters are devoted to the situation in each Member State. The guide is intended to increase awareness and understanding amongst suppliers to the public and utility sectors. Each chapter gives practical guidance on the steps open to suppliers who feel that they have suffered as a result of a breach.

Regional policy

Activities 2003 — Commitments



Number of staff: 603

Total commitments	**EUR 22 009 million**

Objective: To combat the still striking disparities of income and opportunity between the 250 regions of the European Union.

Administrative expenditure	**EUR 69 million**

Solidarity Fund management	**EUR 105 million**

Cohesion Fund	**EUR 2 835 million**

The Cohesion Fund provides project finance assistance to Spain, Greece, Portugal and Ireland, to implement environmental and transportation infrastructure projects.

Pre-accession interventions related to the structural policies	**EUR 1 126 million**

Within the framework of the pre-accession strategy, ISPA (Instrument for structural policies for pre-accession) supports the accession countries of central and eastern Europe to catch up with Community standards on transportation infrastructure and environmental investments.

ERDF and other regional interventions — EUR 17 874 million

Commitment appropriations are predetermined within the overall framework for the Structural Funds, as decided by the Berlin European Council in 1999. The specific level of appropriations derives directly from the programmes negotiated with the Member States. The ERDF is the major player in the financing of:

- Objective 1, to promote development and the structural adjustment of less developed regions; and
- Objective 2, to promote the economic and social conversion of areas in structural difficulty.
- the Interreg Community initiative for the promotion of cross-border, transnational and interregional cooperation; and
- the URBAN Community initiative for economic and social regeneration of cities and urban neighbourhoods in crisis, with a view to promoting sustainable urban development.

Innovative action programmes and technical assistance projects are also eligible for ERDF support.

Activities promoted by the ERDF include in particular:

- productive investments to create and safeguard sustainable jobs;
- investment in infrastructure;
- establishment and development of trans-European networks.

Example: Involving regions in the knowledge economy

On 1 August 2003, the Commission launched the 'Regions of knowledge' pilot action, which aims to boost the involvement of European regions in creating a knowledge-based economy. The initiative has an initial budget of EUR 2.5 million for 2003, which will come from the Structural Funds and from the European framework programme for research.

Support will be provided for innovative projects involving regions in several Member States that have identified knowledge (know-how, human resources, research and development and other 'intangible' production factors) as playing a key role in the development of their regional economies. It is anticipated that up to 10 projects will receive support in the first year.

Projects to be supported will include technology audits, developing economic and technological future models at regional level, initiatives to promote university involvement in the local economy, mentoring between technologically advanced and less favoured regions, and awareness-raising actions focusing on the role of knowledge as a booster of regional development.

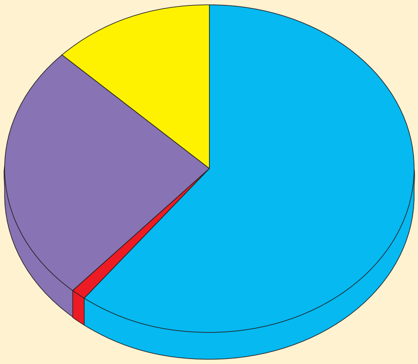
The 'Regions of knowledge' initiative recognises the crucial role of the regions in developing the European research area (ERA) and driving economic growth. Research shows that there is a positive relationship between a region's spending on R & D and its overall wealth.

The performance of EU regions in research activities and in realising the economic benefits of the knowledge-based economy varies widely. While some regions, such as Baden Wurttemberg (Germany), Île-de-France (France), Uusimaa (Finland), Vaestsverige (Sweden) and eastern England (United Kingdom), spend well over 3 % of their gross domestic product (GDP) on R & D, in many regions this figure is less than 0.5 %.

To receive funding projects must involve bodies or entities from at least three EU Member States.

Taxation and customs union

Activities 2003 — Commitments



Number of staff: 480

Total commitments	**EUR 85 million**

Objective: To remove harmful tax competition as well as to apply common rules at the external borders of the Single Market.

Administrative expenditure	**EUR 52 million**

International aspects of taxation and customs	**EUR 1 million**

Customs 2002 and 2007 programme with the aim to provide as much support as possible for the enlargement process, by bringing current working methods into line.

Customs policy	**EUR 22 million**

The Customs 2007 programme with the goal of ensuring that customs authorities apply Community legislation in such a way as to ensure the smooth operation of the internal market in an enlarged Community.

Taxation policy	**EUR 11 million**

New Fiscalis 2007 programme to tighten up taxation systems in the internal market by improving cooperation between the relevant departments and officials in the Member States, and identifying obstacles to such cooperation in areas like legislation and administrative practices so that they can be removed.

Example **The Customs 2007 programme**

Customs 2007 is designed to help to facilitate trade and to combat fraud so as to safeguard the financial and security interests of the Community and its citizens. A new factor which is becoming increasingly important is taking into account the changing role of customs with regard to new policies such as health and environmental protection. A particular focus of Customs 2007 will be helping new Member States prepare their systems to respond to open market conditions and to implement customs controls on behalf of the EU at the new external frontier. Customs 2007 runs from 1 January 2003 to 31 December 2007 and will provide a legal and financial base for:

(1) electronic information exchange systems between national administrations,

(2) training seminars for customs officials and experts,

(3) the exchanges of officials between national administrations and

(4) the basis for an electronic system which will allow business to move towards a paperless customs environment.

The cost of the programme will be shared between the European Community (EC) and the participating countries and, for the EC over the five years, will be EUR 133 million. The budget will be increased on enlargement to cover the needs of the new Member States.

Customs 2007 will use a range of tools such as the development and maintenance of the Community component of IT systems, exchanges of officials, seminars, workshops and project groups to achieve its objectives. It will continue existing activities, including the development of the common training programme and will provide technical assistance to the applicant countries and to third-country administrations.

Protection of Community interests

Customs have an important role to play to combat fraud and criminal activities. This requires specialist investigators, sound legislation and effective tools. From an EU point of view, the protection of Community interests also requires good cooperation and mechanisms for the exchange of information.

Trade facilitation

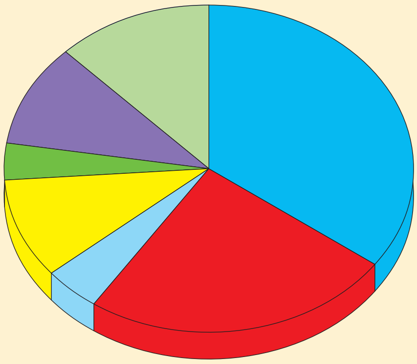
The EU has to be a strong economic and trade partner in the world economy. Customs have an important role to play to ensure the competitiveness of the European trade environment. The programme contributes to this broad objective by minimising the burden placed on trade in relation to customs legislation and procedures.

Equivalent results and infrastructure

Customs in the Community operate under a common legal framework based on common application provisions and a common customs tariff. Whilst the legal framework is well established, its implementation currently depends on individual national administrations with differing national responsibilities who are called upon to act as if they were one when applying Community customs law.

Education and culture

Activities 2003 — Commitments



Number of staff: 717

Total commitments	**EUR 827 million**

Objective: To reinforce the human dimension of Europe by making the most of Europe's common cultural heritage, by developing a feeling of European citizenship and by contributing to the creation of a European space for education and training.

Administrative expenditure	**EUR 102 million**

Education	**EUR 289 million**

The Socrates programme aims to

- strengthen the European dimension in education at all levels;
- promote knowledge of the languages of the European Union;
- promote cooperation and mobility in education;
- encourage innovation in the development of educational practices and materials.

Vocational training	**EUR 203 million**

The Leonardo da Vinci programme is intended to improve the quality and increase the impact of initial and continuing possibilities for vocational training, with a view to developing personal abilities and skills, while looking to encourage innovation in the training field (including university/industry cooperation).

Culture and language	**EUR 37 million**

Dialogue with the citizens — EUR 30 million

Community financing is provided for town-twinning, European integration of universities, special annual events and action for civil society.

Youth — EUR 84 million

The Youth programme's objectives are to

- promote an active contribution by young people to the building of Europe through transnational exchanges;
- strengthen their sense of solidarity through participation in transnational community services' activities;
- encourage their sense of initiative, enterprise and creativity to play an active role in society;
- strengthen cooperation in the field of youth policy.

Audiovisual policy and sports — EUR 82 million

The implementation of the MediaPlus and Media Training programmes to improve the competitiveness of the European audiovisual industry, encourage cooperation and exchanges of know-how, and to improve the vocational education of professionals in the industry.

Example — Europe of learning opportunities through a mouse click: Ploteus portal

'I want to move to Italy and study architecture — what's the easiest way of finding out what my options are and what is available?'

'I have to move to Sweden with my family — how am I going to find out about the school system for my children?'

The answers to all these questions and more can be found through the EU Ploteus Internet portal (http://europa.eu.int/ploteus), designed to connect people to detailed information on education and training in Europe. This portal on learning opportunities throughout the European space, which in ancient Greek means 'navigator', was launched in Brussels in March 2003.

This portal, along with the EURES portal already in existence and containing the European database on job opportunities, will provide people with a vast array of useful information, opening a world of opportunities for its users.

The portal itself is divided into a number of different sections: learning opportunities, education systems, exchanges, contacts and moving to a country. One of the most useful functions of the portal will be to connect surfers to national education websites providing lists of schools, colleges and other educational institutions through the learning opportunities section. Here one can weigh up various options about studying anything from engineering in Finland, business in Spain or forestry in Austria. Links to databases at national level mean that all options are accessible with ease.

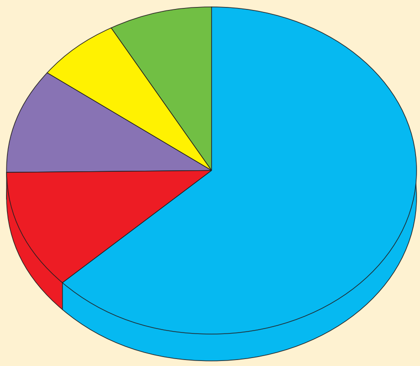
The section on education systems will focus on providing detailed information about the national education and training systems at all levels from primary right through to postgraduate as well as further education and training.

Exchange, as the title indicates, provides the necessary information to participate in European exchange programmes, giving students the opportunity to study abroad for a fixed amount of time during the course of their studies. Contact details for various guidance centres throughout Europe are provided in the contact section.

Aside from information about the opportunities available in the various countries, the moving to a country section provides important practical information on a possible new destination. It includes hints about finding accommodation, details about the legal framework for studying and working, as well as basics such as the cost of living and tax and social security issues.

Press and communication

Activities 2003 — Commitments



Number of staff: 693

Total commitments	**EUR 136 million**

Objective: To inform the media and citizens about the activities of the Commission, communicate the objectives of its policies and actions, and to inform the Commission about the evolution of public opinion in Member States

Administrative expenditure	**EUR 85 million**

Provision of information to the media on the decisions and the policies of the Commission	**EUR 16 million**

General information work concerning the European Union.

Analysis of public opinion trends and development of general information for the citizens	**EUR 14 million**

Informing citizens about the political objectives and Community activities.

Integrated management of means of communication (at central and local levels) **EUR 9 million**

The coordinated use of traditional and modern information and communication means, for example, the management of the Europa site, Europe by Satellite, the mediatheque, the call centre Europe Direct.

Coordination of information relays and networks in the European Union **EUR 11 million**

Financing of information outlets (coordination and animation activities of the network).

Example: Rural information carrefours

'Bringing information about Europe to the heart of rural communities'

The Commission helped set up the first rural information carrefours in 1988.

Their aim is to bring information about Europe to the heart of rural communities and to foster contacts, discussions and events through bodies that are firmly rooted in local life and experienced in rural development and information (farmers' associations, foundations, etc.). Information is not limited simply to the common agricultural policy.

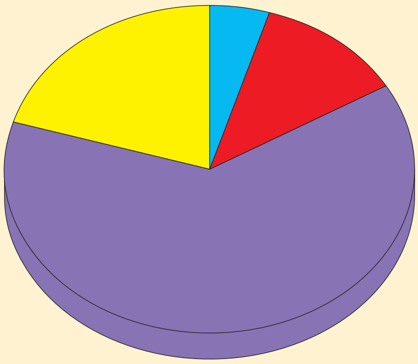
The wider aim is to inform socioeconomic players and the public about the EU and about Community policies and measures of concern to rural areas, to stimulate dialogue and cooperation and to encourage people to share their experiences.

Some of the 129 carrefours in rural areas throughout Europe publish their own newsletters or magazines, others work together with the local media, while others organise training courses, seminars, and conferences, set up web sites, and much more besides.

The carrefours are also interlinked in a network. Together, they are able to provide a wide range of expertise in many fields (environment, agriculture, employment, measures for young people, etc.). They exchange information and undertake joint projects drawing on the close relationships built up with other rural communities linked to the network.

Health and consumer protection

Activities 2003 — Commitments



Number of staff: 830

Total commitments	**EUR 467 million**

Objective: To ensure a high level of protection of consumer health, safety and economic interests as well as of public health at the level of the European Union.

Administrative expenditure	**EUR 95 million**

Consumer policy	**EUR 22 million**

The multiannual strategy for consumer protection sets out three strategic medium-term objectives:

- a high harmonised level of consumer protection across the EU;
- effective enforcement of consumer protection rules;
- proper involvement of consumer organisations in EU policies.

Food safety, animal health, animal welfare and plant health	**EUR 295 million**

- Interventions in the field of veterinary and plant health, and in particular the measures to be taken in the context of BSE and foot-and-mouth disease.
- Contribution to the European Food Safety Agency.

Public health — EUR 55 million

The main objectives of the framework programme are:

- ☐ improving health information and knowledge by developing and operating a comprehensive information system;
- ☐ responding rapidly and in a coordinated way to health threats by enhancing the capacity to tackle communicable diseases and by strengthening the capacity to tackle other health threats;
- ☐ addressing health determinants through promotion and disease-prevention measures.

Example **Travelling with pets: pet passports**

The European Commission adopted in November 2003 a decision establishing a model passport which will allow pets and their owners to travel more easily within the European Union. New EU legislation comes into force in July 2004 which will mean all cats, dogs and ferrets will need a passport to travel. The pet passport, a veterinary document, will provide proof that the animal has been vaccinated against rabies. This is the sole requirement for pets to travel to all Member States except Ireland, Sweden and the United Kingdom. The passport can also contain details of other vaccinations, including those not required by law, as well as information on the animal's medical history.

Why do pets need passports?

Harmonised veterinary controls on the movement of animals between Member States for trade have been in place for some time. The same rules do not exist for pets. Member States require many different documents to prove a pet meets the veterinary conditions required for travel.

Regulation 998/2003 harmonised the rules on travelling with pets to make it easier for EU citizens and their cats or dogs to enjoy the freedom of movement within the Union.

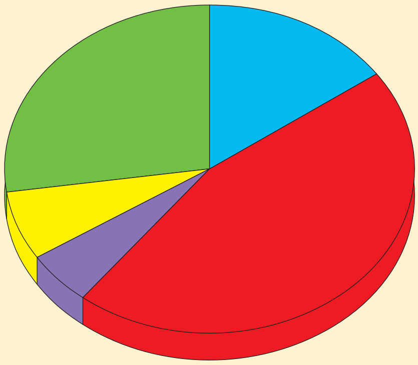
The pet passport will be accepted in all Member States. It can also contain details of other vaccinations and clinical examinations to give a clear picture of the animal's health status. This will facilitate veterinary checks and provide evidence of good health for a pet travelling to third countries free of rabies or where the disease is under control.

What difference will it make?

Travelling with pets will become much easier. All the different documents needed for travel into each Member State will be replaced by one veterinary document, the pet passport, which will be recognised across the EU. Visits to the vet will also become much more straightforward as the passport can instantly inform the vet about the pet's medical history.

Justice and home affairs

Activities 2003 — Commitments



Number of staff: 338

Total commitments	**EUR 133 million**

Objective: To ensure that the citizens of the European Union enjoy freedom and equal access to security and justice.

Administrative expenditure	**EUR 36 million**

Policy strategy and coordination	**EUR 7 million**

Police, customs and judicial cooperation in criminal and civil matters	**EUR 20 million**

Framework programmes for civil matters and for cooperation in criminal law. The aim of the area of freedom, security and justice is to establish the free movement of European Union citizens and non-EU nationals throughout the Union, while guaranteeing public security, and combating all forms of organised crime (trafficking in human beings, sexual exploitation of children, vehicle, arms and drug trafficking, corruption, fraud) and terror.

Immigration, asylum and visas; free movement of persons; civil law; citizenship and fundamental rights	**EUR 60 million**

The activity mainly comprises the European Refugee Fund involving both structural measures and emergency measures in the event of a sudden influx of refugees. It further includes preparatory measures for the integration of third-country nationals and for cooperation with third countries in the field of immigration.

Coordination in the field of drugs — EUR 9 million

The operational part of the appropriation for the European Drugs and Drug Addiction Monitoring Centre (EMCDDA) in Lisbon.

Example: Transmission of asylum applications between Member States — DubliNET now operational

A secure electronic network of transmission channels between the national authorities dealing with asylum applications, called DubliNET, became operational on 1 September 2003 in the EU Member States, plus Norway and Iceland. Its creation was called for by the 'Dublin II' Regulation establishing criteria and mechanisms for determining the Member State responsible for examining an asylum application lodged by a third country national, which replaces the Dublin convention.

DubliNET uses services offered by the IDA (interchange of data between administrations) programme to guarantee a high level of security to the protection of data pertaining to asylum seekers.

Not only has it standardised how information is exchanged by Member States through the use of electronically signed forms, it has also established a reliable authentification and identification infrastructure over an encrypted network and has obliged Member States to ensure continuity of service.

DubliNET has simplified procedures to the benefit of national administrations by identifying one single national access point by Member State, plus Norway and Iceland.

It is also consistent with Eurodac, an EU-wide electronic system launched on 15 January 2003 which compares the fingerprints of asylum applicants, in order to identify those who have already lodged an asylum application in another Member State.

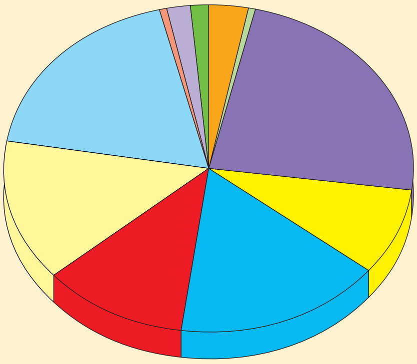
Both DubliNet and Eurodac were created by the European Commission, in close cooperation with the Member States.

Under this regulation, responsibility for examining an asylum application lies with the Member State which played the most important part in the applicant's entry or residence in the European Union. The Member State responsible takes charge of the applicant throughout the asylum procedure and has an obligation to take back an applicant who is illegally in another Member State.

The Member State called upon to take charge of the applicant is obliged to make the necessary checks and reply to the request addressed to it as quickly as possible and under no circumstances exceeding a period of two months from the referral. When a Member State is requested to take back an applicant for whom it is responsible, a reply must be given within one month. When the request is based on data obtained from the Eurodac system, this time limit is reduced to two weeks.

External relations

Activities 2003 — Commitments



Number of staff: 3 047

Total commitments	**EUR 3 273 million**

Objective: To support the objectives of the EU external policy by means of cooperation, development aid, conflict prevention and human rights programmes and projects, including promotion of the EU's identity on the international stage.

Administrative expenditure	**EUR 377 million**

Multilateral relations and general external relations matters	**EUR 61 million**

Enhancing the Community/EU role in multilateral relations through conflict prevention and crisis management measures, de-mining actions, managing migration, participation in certain international organisations and forums and through increasing the visibility of the Community and its activities by communication and information.

Common foreign and security policy (CFSP)	**EUR 47 million**

Actions undertaken under the common foreign and security policy, i.e. the follow-up on legal and institutional aspects, sanctions and specific export regimes and the financial management of CFSP joint actions. A major action in 2003 has been the setting up of a EU Police Mission in Bosnia Herzegovina.

Human rights and democratisation — EUR 102 million

The goals pursued are the EU's promotion of human rights and democratisation in third countries with a focus on four key thematic areas: (1) democratisation, good governance and the rule of law; (2) the abolition of the death penalty; (3) the fight against torture and impunity and support of international criminal tribunals; (4) the fight against racism, xenophobia and discrimination against minorities and indigenous peoples.

Relations with non-EU OECD countries — EUR 18 million

Cooperation with the United States, Canada, Japan, Korea, Australia and New Zealand.

Relations with eastern Europe, Caucasus and central Asian republics — EUR 459 million

Relations with east European and central Asian partner States and the Tacis programme, which includes — over and above programmes with each of the partner countries — a strong attention on cross-border cooperation, nuclear safety and the Chernobyl Shelter Fund.

Relations with the western Balkans — EUR 604 million

The stabilisation and association process (SAP) is a framework in which a new contractual relationship — stabilisation and association agreements — and an assistance programme (CARDS) help Albania, Bosnia Herzegovina, Croatia, FYROM and the FRY (Serbia, Kosovo and Montenegro) to progress at their own pace towards EU membership.

Relations with the Middle East and south Mediterranean — EUR 768 million

The Barcelona Process is the Union's main instrument to help promote stability and prosperity in the Union's Mediterranean neighbours. In the MEDA II programme (2000–06) this goal will be attained by the enhancement of relations with partners in the Mediterranean region. This includes the development of a free trade area, enhanced regional cooperation, economic dialogue, justice and home affairs, the social dimension, human rights and democracy.

As for the Middle East peace process, efforts will continue in support of a more active role of the Union, both as regards establishing a lasting ceasefire and moving into final status negotiations.

Relations with Latin America — EUR 282 million

The strategic sectors of the Community intervention in Latin America are the following: fight against poverty and social exclusion; institutional support, the consolidation of the democratic process and promotion and protection of human rights; support for regional integration; the promotion of sustainable development; support for the economic reforms and for insertion into the world economy and the facilitation of trade and of the economic relations between the European Union and Latin America.

Relations with Asia — EUR 538 million

The main strategic axes of intervention to the benefit of Asian developing countries will continue to be basic education and health. Where appropriate, efforts will be made to mainstream the poverty focus in the other objectives of the Asia strategy such as trade and investment relations, promotion of democracy, human rights, rule of law and governance. Contributing to the reconstruction of Afghanistan is a major part of the expenditure undertaken under this activity.

Policy strategy and coordination — EUR 19 million

Comprises evaluation activities and information programmes.

Example **The fight against landmines**

The European Commission adopted its 2003 annual work programme for antipersonnel landmines with a budget of EUR 18.2 million. The general objective of this programme is to assist countries suffering the consequences of antipersonnel landmines to create the conditions necessary for their economic and social development.

The main priorities in the work programme are actions to eliminate the threat that antipersonnel landmines/unexploded ordinance (APL/UXO) represent for the affected populations and to alleviate their dramatic effects (through mine clearance, mine risk education, risk reduction and destruction of landmines in stocks or dumping grounds); and actions to build and reinforce local capacity and to increase mine action efficiency and effectiveness (impact surveys and associated tools).

As for geographic priorities, the focus countries — Afghanistan, Angola, Armenia, Azerbaijan, Cambodia, Democratic Republic of Congo, Eritrea, Guinea-Bissau, Iraq, Laos, Mozambique, Myanmar, Sri Lanka and Sudan — have been selected following four criteria: accession to the international Mine Ban Treaty (Ottawa Convention) or efforts to comply with it, humanitarian impact of the mine problem, prioritisation of the issue in the national context, and strategic importance for the EU.

The 2003 work programme proposes to implement the EUR 18.2 million budget in the following way:

EUR 13.1 million for direct grants mostly through UN bodies in countries such as Armenia, Azerbaijan, Afghanistan, Mozambique, as well as for a targeted action towards the involvement of non-State actors in mine action;

EUR 4.6 million for co-financing of operations in Sri Lanka, Laos, Democratic Republic of Congo and Guinea-Bissau through calls for proposals;

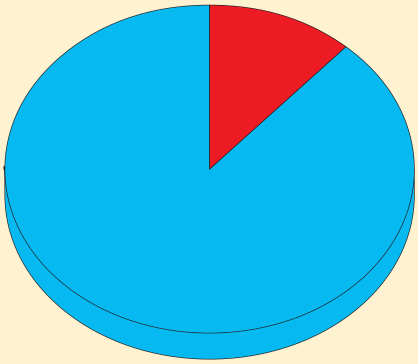
EUR 0.5 million for further technical assistance in Cambodia.

The 2003 work programme follows the EC mine action strategy and multiannual indicative programming 2002–04, which amounts to around EUR 48 million.

Apart from the specific activities undertaken under this dedicated budget line, de-mining is frequently integrated in other projects such as rural development or transport.

Trade

Activities 2003 — Commitments



Number of staff: 547

Total commitments	**EUR 68 million**

Objective: To contribute, in the general interest, to the harmonious development of world trade, the gradual removal of restrictions to international trade, and the reduction of customs barriers.

Administrative expenditure	**EUR 61 million**

Trade policy	**EUR 8 milliom**

In the framework of the Doha round of multilateral trade negotiations launched in November 2001, the EU supports further market access together with the introduction of new rules in the fields of competition and of investment, better integration of developing countries in global trade as well as mechanisms to clarify commercial rules and environmental, health and social standards.

Example: **Access to essential medicines**

Infectious diseases are responsible for almost half of all deaths in developing countries, and half of these diseases are caused by HIV/AIDS, tuberculosis and malaria. More than two billion inhabitants of the world do not have regular access to adequate treatment and cure. AIDS, tuberculosis and malaria alone kill five million people each year mostly in developing countries.

In February 2001, the Commission adopted the Programme for Action: accelerated action on HIV/AIDS, malaria and tuberculosis in the context of poverty reduction (updated on 26 February 2003), which is based on a comprehensive approach on the three major communicable diseases. This was adopted by the Council by resolutions and the European Parliament endorsed it. The Programme for Action focuses on:

- maximising the ‘impact’ of measures to strengthen healthcare systems on a national basis;
- increasing ‘affordability’, i.e. seeking to lower the prices of essential medicines;
- identifying ways and means of promoting research into new pharmaceuticals and vaccines to fight these diseases.

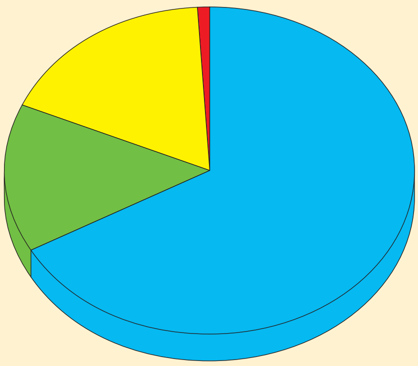
The programme was updated by a Commission Communication COM(2003)93.

A Council regulation to prevent import of tiered priced medicines into the EU was adopted on 26 May 2003. This regulation offers manufacturers and exporters of strongly discounted medicines (tiered priced products) reinforced prevention at border level against imports into the EU market where higher prices prevail. The scope of diseases and scope of countries largely correspond to the Programme for Action. This is a clear example of how various policy areas contribute to the common strategy for combating poverty diseases. Trade policy instruments complement actions undertaken as part of the research and development policy areas.

Tariff and tax reductions in importing countries is another objective of the Commission, to be further examined at multilateral level. While the EU and other developed country markets apply zero tariffs on imports of pharmaceuticals from other developed WTO members, developing countries should be encouraged to eliminate tariffs and other duties to lower consumer prices on pharmaceuticals on their markets.

Development and relations with ACP countries

Activities 2003 — Commitments



Number of staff: 2 182

Total commitments	**EUR 1 140 million**

Objective: The aim is defined in the Treaty, the Cotonou Agreement and the EC development policy as: poverty eradication; sustainable economic and social development; the integration of developing countries into the world economy; and to contribute to developing and consolidating democracy, the rule of law and the respect for human rights and fundamental freedoms.

In addition to the regular EU budget appropriations, there are funds from the European Development Fund (EDF) for ACP (African, Caribbean, Pacific) countries managed by the Commission but outside the budget. The Commission committed EUR 3.761 million for the benefit of the ACP partners

Administrative expenditure	**EUR 199 million**

Development cooperation policy and sectorial strategies	**EUR 762 million**

Some development challenges require a response strategy at a thematic level rather than through the traditional country programmes for reasons of effectiveness and visibility or because the target groups are civil society rather than established government structures. This expenditure category therefore covers, food aid (for more than half), a programme for NGO co-financing, support for the fight against poverty diseases and interventions in the environment/tropical forest sector.

Relations with sub-Saharan Africa, the Caribbean, Pacific and Indian Ocean — EUR 167 million

The main funds for the ACP countries come from the European Development Fund (EDF), i.e. outside the budget. Inside the budget, the Commission manages cooperation with South Africa and a special programme of assistance to the ACP banana producers with a view to raising their competitiveness.

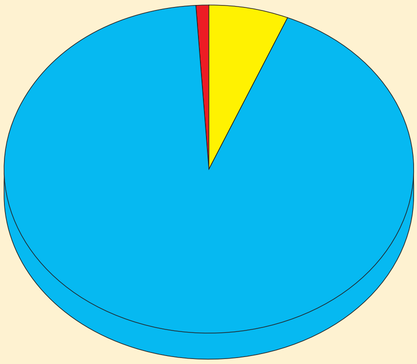
Policy strategy and coordination — EUR 11 million

Comprises activities of evaluation, coordination and promotion of awareness on development issues.

See also case studies in the chapter, European development fund, in this report.

Enlargement

Activities 2003 — Commitments



Number of staff: 785

Total commitments	**EUR 1 976 million**

Objective: A reunited Europe, a stronger, democratic and more stable continent able to gain full advantage from an internal market of 500 million people.

Administrative expenditure	**EUR 124 million**

Pre-accession assistance instruments	**EUR 1 832 million**

This activity essentially covers the Phare programme for pre-accession aid to the candidate central and east European countries. The activity comprises the main Phare programme line, cross-border cooperation, cooperation in the nuclear field, and the contribution to the European Training Foundation.

The Phare programme focuses on accession by setting two priority aims: institution building with a focus on reinforcement of administrative and judicial capacity, and investments related to the adoption and application of the *acquis communautaire*.

Cyprus, Malta and Turkey also benefit from support under this activity.

Information and communication strategy	**EUR 20 million**

Example: **Call for proposals on enlargement partnerships with civil society 2003**

The year 2003 was the year on the eve of enlargement of the EU with 10 new members. Therefore, the European Commission undertook a special effort (EUR 5.5 million under the Prince programme) to explain enlargement to groups and networks within civil society.

The Commission is in partnership with various organisations whose projects are aimed at better educating the general public (particularly groups focusing on women, towns/cities, culture, sport, consumers, and the elderly; young people; vulnerable groups; rural populations and enterprises), about the impact of enlargement on their daily lives.

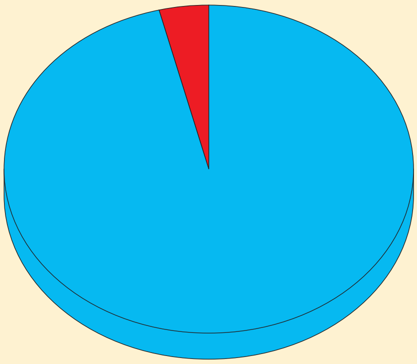
With available grants of up to 75 %, 22 specific projects have been selected out of 142 applications. As well as partnership with the institutions, each of these projects, in various stages of execution, involves cooperation across at least three EU Member States (MS) or three different MS regions and often incorporates the new Member States too.

The initiatives use events, seminars, training, debates, meetings, publications, articles, study groups, press conferences, exchanges, videos, exhibitions, and the Internet to reach out to citizens and raise their awareness about enlargement.

An example of a project (based on a dozen or so seminars, cooperation fairs, fact-finding missions, symposiums and even an enlargement party) is that of 'Fostering integration and trade between SMEs — FIT for enlargement' created by the German Confederation of Skilled Crafts. European Schoolnet (EUN) is engaging schoolchildren through 'myEurope Plus — A common enlarged future' which is primarily based on developing a website as a European hub for resources, activities, linking of schools and sharing of information on enlargement issues with pupils and teachers. The culmination was a week-long celebration of Europe's enlargement across schools in the current and future Member States.

Humanitarian aid

Activities 2003 — Commitments



Number of staff: 158

Total commitments	**EUR 562 million**

Objective: To provide emergency assistance and relief to the victims of natural disasters or armed conflicts outside the European Union in order to save life, reduce and prevent suffering and safeguard the integrity and dignity of third country populations affected by humanitarian crises. The aid is intended to go directly to those in distress, irrespective of race, religion or political convictions.

Administrative expenditure	**EUR 22 million**

Humanitarian aid, including the 'emergency aid reserve'	**EUR 541 million**

Non-discriminatory assistance, geared primarily towards help and protection for people in third countries, primarily those in developing countries, victims of natural disasters, wars or armed conflicts. This aid also comprises preparatory and preventive actions. Apart from the funds available in the budget, an 'emergency aid reserve' allows the mobilisation of additional funds for humanitarian aid actions as well as for crisis responses.

Example: **Humanitarian aid**

The European Union as a whole (i.e. the 25 Member States and the Commission) is one of the world's main humanitarian aid donors; the Humanitarian Aid Office (ECHO) is the service of the European Commission responsible for this activity.

The European Union's mandate to ECHO is to provide emergency assistance and relief to the victims of natural disasters or armed conflict outside the European Union.

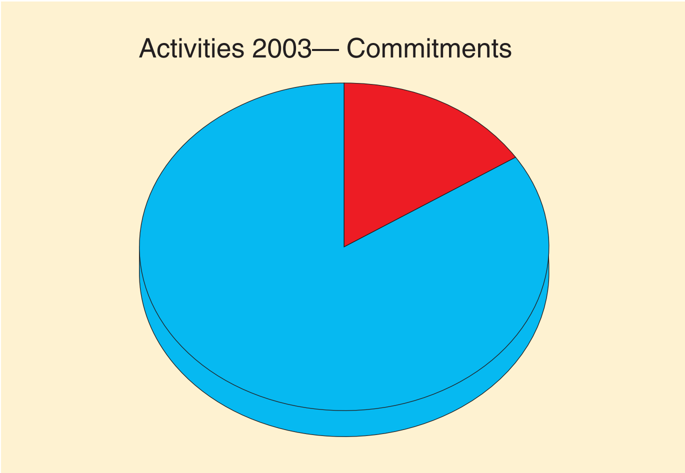
ECHO's task is to ensure goods and services get to crisis zones fast. Goods may include essential supplies, specific foodstuffs, medical equipment, medicines and fuel. Services may include medical teams, water purification teams and logistical support. Goods and services reach disaster areas via ECHO partners.

Since 1992, ECHO has funded humanitarian aid in more than 85 countries. Its grants cover emergency aid, food aid and aid to refugees and displaced persons worth a total of more than EUR 600 million in 2003. Apart from funds coming from the budget, ECHO can also rely on a small complement coming from the European Development Fund; this explains the higher amount in the table below which shows ECHO's decisions, amount by recipient countries and regions 2003.

Country/sub-region	Decisions in euro
Africa, Caribbean, Pacific	
Angola	13 900 000
Burkina Faso	472 500
Burundi	15 000 000
Caribbean/Pacific/Indian Ocean	1 400 000
Central African Republic	1 000 000
Chad	2 000 000
Coastal West Africa	16 000 000
Congo	4 000 000
Congo (Democratic Republic)	44 000 000
Côte d'Ivoire	5 740 000
Eritrea	1 300 000
Ethiopia	2 000 000
Liberia, Sierra Leone	8 000 000
Mali	500 000
Namibia	100 000
Niger	472 500
Somalia	9 000 000
Southern Africa	25 000 000
Sudan	22 000 000
Tanzania	24 000 000
Uganda	8 000 000
Zimbabwe	13 000 000
ECHO flights	8 400 000
	225 285 000
Eastern Europe/NIS	
Georgia	2 200 000
Mongolia	1 000 000
Northern Caucasus (Chechnya crisis)	26 000 000
Tajikistan	10 000 000
Western Balkans	7 660 000
	46 860 000
Middle East/North Africa	
Iraq	97 139 000
Middle East (Palestine)	38 000 000
Algeria/Western Saharan refugees	7 142 500
Yemen	2 000 000
	144 281 500
Asia	
Afghanistan	54 000 000
Cambodia	4 000 000
China/Tibet	4 000 000

Country/sub-region	Decisions in euro
East Timor	2 000 000
India	2 650 000
Indonesia	3 500 000
Iran	839 000
Laos	1 700 000
Myanmar/Burma	5 320 000
Nepal	4 000 000
North Korea	17 000 000
Pakistan	1 000 000
Philippines	1 000 000
Sri Lanka	8 100 000
Thailand	6 240 000
Sars/Regional	1 600 000
	116 949 000
Latin America	
Argentina	1 385 000
Colombia	8 000 000
Ecuador	206 000
El Salvador	130 000
Guatemala	130 000
Honduras	130 000
Nicaragua	130 000
	10 111 000
Dipecho	
Andean Community	4 000 000
Central Asia	3 000 000
South Asia	2 500 000
Caribbean	2 500 000
	12 000 000
Thematic funding	
UNHCR	11 000 000
Unicef	996 000
ICRC	10 000 000
OCHA/IRIN	1 200 000
	23 196 000
Other funding	
ECHO field experts	12 037 000
ECHO offices	4 880 000
Support expenditure	4 749 000
	21 666 000
Total ECHO funding 2003	**600 349 000**

Fight against fraud



Number of staff: 348

Total commitments	**EUR 48 million**

Objective: To detect and monitor customs fraud, misappropriation of subsidies and tax evasion and to combat corruption and all other illegal activities detrimental to the European Union's financial interests.

Administrative expenditure	**EUR 38 million**

Fight against fraud	**EUR 9 million**

The core activities are:

- collection and analysis of information and intelligence (including all related support activities with the Member States and with third countries);
- investigations (including all operational support and coordination activities);
- follow-up to investigations (including judicial and financial follow-up);
- legislative initiatives and evaluation of legislation.

See also the detailed presentation of the OLAF and the fight against fraud.

7. FIGHT AGAINST FRAUD

OLAF's task

The mission of the European Anti-Fraud Office (OLAF) is to protect the interests of the European Union, to fight fraud, corruption and any other serious irregular activity, including misconduct within the European institutions. In these fields, OLAF carries out all the powers of investigation conferred on the European Commission by Community legislation and the agreements in force with third countries. Over and above the protection of financial interests, the responsibility of the Office concerns all the activities connected with safeguarding Community interests against irregular behaviour likely to lead to administrative or penal proceedings.

OLAF's methods and means

OLAF achieves its mission by conducting, in full independence, internal and external investigations. It also organises close and regular cooperation between the competent authorities of the Member States and the candidate countries in order to coordinate their activities. OLAF supplies Member States with the necessary support and technical know-how to help them in their anti-fraud activities. It contributes to the design of the anti-fraud strategy and methods of the European Union and takes the necessary initiatives to strengthen the relevant legislation. OLAF activities are being carried out with integrity, impartiality and professionalism, and will, at all times, respect the rights and freedoms of individuals and be fully consistent with the law.

Impact of OLAF's investigations

The total financial impact estimated by the investigation teams for all completed investigations which were passed to financial follow-up during OLAF's regular reporting period (1 July 2002–30 June 2003) amounted to more than EUR 850 million.

OLAF maintained the policy of 'zero tolerance', investigating all serious allegations of corruption within the European institutions. Priority was therefore given to internal investigations, to which additional resources were diverted during the reporting period. OLAF also gave priority to casework relating to the enlargement process. Preparations for enlargement intensified in all operational and training aspects. Experience demonstrated that an effective OLAF presence and close cooperation with national authorities leads to a significant increase in successful investigations.

Figure 4
Cases in follow-up with estimated financial impact at the end of the reporting period

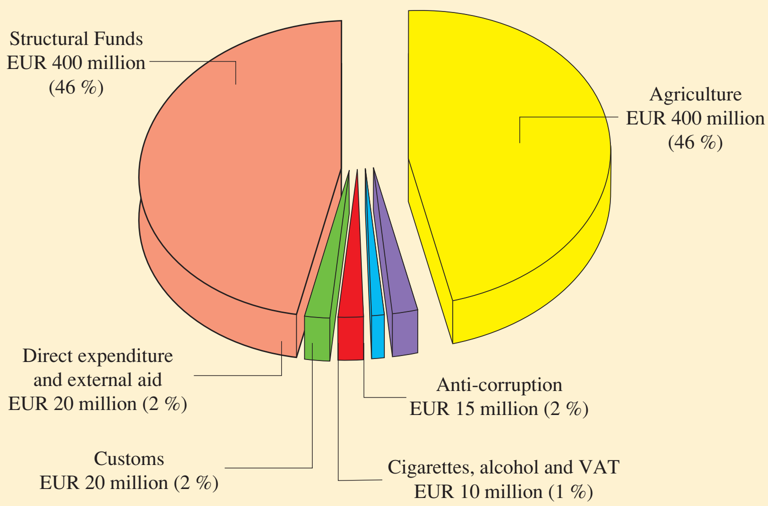
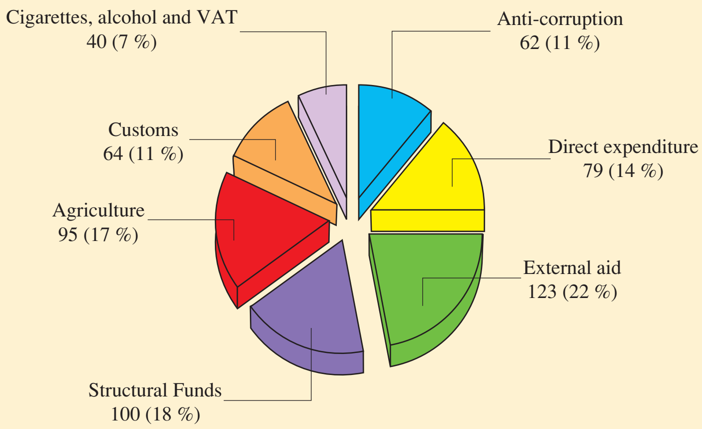


TABLE 7
Investigation activity and human resources employed by sector during reporting period

OLAF sector	Cases treated	Human resources per sector at the end of the reporting period
Anti-corruption	70	13
Direct expenditure and external aid	371	25
Structural Funds	241	15
Agriculture	218	20
Cigarettes, alcohol and VAT	69	18
Customs	215	18
Grand total	**1 184**	**109**

During OLAF's reporting period, 1 184 cases were under investigation. The Office opened 375 new investigations and closed altogether 805 investigations and other cases, many of which dated from OLAF's predecessor in the 1990s, UCLAF. At the end of the period, 206 case records registered in OLAF's case management system (CMS) were in the assessment stage and 671 cases were under active investigation. The number of cases in the follow-up stage doubled. The total number of new case records registered during the reporting period increased by approximately 4 % (from 539 to 563). The average weight of each case increased with the elimination of old cases. At the end of the period, the case management system stored a total of 3 440 case records, an increase of 18 % over the previous year. Of those, 1 423 had been inherited from UCLAF.

Figure 5
New case records from the reporting period by OLAF sector



Case study

As a result of an enquiry by the European Parliament and of reports by the media indicating that Community funds had been misappropriated, OLAF obtained further information from the Employment and Social Affairs DG. Subsequent examination of the available information led OLAF to alert the national police authorities, with a view to cooperating with them and providing them with technical assistance.

A coordination case was opened with the Guardia di Finanza, Italy. OLAF organised several coordination meetings in order to facilitate exchanges and planning.

The investigations in Italy subsequently revealed that of the EUR 1.44 million of funding available from the European Social Fund (ESF) for 26 online training courses, almost half, EUR 697 217, had been misappropriated. Indications of overpricing on invoices and falsified documents were identified during the operation. A file was subsequently sent to the national judicial authorities, alleging that 10 individuals had been involved in a conspiracy to embezzle Community funds. Steps have been taken to recover these funds.

Case study

In response to information from various sources indicating a massive increase in the amounts of sugar being imported into the territory of the European Community from a number of countries in the Balkans (more than 250 000 tonnes in 2001–02), OLAF opened a number of investigations. The motivation for the increase in imports is closely linked with a regulation applicable from September 2000, whereby these countries were able to benefit from preferential trade conditions in exporting their goods to the European market. Previously, certain countries in the Balkans region were net importers of sugar.

As Croatia is not a known producer of sugar cane, a case related to imports into Greece of a mixture of beet sugar and cane sugar declared as originating in Croatia has been referred to the judicial authorities in Greece. Judicial enquiries have also commenced in Austria, Italy and Germany against companies which allegedly declared that consignments originated in the Federal Republic of Yugoslavia, instead of in the EU and other countries.

OLAF has carried out investigations to identify diversion from within the EU. Its investigations also aimed to prevent further abuse of the regulation by highlighting the difficulties in applying the regulation and its shortcomings.

As a result of these findings, on 30 April 2003 the European Commission suspended the preferential regime for Serbia and Montenegro for three months. This suspension follows the warning given to importers published by the Commission on 26 June 2002. It may be prolonged should there be further non-compliance in certification and control of origin of the sugar exported.

Investigations supported by analytical and intelligence activities are still ongoing and continue to contribute to successful outcomes by monitoring changes in the trade flow. The amount of unpaid duties to be recovered so far is estimated to be EUR 700 000. The amount for recovery may increase considerably as the situation develops.

Public opinion and fraud

In order to analyse the public awareness of fraud in general and fraud against the EU and its budget, OLAF initiated a Eurobarometer survey which was carried out during October 2003 in the then 15 Member States (EU-15) and 13 accession and candidate countries (CC-13) ([1]). The results, published on the 14 January 2004, show that respondents are particularly concerned about corruption (55 % in the EU-15 and 69 % in the CC-13), fraud relating to quality of food and agricultural products (46 % in the EU-15 and 57 % in the CC-13) and commercial fraud (39 % in the EU-15 and 58 % in the CC-13). Citizens are more preoccupied by wrongdoing in national/local governments and institutions (36 % in the EU-15), than about wrongdoing in EU institutions. As concerns fraud against the EU, more than half the respondents disagree with the statement that fraud against the EU and its budget happens very rarely. There is a very wide consensus that defrauding the EU and its budget is harmful both for the vast majority of citizens who are honest and for the national economy. EU citizens trust the police force to fight against fraud, while citizens from accession and candidate countries look more to the EU itself. Both groups agree that fighting fraud should be a political priority and the EU has a role to play. However, a majority of citizens feels fairly badly informed about the fight against fraud against the EU and its budget.

In order to give an answer to this request of the European citizens, during the reporting period, OLAF reinforced the activities of the OLAF Antifraud Communicators Network (OAFCN) ([2]), which brings together press and public relations officers from national law enforcement partners. The main aim of the network is to improve the level and quality of information for the European citizen on the protection of the Community's financial interests. The network was expanded to 40 members this year to include the acceding and candidate countries.

The OAFCN held a three-day training course for anti-fraud communicators entitled 'Protecting the Communities' Financial interests: information and communication as a means of prevention of fraud in the context of EU enlargement'. This training course which was jointly organised by OLAF and the Romanian government's control department took place in Bucharest, Romania, in October 2003 ([3]).

OLAF's non-operational activities in 2003 included:

- ☐ joint audits (Regional Policy DG/OLAF) in the 15 Member States on the application of Regulation (EC) No 1681/94 concerning the communication and follow-up by the Member States of cases of irregularities detected in the field of the Structural Funds: the conclusions were forwarded to the European Parliament in early 2004 and to the Court of Auditors and will be followed by a proposal to simplify the communication procedures;
- ☐ audit by the task force on recovery in EAGGF Guarantee of outstanding Community entitlements (more than EUR 1 billion) relating to cases of irregularity communicated before 1999, in preparation of the formal clearance of accounts procedure;
- ☐ full implementation of the fraud proofing procedure in the Community legislative process in close coordination with the authorising directorates;

([1]) http://europa.eu.int/comm/anti_fraud/press_room/eurobar/en.html.
([2]) http://europa.eu.int/comm/anti_fraud/olaf-oafcn/en.html.
([3]) http://europa.eu.int/comm/anti_fraud/olaf-oafcn/seminars/bu_en.html.

- full operation under Commission responsibility of the European technical and scientific centre in charge of the protection of euro coins from counterfeiting; circulation of technical know-how as regards euro coins and notes under the Pericles programme, in 16 projects for exchanges, assistance and training;

- defining a legal basis for the promotion of actions in the field of the protection of the financial interests of the Community: the 'Hercules' programme was granted a multiannual budget of EUR 11 775 000, for a three-year period by the European Parliament and the Council on 6 April 2004;

- supporting the Member States in the field of intelligence and in the operational field: in addition to the existing anti-fraud information system (AFIS), in March 2003, a central database on sensitive data for operational uses (Customs Information Service, CIS) was made available to the competent national authorities; the management of an identification file for customs investigations (FIDE) within the framework of intergovernmental customs cooperation was entrusted to OLAF;

- in parallel to this close and regular cooperation defined initially in Article 280 of the EC Treaty, the Commission and the new judicial and police cooperation bodies of the European Union (Eurojust and Europol) structured their relations by the signature of memoranda of understanding.

With regard to prevention and the fight against corruption, the purposes of protecting the Communities' financial interests, the officials and agents of the Commission departments have henceforth a complete and up-to-date guide on the ethical standards of their management activity. The articulation between the mechanisms for handling potential financial irregularities and offences of a disciplinary nature with investigations of serious malfunctioning, additionally, was broadly defined within the framework of the administrative reform.

The progress report by the Commission, on the activities of OLAF [1], foreseen in Article 15 of Regulations Nos 1073/1999 and 1074/1999, gave rise to the confirmation of the mixed statute of the Office and was accompanied by 17 recommendations to consolidate the structure and the operation of OLAF. On the other hand, the case law of the Court of Justice of the European Communities confirmed in 2002 and 2003 the coherence of the interinstitutional framework for the internal investigations which applies generally to the institutions, bodies and agencies set up by the EC and Euratom Treaties, and by the Council [2].

In addition, from the point of view of the criminal law protection of financial interests, if the efforts of the Commission did not all succeed, the debate relating to the European prosecutor for the protection of financial interests continued and deepened, the Convention on the future of the European Union having endorsed this prospect in the draft Constitutional Treaty (Article III-175) — a follow up report to the Green paper on the European prosecutor was presented in March 2003, with a view to the constitutional revision of the Treaties; the Commission promotes the project within the IGC and favours an evolution of OLAF in this perspective.

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[1] Progress report on the activities of the European Anti-fraud Office (final COM/2003/154 of 2 April 2003.

[2] Judgment of the Court of First Instance in the T-215/02 case (Go'mez-Reino against the Commission).

8. BORROWING AND LENDING ACTIVITIES

1. BORROWING

The focus is on borrowing and lending operations included in the EU's financial balance sheet since, in addition to the measures financed by the general budget, a number of Community operations are carried out using borrowed funds. The European Communities (EC, Euratom) have developed a number of instruments, which give them access to capital markets and which 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.

The new Community instrument ceilings have now been almost fully reached (last disbursement in 1995) and there is only one loan outstanding (GBP 11 million to be repaid in 2004). For Euratom activities outside the EU, one operation for a tranche of EUR 25 million was concluded in 2003.

The funds borrowed by the Communities would be repaid from the general budget. In case of default by the recipient of a loan granted by the Communities. In addition, some of the loans granted by the EIB from its own resources are backed by a guarantee from the general budget.

In case of default by a non-member country on a loan granted or guaranteed by the Communities, the creditors would be repaid from the Guarantee Fund (set up by the Council regulation of 31 October 1994, as amended, for the purpose of providing a liquidity cushion for such cases).

2. LENDING IN THIRD COUNTRIES

2.1. Overview

Where third countries have concluded cooperation agreements with the Community, financial support takes a variety of forms depending on the geographical areas concerned and the objectives pursued.

In cases where the Community helps to restore the macroeconomic equilibrium in a particular country, it generally involves Community loans (macrofinancial or balance-of-payments support). 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.

The Commission administers macrofinancial or balance-of-payments support in accordance with the relevant Council decisions. In addition, Euratom loans are provided to Member States and certain non-member States.

In the other cases, it is essentially the EIB that administers the loans on its usual terms, very often, however, with a guarantee from the Community budget.

Details of the Community budget support to EIB lending activities outside the Union are summarised in Section 3 below.

2.2. The Community's macrofinancial assistance

This particular 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.

EU assistance is targeted on neighbouring regions, such as central and eastern Europe, the western Balkans, the new independent States of the former USSR and the countries of the southern Mediterranean. Disbursements are linked to the beneficiary countries meeting objectives in terms of macroeconomic stabilisation and structural reforms. The number of operations effected each year in these circumstances is limited, and it is difficult to make valid comparisons for the assistance given from one year to the next.

As the majority of applicant countries became Member States in 2004, and as other third countries make considerable progress in terms of macroeconomic adjustment, macrofinancial assistance might decrease in future.

The Balkans region currently receives from the Community a significant amount of macrofinancial assistance which includes a large grant element.

• *Macrofinancial assistance*.

The Council decided on 25 November 2003 to provide a supplement in macrofinancial assistance to Serbia and Montenegro of up to EUR 70 million, comprising a loan element of up to EUR 25 million and a grant component of up to EUR 45 million and thus raising the maximum amount granted by the Council decision (2002/882/EC) to EUR 200 million, of which EUR 80 million in loans. This new decision (2003/825/EC) replaces Decision 2002/882 for a maximum of EUR 55 million.

• *Grants*.

Budget-support operations in the form of outright grants were also approved in 2003 for Serbia and Montenegro for a maximum of EUR 120 million. This new decision replaces Decision 2002/882 for a maximum of EUR 75 million.

• *Disbursements*.

☐ Assistance in the form of loans amounted to EUR 118 million in 2003, broken down as follows: EUR 40 million for Serbia and Montenegro, EUR 28 million for the Former Yugoslav Republic of Macedonia (FYROM) and EUR 50 million for Romania.

☐ Assistance in the form of outright grants totalling EUR 85 million was also paid out in 2003: EUR 7 million for Tajikistan and EUR 15 million for Bosnia, disbursed on the basis of procedures initiated in 2002 but finalised in early 2003.

☐ The other grant disbursements of 2003 consisted of EUR 10 million for Bosnia, EUR 18 million for FYROM and EUR 35 million for Serbia and Montenegro.

2.3. Euratom loans

Based on the respective legal bases, the Commission is authorised to decide Euratom loans. Euratom loan projects in certain non-member States must give priority to projects improving the level of safety and efficiency of nuclear power stations and installations in the nuclear fuel cycle which are in service or under construction. Projects may also relate to the decommissioning of installations. In 2003, a tranche of EUR 25 million was disbursed for a project in Bulgaria.

2.4. European Investment Bank (EIB) lending under Council decisions

2.4.1. EIB objectives and priorities

In central and eastern Europe, the EIB has again been active in the accession countries, helping them to progress with their preparations for accession and European integration in particular by financing investment aimed at integrating their infrastructure with that of the EU and by assisting SMEs. In addition to its activities under mandate in the framework of the Council decisions, the EIB has renewed its substantial pre-accession facility for lending from its own resources without budgetary guarantee, to help the countries that have applied for EU membership. Whenever possible, projects are co-financed with other institutions. The EIB's activities thus form part of a concerted approach that is pursued in close cooperation with the Commission and, as appropriate, with the international financial institutions working in the countries concerned. In this context, the EIB 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 EIB also cooperates with Phare in co-financing infrastructure projects.

The EIB has developed a significant level of activity in the countries of the western Balkans by supporting investment projects in Albania, Croatia, the Republic of Serbia and Montenegro and the former Yugoslav Republic of Macedonia.

Also in 2003, the EIB made its first loan under the special lending action for selected environmental projects in north-western Russia.

The EIB gives priority to upgrading, modernising and developing the communications and energy sectors, with particular emphasis on trans-European networks (TENs) on the basis 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, as well as environmental projects per se, 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, either directly or through its global loan instrument, in particular when involving EU partners.

In 2003, the EIB has made first investments in the health and education sectors in pursuit of one of its major new objectives.

In the Mediterranean region, the EIB'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 amount under the TERRA programme (Turkey earthquake reconstruction and rehabilitation action (Council Decision 99/786/EC)) has now been fully utilised, while lending continues under the Turkey special action programme (Council Decision 2000/788/EC).

Under the terms of the Euro-Mediterranean Partnership, EIB own resources lending is complemented by interest subsidies (for loans in the environmental sector) and by risk capital from EU budgetary sources, managed by the EIB.

In addition to its lending under mandate and at the request of the Council, the EIB has pursued its programme of lending from its own resources, without budgetary guarantee, under its Mediterranean partnership facility.

For south-eastern Europe, the EIB continued its active participation with the Commission and other IFIs in an Infrastructure Steering Group, to help with the upstream preparation of projects and policy coordination.

In Asia and Latin America, the EIB finances projects that are of interest to both the Community and the countries concerned — co-financing with EU promoters, transfer of technology, cooperation in the fields of energy and environmental protection.

In the Republic of South Africa, the EIB's objective is to contribute to the successful implementation of the country's reconstruction and development programme.

2.4.2. Lending activity

Central and eastern Europe

In 2003, the EIB signed nine loan contracts in the framework of the Council decisions for an aggregate amount of EUR 697 million in three countries. The majority (69 %) went to Romania, with 23 % to Slovakia and the remainder to Bulgaria.

Balkans

In 2003, the EIB signed nine loan contracts in the Balkans in the framework of the Council decisions for an aggregate amount of EUR 372 million in four countries. The majority (46 %) went to Croatia, with 44 % to Serbia and Montenegro, 7 % to Albania and the remainder to the former Yugoslav Republic of Macedonia.

Community of Independent States

In 2003, the EIB made its first loan under the special lending action for selected environmental projects in north-western Russia. A loan of EUR 25 million was extended for the wastewater management sector in St Petersburg.

Mediterranean region

Loans amounting to EUR 1 672 million were signed for 19 operations in seven countries in 2003. Lending was well spread throughout the region. Tunisia accounted for 24 %, while Egypt and Turkey each absorbed some 21 % of overall lending, 14 % going to Algeria, 11 % to Morocco and 5 % and 4 % respectively to Syria and Jordan.

Asia and Latin America

The EIB signed nine loan contracts for an amount of EUR 312.4 million in three countries. In addition, a loan of EUR 35.6 million went to regional Central America.

Republic of South Africa

In 2003, the EIB signed four loan contracts for an amount of EUR 260 million of which EUR 210 million for global loans to finance small and medium-scale ventures and EUR 50 million for a project concerning the exploitation of natural gas resources.

TABLE 8

EIB lending in 2003 in the framework of the Council's decisions by area and sector ([1])

(million EUR)

	No of loans	Total signatures	Energy	Communi-cations	Water manage-ment	Industry and services	Health and education	Global and investment loans
Central and east European countries	9	697	0	355	0	99	243	0
Balkan countries	9	372	125	90	77	0	50	30
Mediterranean countries	19	1 672	357	245	465	35	180	390
ALA countries	9	348	114			110		124
RSA	4	260	50					210
Russia	1	25			25			
Total	**51**	**3 374**	**646**	**690**	**567**	**244**	**473**	**754**

([1]) Loans with Community guarantee.

TABLE 9
EU-guaranteed second mandate at 31 December 2003

Mandate	Lending ceiling (million EUR)	Total loans signed (million EUR)	Risk-sharing loans signed (million EUR)	Minimum risk-sharing target ([1])	Risk-sharing achieved to date relative to loan signatures
CEEC/Balkans	9 280	3 974	585	30 %	14.7 %
MED	6 425	4 599	293	30 %	6.4 %
ALA	2 480	1 461	1 160	30 %	79.4 %
RSA	825	512	30	30 %	5.9 %
Turkey SAP	450	230	0	30 %	0.0 %
TERRA	600	600	0	N/A	N/A
Totals	**20 060**	**11 376**	**2 068**	**30 %**	**19.1 %**

([1]) Council Decision 2000/24/EC invites the EIB 'to aim to cover the commercial risk on 30 % of its lending under this decision from non-sovereign guarantees as far as possible on an individual regional mandate basis. This percentage shall be expanded upon whenever possible in so far as the market permits'. During 2003, the EIB continued to work towards the risk-sharing objective with, however, the target increased to 30 % instead of 25 % as under the first mandate.

3. BUDGETARY IMPACT OF LENDING

The Community budget supports EIB lending activities by accompanying Community guarantees, interest subsidies or special conditions comparable to risk-bearing operations for the lender.

Budget guarantees

In 1999, the Council decided on a general renewal of the Community guarantee for EIB loans outside the EU for a period of seven years. The ceilings for each area, including amendments, are as follows:

- ☐ Turkey EUR 450 million
- ☐ central and eastern Europe: EUR 9 280 million
- ☐ Mediterranean countries: EUR 6 425 million
- ☐ Latin America and Asia: EUR 2 480 million
- ☐ Republic of South Africa: EUR 825 million.

The overall ceiling for the guarantee is EUR 19 460 million and the Commission budget covers 65 % of that amount. The new decision calls on the EIB to pursue increased risk-sharing by seeking 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 be automatically extended by six months if the loan ceiling has not been reached.

The Community budget covers, furthermore, 65 % of a maximum amount of EUR 600 million to Turkey (TERRA) for which no risk sharing was asked.

During the fourth year of the new mandate, the EIB signed loan agreements for a total of EUR 3 199 million, bringing the total amount in the new mandate to EUR 10 776 million corresponding to 55.4 % of the ceiling, with risk sharing equivalent to 19.1 % of the loans signed.

For the special guarantee programme TERRA, the total amount of signed loan agreements is EUR 600 million.

9. TREASURY REPORT

The treasury keeps accounts with national treasuries, central banks and commercial banks.

The treasury accounts are kept in accordance with the own resources Regulation No 1150/2000, either by the treasury (Ministry of Finance) itself, or by the central bank, and receives own resources based on value added tax (VAT) and gross national income (GNI) and traditional own resources (customs duties, agricultural duties and sugar levies).

Most of the Commission's payments for the European Agricultural Guidance and Guarantee Fund (EAGGF) and some other payments to government entities are made through these accounts.

For other payments and receipts, commercial bank accounts are used, which are selected by public tenders (at least one euro account in each Member State, additional accounts in non-euro Member State currencies). In 2003, four public tenders for existing Member States and 10 for the ones to join in 2004 were launched. Contracts are for a maximum of five years.

Almost all payments are denominated in euro, even if paid to beneficiaries outside the European Union.

Exchange operations between the euro and other Member State currencies are carried out by central banks.

Commission funds which are not currently being used for payments have to be kept on the interest-free accounts with Member States' treasuries or central banks.

Once a month, transfers between the Commission's treasury and central bank accounts in different Member States are executed in order to make sure that on these accounts there is a spread of funds corresponding to the Member States' contributions to the budget.

Bank accounts may not run into debit.

For its payments, the Commission uses the international SWIFT network. The Commission has a SWIFT code of its own, like a bank. All payments and transfers between the Commission's accounts are sent electronically through SWIFT.

In 2003, more than 1.4 million payments were executed.

The balance on the treasury's accounts depends on payments and receipts, which are not spread equally over the year. This is particularly due to high EAGGF payments to Member States in January and February (more than 50 % of the respective budget). In order to have sufficient funds for these payments, the Commission is entitled to make additional calls on Member States for advances on own resources, which then have to be regularised later in the year.

A small call was made in 2003 and a larger one in 2004.

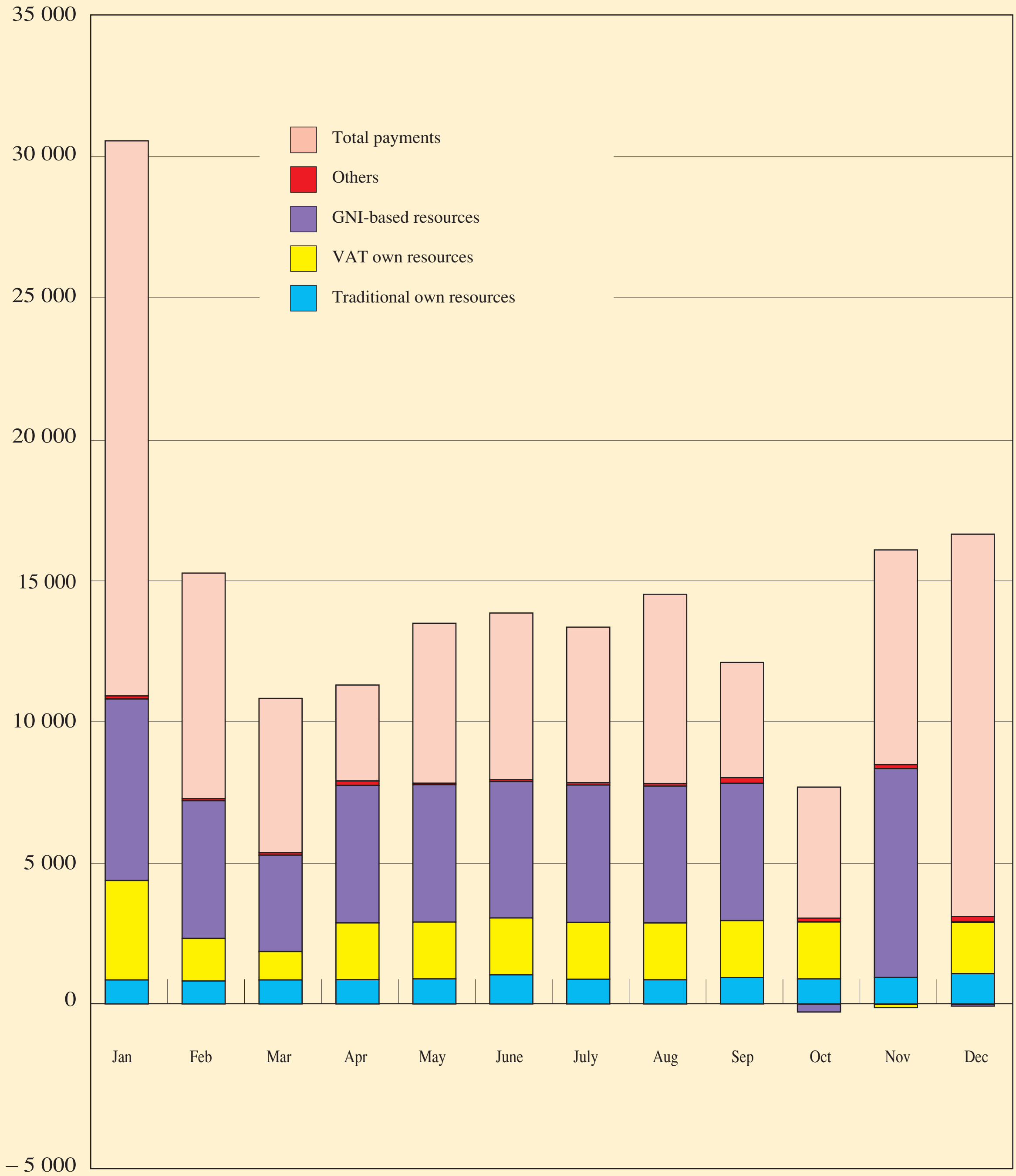
The final result of the year 2002 (EUR 7.4 billion) was refunded to Member States by way of an amending budget in 2003, reducing the own resources call-up. At the end of 2003 a refund of EUR 5 billion was made by way of another amending budget. This represented part of the contributions to the 2003 budget not needed. These two events explain the entries for October, November and December in the table below.

Each month the treasury establishes the cash flow of the Commission, together with a forecast for the remaining months of the year.

The Commission has opened special interest-bearing accounts on which it provisionally deposits fines imposed for breaches of competition regulations, which companies pay but then challenge at the European Court of Justice. Companies may choose to pay the fine immediately or to provide a bank guarantee until the Court or Court of First Instance has given its verdict. The amount deposited on these accounts at the end of 2003 totalled EUR 1 708 million.

Income and payments in 2003

(per month — million EUR)



10. EUROPEAN DEVELOPMENT FUND

The EDF: funding the EC's commitment to development in Africa, the Caribbean and the Pacific

Over the years, the EU has funded thousands of development projects across ACP countries.

The European Development Fund, or EDF, is the main financial instrument of the European Union's development policy for African, Caribbean and Pacific (ACP) States. Most of the EU's aid is in the form of non-repayable grants. A limited amount of soft loans and investment capital is made available by the European Investment Bank (EIB) the EU's long-term funding body. In addition to the ACP countries, the European Development Fund also contributes to the development of some 20 overseas countries and territories (OCTs) linked to the European Union.

Since the creation of the first European Development Fund in 1957, each new partnership agreement concluded by the Union with ACP countries and OCTs is associated with an overall fund to implement cooperation during a five-year period. The ninth, and latest, EDF, which begins with the new ACP Partnership Agreement, was signed in June 2000 in Cotonou, Benin (hence it is known as the Cotonou Agreement). Like the Yaoundé and Lomé Conventions before it, the Cotonou Agreement constitutes the legal basis of the development aid granted by the Union to the ACP States.

Tackling poverty, strengthening nations

The agreement focuses on poverty reduction as its principal objective, to be achieved through political dialogue, development aid and closer economic and trade cooperation. It shapes a significant part of the European Union's dealings with the rest of the world, and reflects the Union's reach both as the leading international trading partner and the world's main provider of official development assistance, with a European Development Fund of EUR 13.5 billion for the initial five-year period.

The EU's development strategy also focuses on financial and technical assistance to improve the basic physical and social infrastructure and productive potential of ACP nations and to strengthen their administrative and institutional capacities. This support can also help them benefit from international trade opportunities and secure more inward investment to broaden their economic base. These are essential preconditions for integrating into the global economy and achieving sustainable growth.

Focusing on six priority areas

Although aid provided by the EU is already closely coordinated with that of the Member States (and other international donors), it is increasingly being targeted at those areas where the Union offers the most efficient delivery channel and can do so at least cost. Six of these have been identified as the focus for EU aid operations:

- the link between trade and development;
- regional integration and cooperation;
- support for sound macroeconomic policies;
- transport;
- food security and sustainable rural development;
- institutional capacity-building (particularly good governance and the rule of law).

EC-ACP cooperation in 2003

The's EC development cooperation with ACP countries continued to have a significant impact in 2003. Some of its main achievements included the following.

• *Preventing conflict, fostering peace*

In 2003 the Commission concluded an agreement with the African Union to support their efforts in conflict-prevention and peace-building, pledging EUR 12 million, and a further EUR 250 million for a peace facility expected to become operational by mid-2004.

• *Providing post-crisis support*

The Commission was actively engaged in 2003 in addressing post-conflict needs in the Sudan, Sierra Leone, Côte d'Ivoire, Liberia and Angola, providing over EUR 125 million in assistance.

• *Delivering aid more effectively*

By the end of 2003, almost a third of the EC's external assistance to ACP countries through the EDF was provided not to individual development projects, but rather to governments' entire central budgets or to a single sector — for example, health or education. This places the EC ahead of all other donors in the scale of such provision, which is both more demanding than 'traditional' development assistance — it links payments to performance — and more closely coordinated with other donors.

• *Health and debt: addressing key issues at global level*

In 2003, the EC made a contribution of EUR 170 million to the global fund to fight AIDS, tuberculosis and malaria, and contributed EUR 460 million to the World Bank-led highly indebted poor countries (HIPC) initiative, a worldwide multi-donor approach to tackling debt.

• *Providing vital investment through the European Investment Bank (EIB)*

Financing provided by the European Investment Bank (EIB) in ACP countries in 2003 amounted to EUR 723 million: EUR 146 million under a new investment facility to provide a reliable future financing; EUR 260 million to South Africa, 70 % of which went to the private sector, and EUR 343 million to support the financial sector and promote private sector investment.

• *Promoting good governance, the rule of law and democratisation*

Improving governance is a priority of the Cotonou Agreement, and 40 EC programmes approved in 2003, amounting to some EUR 250 million, will focus on increasing government accountability, fostering public debate on key issues and promoting regional integration.

Financial performance in 2003

Performance figures for the European Development Fund were especially strong in 2003. There was an upsurge in global commitments (EUR 3.7 billion in total) and record levels of individual commitments (EUR 2.6 billion) and payments effected (EUR 2.5 billion).

European Development Fund performance, 2003 vs 2002

(billion EUR)

	2003	2002
Global commitments	3.7	2.1
Individual commitments	2.6	2.1
Payments	2.5	1.9

These strong results are partly cyclical, especially as far as global commitments are concerned, but are also the fruit of special efforts made in 2003 by the Commission and its delegations in ACP countries to identify and address performance bottlenecks and strengthen the implementation of biannual performance targets.

TABLE 10

External aid to the ACP countries financed by the General Commission Budget and the European Development Fund (EDF) in 2003 *(million EUR)*

Country/Region	Total : Budget + EDF		Budget		EDF	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Africa						
Angola	115.107	59.858	22.584	19.933	92.523	39.925
Benin	121.698	45.386	1.512	0.661	120.186	44.726
Botswana	6.763	2.295	0	0	6.763	2.295
Burkina Faso	123.916	80.540	0.750	1.343	123.166	79.197
Burundi	43.719	42.305	18.719	19.432	25.000	22.873
Cameroon	13.749	65.453	5.117	3.576	8.632	61.877
Cape Verde	6.840	14.606	4.780	1.212	2.060	13.395
Central African Republic	66.286	4.228	0.727	0.208	65.559	4.020
Chad	113.357	36.664	2.000	2.035	111.357	34.630
Comoros	2.557	2.355	0.768	0.049	1.789	2.306
Congo, Democratic Republic of the	198.836	70.865	44.496	35.194	154.340	35.671
Congo, Republic of the	4.971	8.222	4.731	2.053	0.240	6.169
Côte d'Ivoire	45.592	8.888	7.050	3.224	38.542	5.664
Djibouti	0	6.775	0	0	0	6.775
Equatorial Guinea	0.700	1.383	0	0.124	0.700	1.260
Eritrea	45.184	22.093	8.184	11.265	37.000	10.829
Ethiopia	111.671	136.689	42.222	89.041	69.449	47.648
Gabon	2.068	17.339	1.621	2.009	0.447	15.330
Gambia	0	3.251	0	0.096	0	3.155
Ghana	11.424	70.659	0.302	1.168	11.122	69.491
Guinea	28.669	42.561	6.919	6.869	21.750	35.691
Guinea-Bissau	3.459	17.513	2.025	1.100	1.434	16.414
Kenya	53.398	30.396	1.199	5.381	52.200	25.015
Lesotho	19.530	20.849	0	0.103	19.530	20.746
Liberia	57.746	13.209	9.724	6.259	48.022	6.950
Madagascar	121.040	77.181	12.027	10.821	109.014	66.360
Malawi	18.077	72.085	1.855	29.716	16.222	42.369
Mali	135.563	95.713	1.810	1.294	133.754	94.418
Mauritania	61.193	46.470	6.599	11.410	54.594	35.061
Mauritius	30.780	6.493	0.206	0.237	30.574	6.256
Mayotte	0	0.131	0	0	0	0.131
Mozambique	159.368	81.137	23.870	12.906	135.497	68.231
Namibia	22.345	15.931	0.850	1.103	21.495	14.828
Niger	105.255	50.727	9.001	1.658	96.254	49.069
Nigeria	20.920	19.098	7.541	4.408	13.380	14.690
Rwanda	97.033	52.052	3.138	2.301	93.895	49.751
Saint Helena	0.150	0	0	0	0.150	0
São Tomé and Príncipe	0.323	3.688	0.255	0.805	0.068	2.883
Senegal	3.810	37.934	3.025	8.440	0.785	29.494
Seychelles	1.355	1.549	1.160	1.429	0.195	0.120
Sierra Leone	126.003	23.566	13.334	12.703	112.669	10.863
Somalia	115.612	35.461	15.612	14.786	100.000	20.675
South Africa	126.887	118.632	126.887	118.632	0	0
Sudan	37.754	218.667	30.136	21.620	7.619	197.047
Swaziland	17.750	8.846	0	0	17.750	8.846
Tanzania	240.563	164.557	25.873	28.741	214.691	135.816
Togo	9.854	4.045	0.279	0.418	9.575	3.627
Uganda	51.974	83.260	6.000	7.826	45.974	75.434
Zambia	146.619	87.432	2.059	1.493	144.560	85.938
Zimbabwe	16.380	21.057	16.320	10.023	0.060	11.034
South Sahara (unallocated)	192.884	148.459	40.017	27.307	152.867	121.152
Africa unspecified	3.282	0.903	3.282	0.903	0	0
Total Africa	*3 060.014*	*2 299.457*	*536.564*	*543.314*	*2 523.450*	*1 756.143*

TABLE 10 *(continued)*

(million EUR)

Country/Region	Total : Budget + EDF		Budget		EDF	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Caribbean						
Antigua and Barbuda	4.805	0.069	0	0	4.805	0.069
Bahamas	0	0.784	0	0	0	0.784
Barbados	1.430	1.124	0	0	1.430	1.124
Belize	3.340	4.792	3.200	1.377	0.140	3.415
Cuba	1.400	2.946	1.400	2.946	0	0
Dominica	6.316	0.720	5.900	0.238	0.416	0.482
Dominican Republic	6.113	15.792	1.499	1.617	4.614	14.175
Grenada	2.090	0.741	0.500	0.694	1.590	0.046
Guyana	0.543	1.905	0	0.170	0.543	1.735
Haiti	46.925	9.336	4.866	2.121	42.060	7.216
Jamaica	20.649	13.906	4.400	1.156	16.249	12.749
St. Kitts and Nevis	3.180	0.287	0	0	3.180	0.287
St. Lucia	8.920	7.144	8.000	6.966	0.920	0.178
St. Vincent and the Grenadines	12.663	3.065	5.600	2.936	7.063	0.129
Suriname	35.460	3.631	2.200	1.022	33.260	2.609
Trinidad and Tobago	10.202	1.913	0	0	10.202	1.913
Total Carribean	*164.036*	*68.156*	*37.564*	*21.243*	*126.472*	*46.912*
Oceania						
Cook Islands	2.000	0.517	0	0	2.000	0.517
Fiji	3.335	3.564	1.775	0.611	1.560	2.953
Kiribati	0.100	2.418	0.100	0	0	2.418
Marshall Islands	0	0	0	0	0	0
Micronesia, Fed. Sts.	0	0	0	0	0	0
Nauru	0	0	0	0	0	0
Niue	0	0	0	0	0	0
Palau	0	0	0	0	0	0
Papua New Guinea	0.701	7.938	0.701	0	0	7.938
Samoa	8.199	4.003	0	0	8.199	4.003
Solomon Islands	1.340	4.416	0.770	0.020	0.570	4.396
Tokelau	0	0	0	0	0	0
Tonga	3.890	2.253	0	0.127	3.890	2.126
Tuvalu	3.965	0	0	0	3.965	0
Vanuatu	10.905	3.733	0	0.376	10.905	3.357
Oceania (unallocated)	25.240	9.938	0	0.713	25.240	9.225
Total Oceania	*59.676*	*38.781*	*3.346*	*1.848*	*56.329*	*36.933*
Total ACP	**3 283.726**	**2 406.393**	**577.475**	**566.405**	**2 706.252**	**1 839.988**

ANNEX I

THE BUDGET OF THE EUROPEAN UNION 1958-2003

(Tables)

TABLE 11

Community expenditure from 1958 to 2003 (Out-turn in payments)

Heading	Financial year									
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
General budget										
EAGGF-Guarantee Section								28.7	50.7	340.0
Structural Funds, of which:				8.6	11.3	4.6	7.2	4.6	22.1	81.1
— EAGGF-Guidance Section										
— ERDF										
— ESF										
Research										
External actions									0.9	0.8
Administration	7.3	18.1	21.2	25.4	30.2	35.2	39.6	43.3	50.9	53.7
Repayments and other									0.6	0.5
General budget — Total	*7.3*	*18.1*	*21.2*	*34.0*	*41.5*	*39.8*	*46.8*	*76.6*	*125.2*	*476.1*
EDF			3.4	15.8	53.3	65.3	83.4	106.7	108.3	104.6
ECSC	70.3	21.8	28.2	20.8	22.3	22.6	29.1	35.7	31.0	37.7
Euratom (1)	3.7	8.5	5.8	6.9	54.8	84.7	100.1	120.0	129.2	129.5
Grand total	**81.3**	**48.4**	**58.6**	**77.5**	**171.9**	**212.4**	**259.4**	**339.0**	**393.7**	**747.9**

TABLE 11 (continued)
Community expenditure from 1958 to 2003 (Out-turn in payments)

Heading	Financial year									
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
General budget										
EAGGF Guarantee Section	12 259.8	15 785.8	18 330.4	19 727.8	22 118.1	22 950.1	26 395.2	24 401.4	25 604.6	31 103.2
Structural Funds, of which:	4 570.1	4 081.3	3 220.0	3 702.9	5 664.7	5 859.6	6 419.3	7 945.1	9 591.4	13 971.0
— EAGGF Guidance Section	650.8	575.3	595.6	685.5	771.2	789.5	1 140.9	1 349.0	1 825.3	2 085.4
— ERDF	2 905.4	2 306.6	1 412.5	1 610.0	2 456.7	2 560.1	2 979.8	3 920.0	4 554.1	6 306.8
— ESF	1 013.9	1 199.4	1 211.9	1 407.4	2 436.8	2 510.0	2 298.6	2 676.1	3 212.0	4 030.0
— Cohesion Fund										
— FIFG										
— Completion of earlier programmes										
Research	437.3	1 345.5	1 660.0	677.9	775.4	964.4	1 129.5	1 517.5	1 790.3	1 706.3
External actions	891.2	901.3	996.5	963.8	1 057.3	809.2	768.1	1 044.3	1 430.6	2 209.6
Administration	1 048.2	1 108.2	1 212.9	1 304.8	1 533.9	1 696.9	1 906.1	2 069.8	2 332.9	2 618.7
Repayments and other	1 263.0	1 283.9	1 681.6	1 490.1	3 526.0	2 807.8	4 403.6	3 779.0	3 313.1	1 901.8
General budget — Total	*20 469.6*	*24 506.0*	*27 081.4*	*27 867.3*	*34 675.4*	*35 088.0*	*41 021.7*	*40 757.1*	*44 062.9*	*53 510.6*
EDF (2)	647.2	718.8	703.0	698.0	846.7	837.9	1 196.3	1 297.1	1 256.5	1 191.3
ECSC	184.0	207.7	255.2	267.9	298.1	308.9	277.2	229.9	288.6	314.3
Grand total	**21 300.8**	**25 432.5**	**28 039.6**	**28 833.2**	**35 820.2**	**36 234.8**	**42 495.2**	**42 284.1**	**45 608.0**	**55 016.2**

(1) The Euratom budget was incorporated into the general budget in 1968.
(2) Starting from 1994 amounts are before recoveries.

(million EUR)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
	1 259.7	1 668.6	3 108.1	1 755.6	2 485.6	3 614.4	3 459.8	4 327.7	5 636.7	6 587.1	8 679.3	10 387.1	11 291.9	11 063.7
	58.5	70.8	95.4	118.0	136.9	259.1	281.8	375.3	623.8	685.5	1 388.7	1 515.5	1 808.5	3 566.8
	34.0	51.3	58.4	61.5	53.2	10.8	37.8	76.7	112.1	113.0	325.6	286.5	314.6	539.9
								150.0	300.0	400.0	525.0	699.0	793.4	2 406.5
	24.5	19.5	37.0	56.5	83.7	248.3	244.0	148.6	211.7	172.5	538.1	530.0	700.5	620.4
	73.4	59.2	63.4	64.9	76.3	70.1	110.3	115.9	127.2	180.8	266.9	267.6	364.2	311.6
	1.0	1.0	1.4	0.4	71.8	63.3	358.5	250.9	202.8	194.1	313.2	443.7	603.9	738.4
	94.7	104.3	115.3	137.8	173.6	245.3	306.2	364.0	430.7	501.6	686.6	775.6	829.9	941.8
	0.6	0.9	1.6	130.4	178.1	253.0	309.8	383.1	541.6	586.8	707.1	831.2	958.9	1 103.7
	1 487.9	*1 904.8*	*3 385.2*	*2 207.1*	*3 122.3*	*4 505.2*	*4 826.4*	*5 816.9*	*7 562.8*	*8 735.9*	*12 041.8*	*14 220.7*	*15 857.3*	*17 726.0*
	106.5	115.0	145.6	154.4	131.5	157.8	172.0	208.5	248.6	244.7	401.0	465.3	481.9	663.7
	32.4	45.7	45.6	49.8	51.0	40.5	58.0	76.0	84.2	95.5	67.3	87.5	115.6	139.7
	1 626.8	**2 065.0**	**3 516.4**	**2 411.3**	**3 304.8**	**4 703.5**	**5 056.4**	**6 101.4**	**7 895.6**	**9 076.1**	**12 510.1**	**14 773.5**	**16 454.8**	**18 529.4**

(million EUR)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	31 254.5	34 935.8	32 952.8	34 490.4	39 324.2	40 423.0	39 068.0	39 468.6	40 437.3	42 182.4	43 201.9	44 419.3
	18 378.3	20 478.5	15 872.1	19 223.3	24 624.1	26 285.1	28 624.1	30 377.4	25 524.3	22 620.4	27 480.3	27 553.4
	2 857.9	2 914.2	2 476.5	2 530.6	3 360.3	3 580.0	3 521.5	3 774.0	1 390.7	1 343.1	1 553.9	2 289.8
	8 564.8	9 545.6	6 331.2	8 373.6	10 610.3	11 521.4	11 779.2	14 006.5	2 751.4	8 496.7	10 199.4	13 081.9
	4 321.1	5 382.6	4 315.4	4 546.9	6 031.6	6 143.4	7 602.8	7 245.8	2 340.0	4 222.4	6 646.7	6 341.0
		795.0	851.6	1 699.3	1 872.2	2 323.0	2 336.0	2 731.7	1 682.2	1 983.4	3 148.0	2 195.1
			395.0	248.1	421.6	486.9	407.7	571.9	335.3	201.1	348.0	570.1
									14 638.0	4 372.6	3 200.9	1 884.9
	1 903.2	2 232.5	2 480.8	2 477.9	2 878.7	2 981.6	2 968.7	2 629.2	3 151.2	3 141.0	3 603.4	3 236.3
	2 140.6	2 857.5	3 055.2	3 406.2	3 855.0	3 822.6	4 159.7	4 729.5	4 889.8	5 773.5	6 104.2	6 547.7
	2 877.6	3 319.1	3 541.7	3 870.3	4 011.1	4 195.5	4 171.3	4 111.4	4 484.4	4 686.5	5 147.7	5 442.8
	1 935.9	960.1	1 370.5	3 079.3	2 339.0	2 111.3	1 886.4	2 175.6	1 961.9	2 256.9	2 315.5	2 348.4
	58 490.2	*64 783.4*	*59 273.1*	*66 547.4*	*77 032.2*	*79 819.1*	*80 878.1*	*83 491.6*	*80 448.9*	*80 660.7*	*87 852.9*	*89 547.9*
	1 941.7	1 353.6	1 859.9	1 758.1	1 508.8	1 382.3	1 595.4	1 352.3	1 640.4	2 124.5	1 902.5	2 426.8
	412.2	596.4	424.0	297.5	255.3	459.8	184.9	184.6	135.0	189.6	130.8	
	60 844.1	**66 733.4**	**61 557.0**	**68 603.0**	**78 796.3**	**81 661.2**	**82 658.5**	**85 028.5**	**82 224.3**	**82 974.8**	**89 886.2**	**91 974.7**

TABLE 12

Community expenditure from 1958 to 2003 (Out-turn in payments)

Heading	Financial year									
	1958	**1959**	**1960**	**1961**	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**
General budget										
EAGGF Guarantee Section								8.5	12.9	45.5
Structural Funds, of which:				11.1	6.6	2.2	2.8	1.4	5.6	10.8
— EAGGF Guidance Section										
— ERDF										
— ESF										
Research										
External actions									0.2	0.1
Administration	9.0	37.4	36.2	32.8	17.6	16.6	15.3	12.8	12.9	7.2
Repayments and other										0.1
General budget — Total	*9.0*	*37.4*	*36.2*	*43.9*	*24.1*	*18.7*	*18.0*	*22.6*	*31.8*	*63.7*
EDF			5.8	20.4	31.0	30.7	32.2	31.5	27.5	14.0
ECSC	86.5	45.0	48.1	26.8	13.0	10.6	11.2	10.5	7.9	5.0
Euratom ([1])	4.6	17.6	9.9	8.9	31.9	39.9	38.6	35.4	32.8	17.3
Grand total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

TABLE 12 (continued)

Community expenditure from 1958 to 2003 (Out-turn in payments)

Heading	Financial year									
	1982	**1983**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**
General budget										
EAGGF Guarantee Section	57.6	62.1	65.4	68.4	61.7	63.3	62.1	57.7	56.1	56.5
Structural Funds, of which:	21.5	16.0	11.5	12.8	15.8	16.2	15.1	18.8	21.0	25.4
— EAGGF Guidance Section	3.1	2.3	2.1	2.4	2.2	2.2	2.7	3.2	4.0	3.8
— ERDF	13.6	9.1	5.0	5.6	6.9	7.1	7.0	9.3	10.0	11.5
— ESF	4.8	4.7	4.3	4.9	6.8	6.9	5.4	6.3	7.0	7.3
— Cohesion Fund										
— FIFG										
— Completion of earlier programmes										
Research	2.1	5.3	5.9	2.4	2.2	2.7	2.7	3.6	3.9	3.1
External actions	4.2	3.5	3.6	3.3	3.0	2.2	1.8	2.5	3.1	4.0
Administration	4.9	4.4	4.3	4.5	4.3	4.7	4.5	4.9	5.1	4.8
Repayments and other	5.9	5.0	5.9	5.2	9.8	7.7	10.4	8.9	7.3	3.5
General budget — Total	*96.1*	*96.4*	*96.6*	*96.7*	*96.8*	*96.8*	*96.5*	*96.4*	*96.6*	*97.3*
EDF ([2])	3.0	2.8	2.5	2.4	2.4	2.3	2.8	3.1	2.8	2.2
ECSC	0.9	0.8	0.9	0.9	0.8	0.9	0.7	0.5	0.6	0.6
Grand total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

([1]) The Euratom budget was incorporated into the general budget in 1968.
([2]) Starting from 1994 amounts are before recoveries.

(%)

	1968	**1969**	**1970**	**1971**	**1972**	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**
	77.4	80.8	86.9	72.8	75.2	76.8	68.4	70.9	71.4	72.6	69.4	70.3	68.6	59.7
	3.6	3.4	2.7	4.9	4.1	5.5	5.6	6.2	7.9	7.6	11.1	10.3	11.0	19.2
	2.1	2.5	1.6	2.6	1.6	0.2	0.7	1.3	1.4	1.2	2.6	1.9	1.9	2.9
								2.5	3.8	4.4	4.2	4.7	4.8	13.0
	1.5	0.9	1.0	2.3	2.5	5.3	4.8	2.4	2.7	1.9	4.3	3.6	4.3	3.3
	4.5	2.9	1.8	2.7	2.3	1.5	2.2	1.9	1.6	2.0	2.1	1.8	2.2	1.7
	0.1	0.0	0.0	0.0	2.2	1.3	7.1	4.1	2.6	2.1	2.5	3.0	3.7	4.0
	5.8	5.0	3.2	5.7	5.3	5.2	6.1	6.0	5.5	5.5	5.5	5.2	5.0	5.1
	0.0	0.0	0.0	5.4	5.4	5.4	6.1	6.3	6.9	6.5	5.7	5.6	5.8	6.0
	91.5	*92.2*	*94.7*	*91.5*	*94.5*	*95.8*	*95.5*	*95.3*	*95.8*	*96.3*	*96.3*	*96.3*	*96.4*	*95.7*
	6.5	5.6	4.1	6.4	4.0	3.4	3.4	3.4	3.1	2.7	3.2	3.1	2.9	3.6
	2.0	2.2	1.3	2.1	1.5	0.9	1.1	1.2	1.1	1.1	0.5	0.6	0.7	0.8
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(%)

	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
	51.4	52.4	53.6	50.4	50.0	49.6	47.3	46.5	49.2	51.1	48.1	48.3
	30.2	30.7	25.8	28.1	31.3	32.3	34.7	35.8	31.1	27.4	30.6	30.0
	4.7	4.4	4.0	3.7	4.3	4.4	4.3	4.4	1.7	1.6	1.7	2.5
	14.1	14.3	10.3	12.2	13.5	14.1	14.3	16.5	3.3	10.3	11.3	14.2
	7.1	8.1	7.0	6.6	7.7	7.5	9.2	8.5	2.8	5.1	7.4	6.9
		1.2	1.4	2.5	2.4	2.9	2.9	3.2	2.0	2.4	3.6	2.4
			0.6	0.4	0.5	0.6	0.5	0.7	0.4	0.2	0.4	0.6
									17.8	5.3	3.5	2.0
	3.1	3.3	4.0	3.6	3.7	3.7	3.6	3.1	3.8	3.8	4.0	3.5
	3.5	4.3	5.0	5.0	4.9	4.7	5.1	5.6	6.0	7.0	6.8	7.1
	4.7	5.0	5.8	5.7	5.1	5.1	5.1	4.8	5.5	5.7	5.7	5.9
	3.2	1.4	2.2	4.5	3.0	2.6	2.3	2.6	2.4	2.7	2.6	2.6
	96.1	*97.1*	*96.4*	*97.3*	*98.0*	*97.9*	*98.0*	*98.3*	*97.9*	*97.7*	*97.8*	*97.4*
	3.2	2.0	2.9	2.3	1.7	1.5	1.7	1.5	1.9	2.1	2.1	2.6
	0.7	0.9	0.7	0.4	0.3	0.6	0.2	0.2	0.2	0.2	0.1	
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

TABLE 13

Community expenditure in relation to the total of Member States' budgets and Community GDP

	1959	1960	1961	1962	1963	1964
Total Community expenditure (million EUR)* (including ECSC, Euratom and EDF)	48.4	58.6	77.5	171.9	212.4	259.4
Annual growth in nominal terms (%)	- 40.5	21.0	32.3	121.8	23.6	22.1
Total Community expenditure (2003 prices) (million EUR)		619.6	792.8	1 680.9	1 968.5	2 298.4
Annual growth in real terms (%)			27.9	112.0	17.1	16.8
Community expenditure as percentage of public expenditure in Member States		0.1	0.1	0.2	0.2	0.3
Expenditure as percentage of Community GDP		0.0	0.0	0.1	0.1	0.1
Expenditure per capita (EUR)		0.3	0.4	1.0	1.2	1.4
Expenditure per capita (2003 prices)		3.6	4.6	9.5	11.1	12.8

	1974	1975	1976	1977	1978	1979
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	5 056.4	6 101.4	7 895.6	9 076.1	12 510.1	14 773.5
Annual growth in nominal terms (%)	7.5	20.7	29.4	15.0	37.8	18.1
Total Community expenditure (2003 prices) (EUR million)	25 336.5	26 700.8	31 072.7	32 353.5	40 875.2	43 882.2
Annual growth in real terms (%)	- 4.8	5.4	16.4	4.1	26.3	7.4
Community expenditure as percentage of public expenditure in Member States	1.2	1.2	1.3	1.4	1.7	1.8
Expenditure as percentage of Community GDP	0.5	0.5	0.6	0.6	0.8	0.8
Expenditure per capita (EUR)	19.6	23.6	30.5	35.0	48.2	56.8
Expenditure per capita (2003 prices)	98.3	103.4	120.1	124.9	157.5	168.6

	1989	1990	1991	1992	1993	1994
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	42 284.1	45 608.0	55 016.2	60 844.1	66 733.4	61 478.7
Annual growth in nominal terms (%)	- 0.5	7.9	20.6	10.6	9.7	- 7.9
Total Community expenditure (2003prices) (EUR million)	62 704.4	64 107.6	73 300.4	77 500.2	81 968.8	73 600.8
Annual growth in real terms (%)	- 5.2	2.2	14.3	5.7	5.8	- 10.2
Community expenditure as percentage of public expenditure in Member States	2.0	2.0	2.1	2.2	2.3	2.1
Expenditure as percentage of Community GDP	1.0	1.0	1.1	1.1	1.2	1.1
Expenditure per capita (EUR)	130.1	139.5	159.6	175.7	191.8	176.1
Expenditure per capita (2003 prices)	192.9	196.0	212.6	223.8	235.6	210.9

* 1958: 81.3

1965	1966	1967	1968	1969	1970	1971	1972	1973
339.0	393.7	747.9	1 626.8	2 065.5	3 576.4	2 411.3	3 304.8	4 703.5
30.7	16.1	90.0	117.5	27.0	73.1	- 32.6	37.1	42.3
2 891.8	3 253.8	6 024.6	12 747.9	15 400.5	25 014.2	15 761.7	20 322.1	26 608.3
25.8	12.5	85.2	111.6	20.8	62.4	- 37.0	28.9	30.9
0.3	0.3	0.6	1.1	1.3	2.0	1.2	1.4	1.3
0.1	0.1	0.2	0.4	0.5	0.7	0.4	0.5	0.5
1.9	2.1	4.1	8.8	11.1	19.0	12.7	17.3	18.3
15.9	17.8	32.7	68.8	82.5	132.9	83.0	106.3	103.7

1980	1981	1982	1983	1984	1985	1986	1987	1988
16 454.8	18 529.4	21 300.8	25 432.5	28 039.6	28 833.2	35 820.2	36 234.8	42 495.2
11.4	12.6	15.0	19.4	10.3	13.4	68.2	1.2	17.3
43 407.0	44 115.3	46 103.2	50 968.3	52 862.7	51 525.0	60 616.3	58 902.9	66 168.3
- 1.1	1.6	4.5	10.6	3.7	7.5	59.2	- 2.9	12.3
1.7	1.6	1.7	1.9	1.9	1.8	2.0	2.0	2.2
0.8	0.8	0.9	0.9	1.0	0.9	1.0	1.0	1.0
63.0	68.3	78.5	93.7	103.3	106.2	111.3	112.3	131.3
166.3	162.5	169.8	187.7	194.7	189.8	188.3	182.6	204.4

1995	1996	1997	1998	1999	2000	2001	2002	2003
68 408.6	78 604.9	81 491.9	82 502.6	84 951.6	82 132.1	82 562.3	89 886.2	91 974.7
11.3	14.9	3.7	1.2	3.0	- 3.3	0.5	8.9	2.3
79 511.8	89 221.7	90 863.1	90 274.8	91 400.7	85 876.7	84 883.5	90 335.6	91 974.7
8.0	12.2	1.8	- 0.6	1.2	- 6.0	- 1.2	6.4	1.8
2.1	2.3	2.3	2.3	2.2	2.0	2.0	2.1	2.0
1.1	1.2	1.1	1.1	1.1	1.0	0.9	1.0	1.0
183.9	210.7	217.8	220.0	226.1	217.9	217.9	235.2	240.4
213.7	239.1	242.9	240.8	243.3	227.8	224.0	236.4	240.4

TABLE 14

Community revenue from 1972 to 2003

(million EUR)

	1972		1973		1974		1975		1976		1977		1978		1979	
Type of revenue	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Agricultural duties	799.5	25.6	510.3	10.4	330.1	6.4	590.1	9.2	1 163.7	14.2	1 778.5	20.5	2 278.9	18.3	2 143.5	14.4
Customs duties	957.3	30.7	1 986.3	40.4	2 737.6	53.2	3 151.0	49.3	4 064.5	49.7	3 927.2	45.3	4 390.9	35.3	5 189.1	34.8
VAT-based resource															4 737.7	31.8
GNP/GNI-based (4th) resource																
Other	1 360.7	43.6	2 417.7	49.2	2 075.7	40.4	2 644.0	41.4	2 956.5	36.1	2 969.4	34.2	5 783.0	46.4	2 821.2	18.9
Total	**3 117.5**	**100.0**	**4 914.3**	**100.0**	**5 143.4**	**100.0**	**6 385.1**	**100.0**	**8 184.7**	**100.0**	**8 675.1**	**100.0**	**12 452.8**	**100.0**	**14 891.5**	**100.0**

(million EUR)

	1980		1981		1982		1983		1984		1985		1986		1987	
Type of revenue	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Agricultural duties	2 002.3	12.2	1 747.4	9.2	2 227.8	10.1	2 433.9	9.5	2 950.0	11.3	2 179.1	11.3	2 287.0	6.8	3 097.8	8.7
Customs duties	5 905.7	35.9	6 392.4	33.8	6 815.3	30.9	7 234.6	28.1	7 623.5	29.2	8 310.1	29.2	8 173.0	24.3	8 936.5	25.0
VAT-based resource	7 258.5	44.2	9 187.8	48.6	12 000.5	54.3	13 691.0	53.2	14 565.9	55.8	15 218.9	55.8	22 223.4	66.0	23 463.5	65.6
GNP/GNI-based (4th) resource																
Other	1 265.8	7.7	1 590.4	8.4	1 038.5	4.7	2 369.7	9.2	943.0	3.6	2 377.0	8.4	983.8	2.9	285.5	0.7
Total	**16 432.3**	**100.0**	**18 918.0**	**100.0**	**22 082.1**	**100.0**	**25 729.2**	**100.0**	**26 082.4**	**100.0**	**28 085.1**	**100.0**	**33 667.2**	**100.0**	**35 783.3**	**100.0**

(million EUR)

	1988		1989		1990		1991		1992		1993		1994		1995	
Type of revenue	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Agricultural duties	2 605.8	6.2	2 397.7	5.2	1 875.7	4.0	2 486.6	4.4	1 987.8	3.3	1 929.9	2.9	2 074.1	3.1	1 944.6	2.6
Customs duties	9 310.2	22.3	10 312.9	22.5	10 285.1	22.1	11 475.4	20.4	11 292.4	18.9	11 055.6	16.8	11 178.0	16.9	12 508.6	16.7
VAT-based resource	23 927.6	57.2	26 293.4	57.3	27 440.1	59.1	31 406.2	55.8	34 659.3	58.0	34 489.9	52.5	33 254.5	50.4	39 183.2	52.2
GNP/GNI-based (4th) resource	4 445.8	10.6	4 519.0	9.8	94.9	0.2	7 468.3	13.3	8 322.2	13.9	16 517.9	25.2	17 682.2	26.8	14 191.2	18.9
Other	1 554.0	3.7	2 376.8	5.2	6 773.3	14.6	3 412.9	6.1	3 450.1	5.8	1 679.5	2.6	1 813.3	2.7	7 279.5	9.7
Total	**41 843.4**	**100.0**	**45 899.8**	**100.0**	**46 469.1**	**100.0**	**56 249.4**	**100.0**	**59 711.8**	**100.0**	**65 672.7**	**100.0**	**66 002.1**	**100.0**	**75 077.1**	**100.0**

(million EUR)

	1996		1997		1998		1999		2000		2001		2002 (1)		2003	
Type of revenue	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Agricultural duties	1 821.5	2.2	1 925.3	2.4	1 955.1	2.3	2 151.7	2.5	2 155.7	2.3	1 775.6	1.9	1 2879.6	1.3	1 395.0	1.5
Customs duties	11 762.2	14.5	12 247.0	15.2	12 155.6	14.4	11 705.9	13.5	13 111.5	14.1	12 813.6	13.6	7 911.3	8.3	9 462.1	10.1
VAT-based resource	33 962.9	41.8	34 222.5	42.5	33 118.0	39.2	31 163.4	35.9	35 121.6	37.9	31 247.8	33.1	22 388.2	23.5	21 260.1	22.7
GNP/GNI-based (4th) resource	23 549.1	29.0	26 898.2	33.4	35 020.5	41.4	37 509.8	43.2	37 580.4	40.5	34 881.0	37.0	46 095.8	48.3	51 515.3	55.1
Other	10 179.4	12.5	5 254.7	6.5	2 280.5	2.7	4 372.7	5.0	4 755.2	5.1	13 571.2	14.4	17 751.5	18.6	9 836.1	10.5
Total	**81 275.1**	**100.0**	**80 547.7**	**100.0**	**84 529.7**	**100.0**	**86 903.5**	**100.0**	**92 724.4**	**100.0**	**94 289.3**	**100.0**	**95 434.4**	**100.0**	**93 468.6**	**100.0**

(1) As from the year 2002, pursuant to Council Decision No 2000/597, ESA95 GNI replaces ESA79 GNP as the reference for the 4th resource. Besides, as from the year 2000, the Article 15 UK rebate payments are accounted for under the GNI- and no longer under the VAT-based resource (yet, Article 35 UK rebate payments have always been accounted for under the GNP/GNI-based resource). Please note also that, pursuant to Council Decision No 2000/597, as from the year 2001, collection costs for traditional own resources (agricultural levies and customs duties) increased from 10 % to 25 %. Yet, the 15 % increase in collection costs corresponding to the year 2001 was budgeted in 2002. Amounts of traditional own resources are shown net of collection costs.

TABLE 15

Staff of the Community institutions from 1970 to 2003

	1970	1971	1972	1973	1974	1975	1976
Parliament	532	589	787	1 096	1 172	1 206	1 404
Council	618	628	980	1 218	1 330	1 481	1 501
Commission	7 801	8 025	8 239	9 247	9 573	9 987	10 641
of which: Administrative budget	5 201	5 455	5 827	6 799	7 194	7 605	7 777
Research budget	2 501	2 450	2 277	2 277	2 198	2 184	2 658
Publications Office	99	120	135	171	181	198	206
Other bodies							
Court of Justice	114	126	138	223	254	261	264
Court of Auditors	26	29	30	35	35	35	35
Economic and Social Committee and Committee of the Regions	144	156	192	252	284	292	302
Total	**9 235**	**9 553**	**10 366**	**12 071**	**12 648**	**13 262**	**14 147**

	1987	1988	1989	1990	1991	1992	1993
Parliament	3 360	3 405	3 405	3 482	3 565	3 686	3 790
European Ombudsman							
European data protection supervisor							
Council	2 066	2 130	2 165	2 184	2 205	2 225	2 256
Commission	15 161	15 905	16 309	16 720	17 175	17 946	18 576
of which : Administrative budget	11 622	12 328	12 611	12 887	13 157	13 975	14 540
Research budget	3 053	3 073	3 176	3 285	3 462	3 409	3 430
Publications Office	380	396	406	424	428	428	463
OLAF							
Other bodies	106	108	116	124	128	134	143
Court of Justice	646	672	733	752	794	800	825
Court of Auditors	366	375	377	379	384	394	402
Economic and Social Committee and Committee of the Regions	471	485	494	501	506	510	510
Total	**22 070**	**22 972**	**23 483**	**24 018**	**24 629**	**25 561**	**26 359**

1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
1 537	1 709	2 112	2 573	2 927	2 931	2 941	2 966	2 998	3 277
1 508	1 517	1 547	1 599	1 700	1 755	1 798	1 792	1 888	2 016
11 068	11 418	11 649	11 947	12 283	12 675	12 998	13 280	13 703	14 262
8 048	8 378	8 580	8 885	9 173	9 565	9 852	10 037	10 369	10881
2 806	2 816	2 771	2 736	2 753	2 747	2 779	2 851	2 922	2 939
214	224	237	265	284	288	292	312	331	350
		61	61	73	75	75	80	81	92
275	288	315	363	452	474	478	480	480	571
35	164	214	259	284	294	303	303	307	345
305	315	325	339	374	378	391	400	405	448
14 728	**15 411**	**16 162**	**17 080**	**18 020**	**18 507**	**18 909**	**19 221**	**19 781**	**20 919**

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
3 790	4 091	4 105	4 109	4 110	4 181	4 199	4 264	4 338	4 960
								27	31
								15	
2 304	2 464	2 529	2 529	2 534	2 621	2 659	2 703	2 701	2 919
19 027	20 383	21 464	22 006	22 509	22 661	23 076	24 087	24 080	24 315
14 918	15 836	16 449	16 789	17 094	17 082	17 087	17 587	17 906	16 743
3 497	3 497	3 694	3 712	3 712	3 712	3 704	3 731	3 556	3 606
465	525	525	525	525	525	522	522	520	519
					149	224	300	300	300
147	525	796	980	1 178	1 193	1 539	1 947	1 798	3 147
837	950	953	953	953	961	1 010	1 075	1 077	1 140
427	503	503	528	553	552	552	552	575	605
599	716	727	739	739	737	751	757	764	777
26 984	**29 107**	**30 281**	**30 864**	**31 398**	**31 713**	**32 247**	**33 438**	**33 577**	**34 747**

TABLE 16

Summary of own resources by Member State from 1994 to 2003

(million EUR)

	Out-turn 1994		Out-turn 1995		Out-turn 1996		Out-turn 1997		Out-turn 1998	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Belgium	2 822.1	4.4	2 680.1	4.0	2 750.9	3.9	2 971.4	3.9	3 130.9	3.8
Denmark	1 296.2	2.0	1 295.4	1.9	1 368.7	1.9	1 505.8	2.0	1 694.7	2.1
Germany	21 366.3	33.3	21 324.1	31.4	20 742.7	29.2	21 217.3	28.2	20 633.0	25.1
Greece	992.3	1.5	985.2	1.5	1 105.9	1.6	1 178.4	1.6	1 310.3	1.6
Spain	4.718.1	7.4	3 645.2	5.4	4 547.1	6.4	5 367.6	7.1	5 752.4	7.0
France	12 550.9	19.6	11 876.8	17.5	12 423.2	17.5	13 185.9	17.5	13 584.3	16.5
Ireland	638.9	1.0	664.8	1.0	681.6	1.0	687.0	0.9	984.7	1.2
Italy	7 759.5	12.1	6 413.7	9.5	9 003.0	12.7	8 667.1	11.5	10 581.4	12.9
Luxembourg	165.4	0.3	167.6	0.2	160.7	0.2	170.7	0.2	216.7	0.3
Netherlands	4 245.9	6.6	4.349.6	6.4	4 435.5	6.2	4 837.6	6.4	5 104.5	6.2
Austria			1 762.9	2.6	1 874.0	2.6	2 110.4	2.8	2 085.8	2.5
Portugal	1 215.6	1.9	864.9	1.3	851.9	1.2	1 077.8	1.4	1 104.6	1.3
Finland			887.4	1.3	964.0	1.4	1 061.9	1.4	1 145.8	1.4
Sweden			1 658.3	2.4	1 968.3	2.8	2 326.0	3.1	2 382.7	2.9
United Kingdom	6 417.4	10.0	9 251.6	13.6	8 218.1	11.6	8 928.1	11.9	12 537.2	15.2
Total	**64 188.8**	**100.0**	**67 827.6**	**100.0**	**71 095.6**	**100.0**	**75 293.0**	**100.0**	**82 249.2**	**100.0**

(million EUR)

	Out-turn 1999		Out-turn 2000		Out-turn 2001		Out-turn 2002		Out-turn 2003	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Belgium	3 196.2	3.9	3 388.6	3.9	3 531.6	4.4	3 017.9	3.9	3 486.0	4.2
Denmark	1 656.2	2.0	1 684.8	1.9	1 777.7	2.2	1 687.9	2.2	1 777.7	2.1
Germany	21 069.0	25.5	21 774.9	24.8	19 727.2	24.4	17 582.2	22.6	19 202.6	23.0
Greece	1 348.8	1.6	1 333.8	1.5	1 350.1	1.7	1 337.5	1.7	1 533.7	1.8
Spain	6 231.3	7.6	6 445.4	7.3	6 591.5	8.2	6 551.2	8.4	7 429.4	8.9
France	13 993.8	17.0	14 510.9	16.5	14 471.3	17.9	14 152.3	18.2	15 153.7	18.1
Ireland	1 059.7	1.3	1 074.4	1.2	1 211.3	1.5	1 018.8	1.3	1 127.5	1.3
Italy	10 765.8	13.0	10 999.9	12.5	11 612.5	14.4	11 279.5	14.5	11 758.5	14.1
Luxembourg	194.2	0.2	185.4	0.2	256.5	0.3	183.8	0.2	204.5	0.2
Netherlands	5 091.4	6.2	5 496.7	6.2	5 517.0	6.8	4 467.4	5.7	4 919.5	5.9
Austria	2 053.7	2.5	2 093.7	2.4	2 091.0	2.6	1 808.7	2.3	1 935.9	2.3
Portugal	1 227.6	1.5	1 255.0	1.4	1 266.0	1.6	1 187.3	1.5	1 292.9	1.5
Finland	1 210.7	1.5	1 225.7	1.4	1 233.1	1.5	1 184.5	1.5	1 337.9	1.6
Sweden	2 348.8	2.8	2 632.9	3.0	2 337.7	2.9	2 086.2	2.7	2 501.3	3.0
United Kingdom	11 083.5	13.4	13 857.0	15.8	7 743.4	9.6	10 152.8	13.1	9 971.2	11.9
Total	**82 530.8**	**100.0**	**87 959.1**	**100.0**	**80 718.1**	**100.0**	**77 698.0**	**100.0**	**83 632.5**	**100.0**

ANNEX II

EXTRACT FROM THE PROVISIONAL CONSOLIDATED ACCOUNTS OF THE EUROPEAN UNION

MODERNISATION OF THE EUROPEAN COMMUNITIES' ACCOUNTING SYSTEM

As an information system, public sector accounting has substantially broadened its objectives from a mere record of budget execution to more dynamic and complete management, by setting out the economic, financial and asset/liability implications which arise.

In recent years, it has become apparent that the European Communities' accounts needed to be modernised to change from a system of accounts focusing on a mere cash-based description of budget expenditure and revenue operations to a system based on assets and liabilities with the objective of presenting the Communities' financial situation in a more comprehensive form, showing all its assets, entitlements and debts as well as the expenditure and revenue for the financial year. The Commission has therefore undertaken to gradually fall into line with the approach adopted by a large number of States and supported by international bodies such as the IFAC ([1]) and the Organisation for Economic Cooperation and Development (OECD). This work started in earnest in 2003 with the commencement of the 'modernisation of the accounting system' project, which has the aim of placing the European Communities at the forefront of the international movement towards the modernisation of public sector accounting from 2005 onwards.

The financial regulation ([2]) lays down the broad outlines of the new accounting framework for the European Communities from 2005. The transitional provisions of the financial regulation include the general rule that the provisions of Title VII of Part One — 'Accounting' — shall apply gradually depending on technical possibilities in order to be fully effective for the budgetary year 2005. This gradual application relates, in particular, to the new principles governing the institutions' accounts. While the budget accounts will still be subject to the cash principle, the general accounts will be accrual-based accounts from 2005.

The Commission communication of 17 December 2002 on the modernisation of the accounting system sets out the measures, timetable and resources needed for the reform of the accounts. A new accounting framework will be drawn up. The rules and methods applicable will be based on internationally accepted standards for the public sector — the IPSAS — and, for accounting transactions that are not yet covered by IPSAS, on the relevant international accounting standards (IAS)/international financial reporting standards (IFRS). They will be subject to the opinion of an Accounting Standards Committee providing independent professional guidance — at present, 16 exposure drafts for new accounting rules derived from these standards have already been presented to the committee for discussion. The critical event for each transaction has been defined and the IT architecture is being reviewed to ensure that each accounting event may be fully registered at source. The financial statements can then be produced automatically. Each Directorate-General's internal control procedures will be extended to cover accrual accounting aspects. Finally, the scope of consolidation will be extended.

However, the Commission has anticipated this reform and already introduced elements of accrual accounting into the presentation of the financial statements in recent years, without yet being able to apply the corresponding standards in full. At present, some information does not come from an integrated system of accounts so the accounting officer's departments use non-accounting information from the Commission's services to complete the financial balance sheet and draw up the annexes to this balance sheet.

Since 2000, the reliability of the information has been improved on fixed assets, invento-

([1]) International Federation of Accountants.
([2]) OJ L 248, 16.9.2002.

ries, the list of financial intermediaries, the valuation of entitlements and officials' pension rights. This approach was more intense in 2002 and 2003. The presentation of the annual accounts and the explanatory notes continue to be supplemented, new balance-sheet and off-balance-sheet items have been included, the valuation of the shareholdings have been brought into line with IPSAS standards, and the consolidation procedures have been improved and the scope increased.

RESULT OF IMPLEMENTATION OF THE BUDGET

Budget out-turn 2003

(EUR)

	EFTA-EEA	European Communities	Total
Revenue for the financial year	93 694 102	93 374 860 334	93 468 554 436
Payments against 2003 appropriations	– 79 589 544	– 88 315 224 215	– 88 394 813 759
Payment appropriations carried over to 2004	0	– 2 246 023 739	– 2 246 023 739
Cancellation of unused payment appropriations carried over from 2002	0	2 765 220 289	2 765 220 289
Exchange differences for the year	0	– 108 988 964	– 108 988 964
Budget out-turn 2003	**14 104 558**	**5 469 843 706**	**5 483 948 264**

Consolidated summary of the implementation of general budget revenue 2003

	Income appropriations		
Title	Initial 1	Final 2	Year 3
1. Own resources	95 665 576 864.00	84 010 946 121.00	83 339 741 642.88
3. Surpluses available	1 000 000 000.00	7 676 811 988.00	7 971 662 135.57
4. Miscellaneous Community taxes, levies and duties	608 077 032.00	608 095 787.00	579 185 685.87
5. Administrative operation of the institutions	95 473 696.00	95 173 696.00	264 360 750.52
6. Contributions by third parties, reimbursements, financial corrections and refunds	90 601 701.00	90 601 701.00	777 044 687.86
7. Interest on late payments and fines	0	0	229 500 823.44
8. Borrowing and lending operations	21 681 805.00	21 681 805.00	26 847 987.16
9. Miscellaneous revenue	21 526 000.00	21 526 000.00	22 970 646.61
Total	**97 502 937 098.00**	**92 524 837 098.00**	**93 211 314 359.91**

Detail Title 1 : Own resources

	Income appropriations		
Chapter	Initial 1	Final 2	Year 3
10. Agricultural duties	879 825 000.00	879 825 000.00	848 585 073.18
11. Sugar levies	546 600 000.00	546 600 000.00	424 378 387.64
12. Customs duties	10 713 900 000.00	9 479 775 000.00	9 623 389 197.80
13. VAT	24 121 259 065.00	21 748 030 275.00	21 536 290 980.50
14. GNI	59 403 992 799.00	51 356 715 846.00	50 627 534 080.85
15. Correction of budgetary imbalances	0	0	279 563 922.91
Total Title 1	**95 665 576 864.00**	**84 010 946 121.00**	**83 339 741 642.88**

Detail Title 3 : Surpluses available

	Income appropriations		
Chapter	Initial 1	Final 2	Year 3
30. Surplus available from previous year	1 000 000 000.00	7 676 811 988.00	7 636 641 988.34
31. VAT surplus	0	0	-274 766 759.55
32. GNI surplus	0	0	610 850 456.32
34. Adjustment for non-participation in JHA policy	0	0	-52 037.96
35. United Kingdom correction	0	0	-1 011 511.58
Total Title 3	**1 000 000 000.00**	**7 676 811 988.00**	**7 971 662 135.57**

(EUR)

Entitlements established			Amounts received			Receipts as	Outstanding
	Carry-overs 4	Total 5=3+4	Year 6	Carry-overs 7	Total 8 = 6 + 7	% of budget 9 = 8 / 2	10 = 5 - 8
	1 792 398 506.81	85 132 140 149.69	81 555 057 562.18	1 742 407 392.94	83 297 464 955.12	99.15%	1 834 675 194.57
	263 330 000.00	8 234 992 135.57	7 748 502 135.68	263 330 000.00	8 011 832 135.68	104.36%	223 159 999.89
	2 995 699.10	582 181 384.97	576 530 455.76	2 996 528.01	579 526 983.77	95.30%	2 654 401.20
	41 529 412.20	305 890 162.72	245 639 378.91	35 436 527.18	281 075 906.09	295.33%	24 814 256.63
	689 038 034.02	1 466 082 721.88	575 812 666.70	438 264 586.83	1 014 077 253.53	1119.27%	452 005 468.35
	3 434 801 836.35	3 664 302 659.79	-194 340 693.63	431 379 431.78	237 038 738.15	0.00%	3 427 263 921.64
	1 619 225.81	28 467 212.97	26 847 987.16	30 221.67	26 878 208.83	123.97%	1 589 004.14
	10 921 759.78	33 892 406.39	14 786 780.50	5 873 474.18	20 660 254.68	95.98%	13 232 151.71
	6 236 634 474.07	**99 447 948 833.98**	**90 548 836 273.26**	**2 919 718 162.59**	**93 468 554 435.85**	**101.02%**	**5 979 394 398.13**

Entitlements established			Amounts received			Receipts as	Outstanding
	Carry-overs 4	Total 5=3+4	Year 6	Carry-overs 7	Total 8 = 6 + 7	% of budget 9 = 8 / 2	10 = 5 - 8
	589 553 014.91	1 438 138 088.09	422 253 552.66	589 544 806.38	1 011 798 359.04	115.00%	426 339 729.05
	3 909 089.63	428 287 477.27	379 299 481.57	3 909 089.63	383 208 571.20	70.11%	45 078 906.07
	1 198 936 402.27	10 822 325 600.07	8 313 193 564.94	1 148 953 496.93	9 462 147 061.87	99.81%	1 360 178 538.20
	0	21 536 290 980.50	21 534 865 234.38	0	21 534 865 234.38	99.02%	1 425 746.12
	0	50 627 534 080.85	50 624 310 463.23	0	50 624 310 463.23	98.57%	3 223 617.62
	0	279 563 922.91	281 135 265.40	0	281 135 265.40	0.00%	-1 571 342.49
	1 792 398 506.81	**85 132 140 149.69**	**81 555 057 562.18**	**1 742 407 392.94**	**83 297 464 955.12**	**99.15%**	**1 834 675 194.57**

Entitlements established			Amounts received			Receipts as	Outstanding
	Carry-overs 4	Total 5=3+4	Year 6	Carry-overs 7	Total 8 = 6 + 7	% of budget 9 = 8 / 2	10 = 5 - 8
	263 330 000.00	7 899 971 988.34	7 413 481 988.34	263 330 000.00	7 676 811 988.34	100.00%	223 160 000.00
	0	-274 766 759.55	-274 766 759.54	0	-274 766 759.54	0.00%	-0.01
	0	610 850 456.32	610 850 456.41	0	610 850 456.41	0.00%	-0.09
	0	-52 037.96	-52 037.97	0	-52 037.97	0.00%	0.01
	0	-1 011 511.58	-1 011 511.56	0	-1 011 511.56	0.00%	-0.02
	263 330 000.00	**8 234 992 135.57**	**7 748 502 135.68**	**263 330 000.00**	**8 011 832 135.68**	**104.36%**	**223 159 999.89**

Breakdown and changes in commitment and payment appropriations by budget subsection

Financial perspective	Commitment appropriations					
	Appropriations adopted	Modifications transfers and AB (including EFTA)	Carried over from 2002	Revenue from third parties/work for third parties	Other	Total additional
	1	2	3	4	5	6 = 3 + 4 + 5
A. Administrative expenditure	5 360 071 098.00	23 887 000.00	16 736 600.00	159 106 417.66	56 009 157.71	231 852 175.37
B0. Guarantees — reserves	506 920 050.00	-243 558 050.00	0.00	0.00	8 783 507.16	8 783 507.16
B1. Agriculture	44 762 450 000.00	1 000 000.00	83 892 329.00	193 171.87	0.00	84 085 500.87
B2. Structural actions	34 121 625 240.00	135 989 000.00	1 217 738.00	242 745.28	31 333 946.29	32 794 429.57
B3. Training, education, culture	966 057 500.00	23 944 290.90	13 577 281.99	166 961 571.31	273 555.74	180 812 409.04
B4. Energy	243 100 000.00	55 854 128.00	304 983.00	18 974 315.01	35 796.35	19 315 094.36
B5. Internal market — trans-European networks	1 153 527 000.00	86 861 070.33	7 904 107.34	98 999 003.65	3 627 076.19	110 530 187.18
B6. Research	4 055 000 000.00	114 915 483.99	0.00	426 086 731.15	1 464 288.12	427 551 019.27
B7. External actions	8 469 441 450.00	34 858 550.00	34 850 958.87	148 878 428.25	27 745 913.76	211 475 300.88
B8. Common foreign and security policy	47 500 000.00	0.00	0.00	6 209 353.78	0.00	6 209 353.78
Total	**99 685 692 338.00**	**233 751 473.22**	**158 483 998.20**	**1 025 651 737.96**	**129 273 241.32**	**1 313 408 977.48**

Implementation of commitment appropriations by budget sub-section

Heading	Commitment appropriations authorised	Commitments made				
		on current appropriations	on appropriations carried from 2002	on other appropriations	Total	%
	1	2	3	4	5=2+3+4	6=5/1
A. Administrative expenditure	5 615 810 273.37	5 474 825 311.96	16 708 355.00	53 791 371.70	5 545 325 038.66	98.74%
B0. Guarantees — reserves	272 145 507.16	147 920 000.00	0.00	0.00	147 920 000.00	54.35%
B1. Agriculture	44 847 535 500.87	44 378 068 764.86	83 892 329.00	0.00	44 461 961 093.86	99.14%
B2. Structural actions	34 290 408 669.57	34 217 798 550.01	1 217 738.00	29 840 279.22	34 248 856 567.23	99.88%
B3. Training, education, culture	1 170 814 199.94	1 063 256 060.63	12 821 702.42	0.00	1 076 077 763.05	91.91%
B4. Energy	318 269 222.36	283 262 309.45	304 983.00	0.00	283 567 292.45	89.10%
B5. Internal market — trans-European networks	1 350 918 257.51	1 261 800 088.01	6 758 171.28	1 846 304.56	1 270 404 563.85	94.04%
B6. Research	4 597 466 503.26	4 279 466 618.49	0.00	1 277 378.71	4 280 743 997.20	93.11%
B7. External actions	8 715 775 300.88	8 375 973 323.43	25 297 973.87	5 071 200.64	8 406 342 497.94	96.45%
B8. Common foreign and security policy	53 709 353.78	53 611 706.00	0.00	0.00	53 611 706.00	99.82%
Total	**101 232 852 788.70**	**99 535 982 732.84**	**147 001 252.57**	**91 826 534.83**	**99 774 810 520.24**	**98.56%**

Implementation of payment appropriations by budget sub-section

Heading	Payment appropriations authorised	Payments made				
		on current appropriations	on appropriations carried from 2002	on other appropriations	Total	%
	1	2	3	4	5=2+3+4	6=5/1
A. Administrative expenditure	6 087 145 932.55	4 860 274 658.26	374 791 324.06	70 155 219.56	5 305 221 201.88	87.15%
B0. Guarantees — reserves	295 701 557.16	147 920 000.00	0.00	0.00	147 920 000.00	50.02%
B1. Agriculture	45 078 711 544.87	44 088 041 413.30	291 205 641.34	0.00	44 379 247 054.64	98.45%
B2. Structural actions	32 127 952 952.57	27 308 678 463.87	1 376 913 280.39	38 799.52	28 685 630 543.78	89.29%
B3. Training, education, culture	1 150 592 496.60	943 315 895.04	0.00	0.00	943 315 895.04	81.99%
B4. Energy	284 736 821.15	211 740 304.58	0.00	0.00	211 740 304.58	74.36%
B5. Internal market — trans-European networks	1 334 320 208.38	1 039 174 923.89	38 395 301.28	1 618 969.46	1 079 189 194.63	80.88%
B6. Research	4 157 044 844.89	3 276 970 659.35	0.00	2 582 521.21	3 279 553 180.56	78.89%
B7. External actions	7 772 112 776.18	6 487 697 924.09	450 552.72	6 500 921.93	6 494 649 398.74	83.56%
B8. Common foreign and security policy	50 409 353.78	30 999 516.09	0.00	0.00	30 999 516.09	61.50%
Total	**98 338 728 488.13**	**88 394 813 758.47**	**2 081 756 099.79**	**80 896 431.68**	**90 557 466 289.94**	**92.09%**

(EUR)

	Payment appropriations						
Total authorised	Appropriations adopted	Modifications transfers and AB (including EFTA)	Carried over from 2002	Revenue from third parties/work for third parties	Other	Total additional	Total authorised
7 = 1 + 2 + 6	8	9	10	11	12	13 = 10 + 11 + 12	14 = 8 + 9 + 13
5 615 810 273.37	5 360 071 098.00	23 887 000.00	468 158 232.01	161 223 380.01	73 806 222.53	703 187 834.55	6 087 145 932.55
272 145 507.16	366 169 050.00	-79 251 000.00	0.00	0.00	8 783 507.16	8 783 507.16	295 701 557.16
44 847 535 500.87	44 762 450 000.00	1 000 000.00	315 068 373.00	193 171.87	0.00	315 261 544.87	45 078 711 544.87
34 290 408 669.57	33 330 476 500.00	-4 462 567 500.00	3 259 563 268.00	242 745.28	237 939.29	3 260 043 952.57	32 127 952 952.57
1 170 814 199.94	879 610 000.00	35 475 289.49	241 500.00	234 992 151.38	273 555.73	235 507 207.11	1 150 592 496.60
318 269 222.36	250 832 000.00	8 912 253.87	0.00	24 893 210.76	99 356.52	24 992 567.28	284 736 821.15
1 350 918 257.51	1 165 694 000.00	43 230 294.90	81 144 307.25	39 233 039.08	5 018 567.15	125 395 913.48	1 334 320 208.38
4 597 466 503.26	3 650 000 000.00	-305 591 707.08	0.00	809 080 379.79	3 556 172.18	812 636 551.97	4 157 044 844.89
8 715 775 300.88	7 687 634 450.00	-151 996 500.00	31 679 112.50	148 913 919.84	55 881 793.84	236 474 826.18	7 772 112 776.18
53 709 353.78	50 000 000.00	-5 800 000.00	0.00	6 209 353.78	0.00	6 209 353.78	50 409 353.78
101 232 852 788.70	**97 502 937 098.00**	**-4 892 701 868.82**	**4 155 854 792.76**	**1 424 981 351.79**	**147 657 114.40**	**5 728 493 258.95**	**98 338 728 488.13**

(EUR)

Appropriations carried over to 2004				Appropriations lapsing				
automatic carry-overs	carry-overs by decision	Total	%	on current appropriations	on appropriations carried from 2002	on other appropriations	Total	%
7	8	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
38 499 339.14	897 000.00	39 396 339.14	0.70%	28 842 864.56	28 245.00	2 217 786.01	31 088 895.57	0.55%
0.00	0.00	0.00	0.00%	115 442 000.00	0.00	8 783 507.16	124 225 507.16	45.65%
193 171.87	41 200 000.00	41 393 171.87	0.09%	344 181 235.14	0.00	0.00	344 181 235.14	0.77%
242 745.28	6 771 372.00	7 014 117.28	0.02%	33 044 317.99	0.00	1 493 667.07	34 537 985.06	0.10%
62 467 035.31	0.00	62 467 035.31	5.34%	31 240 266.27	755 579.57	273 555.74	32 269 401.58	2.76%
4 262 083.71	13 372 250.00	17 634 333.71	5.54%	17 031 799.85	0.00	35 796.35	17 067 596.20	5.36%
16 415 160.44	18 788 342.00	35 203 502.44	2.61%	42 383 483.53	1 145 936.06	1 780 771.63	45 310 191.22	3.35%
292 513 536.77	18 900 000.00	311 413 536.77	6.77%	5 122 059.88	0.00	186 909.41	5 308 969.29	0.12%
80 583 327.24	55 651 400.00	136 234 727.24	1.56%	140 970 377.58	9 552 985.00	22 674 713.12	173 198 075.70	1.99%
42 475.78	0.00	42 475.78	0.08%	55 172.00	0.00	0.00	55 172.00	0.10%
495 218 875.54	**155 580 364.00**	**650 799 239.54**	**0.64%**	**758 313 576.80**	**11 482 745.63**	**37 446 706.49**	**807 243 028.92**	**0.80%**

(EUR)

Appropriations carried over to 2004				Appropriations lapsing				
automatic carry-overs	carry-overs by decision	Total	%	on current appropriations	on appropriations carried from 2002	on other appropriations	Total	%
7	8	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
649 154 821.00	897 000.00	650 051 821.00	10.68%	34 854 998.75	93 366 907.95	3 651 002.97	131 872 909.67	2.17%
0.00	0.00	0.00	0.00%	138 998 050.00	0.00	8 783 507.16	147 781 557.16	49.98%
290 220 523.43	41 200 000.00	331 420 523.43	0.74%	344 181 235.14	23 862 731.66	0.00	368 043 966.80	0.82%
242 745.28	244 714 425.93	244 957 171.21	0.76%	1 314 516 110.20	1 882 649 987.61	199 139.77	3 197 365 237.58	9.95%
146 291 627.15	1 293 746.00	147 585 373.15	12.83%	59 176 172.68	241 500.00	273 555.73	59 691 228.41	5.19%
14 073 365.68	8 181 772.00	22 255 137.68	7.82%	50 642 022.37	0.00	99 356.52	50 741 378.89	17.82%
20 223 472.92	14 093 930.00	34 317 402.92	2.57%	174 665 007.17	42 749 005.97	3 399 597.69	220 813 610.83	16.55%
632 355 938.53	15 440 000.00	647 795 938.53	15.58%	228 722 074.83	0.00	973 650.97	229 695 725.80	5.53%
139 787 714.78	22 490 729.00	162 278 443.78	2.09%	1 034 575 501.97	31 228 559.78	49 380 871.91	1 115 184 933.66	14.35%
5 361 926.78	0.00	5 361 926.78	10.64%	14 047 910.91	0.00	0.00	14 047 910.91	27.87%
1 897 712 135.55	**348 311 602.93**	**2 246 023 738.48**	**2.28%**	**3 394 379 084.02**	**2 074 098 692.97**	**66 760 682.72**	**5 535 238 459.71**	**5.63%**

CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION AT 31 DECEMBER 2003

Assets

(EUR)

Heading	31.12.2003	31.12.2002
I. Formation expenses	**—**	**—**
II. Intangible fixed assets	**8 906 061.31**	**7 849 426.87**
III. Tangible fixed assets	**3 290 418 242.14**	**3 311 141 828.51**
A. Land and buildings	1 372 961 134.24	1 401 405 844.93
B. Plant, machinery and tools	39 263 830.27	37 234 380.92
C. Furniture and vehicles	31 337 048.79	30 332 343.84
D. Computer hardware	72 095 628.16	79 965 606.20
E. Finance leases and similar entitlements	1 635 150 202.72	1 666 588 220.28
F. Other tangible fixed assets	19 705 399.54	11 941 659.81
G. Fixed assets under construction and advances in respect of tangible fixed assets	119 904 998.42	83 673 772.53
IV. Financial fixed assets	**2 202 424 471.70**	**2 193 857 710.34**
A. Investments in related organisations	400 869 242.49	324 011 899.20
B. Other financial fixed assets	1 801 555 229.21	1 869 845 811.14
1. Subscriptions and participations	58 068 013.05	60 813 856.98
2. Other securities	145 404 370.03	157 541 890.85
3. Guarantees and advances granted	1 598 082 846.13	1 651 490 063.31
V. Long-term assets	**24 247 870 796.39**	**22 070 662 175.56**
A. Loans granted from the budget	544 442 618.62	627 217 512.42
B. Loans granted from borrowed funds	1 635 965 872.17	1 745 843 139.35
C. Other long-term assets	22 067 462 305.60	19 697 601 523.79
VI. Stocks	**78 669 342.91**	**76 002 255.83**
A. Office supplies and other consumables	17 546 696.66	14 088 330.78
B. Scientific equipment	61 122 646.25	61 913 925.05
VII. Short-term assets	**6 165 036 537.87**	**7 371 242 916.41**
A. Long-term assets falling due in less than one year	209 419 985.60	412 668 769.77
1. Loans granted from the budget	17 351 707.43	27 663 796.05
2. Loans granted from borrowed funds	163 312 751.48	355 633 579.28
3. Other long-term assets	28 755 526.69	29 371 394.44
B. Current assets	5 918 428 535.03	6 917 168 431.62
1. Advances paid to Member States	4 948 454.00	355 000 000.00
2. Amounts owed by Member States	2 313 829 577.89	2 078 454 951.07
(a) EAGGF-Guarantee receivables	905 909 153.71	1 349 977 685.84
(b) VAT paid by institutions and recoverable from the Member States	41 593 570.83	37 137 312.19
(c) Own resources	1 348 164 726.40	660 833 981.90
(d) Other receivables from Member States	18 162 126.95	30 505 971.14
3. Non-consolidated Community bodies	29 312 667.31	11 190 347.97
4. Sundry debtors	3 570 337 835.83	4 472 523 132.58
C. Other receivables	37 188 017.24	41 405 715.02
1. Receivable from personnel	36 929 231.45	41 200 687.23
2. Other	258 785.79	205 027.79
VIII. Cash investments	**1 472 457 179.71**	**1 528 146 863.72**
IX. Disposable assets	**13 906 904 383.27**	**17 399 969 075.96**
Total	**51 372 687 015.30**	**53 958 872 253.20**

Liabilities

(EUR)

Heading	31.12.2003	31.12.2002
I. Own capital	**14 837 432 304.49**	**17 624 821 401.99**
A. Economic out-turn for the year	4 814 776 618.02	8 750 278 677.23
1. Budget out-turn of the European Communities	5 469 843 705.90	7 413 481 988.34
2. Result of adjustments	– 993 048 251.74	1 268 832 829.48
3. Result of borrowing and lending activities	102 691.94	211 819.79
4. Economic out-turn of the ECSC in liquidation	337 878 471.92	67 752 039.62
B. Out-turn carried over from previous financial years	9 475 249 936.33	8 556 971 226.37
Result of adjustments	9 475 249 936.33	8 275 052 504.67
ECSC in liquidation	0.00	281 918 721.70
C. Reserves	547 405 750.14	317 571 498.39
1. Revaluation reserve	57 124 663.00	57 124 663.00
2. Reserve for borrowing and lending activities	2 610 325.82	2 446 835.39
3. Reserves of the ECSC in liquidation	487 670 761.32	258 000 000.00
II. Provisions for risks and charges	**25 348 151 878.66**	**23 109 444 390.34**
III. Long-term liabilities	**3 243 622 046.82**	**3 158 065 535.75**
A. Borrowing	1 744 672 854.67	1 810 564 556.37
B. Other long-term liabilities	1 498 949 192.15	1 347 500 979.38
IV. Short-term liabilities	**7 943 480 785.33**	**10 066 540 925.12**
A. Long-term liabilities falling due in less than one year	297 030 423.98	466 278 256.46
B. Other short-term financial liabilities	0.00	3 467 493 212.21
C. Current liabilities	7 622 077 452.22	6 115 509 530.20
1. Member States and EFTA countries	4 959 878 291.39	39 176 367.74
2. Non-consolidated Community bodies	15 850 919.18	13 642 016.76
3. Payment appropriations to be carried over	2 246 023 738.48	4 846 976 388.84
4. Sundry creditors	400 324 503.17	1 215 714 756.86
D. Other liabilities	24 372 909.13	17 259 926.25
Total	**51 372 687 015.30**	**53 958 872 253.20**

ACCOUNTING PRINCIPLES

1. Legal provisions

The accounts are kept in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the financial regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of this financial regulation. The annual accounts for 2003 are the second drawn up in accordance with the financial regulation, on the basis of the transitional provisions mentioned below.

The same rules of valuation and accounting methods are applied in all the Community institutions and bodies currently falling within the scope of consolidation (Commission, Parliament, Council, Court of Justice, Court of Auditors, European Economic and Social Committee, Committee of the Regions and the Ombudsman) in order to guarantee harmonisation of the accounts and consistency of data. The exception to this rule is the European Coal and Steel Community (ECSC) in liquidation which was being consolidated for the first time in 2003. There are some differences in certain accounting treatments between the ECSC in liquidation and the other institutions, since the ECSC in liquidation currently applies certain accrual accounting principles more extensively than the Community bodies. Given the current transition to accrual accounting and the immateriality of the differences in question, it was not considered useful or appropriate to make corrections for the amounts.

2. The financial regulation

The financial regulation adopted by the Council on 25 June 2002 (OJ L 248, 16.9.2002, p. 1, with a corrigendum in OJ L 25, 30.1.2003, p. 43) brings together the provisions on the presentation of accounts and accounting in Title VII of Part One.

While this financial regulation is applicable from 1 January 2003, Article 181 contains a number of transitional provisions, some of which relate to the presentation of the accounts.

This is particularly the case with regard to the timetable for the presentation of accounts which will be shifted forward by about one month from 2005 onwards to give the discharge authority the same amount of time for its deliberations. Article 128 thus stipulates that, starting with the accounts for 2005, the Commission's accounting officer must submit the consolidated provisional accounts by 31 March of the following year, on the basis of the provisional accounts that each institution and other consolidated bodies have sent by 1 March. These accounts are sent to the Court of Auditors, which must make its observations by 15 June (Article 129). On the basis of these observations, the Commission adopts the final consolidated accounts by 31 July and they are then published by 31 October together with the Court of Auditors' statement of assurance.

The transitional provisions lay down the general rule that the provisions of Title VII of Part One shall apply gradually, depending on technical possibilities in order to be fully effective for the budgetary year 2005. This gradual application relates, in particular, to the new principles governing the institutions' accounts.

Under the transitional provisions of the new financial regulation, for accounts relating to financial years prior to 2005, the accounting officer of the Commission must, in accordance with Articles 128(2) and 181(2) of the financial regulation, consolidate the provisional accounts and send them no later than 1 May to the Court of Auditors. These include both the individual provisional accounts for each institution (and other consolidated bodies) and the provisional consolidated accounts.

Both the provisional and definitive accounts for 2003 are presented as follows: Volume I contains the consolidated accounts, Volume II the Commission's accounts and Volume III the individual accounts of the other institutions and bodies.

3. Accounting principles

The objectives of financial statements are to provide information on the financial position, performance and cash flows of an entity that is useful to a wide range of users. For a public sector entity such as the European Communities, the objectives are more specifically to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it.

If they are to present a true and fair view, financial statements must not only supply relevant information to describe the nature and range of an institution's activities, explain how it is financed and supply definitive information on its operations, 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.

The accounting system of the Community institutions comprises general accounts and budget accounts. These accounts shall be kept in euro on the basis of the calendar year.

The budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle ([1]).

The general accounts show all expenditure and revenue over the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.

Article 124 of the financial regulation sets out the accounting principles to be applied in drawing up the financial statements:

- ☐ going concern basis;
- ☐ prudence;
- ☐ consistent accounting methods;
- ☐ comparability of information;
- ☐ materiality;
- ☐ no netting;
- ☐ reality over appearance;
- ☐ accrual-based accounting.

However, the transitional provisions of the financial regulation indicate that these principles will apply gradually depending on technical possibilities in order to be fully effective for the budgetary year 2005.

For example, the financial statements for 2003 take account of certain elements of the principle of prudence and accrual accounting, such as value adjustments for entitlements, depreciation and the entry of carry-overs in the accounts as charges and debts for the financial year. The financial statements will gradually evolve so that the principle of accrual-based accounting will take full effect from 2005.

([1]) This differs from cash-based accounting because of elements such as carry-overs and the establishment of entitlements.

ACCOUNTING RULES AND METHODS

1. Legal provisions

1.1. Accounts are kept in euro.

1.2. Except for the headings set out below, assets and liabilities are converted into euro on the basis of the conversion rates applying on 31 December 2003. The conversion rates for the main currencies at 31 December 2003 were as follows:

EUR 1	DKK	7.4450
EUR 1	GBP	0.7048
EUR 1	SEK	9.0800
EUR 1	JPY	135.0500
EUR 1	USD	1.2630

Different conversion methods apply to the following headings:

- ☐ tangible and intangible assets, which retain their value in euro at the rate that applied at the date when they were purchased;
- ☐ commitments outstanding, some of which are commitments in national currencies, were revalued using the rates for December;
- ☐ pre-financing 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.

1.3. 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 result of adjustments for the year;
- ☐ monetary items other than cash assets: overall, the exchange differences in assets and commitments expressed in a specific currency are recorded in the result of adjustments for the year.

1.4. Revenue (and expenditure) in other currencies is converted using a monthly rate.

2. Revenue

2.1. 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, GNI-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.

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

3. Expenditure

3.1. For the purposes of calculating the budget out-turn for the year, expenditure comprises payments made against the year's appropriations for payments plus any of the appropriations for that year that are carried over to the following year.

3.2. Payments made against the year's appropriations for payments mean payments that are made by the accounting officer by 31 December of the financial 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 2002 and 15 October 2003, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2004. EAGGF-Guarantee expenditure may be subject to a clearance decision following controls in the Member States.

4. Economic out-turn for the year

The economic out-turn shows the result of the Communities' activities by applying a number of elements of the accrual accounting principle. The explanatory notes specify which elements have been taken into account.

The financial regulation states that the accrual accounting principle will be gradually introduced by 2005. One of the objectives of the ongoing project to modernise the accounting system is the transition from the current system based on the modified cash principle to an accounting system based on the accrual principle.

The economic out-turn consists of the budget out-turn, the budget out-turn of the ECSC in liquidation, the result of the adjustments, and the result of borrowing and lending activities.

4.1. Budget out-turn

The budget out-turn comprises two elements: the result of the European Communities and the result of the participation of the EFTA countries belonging to the EEA. In accordance with Article 15 of Council Regulation (EC, Euratom) No 1150/2000 on own resources, this out-turn represents the difference between:

— total revenue received for that year; and

— total payments made against that year's appropriations plus the total amount of that year's appropriations carried over to the following year ([1]).

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

— the net balance of cancellations of payment appropriations carried over 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.

The budget out-turn is paid back to the Member States the following year.

4.2. Result of adjustments

In the course of the year, the accounting is based on the cash principle. In order to give a more accurate picture of assets and liabilities, the financial situation and the result, a number of adjustments are necessary at year-end. These adjustments correct the items of capital spending and receipts charged to expenditure and revenue in accordance with the cash-based principle and allow non-budget expenditure and revenue to be entered in the accounts.

As a result of these adjustments, the annual accounts can be presented in accordance with the principle of modified accrual accounting, based on modified cash budget accounting.

([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.

4.3. Result of borrowing and lending activities

Borrowing and lending activities are off-budget operations provided for in the Treaties. Pursuant to the principle of budgetary equilibrium, the Communities may not finance their activities by borrowing.

However, a number of provisions of the Treaties establishing the Communities have led to the creation of various instruments authorising the Commission, on behalf of the Communities, to borrow on the financial markets to make loans in order to enable the final recipients to benefit from the advantageous conditions that the Communities can secure on these markets.

The result of borrowing and lending activities is mentioned separately as part of the economic out-turn. The result is paid back to the general budget of the Communities. A reserve has also been set up for future risks.

4.4. Economic out-turn of the ECSC in liquidation

The economic out-turn of the ECSC in liquidation represents the difference between its revenues and expenses for the year arising from the liquidation of its financial operations, investment movements and contributions to the research fund for coal and steel. This result is not paid back to the Communities but kept within the ECSC in liquidation to finance its future activities.

5. Rules on valuation

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

5.1. Tangible and intangible fixed assets are valued at their acquisition price, with the exception of assets produced by the European Communities, which are valued at their production cost, and assets acquired free of charge that are valued at their market value. Tangible and intangible fixed assets are valued at their historic value converted into euro at the rate applying when they were purchased. The book value of a fixed asset is equal to its acquisition price or production cost, plus or minus revaluations, depreciation and other amounts written off.

Assets covered by finance leases are valued at the date of entry into force of the lease at the lower of the market value of the asset or the discounted value of the minimum lease payments due, in accordance with Article 21 of Commission Regulation (EC) No 2909/2000 of 29 December 2000.

Except for land, assets under construction, pre-financing paid out and works of art, these fixed assets must also be subject to depreciation for each full year, according to the straight line method (Title IV, Chapter 4, of Regulation (EC) No 2909/2000 of 29 December 2000 on the accounting management of the European Communities' non-financial fixed assets) at the following rates:

5.2. Stocks: Office supplies and other consumer goods are valued at the price of the last supplies received.

Scientific equipment: 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 acquisition price or resale cost of the last supplies received or the market price, whichever is the lower.

5.3. Financial assets are valued at their purchase price. If denominated in foreign currency, they are converted at the euro rate applying at the close of the year. In line with the principle of prudence, an adjustment is made where there is a probable loss in value.

Depreciation rates

Type of asset	Straight line depreciation rate (%)
Computer software	**25**
Computer hardware	**25**
Kitchens — Cafeterias — Nurseries	
Small electrical equipment	25
Cash registers	25
Large kitchen equipment	12.5
Specialist furniture for kitchens, cafeterias	12.5
Specialist furniture for nurseries	25
Plant, machinery and tools	
Telecommunication and audiovisual equipment	
Telephone and fax machines	25
Headphones, earphones, microphones	25
Cameras	25
Videos	25
Video and dictating machines	25
Projectors (slides and overhead)	25
Photographic equipment	25
Projector screens	25
Televisions, radios, monitors (not including computers)	25
Technical equipment	
Printers, mail, security, building, tools	12.5
Measuring or laboratory equipment	25
Other plant, machinery and tools	**12.5**
Movable shelving, partitions, false floors, false ceilings and wiring	**25**
Vehicle fleet	**25**
Furniture	**10**
Buildings	**4**
Land	**n.a.**

5.4. Entitlements are entered in the accounts at their face value, converted at the euro rate applying at the end of the year, with the exception of entitlements denominated at a fixed rate. Entitlements are financial instruments that must be valued at their correct level. Value adjustments are calculated and entered in the accounts for this purpose. A value reduction or write-down is thus applied for amounts considered irrecoverable.

Two types of value reduction exist:

— a specific write-down applied when a given amount is deemed irrecoverable, irrespective of any legal developments (the risk of non-recovery is thus examined for each debt);

— a flat-rate write-down applied when the amount of the irrecoverable debt is not known. Entitlements due for more than one year are written down by 20 %. A further cut of 20 % is made for each additional year. After five years, entitlements which have not yet been received are thus completely written down.

5.5. Cash investments and disposable assets are valued at their face value converted into euro at the rate applying at the end of the year. For the sake of prudence, an adjustment is made where there is a probable loss in value.

5.6. Debts are valued at their face value converted into euro at the rate applying at the end of the year if they are denominated in a foreign currency.

5.7. Provisions are valued/accounted for, where possible, in accordance with IPSAS 19. Details of their calculation and basis are given in the related explanatory notes.

6. Pre-financing

Pre-financing amounts for operational purposes are included in the year's expenditure and do not appear as assets in the balance sheet.

Pre-financing amounts to public or private intermediaries which had not been received by the final beneficiary at 31 December 2003 and which are included in the year's budget expenditure are entered on the assets side of the balance sheet as short-term assets, under 'Sundry debtors'.

7. Consolidation

The consolidated accounts cover the accounts of the European Parliament, the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman. Following the entry into force of the Treaty of Nice on 1 February 2003, the Member States have entrusted the Commission with the management of the ECSC in liquidation. As a result, the financial statements of the ECSC in liquidation were consolidated in the European Communities' accounts of 2003, with adjustment made to the 2002 comparative figures to reflect the consolidation of the ECSC in liquidation from 24 July 2002 onwards. The method used is that of full consolidation, in line with IPSAS 6.

Also consolidated for the first time in 2003 is the joint undertaking with the European Space Agency, Galileo. Reflecting the nature of this investment, and in compliance with IPSAS 8, the equity method of consolidation is used. Since 2002, the Communities' investment in the European Investment Fund (EIF) has also been consolidated in Volume I using the equity method, in accordance with IPSAS 7.

Article 121 of the financial regulation provides for the consolidation of the institutions and certain agencies set up in the Member States of the European Union. The scope of consolidation will be extended in 2005 to the bodies mentioned in Article 185 of the financial regulation. An analysis being conducted as part of the modernisation of the Communities' accounting system, in particular in accordance with the gradual introduction of IPSAS standards between now and 2005, will determine whether other bodies and entities are to be consolidated. The issue of whether or not certain other entities are to be consolidated will be referred, for an opinion, to the Accounting Standards Committee, a forum of experts in public sector accounts set up as part of the modernisation project.

Not included on the balance sheet of the European Communities are the funds managed by the Commission on behalf of both the sickness insurance scheme for staff of the Communities and the European Development Fund (EDF). At 31 December 2003, the total assets of both were EUR 224 million and EUR 18 000 million respectively.

The general budget, the main instrument of the Communities' financial policy, is the instrument which provides for and authorises the Communities' revenue and expenditure every year.

The budgetary procedure is set out in Article 272 of the EC Treaty which stipulates the sequence of stages and the time limits which must be respected by the two arms of the budgetary authority: the Council and Parliament.

Every year, the Commission estimates all the Community institutions' revenue and expenditure for the coming year and draws up a preliminary draft budget which it sends to the budgetary authority.

On the basis of this preliminary draft budget, the Council draws up a draft budget which is then the subject of negotiations between the two arms of the budgetary authority.

The President of Parliament declares that the budget has been finally adopted making the budget enforceable. The task of executing the budget is mainly the responsibility of the Commission.

Unless otherwise stated, the following budgetary provisions refer to the financial regulation adopted by the Council on 25 June 2002 (OJ L 248, 16.9.2002, p. 1, and the corrigendum in OJ L 25, 30.1.2003, p. 43) which applies with effect from 1 January 2003.

1. Budgetary principles

The general budget of the Communities is governed by a number of basic principles:

— unity and budget accuracy: all the Communities' expenditure and revenue must be incorporated into a single budget document, and must be booked on a budget line, and expenditure must not exceed authorised appropriations;

— universality: this principle comprises two rules:

☐ the rule of non-assignment, meaning that budget revenue must not be earmarked for specific items of expenditure (total revenue must cover total expenditure),

☐ the gross budget rule, meaning that revenue and expenditure are entered in full in the budget without any adjustment against each other;

— annuality: the appropriations entered are authorised for a single year and must therefore be used during that year;

— equilibrium: the revenue and expenditure shown in the budget must be in balance (estimated revenue must equal payment appropriations);

— specification: each appropriation is assigned to a specific purpose and a specific objective;

— unit of account: the budget is drawn up and implemented in euro and the accounts are presented in euro;

— sound financial management: budget appropriations are used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness;

— transparency: the budget is established and implemented and the accounts presented in compliance with the principle of transparency — the budget and amending budgets are published in the *Official Journal of the European Union*.

2. Budget structure

The budget consists of:

(a) a general statement of revenue;

(b) separate sections divided into the statements of revenue and expenditure of each institution: Section I: Parliament; Section II: Council; Section III: Commission; Section IV: Court of Justice; Section V: Court of Auditors; Section VI: European Economic and Social Committee; Section VII: Committee of the Regions; Section VIII: Ombudsman.

Each institution's items of revenue and expenditure are classified according to their type or the use to which they are assigned under titles, chapters, articles and items.

A part of the funds of the ECSC in liquidation was placed at the disposal of the operational budget of the ECSC in liquidation. This operational budget was adopted annually by the Commission, after consultation with the Council and the European Parliament. The last budget was drawn up for the period 1 January 2002 to 23 July 2002. As from 24 July 2002, the revenue and charges connected with the operational budget have been included in the revenue and expenditure account of the ECSC in liquidation. The remaining commitments to be fulfilled are shown on the liability side of the balance sheet.

3. Structure of the accounts

Only the Commission budget contains administrative appropriations and operating appropriations. The other institutions have only administrative appropriations.

The budget distinguishes between two types of appropriation: non-differentiated appropriations and differentiated appropriations.

Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). Differentiated appropriations were introduced in order to reconcile the principle of annuality with the need to manage multiannual operations. They cover the total cost, during the current year, of legal obligations entered into for operations extending over more than one financial year.

(a) Non-differentiated appropriations cover:

- all the administrative sections of the budget (Part A of the Commission Section and the whole of every other section);
- EAGGF-Guarantee appropriations of an annual nature;
- certain technical appropriations (repayments, borrowing and lending guarantees, etc.).

In the case of non-differentiated appropriations, the amount of commitment appropriations is the same as that of payment appropriations.

(b) Differentiated appropriations are intended to cover multiannual operations and comprise the appropriations in Part B of the Commission section (not including the EAGGF).

These differentiated appropriations break down into commitment appropriations and payment appropriations:

- commitment appropriations cover the total cost of the legal obligations entered into for the current financial year ([1]) for operations extending over a number of years ([2]);
- payment appropriations cover expenditure arising from commitments en-

([1]) For the Structural Funds, only the annual tranche is counted.
([2]) Appropriations for commitments = commitment appropriations + non-differentiated appropriations.

tered into in the current financial year and/or earlier financial years ([1]).

4. Origin of appropriations

The main source of appropriations is the Communities' budget for the current year. However, there are other types of appropriations resulting from the provisions of the financial regulation. They come from previous financial years or outside sources.

4.1. Final budget appropriations

- Initial budget appropriations

- Transfers
  Appropriations may be transferred between lines in accordance with the rules laid down in Articles 22 to 24 of the financial regulation ([2]).

- Amending budgets
  The budget adopted may be amended by an amending budget. The rules are set out in Articles 37 and 38 of the financial regulation.

- EFTA appropriations
  The Agreement on the European Economic Area provides for financial contribution by its members to certain activities in the Communities' budget. The budget lines concerned and the amounts projected are published in Annex III to the Communities' budget. The lines concerned are increased by the EFTA contribution. Appropriations not used at the end of the year are cancelled and returned to the EEA countries.

([1]) Appropriations for payments = payment appropriations + non-differentiated appropriations.
([2]) Regulation No 1605/2002 of 25 June 2002.

4.2. Appropriations carried over from previous year

- Appropriations automatically carried over
  These are non-differentiated payment appropriations which may be carried over automatically for one financial year only (no limits for the ECSC in liquidation) in accordance with Article 9(4) of the financial regulation.

- Appropriations carried over by decision of the institutions
  An institution may decide to carry over appropriations from the previous budget in one of two cases: if the preparatory stages have been completed (Article 9(2)(a) of the financial regulation) or if the legal base is adopted late (Article 9(2)(b)). Both commitment and payment appropriations may be carried over (Article 9(3) of the financial regulation).

4.3. Revenue from third parties and work for third parties

- Revenue from third parties
  As with the EFTA appropriations, other countries have concluded agreements with the European Union involving a financial contribution to Communities' activities. The amounts received are considered to be revenue from third parties which is allocated to the budget lines concerned (often in the field of research) and may be carried over without limit (Articles 10 and 18(a) and (d) of the financial regulation).

- Work for third parties
  As part of their research activities, the Communities' research centres may work for outside bodies (Article 161(2) of the financial regulation). Like the revenue from third parties, the work for third parties is assigned to specific budget lines and may be carried over without limit (Articles 10 and 18(d) of the financial regulation).

4.4. Appropriations for reuse

These appropriations arose from the refund of amounts paid in error, proceeds from the supply of goods/services to other Community bodies, insurance payments received and revenue from lettings and publication sales — the amounts were assigned to the budget line which incurred the initial expenditure. Previously, these appropriations could be carried over for a period of one year only (under Article 27(2) of the 1977 financial regulation), but, from 2003, the new financial regulation converted them into assigned revenue (Articles 10 and 18(e), (f), (g), (h), (i), and (j) of the financial regulation), which may be carried over without limit.

4.5. Appropriations made available again as a result of repayment of payments on account

These were Communities' funds which had been repaid by the beneficiaries. These amounts were re-entered by a Commission decision (Article 7(7) of the 1977 financial regulation, Article 18(2) of the new financial regulation). The amounts entered had to be used in the course of the financial year. Now, and since 1 January 2003, repayments of payments on account are entered as assigned revenue (Articles 10 and 18(2) of the financial regulation), which may be carried over without limit.

4.6. Commitment appropriations made available again as a result of decommitments

This involves the re-entry of commitment appropriations concerning structural funds which have been decommitted. Amounts can be re-entered by way of exception in the event of error by the Commission or if they are indispensable for completion of the programme (Article 157 of the financial regulation).

5. Budget implementation

Article 48(1) of the financial regulation states: 'The Commission shall implement ... the budget in accordance with this Regulation, on its own responsibility and within the limits of the appropriations authorised.'

Article 50 states that the Commission shall confer on the institutions the requisite powers for the implementation of the sections of the budget relating to them.

5.1. Execution of revenue

The budget takes over the forecasts of revenue subject to any changes resulting from the adoption of amending budgets which adjust the forecasts in the initial budget in line with the reductions or increases in revenue established during implementation. The budget revenue covers appropriations for payments.

The revenue out-turn comprises established entitlements, revenue actually collected against these established entitlements and the balance to be recovered.

The actual revenue for a financial year corresponds to the revenue collected against entitlements established in the course of the year and amounts collected against entitlements still to be recovered from previous years.

5.2. Execution of expenditure

As with revenue, expenditure is forecast in the initial budget.

The execution of expenditure shows how appropriations for commitments ([1]) and appropriations for payments ([2]) are changed, used, carried over and lapse during the year.

5.2.1. Utilisation of appropriations

- Appropriations for commitments: The appropriations authorised are available during the financial year for entering into commitments.

- Appropriations for payments: The appropriations authorised are available during the financial year for making payments.

5.2.2. Carry-overs to the following year

Appropriations for commitments

Some types of appropriation which are not committed may be carried over automatically. This is the case with revenue from third parties and appropriations for reuse (Article 10 of the financial regulation).

Carry-overs may be authorised by the institutions:

— if most of the preparatory stages of the commitment procedure have been completed by 31 December (Article 9(2)(a) of the financial regulation); or

— if the legal base is adopted in the final quarter of the financial year (Article 9(2)(b) of the financial regulation).

The budgetary authority must be notified of this decision (Article 9(5) of the financial regulation).

Appropriations for payments

— Non-differentiated appropriations: Carry-over is generally automatic if it is to cover outstanding commitments (Article 9(4) of the financial regulation).

— Differentiated appropriations: Unused payment appropriations usually lapse; however, they may be carried over by Commission decision if the payment appropriations for the following financial year will not cover existing commitments or commitments linked to commitment appropriations which have themselves been carried over (Article 9(3) of the financial regulation).

5.2.3. Cancellation of appropriations

Any appropriations for commitments and for payments not used and not carried over are cancelled at year-end (Article 9(1) of the financial regulation).

6. Outstanding commitments

With the introduction of differentiated appropriations, a gap developed between commitments entered into and payments made: this gap, corresponding to outstanding commitments, represents the time-lag between when the commitments are entered into and when the corresponding payments are made.

([1]) Commitment appropriations + non-differentiated appropriations.
([2]) Payment appropriations + non-differentiated appropriations.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR 2003

Establishment of the balance sheet

The balance sheet is drawn up in accordance with:

— Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the financial regulation applicable to the general budget of the European Communities;

— Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the financial regulation;

— Commission Regulation (EC) No 2909/2000 of 29 December 2000 on the accounting management of the European Communities' non-financial fixed assets (OJ L 336, 30.12.2000);

— the accounting and consolidation manual of the European Communities, drawn up by the accounting officer of the Commission, setting out the rules on valuation and accounting methods to be applied by all the institutions in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements and consolidation, as required by Article 133 of the abovementioned financial regulation.

In connection with the modernisation of the Communities' accounting system and the shift towards application of the IPSAS standards for 2005, gradual changes in accounting methods are both inevitable and necessary. Some changes have already been made to the methods applied to produce the 2003 annual accounts. These changes are explained in the notes and comparative figures are provided.

Restatement of the balance-sheet figures for 2002

Due to the consolidation of the ECSC in liquidation, for the first time in 2003, the 2002 comparative figures for the balance sheet have been reclassified to include the relevant figures of the ECSC in liquidation at 31 December 2002. The adjustments to the headings were as follows:

Assets

(EUR)

	European Communities 31.12.2002	ECSC 31.12.2002 plus adjustments	Adjusted 31.12.2002
II. Intangible fixed assets	**7 846 576.87**	**2 850.00**	**7 849 426.87**
III. Tangible fixed assets	**3 311 127 734.51**	**14 094.00**	**3 311 141 828.51**
D. Computer hardware	79 951 512.20	14 094.00	79 965 606.20
IV. Financial fixed assets	**2 017 547 773.48**	**176 309 936.86**	**2 193 857 710.34**
B. Other financial fixed assets	1 693 535 874.28	176 309 936.86	1 869 845 811.14
1. Subscriptions and participations	42 045 810.97	18 768 046.01	60 813 856.98
2. Other securities	0.00	157 541 890.85	157 541 890.85
V. Long-term assets	**21 624 361 525.95**	**446 300 649.61**	**22 070 662 175.56**
B. Loans granted from borrowed funds	1 394 599 344.04	351 243 795.31	1 745 843 139.35
C. Other long-term assets	19 602 544 669.49	95 056 854.30	19 697 601 523.79
VI. Stocks	**76 002 255.83**	**0.00**	**76 002 255.83**
VII. Short-term assets	**7 014 996 335.36**	**356 246 581.05**	**7 371 242 916.41**
A. Long-term assets falling due in less than one year	163 026 211.05	249 642 558.72	412 668 769.77
2. Loans granted from borrowed funds	115 000 000.00	240 633 579.28	355 633 579.28
3. Other long-term assets	20 362 415.00	9 008 979.44	29 371 394.44
B. Current assets	6 843 413 741.84	73 754 689.78	6 917 168 431.62
3. Non-consolidated Community bodies	10 846 237.86	344 110.11	11 190 347.97
4. Sundry debtors	4 399 112 552.91	73 410 579.67	4 472 523 132.58
C. Other receivables	8 556 382.47	32 849 332.55	41 405 715.02
1. Receivable from personnel	8 351 354.68	32 849 332.55	41 200 687.23
VIII. Cash investments	**127 326 430.17**	**1 400 820 433.55**	**1 528 146 863.72**
IX. Disposable assets	**17 393 343 907.54**	**6 625 168.42**	**17 399 969 075.96**
Total	**51 572 552 539.71**	**2 386 319 713.49**	**53 958 872 253.20**

Liabilities

(EUR)

	European Communities 31.12.2002	ECSC 31.12.2002 plus adjustments	Adjusted 31.12.2002
I. Own capital	**17 017 150 640.67**	**607 670 761.32**	**17 624 821 401.99**
A. Economic out-turn for the year	8 682 526 637.61	67 752 039.62	8 750 278 677.23
4. Economic out-turn of the ECSC in liquidation	0.00	67 752 039.62	67 752 039.62
B. Out-turn carried over from previous financial years:	8 275 052 504.67	281 918 721.70	8 556 971 266.37
ECSC in liquidation	0.00	281 918 721.70	281 918 721.70
C. Reserves	59 571 498.39	258 000 000.00	317 571 498.39
3. Reserves of the ECSC in liquidation	0.00	258 000 000.00	258 000 000.00
II. Provisions for risks and charges	**22 434 703 135.72**	**674 741 254.62**	**23 109 444 390.34**
III. Long-term liabilities	**2 686 179 688.07**	**471 885 847.68**	**3 158 065 535.75**
A. Borrowing	1 338 678 708.69	471 885 847.68	1 810 564 556.37
B. Other long-term liabilities	1 347 500 979.38	0.00	1 347 500 979.38
IV. Short-term liabilities	**9 434 519 075.25**	**632 021 849.87**	**10 066 540 925.12**
A. Long-term liabilities falling due in less than one year	225 228 007.01	241 050 249.45	466 278 256.46
B. Other short-term financial liabilities	3 467 490 712.21	2 500.00	3 467 493 212.21
C. Current liabilities	5 725 315 534.34	390 193 995.86	6 115 509 530.20
1. Member States and EFTA countries	38 535 782.52	640 585.22	39 176 367.74
2. Non-consolidated Community bodies	16 412 388.90	– 2 770 372.14	13 642 016.76
4. Sundry creditors	823 390 974.08	392 323 782.78	1 215 714 756.86
D. Other liabilities	16 484 821.69	775 104.56	17 259 926.25
Total	**51 572 552 539.71**	**2 386 319 713.49**	**53 958 872 253.20**

NB: The amounts previously shown as transitional accounts are included under the headings ‘Sundry debtors’ and ‘Sundry creditors’ above.

II. Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets without physical substance. To be entered on the assets side of the balance sheet, they must be controlled by the institution and generate future economic benefits for the European Communities.

Computer software developed within the institutions does not constitute an intangible fixed asset, whereas a computer licence governed by an interinstitutional framework contract for database management does, and so is included here.

Depreciation of intangible fixed assets (computer software) for the Publications Office is spread over three years (33 %), the standard practice for the Office's software. The rate applied by the other institutions is 25 %.

The transfer between headings reflects a transfer from tangible to intangible assets made by the Committee of the Regions — this is also reflected in the table for tangible fixed assets.

Intangible fixed assets

(EUR)

	Computer software
A. Acquisition value	
Previous year-end	25 889 309.38
Changes during the year:	
Acquisitions during the year	7 062 479.30
Disposals and withdrawals	– 935 773.00
Transfers between headings	63 677.84
Other changes	– 485 681.12
Year-end	31 594 012.40
B. Depreciation and reduction in value	
Previous year-end	18 039 882.51
Changes during the year:	
Recorded	5 964 144.60
Cancellations as a result of disposals and withdrawals	– 930 954.00
Transfers between headings	15 919.47
Other changes	– 401 041.49
Year-end	22 687 951.09
Net book value (A – B)	**8 906 061.31**

III. Tangible fixed assets

A. Land and buildings

Commission: In the absence of historical data on the costs of acquisition and the costs of annual improvements before 1998 in the Joint Research Centre (JRC), acquisition values are based on a valuation conducted by an outside firm at 31 December 1997. It has been possible to calculate the changes that occurred during the period 1998–2003.

The method of depreciation is as follows:

1. For buildings that had been fully depreciated at 1 January 1998, a new depreciation plan was fixed. They were revalued and depreciated over a period of 10 years up to 2007.

2. For buildings which had not been fully depreciated at 1 January 1998, depreciation was calculated over their residual life having due regard to the revalued amount at 1 January 1998.

This method of valuation and depreciation, applied by Ispra in 2000, was used to value land and buildings of the JRC at Geel at end-2001.

In some countries the value of the land occupied by delegations cannot be distinguished from the value of the building.

In May 1998, Parliament invoked its purchase option in respect of a complex in Brussels (consisting of three buildings) for which the final investment cost (not including land) came to EUR 1 097 million. In two memoranda of understanding with the European Communities dated 23 July 1998, Belgium made a contribution to the purchase of the land, and to the development and construction costs for the third building. A clause stipulates that if Parliament were to relocate, either the land would be returned to the Belgian State for a payment of EUR 0.025, or the land and buildings would be put up for sale so that the market value of the land could be paid to the Belgian State. An adjustment has therefore been made for the value of the land, which is now entered in the balance sheet at EUR 0.025.

In December 2003, Parliament invoked its purchase option for the Louise Weiss building in Strasbourg and the purchase agreement was signed in February 2004 (see E. 'Finance leases and similar entitlements').

There was an increase in the amount relating to the Parliament's buildings in 2003 of EUR 60.4 million connected to the purchase of the Konrad Adenauer building in Luxembourg. The land is rented for the symbolic amount of EUR 1 per year.

The Council building in Brussels was definitively accepted as fully completed on 17 December 2003.

As regards the land of this building, the Council's General Secretariat based itself on Article 24 of Commission Regulation (EC) No 2909/2000, which lays down the principle that there is no need to value a plot of land or a building which has been transferred subject to conditions precedent.

The transfer conditions are that should the Council relocate, either:

— the land would be returned to the Belgian State for a payment of EUR 0.025; or

— the land and buildings would be put up for sale and the Communities undertake to pay the Belgian State the market value of the land.

B. C. D. Plant, machinery and tools
Furniture and vehicles
Computer hardware

The depreciation figure recorded by the Press and Communication DG in 2002 included some of the adjustments for earlier years. Shelving had been entered under 'Furniture and vehicles', but in 2003 it was reclassified as 'Other tangible fixed assets'.

As in 2002, computer hardware acquired on the Taxation and Customs Union DG budget, used for specific purposes and located outside Commission premises, appears under 'Tangible fixed assets'. The net book value at 31 December 2003 is EUR 463 475 (at 31 December 2002: EUR 433 898).

Following the physical stocktaking already carried out in the delegations, there is a correction under 'Other changes' for items acquired before 2003 which had not been entered in the inventories of the delegations concerned at 31 December 2002.

For approximately 20 % of the delegations, there is no information on tangible fixed assets at 31 December 2003. An initiative has been under way since January 2003 to improve the quality and exhaustiveness of information provided by delegations and this, as well as a specific inventories project in 2004, should help to resolve this problem in the future. The total amount of tangible fixed assets included for the delegations at 31 December 2003 is EUR 57.7 million.

E. Finance leases and similar entitlements

The criterion for the classification of property covered by leases as fixed assets is based on the extent to which the risks and rewards incident to ownership of the leased asset lie with the lessor or the lessee and depends on the transaction rather than the form of the contract [1].

Assets covered by a finance lease which does not transfer substantially the risks and rewards incident to their ownership to the lessee and assets covered by a lease of over five years are entered in the off-balance-sheet commitments annex to the financial statements.

A correction was made to the closing balance at 31 December 2002 of certain Commission buildings held under finance leases. This was required as it had been observed that the method of calculation of the outstanding liability relating to these leases had been incorrect. The result had been that the total finance lease liability had been overstated at 31 December 2002 by EUR 188.6 million. This correction has been made to the results carried forward from 2002.

As shown in the 'Tangible fixed assets' table below, the acquisition value at year-end is EUR 2 052.9 million. The table concerning charges still to be paid in respect of finance leases and similar entitlements below gives the details: the total is made up of EUR 1 970.3 million 'Land and buildings', EUR 78.9 million 'Plant, machinery and tools', EUR 0.2 million 'Furniture and vehicles' and EUR 3.5 million 'Computer hardware'.

A new lease for a Commission building in Brussels signed in 2003, with a discounted value of minimum payments due of EUR 37.2 million, is included under this heading. The contract was signed in February 2003 for 27 years, with a purchase option for the value of EUR 1.

The Charlemagne case remains before the courts. The dispute, which is with the previous owner of the Charlemagne building, relates to the acceptance of the work carried out. Because of this dispute, it has not been possible to finalise the arrangements for taking up the purchase option contained in the contract for the acquisition of the building. There is therefore a risk, should the court's judgment not be in the Commission's favour or if complications arise in relations with the previous owner, that the Commission will not have the possibility of becoming owner of the building at the end of the 27-year lease period, even though the annual payment covers this possibility. The opportunity cost of this eventuality is estimated to be EUR 8 million.

The main building occupied by the Publications Office is not included in the balance sheet but in the 'Off-balance-sheet commitments — Contingent liabilities' annex to the financial statements. Although the Office has two purchase options (in 2006 and in 2010) with values based on the market value, it is not considered that the risks and rewards incident to ownership of the asset are substantially transferred to the Office. The classification will be reviewed in 2006, when the first purchase option may be taken up.

In March 1994, the European Parliament signed a long-term leasing contract with a purchase option for a complex in Strasbourg. In accordance with Commission Regulation (EC) No 2909/2000 of 29 December 2000 on the accounting management of the European Communities' non-financial fixed assets (OJ L 336, 30.12.2000, p. 75), this complex has been entered in the balance sheet as the risks and rewards incident to ownership of the asset are substantially transferred to the lessee. The asset was valued on the date on which the lease entered into force at the discounted value of the minimum lease payments due. On the balance-sheet date, Parliament and the developer had not managed to agree on a final cost for the complex. The value entered in the balance sheet is an estimate of the cost. This value was calculated in the light of the actual payments made and payment forecasts based on documents from banks and on a rate of discount deriving either from the interest rate charged by the banks or an estimate.

[1] This heading is based on standard IPSAS 13 — Leases.

As stated above, the costs for the building and the specific fittings of the complex in Strasbourg are estimates. According to the data available in 2002, a distribution of values of EUR 2.5 million was transferred from specific fittings to the building. Up to 31 December 2001 an annual depreciation rate of 25 % was applied to specific fittings; hence, the net value of these fittings at 31 December 2001 was zero. On the basis of additional information obtained, the depreciation of the specific fittings was recalculated using the rates of 25, 12.5 and 10 % depending on the category of equipment, and these were entered in the balance sheet at 31 December 2003 at a net value of EUR 10 million.

As stated above, in December 2003 Parliament invoked its purchase option for the Louise Weiss building in Strasbourg; however, since the purchase agreement was signed in February 2004, the building remains under this heading at 31 December 2003, although with a reduction in value of EUR 10.8 million to reflect the agreed purchase price.

On 15 November 1994, the Court of Justice signed a lease/purchase contract with the Luxembourg Government for three annexes of the Palais building. The Court will rent the buildings for the whole term of the agreement and will be able to exercise the purchase option once the selling price has been paid in full, and no later than 31 December 2015. The selling price is determined by an independent expert.

These buildings have been entered on the assets side of the balance sheet and the charges to be paid, recorded on the liabilities side, are estimated at EUR 32.57 million on the basis of a valuation by the independent expert.

The European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) have entered the finance leasing contracts for their Belliard and Montoyer buildings on the assets side of the balance sheet. They are co-financed on the following scale:

2001	ESC: 70 %	CoR: 30 %
2002	ESC: 67.7 %	CoR: 32.3 %
2003+	ESC: 67 %	CoR: 33 %

There will be no depreciation on the Belliard building until the work in progress is accepted.

F. Other tangible fixed assets

The Council has an operational lease for a building in Brussels. Alteration work on this building in 2003 totalling EUR 3.8 million was included under this heading at year-end.

G. Fixed assets under construction and advances in respect of tangible fixed assets

The Commission has paid an advance of EUR 8.2 million for the construction of the new offices of the delegation in Abuja. This building will be shared with other Member States and their part of the advance already paid by the Commission will be reimbursed.

On 26 March 2003, the signed a convention for the construction of a building in Brussels and the finance lease covering this building — an advance of EUR 8.5 million was paid.

The Court of Auditors has entered EUR 18 million under this item for the funds required for the planned extension of the building. The bulk of the funds have been placed at the disposal of the project manager by means of a transfer to a bank account opened for this purpose. The interest yielded by this account will be recorded as budget revenue.

The European Economic and Social Committee has paid an advance of EUR 26 million to finance renovation of the Belliard building. This figure is included with the fees provided for in the finance lease contract mentioned in E 'Finance leases and similar entitlements'.

Tangible Fixed Assets under construction and advances paid

(EUR)

	Land and buildings	Plant, machinery and tools	Furniture and vehicles	Computer hardware	Finance leases and similar entitlements	Other tangible fixed assets	Assets under construction and advances paid
A. Acquisition value							
Previous year-end	2 113 094 602.67	313 268 791.06	133 087 194.07	309 325 806.45	2 023 129 356.64	17 726 489.89	83 673 772.53
Changes during the year:							
Acquisitions during the year	64 819 021.01	25 171 179.77	8 606 498.64	42 313 455.48	37 297 754.51	8 602 179.05	39 009 460.48
Disposals and withdrawals	– 87 537.27	– 11 981 713.20	– 5 320 495.20	– 35 627 748.60	– 10 485.33	– 28 416.23	0.00
Transfers between headings	2 778 234.59	604 326.10	– 271 731.53	– 22 957.35	– 667 839.24	294 524.18	– 2 778 234.59
Other changes	0.00	3 814 586.90	3 673 280.41	4 558 502.58	– 6 823 585.73	– 351 977.52	0.00
Year end	2 180 604.321.00	330 877 170.63	139 774 746.39	320 547 058.56	2 052 925 200.85	26 242 799.37	119 904 998.42
B. Increases in value							
Previous year-end	57 124 663.00	0.00	0.00	0.00	0.00	0.00	0.00
Changes during the year:							
Recorded	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cancellations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00	0.00	1 957 439.24	0.00
Year end	57 124 663.00	0.00	0.00	0.00	0.00	1 957 439.24	0.00
C. Depreciation and value adjustments							
Previous year-end	768 813 420.74	276 034 410.14	102 754 850.23	229 360 200.25	356 541 136.36	5 784 830.08	
Changes during the year:							
Recorded	95 740 856.98	21 702 223.92	9 197 801.94	49 485 392.44	61 829 233.70	2 538 413.23	
Cancellations as a result of disposals and withdrawals	– 52 522.36	– 11 140 339.40	– 4 702 124.30	– 35 022 883.58	– 10 485.33	– 28 416.23	
Transfers between headings	0.00	614 179.76	– 260 371.99	64 333.31	– 706 906.68	272 846.13	
Other changes	266 094.40	4 402 865.94	1 447 541.72	4 564 387.98	122 020.08	– 72 834.14	
Year end	864 767 849.76	291 613 340.36	108 437 697.60	248 451 430.40	417 774 998.13	8 494 839.07	
Net book value (A + B – C)	1 372 961 134.24	39 263 830.27	31 337 048.79	72 095 628.16	1 635 150 202.72	19 705 399.54	119 904 998.42

Charges still to be paid in respect of finance leases and similar entitlements are shown in long-term liabilities in the balance sheet. They break down as follows:

(EUR)

Description	Repayments	Repayments to be made			Total value	Acquisition value	Asset value
	made (A)	< 1 year	> 1 year	Total (B)	(A+B)	of work (C)	(D = A + B + C)
Total at 31.12.2002	**706 737 517.92**	**81 420 881.91**	**1 188 625 780.81**	**1 270 046 662.72**	**1 976 784 180.64**	**46 345 176.00**	**2 023 129 356.64**
Correction	– 188 635 397.84	– 53 293 383.59	241 928 781.43	188 635 397.84	0.00	0.00	0.00
Restated total at 31.12.2002	518 102 120.08	28 127 498.32	1 430 554 562.24	1 458 682 060.56	1 976 784 180.64	46 345 176.00	2 023 129 356.64
Land and buildings	464 843 113.58	93 649 347.00	1 365 309 325.73	1 458 958 672.73	1 923 801 786.31	46 480 930.50	1 970 282 716.81
Plant, machinery and tools	72 424 185.97	6 433 535.84	55 273.19	6 488 809.03	78 912 995.00	0.00	78 912 995.00
Furniture and vehicles	71 132.37	55 128.10	61 154.18	116 282.28	187 414.65	0.00	187 414.65
Computer hardware	2 513 517.99	738 654.80	289 901.60	1 028 556.40	3 542 074.39	0.00	3 542 074.39
Other tangible fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assets under construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total at 31.12.2003	**539 851 949.91**	**100 876 665.74**	**1 365 715 654.70**	**1 466 592 320.44**	**2 006 444 270.35**	**46 480 930.50**	**2 052 925 200.85**

IV. Financial fixed assets

This heading covers investments made with a view to establishing permanent links and/or seen as supporting the activities of the European Communities.

It also includes permanent guarantees and advances granted and the net assets of the Guarantee Fund. A distinction should be drawn between guarantees granted by the European Communities 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

European Bank for Reconstruction and Development (EBRD) subscription

The EBRD was given initial capital of EUR 10 billion, of which 3 % was subscribed by the Communities. The proportion of this capital called up is 30 %.

On 15 April 1996, at their annual meeting, the Bank's governors decided to double the amount of authorised capital. Under this decision, the Communities have subscribed for 30 000 additional shares with a face value of EUR 10 000 each. This operation involves called-in shares and callable shares in the following proportions: 22.5 % of the subscribed shares represent the number of called-in shares and the remainder will be callable shares.

This item covers the full amount of the Commission's subscription (EUR 157.5 million) to the EBRD's capital which has been called up and partially paid (EUR 130.5 million). Payments outstanding on the proportion of capital called up of EUR 27 million are recorded under short-term liabilities (EUR 8.4 million) and long-term liabilities (EUR 18.6 million). Payments outstanding on non-called-up capital amount to EUR 442.5 million and are included as contingent liabilities in the off-balance-sheet commitments.

The 3 % shareholding in the EBRD is valued at cost, as it represents a financial instrument under IPSAS 15 and IAS 39.

European Investment Fund (EIF) subscription

The EIF is the European Union's financial institution specialising in risk capital and guarantees to SMEs.

Under the Council decision of 6 June 1994, the European Communities, represented by the Commission, subscribed for 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 %.

Under an agreement between the Commission and the EIB signed in 2000, the European Communities have a 'put option' on their shares in the EIF. On 30 June 2005, the Commission will be entitled to sell its shares at a unit price of EUR 315 000, which is 57.5 % above the purchase price.

Payments outstanding on non-called-up capital (80 %) amount to EUR 480 million.

The equity method is used to value the Communities' share in the EIF, in accordance with IPSAS 7. Under the equity method, the shareholding is initially recorded at cost and is then adjusted to take into account changes subsequent to the investor's acquisition of a share of the net assets of the controlled entity. The result of adjustments reflects the investor's share of the results of the controlled entity.

Under the equity method, the shareholding is valued at 30 % of the EIF's own capital. The

EIF's balance sheet for 2003 shows a total of EUR 567.3 million of own capital, including profits of EUR 19.7 million for the year. The Communities' share is 30 % of this amount (EUR 170.2 million), of which EUR 5.9 million concerns the result for 2003. A dividend of EUR 2.25 million relating to the financial year 2002 was received in 2003.

Galileo programme

For the implementation of the development phase of the Galileo programme, a joint undertaking, within the meaning of Article 171 of the EC Treaty, was set up by Council Regulation (EC) No 876/2002 for a period of four years (2002–06). The aim of this legal entity is to ensure the unity of the administration and the financial control of the Galileo programme for its development, and to this end to mobilise the funds assigned to that programme. The founding members are the European Communities, represented by the Commission, and the European Space Agency (ESA). The Commission, through grants given under the trans-European networks' (TENs) budget, makes available to the Galileo undertaking the requested funds to co-finance the related activities of the development phase.

The Communities have subscribed for EUR 520 million of the capital of this entity and at 31 December 2003 EUR 122.3 million had been paid, with the balance, EUR 397.7 million, uncalled. In the 2002 annual accounts, the Communities' initial investment of EUR 120 million in the project had been treated as an advance as the operations had not yet started.

As with the EIF, the Communities share is accounted for using the equity method of consolidation. For 2003, the Communities' share of the loss of the joint undertaking was EUR 49.1 million. Thus, the value of the investment at 31 December 2003 was EUR 73.2 million, this being the initial investment of EUR 120 million plus interest earned on the investment converted into capital (EUR 2.3 million) less the share of the loss.

B. Other financial fixed assets

B.1. Subscriptions and participations

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

• ECIP programme

This heading covers the Communities' contributions to the provision of equity and subordinated loan capital for joint ventures set up under the European Community Investment Partners (ECIP) programme. The ECIP programme was halted early, the only extension being its winding-up. The programme cannot be definitively wound up until the last joint venture has been completed. Most of the operations have already been wound up, recovered or converted into definitive grants and work on the remaining open files is ongoing.

As part of this review of open files, it has been observed that many of the amounts previously shown as participations do not fully meet the criteria to be treated as such. In most cases, the amounts forwarded to beneficiaries were, in fact, interest-free advances. Thus, in 2003, EUR 18.1 million of amounts that had been previously classed under this heading in 2002 was transferred to budgetary loans (see note V.A of 'Assets'). and a further EUR 3.1 million reclassified under the heading 'Sundry debtors' (see note VII.B.4 of 'Assets'). For the remaining investments, it has proved extremely difficult to calculate reliably the real value of ECIP equity contributions, and, in accordance with the principle of prudence, a 100 % write-down has been applied.

• Eurotech capital, Venture consort and JOP

The purpose of the 'Eurotech capital' instrument is to encourage the private funding of trans-national high-technology projects developed by small and medium-sized undertakings through a network of risk capital investors. It covers payments made since 1990 in the form of pre-financing repayable under certain circumstances when contracts run out. The Communities' contributions do not constitute equity stakes in the relevant venture capital companies. Rather they represent a fixed proportion of certain investments of these venture capital companies in third companies. These contributions are reimbursable according to conditions specified in the contracts between the Communities and these venture capital companies. Amounts that are held by the venture capital companies (EUR 2.3 million) are shown under 'Sundry debtors' (see note VII.B.4 of 'Assets').

The purpose of the 'Venture consort' instrument is to promote the transnational syndication of risk capital operators in small and

Investments, subscriptions and participations

	Related organisations				
	EBRD	EIF	Galileo	Total related organisations	ECIP
A. Acquisition value					
Previous year-end	600 000 000.00	600 000 000.00	0.00	1 200 000 000.00	22 879 226.68
Changes during the year:					
Acquisitions during the year			520 000 000.00	520 000 000.00	
Disposals and withdrawals					
Transfers between balance-sheet headings					– 21 209 226.68
Year-end	*600 000 000.00*	*600 000 000.00*	*520 000 000.00*	*1 720 000 000.00*	*1 670 000.00*
B. Increase in value					
Previous year-end	0.00	46 511 899.20	0.00	46 511 899.20	
Changes during the year:					
Recorded (equity method)	0.00	3 671 309.70	0.00	3 671 309.70	
Cancellations					
Transfers between balance-sheet headings					
Year-end	*0.00*	*50 183 208.90*	*0.00*	*50 183 208.90*	*0.00*
C. Reduction in value					
Previous year-end	0.00	0.00	0.00	0.00	22 879 226.68
Changes during the year:					
Recorded	0.00	0.00	49 108 656.38	49 108 656.38	
Cancellations as a result of disposals and withdrawals					
Transfers between balance-sheet headings					– 21 209 226.68
Year-end	*0.00*	*0.00*	*49 108 656.38*	*49 108 656.38*	*1 670 000.00*
D. Amounts not called up					
Year-end	442 500 000.00	480 000 000.00	397 705 310.03	1 320 205 310.03	0.00
Net book value (A + B – C – D)	**157 500 000.00**	**170 183 208.90**	**73 186 033.59**	**400 869 242.49**	**0.00**

medium-sized enterprises (SMEs). It covers contributions since 1985 for investments in small and medium-sized enterprises 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 former Soviet States.

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

• Other financial instruments

The 'SME finance facility/SME financing mechanism' under the trusteeship of the EBRD is designed to encourage investment funds to grow and to retain over the long term the capital investments they make in SMEs in

Non-related organisations					
Venture consort JOP, Eurotech capital	SME finance facility	Growth and employment	MAP equity	Eurotunnel	Total non-related organisations
16 784 628.00	1 906 250.00	51 352 778.07	860 000.00	40 950 784.14	134 733 666.89
	587 500.00	10 161.761.19	2 105 000.00		12 854 261.19
– 1 830 307.00		– 164 416.95		– 222 026.00	– 2 216 749.95
– 2 259 840.00					– 23 469 066.68
12 694 481.00	*2 493 750.00*	*61 350 122.31*	*2 965 000.00*	*40 728 758.14*	*121 902 111.45*
0.00	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
16 784 628.00	333 000.00	11 740 217.10	0.00	22 182 738.00	73 919 809.78
		12 115 649.70	300 417.60	2 797 595.00	15 213 662.30
– 1 830 307.00					– 1 830 307.00
– 2 259 840.00					– 23 469 066.68
12 694 481.00	*333 000.00*	*23 855 866.80*	*300 417.60*	*24 980 333.00*	*63 834 098.40*
0.00	0.00	0.00	0.00	0.00	0.00
0.00	**2 160 750.00**	**37 494 255.51**	**2 664 582.40**	**15 748 425.14**	**58 068 013.05**

the Phare candidate countries. The programme is financed jointly by the Commission, the EBRD, the Council of Europe Development Bank (CEB), in association with the Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB).

The 'Growth and employment — ETF start-up facility' (1998–2000 programme) and the 'MAP equity — ETF start-up facility' (2001–05 programme), under the trusteeship of the EIF, support the creation and financing of SMEs in the start-up phase by investing in suitable specialised venture capital funds.

The participation in Eurotunnel is held by the ECSC in liquidation.

B.2. Other securities

This heading comprises two GBP commercial papers issued by the EIB and held by the ECSC in liquidation to hedge the payments to be made on GBP borrowings of the same amounts. The papers have settlement dates of 2017 and 2019 respectively.

B.3. Guarantees and advances granted

This heading covers fixed assets such as deposits and guarantees paid, permanent advances for building charges and the Guarantee Fund.

Guarantee Fund

Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 set up a Guarantee Fund for external actions to repay the Communities' creditors in the event of default by beneficiaries of loans granted or guaranteed by the Communities.

This facility covers loans guaranteed by the Communities as a result of a Council decision, in particular EIB lending operations outside the European Union and loans under macrofinancial assistance (MTA loans) and Euratom financial assistance outside the European Union.

In accordance with Article 6 of the regulation, the Commission entrusted financial management of the Fund to the European Investment Bank (EIB) under an agreement signed between the Communities and the EIB on 23 November 1994 in Brussels and on 25 November 1994 in Luxembourg.

Regulation (EC, Euratom) No 2728/94 on the Guarantee Fund, as amended by Council Regulation (EC, Euratom) No 1149/1999 of 25 May 1999 states that with effect from 1 January 2000 the Fund is endowed by payments from the general budget equivalent to 9 % of the capital value of the operations. The same regulation sets the target amount at 9 %. In accordance with the regulation, 'if, at the end of a year, the target amount is exceeded, the surplus shall be paid back to a special heading in the statement of revenue in the general budget of the European Communities'.

(EUR)

Description	Net book value at 31.12.2002 (A)	Changes during year (B)	Net book value at 31.12.2003 (C)=(A)+(B)
Guarantees and advances granted	5 935 691.60	19 254.61	5 954 946.21
Guarantee Fund	1 645 554 371.71	– 53 426 471.79	1 592 127 899.92
Total	**1 651 490 063.31**	**– 53 407 217.18**	**1 598 082 846.13**

The interinstitutional agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provided that the general budget of the European Communities should include a guarantee reserve to cover loans to non-member countries. This reserve is intended to cover the requirements of the Guarantee Fund and, where necessary, activated guarantees exceeding the amount available in the Fund, so that these amounts may be charged to the budget.

The Fund is endowed by payments from the Communities' 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 entry on the assets side of the Commission's balance sheet of EUR 1 592 million (2002: EUR 1 645 million) represents the Fund's net assets at 31 December 2003. This amount comprises the repayable surplus in excess of the target amount at 31 December 2003, being EUR 223 million (2002: EUR 263 million).

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 of EUR 1 369 million (2002: EUR 1 382 million) corresponds to the target amount (1) for the Guarantee Fund calculated on the basis of the amount outstanding at 31 December 2003. The difference between the amount of the Fund shown on the assets side and the amount of the provision corresponds to the surplus to be repaid to the budget (EUR 223 million); it is entered under 'Own capital'.

(1) The target amount corresponds to 9 % of the amount outstanding.

V. Long-term assets

This heading covers amounts owed to the European Communities and maturing in over one year.

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 (2). 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.

The ECIP programme was halted early, the only extension being its winding-up. The programme cannot be definitively wound up until the last joint venture has been completed. Most of the operations have already been wound up, recovered or converted into definitive grants and work on the remaining open files is ongoing.

(2) Including EUR 3.3 million granted to Greece before it joined the EU.

Split of long-term and short-term loans

(EUR)

	Due > 1 year	Due < 1 year	Outstanding at 31.12.2003
A. Loans granted from the budget			
Loans with special conditions	322 078 707.58	16 061 395.92	338 140 103.50
Risk capital operations	222 352 902.18	396 433.75	222 749 335.93
ECIP loans	0.00	0.00	0.00
Loans for migrant workers	11 008.86	13 592.76	24 601.62
MEDIA loans	0.00	880 285.00	880 285.00
Total	**544 442 618.62**	**17 351 707.43**	**561 794 326.05**

As part of this review of files, it has been observed that many of the amounts previously shown as loans do not fully meet the criteria to be treated as such. In most cases, the amounts forwarded to beneficiaries were in fact interest-free advances. Thus, in 2003, EUR 67.6 million of amounts that had been previously classed under this heading in 2002 was transferred to the heading 'Sundry debtors' (see note VII.B.4 of 'Assets'). Similarly, EUR 18.1 million of amounts previously classed as investments is now shown under this heading.

It has proved extremely difficult to calculate the real value, i.e. the recoverability, of these ECIP loans before the review is complete and so, in accordance with the principle of prudence, a 100 % write-down has been applied.

Also included here in 2002 were amounts granted under the MEDIA I, MEDIA II and MEDIA Plus (third phase of the MEDIA programme) programmes for measures to promote the development of the audiovisual industry. Following a legal and financial review of MEDIA programmes, for amounts of EUR 26.7 million relating to MEDIA I, it was considered that these do not fully meet the criteria to be treated as loans as the contracts stipulate that repayments depend on the always uncertain success of the projects. Therefore, an adjustment has been made for these loans which have been written off and thus removed from this heading. Similarly, for MEDIA II and MEDIA Plus, it has become apparent that EUR 50 million (with a value write-down of EUR 34.2 million) of the amounts concerned does not meet the criteria to be classed as loans, and so is shown under 'Sundry debtors' (see note VII.B.4 of 'Assets'). A further EUR 22.4 million concerning recovery orders raised was also transferred to 'Sundry debtors'.

Loans for migrant workers are also included under this heading.

Changes in the volume of loans granted by the European Communities

	Balance at 31.12.2002 (A)	New loans (B)	Repayments (C)	Write-off transfers (D)	Changes in exchange rates (E)
A. Loans granted from the budget					
Loans with special conditions	353 932 013.61	0.00	15 791 910.11	0.00	0.00
Risk capital operations ([1])	202 047 447.69	26 332 225.70	4 400 871.78	803 221.64	0.00
ECIP loans ([2])	67 604 196.21	0.00	0.00	49 527 399.77	0.00
Loans for migrant workers	38 059.46	0.00	13 457.84	0.00	0.00
MEDIA I, MEDIA II and MEDIA Plus loans ([2]) ([3])	109 299 301.39	0.00	9 266 592.01	99 152 424.38	0.00
Subtotal	*732 921 018.36*	*26 332 225.70*	*29 472 831.74*	*149 483 045.79*	*0.00*
B. Loans granted from borrowed funds					
Financial assistance (MTA)	1 361 000 000.00	118 000 000.00	123 000 000.00	0.00	0.00
Balance of payments	0.00	0.00	0.00	0.00	0.00
NCI	68 599 344.04	0.00	47 022 539.98	0.00	– 5 260 118.48
Euratom	80 000 000.00	25 000 000.00	0.00	0.00	0.00
ECSC in liquidation	616 416 606.18	0.00	246 898 003.12	0.00	– 26 845 686.32
Subtotal	*2 126 015 950.22*	*143 000 000.00*	*416 920 543.10*	*0.00*	*– 32 105 804.80*
Total	**2 858 936 968.58**	**169 332 225.70**	**446 393 374.84**	**149 483 045.79**	**– 32 105 804.80**

([1]) The write-off corresponds to commissions that the borrower does not have to repay.
([2]) In light of ongoing reviews of open files certain amounts have been transferred to 'Sundry debtors' to better reflect their nature.
([3]) The reimbursement figure for MEDIA loans is the result of all operations made during the year.

Split of long-term and short-term loans

(EUR)

	Due > 1 year	Due < 1 year	Outstanding at 31.12.2003
Loans granted from borrowed funds			
Financial assistance (MTA)	1 211 000 000.00	145 000 000.00	1 356 000 000.00
Balance of payments	0.00	0.00	0.00
NCI	0.00	16 316 685.58	16 316 685.58
Euratom	105 000 000.00	0.00	105 000 000.00
ECSC in liquidation	319 965 872.17	1 996 065.90	321 961 938.07
Total	**1 635 965 872.17**	**163 312 751.48**	**1 799 278 623.65**

B. Loans granted from borrowed funds

Under the EC 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 Communities. Communities' borrowings are direct commitments by the Communities themselves and not by any individual Member State.

Under an agreement with the EIB, the latter bear the risks of the NCI treasury instrument.

Balance at 31.12.2003 (F)=(A)+(B) –(C)–(D)+(E)	Reduction in value at 31.12.2002 (G)	Changes during the year (H)	Reduction in value at 31.12.2003 (I)=(G)+(H)	Net value at 31.12.2003 (J)=(F)–(I)
338 140 103.50	0.00	0.00	0.00	338 140 103.50
223 175 579.97	413 085.28	13 158.76	426 244.04	222 749 335.93
18 076 796.44	67 604 196.21	– 49 527 399.77	18 076 796.44	0.00
24 601.62	0.00	0.00	0.00	24 601.62
880 285.00	10 022 428.40	– 10 022 428.40	0.00	880 285.00
580 297 366.53	*78 039 709.89*	*– 59 536 669.41*	*18 503 040.48*	*561 794 326.05*
1 356 000 000.00	0.00	0.00	0.00	1 356 000 000.00
0.00	0.00	0.00	0.00	0.00
16 316 685.58	0.00	0.00	0.00	16 316 685.58
105 000 000.00	0.00	0.00	0.00	105 000 000.00
342 672 916.74	24 539 291.42	– 3 828 312.75	20 710 978.67	321 961 938.07
1 819 989 602.32	*24 539 291.42*	*– 3 828 312.75*	*20 710 978.67*	*1 799 278 623.65*
2 400 286 968.85	**102 579 001.31**	**– 63 364 982.16**	**39 214 019.15**	**2 361 072 949.70**

C. Other long-term assets

1. Communities' pensions

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). Officials contribute one third towards the long-term financing of the scheme by means of a compulsory levy set at 9.25 % of the basic salary. Member States jointly guarantee payment of such benefits in accordance with the scale laid down for financing such expenditure (first subparagraph of paragraph 1). For this reason, a receivable from the Member States is shown on the balance sheet. Due to a new actuarial valuation of the scheme at 31 December 2003, the receivable has risen to EUR 21.9 billion (from EUR 19.5 billion in 2002) to reflect the increase in the scheme's estimated liabilities. Such a valuation is made every five years.

Thus, the method applied in 2003 to account for Communities' pensions is the same as in 2002: a provision on the liabilities side to cover the debt, and an entry on the assets side to reflect the undertaking given by Member States to the Communities to pay Communities' pensions. Under the plan for the modernisation of the accounting system, the method to be applied will be adopted by the Commission's accounting officer after obtaining the opinions of the accounting officers of the other institutions and the Accounting Standards Committee.

2. Other amounts

This is primarily the financial contribution by the Belgian State to the purchase and fitting-out of the D3 building for the Parliament, which came to EUR 176 million and is to be paid over 10 years ending in 2008. At year-end, EUR 80.8 million is due over more than than one year (2002: EUR 98.6 million), while a further EUR 20.7 million (2002: EUR 20.4 million) falls due within one year.

VI. Stocks

The stock of vaccines and antigens held at the Food and Veterinary Office of the Health and Consumer Protection DG has a net book value of EUR 6.9 million. It was valued in accordance with the implementing rules for the Commission's accounting and consolidation manual (valuation at most recent acquisition price) and incorporated into the balance sheet for the first time in 2002.

Apart from the above, the heading mainly covers the scientific and technical equipment of the Joint Research Centre. The fissile materials at Petten were valued at EUR 3.2 million (2002: EUR 2.08 million) using the purchase

Split of other long-term and short-term assets (receivables)

(EUR)

	Due > 1 year	Due < 1 year	Outstanding at 31.12.2003
Amounts owed by Member States:			
Pension scheme	21 900 000 000.00	0.00	21 900 000 000.00
Other amounts	167 462 305.60	28 755 526.69	196 217 832.29
Total	**22 067 462 305.60**	**28 755 526.69**	**22 096 217 832.29**

(EUR)

Description	Acquisition value	Value reduction	Net book value at 31.12.2003	Net book value at 31.12.2002
A. Office supplies and other consumables				
Office supplies	6 604 613.87	44 291.12	6 560 322.75	3 062 338.03
Other consumables	5 596 627.90	202 611.24	5 394 016.66	5 448 882.33
Building maintenance equipment	5 592 357.25	0.00	5 592 357.25	5 577 110.42
Subtotal	*17 793 599.02*	*246 902.36*	*17 546 696.66*	*14 088 330.78*
B. Scientific equipment				
Scientific reference equipment	63 626 846.98	23 963 072.85	39 663 774.13	41 477 791.87
Fissile material	32 413 948.01	17 827 588.89	14 586 359.12	13 916 360.18
Heavy water	14 923.00	0.00	14 923.00	14 923.00
Other scientific equipment	6 857 590.00	0.00	6 857 590.00	6 504 850.00
Subtotal	*102 913 307.99*	*41 790 661.74*	*61 122 646.25*	*61 913 925.05*
Total	**120 706 907.01**	**42 037 564.10**	**78 669 342.91**	**76 002 255.83**

price, since they are consumed on a regular basis. Write-downs totalling EUR 41.8 million (2002: EUR 35.97 million) were made in respect of the Joint Research Centre in Geel in accordance with the rules in the Commission's accounting and consolidation manual.

The stock of publications held by the Publications Office is valued at zero following an analysis made in 2001. This relates to publications stock held and/or managed by the Office for which a charge is made (paying stock). Publications to be distributed free of charge are not taken into account.

VII. Short-term assets

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

These amounts represent the portion of the long-term assets (receivables) that fall due during the following 12 months (see tables above for more details).

B. Current assets

B.1. Advances paid to Member States

This amount represents an advance of EUR 4.9 million (2002: EUR 355 million) paid to various Member States' authorities in connection with the costs of the eradication of foot-and-mouth disease and other animal diseases (see also point 8 of 'Off-balance-sheet commitments — Contingent liabilities'.

B.2. Amounts owed by Member States

(a) EAGGF-Guarantee receivables: This item covers the following:

- The amounts owed by beneficiaries of EAGGF-Guarantee assistance (EUR 1 937.6 million) as declared and certified by the Member States (15 October 2003) and entered in the debtors' ledger at the end of the year in accordance with Regulation (EC) No 2761/1999 less 20 % of the amount that the Member States are allowed to retain as administrative costs. The amounts shown for 2002 do not include the 20 % reduction for administrative costs. The Member States are not required to make the amounts available to the Commission unless they are recovered. The above figure does not include the EUR 64.5 million (2002: EUR 43.3 million) declared by the Member States as irrecoverable. This amount represents claims which paying agencies have had to abandon or are statutorily unable to recover.

In accordance with the principle of prudence, the European Communities must estimate and record the part of the EAGGF-Guarantee that is unlikely to be recovered. The declared estimate of the write-down is EUR 1 031.7 million (as estimated by the Member States), which accounts for 53.2 % of the total amount to be recovered at 31 December 2003 (45.7 % at 31 December 2002). The Commission relies on the estimates of the Member States based on the assumption that the paying agencies are in a better position to assess the amounts likely to be recovered. The findings of the certifying bodies concerning management of amounts owed are handled

Amounts owed by Member States *(million EUR)*

	Balance at 31.12.2003	Balance at 31.12.2002
A. EAGGF-Guarantee receivables		
EAGGF-Guarantee receivables	1 937.56	2 376.07
Value correction	– 1 031.65	– 1 085.74
Clearance of accounts	—	59.65
Subtotal	*905.91*	*1 349.98*
B. VAT paid by institutions and recoverable from Member States		
VAT to be recovered	43.06	38.46
Value correction	– 1.46	– 1.32
Subtotal	*41.60*	*37.14*
C. Own resources		
Own resources established in the A account, as laid down in Article 6(3) of Council Regulation(EC, Euratom) No 1150/2000, and pending recovery	57.57	51.48
Own resources established in the separate account, as laid down in Article 6(3) of Council Regulation (EC, Euratom) No 1150/2000, and pending recovery	1 773.21	1 740.91
Value correction	– 878.73	– 1 136.21
Own resources to be regularised	396.11	4.65
Subtotal	*1 348.16*	*660.83*
D. Other receivables from Member States		
Late interest	6.46	12.72
National pensions (subrogations)	0.05	0.05
Other	11.65	17.74
Subtotal	*18.16*	*30.51*
Total	**2 313.83**	**2 078.46**

under the 2003 clearance procedure, including any proposal for the application of financial corrections. The fact that this adjustment is entered in the accounts does not mean that the Commission is waiving future recovery of the amounts covered by the write-down.

— A receivable of EUR 59.6 million at 31 December 2002 in respect of a monthly advance paid to Finland which was settled with the payments of advances for 2003 (for EUR 2.4 million) and of the amounts owed following the clearance of the accounts (for EUR 57.2 million). Such a situation did not occur at 31 December 2003.

(b) 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 (EUR 43.1 million). A specific write-down of EUR 1.5 million has been calculated.

(c) Own resources: The separate account contains traditional own resources of EUR 2 364.3 million less collection costs of EUR 591.1 million, giving EUR 1 773.2 million which, under Article 6(3)(b) of Regulation (EC, Euratom) No 1150/2000, have been established by the Member States but not made available to the Communities as they have not yet been recovered or guaranteed, or because they have been challenged. Each Member State sends the Commission a quarterly statement of these accounts, with the following particulars for each type of resource:

— the previous quarter's outstanding balance;

— the amounts recovered during the quarter in question;

— rectifications of the base (corrections/cancellations) during the quarter in question;

— amounts written off;

— balance to be recovered at the end of the quarter in question.

When the traditional own resources from the separate account are recovered, they must be entered in the Commission's account with the Treasury or the body appointed at the latest on the first working day following the 19th day of the second month following the month during which the entitlement was recovered.

The figure of EUR 1 773.2 million overestimates the Communities' actual entitlements since the separate account for traditional own resources largely consists of amounts where actual recovery is rather hit-or-miss.

It is, however, extremely difficult to make an exact calculation of the impact of this overestimate. The information available on the potential recovery of these receivables is rather scarce and patchy, as the current rules do not allow the Commission to get hold of the information needed to calculate a value adjustment more accurately. This is why the figure worked out for the provision should be seen as a best estimate.

Despite this, in accordance with the principle of prudence, a write-down of EUR 878.7 million has been estimated on the basis of previous years' recovery statistics (EUR 835.8 million) and individual examination of certain cases (EUR 42.9 million). This write-down has been deducted from the item for receivables from Member States on the assets side of the balance sheet, but does not mean that the Commission is waiving recovery of the amounts covered by the value adjustment.

The calculation method used to arrive at this figure is, therefore, based on a combination of two factors:

— The first involves a theoretical recovery probability coefficient arrived at by comparing the booked entitlements recovered over the previous five years with the figure for entitlements established during the same period. The coefficient is applied to the total entitlements balance at 31 December, minus the amount corresponding to the cases examined individually.

The Commission works on the assumption that this ratio, calculated on the basis of the amounts actually recovered in the past, is representative of the likelihood of recovering amounts remaining in the balance of the separate account (minus the amounts in respect of the examined cases on which the Commission has individual information).

— The second factor is the individual examination of certain cases. This approach cannot be entirely objective since it involves assessing outstanding amounts for which recovery crucially depends on the outcome of the appeal and the debtor's future solvency. Moreover, even where recovery looks very unlikely, if not virtually impossible, this does not necessarily mean that the amounts in question are lost to the Communities' budget as traditional own resources. This is because non-recovered entitlements are lost only if the Member State has exhausted all the avenues it is required to pursue in order to secure recovery. Where the Member State fails to do this, it is held financially liable and required to pay the amount into the Communities' budget in accordance with Article 17(2) of Regulation (EC, Euratom) No 1150/2000.

The breakdown by Member State of A account and separate account receivables in respect of own resources is as follows:

A account: own resources established and still to be recovered at end-2003

(EUR)

Member State	Agricultural duties	Sugar and isoglucose levies	Customs duties	Total traditional own resources still to be recovered
Belgium	0	0	4 131 101	4 131 101
Denmark	0	0	6 741 348	6 741 348
Germany	0	0	19 629 669	19 629 669
Greece	7 388	0	0	7 388
Spain	0	0	95 819	95 819
France	0	0	456 975	456 975
Ireland	0	0	100 693	100 693
Italy	0	0	14 825 675	14 825 675
Luxembourg	0	0	0	0
Netherlands	0	0	10 015 091	10 015 091
Austria	0	0	0	0
Portugal	0	0	1 429 942	1 429 942
Finland	0	0	0	0
Sweden	0	0	98 532	98 532
United Kingdom	0	0	5 707	5 707
EU-15	**7 388**	**0**	**57 530 552**	**57 537 940**

Separate account: own resources established and still to be recovered at end-2003

(EUR)

Member State	Agricultural duties	Sugar and isoglucose levies	Customs duties	Total traditional own resources still to be recovered
Belgium	27 678 567	0	93 565 272	121 243 839
Denmark	1 797 945	0	4 632 899	6 460 844
Germany	95 839 765	42 294 278	319 626 336	457 730 379
Greece	19 007 068	0	15 562 862	34 569 930
Spain	8 578 051	0	72 561 148	81 139 199
France	10 055 068	250 036	100 552 748	110 857 852
Ireland	66 174	0	2 282 757	2 348 931
Italy	215 252 199	0	151 723 420	366 975 619
Luxembourg	0	0	777 858	777 858
Netherlands	16 115 383	2 534 592	58 523 045	77 173 020
Austria	9 001 157	0	58 395 481	67 396 638
Portugal	8 060 121	0	22 920 225	30 980 346
Finland	77 725	0	4 151 566	4 229 291
Sweden	1 522 474	0	4 209 729	5 732 203
United Kingdom	13 085 190	0	392 512 605	405 597 795
EU-15	**426 136 887**	**45 078 906**	**1 301 997 951**	**1 773 213 744**

The differences between the 2002 and 2003 amounts are as follows:

Separate account entitlements

(million EUR)

	31.12.2003	31.12.2002
Entitlements declared excluding collection costs	1 773.2	1 740.9
Cases examined individually	71.5	481.5
Cases not examined individually	1 701.7	1 259.4
Write-downs	878.7	1 136.2
Cases examined individually	42.9	438.7
Cases not examined individually	835.8	697.5
Net value of separate account entitlements	894.5	604.7

Council Decision 2000/597/EC, Euratom of 29 September 2000 on the system of the European Communities' own resources allows Member States to withhold 25 % of traditional own resources to cover the costs of collection.

The large increase in own resources to be regularised relates to amounts due from Sweden and Portugal at 31 December 2003 but not received until January 2004.

(d) Other receivables from Member States: In 2003 the amount principally comprised late-payment interest of EUR 6.5 million and structural operation receivables of EUR 11.7 million.

B.3. Amounts owed by non-consolidated Community 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, totalling EUR 29.3 million (2002: EUR 11.2 million).

B.4. Sundry debtors

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

1. Unpaid fines imposed by the Commission for infringements of competition rules of EUR 1 724.3 million (2002: EUR 2 263.7 million).

The changes in the figures for outstanding fines and the write-downs are as follows:

Fines outstanding

(million EUR)

31.12.2002	2003				31.12.2003
Fine receivables (a)	Fines imposed 2003 (a)	Cancellations fine receivables (c)	Amounts definitively collected 2002 (d)	Movements amounts provisionally collected (e)	Fine receivables (f) = (a) + (b) – (c) – (d) – (e)
2 283.6	430.3	– 280.3	– 151.6	– 471.0	1 811.0

Fines outstanding: write-downs

(million EUR)

	At 31.12.2003	At 31.12.2002
Gross receivables	1 811.0	2 283.6
Write downs	– 86.7	– 20.0
Net receivables	1 724.3	2 263.6

After the decision to impose a fine, the debtors have two months from the date of notification:

— either to accept the decision, in which case they must pay the fine within the time limit laid down and the amount is definitively collected by the Commission;

— or not to accept the decision, in which case they lodge an appeal under Community law. However, the principal of the fine must be paid within the time limit laid down as the appeal does not have suspensory effect (Article 242 of the EC Treaty). In such cases, debtors have two options: they can present a bank guarantee or pay the fine provisionally.

In respect of imposed fines outstanding at 31 December 2003, a total of EUR 1 607.9 million was collected provisionally. These payments are applied against the related receivable and included under 'Disposable assets', but EUR 1 373 million of the amount relating to cases where an appeal is made or it is not known if an appeal will be made is also treated as contingent liabilities ([1]), since the case is still pending the final judgment. In addition, at 31 December 2003, bank guarantees had been presented for a total of EUR 1 156.8 million. These guarantees do not affect the amount of receivables on the assets side of the balance sheet, but are entered in the

([1]) See point 11 of 'Off-balance-sheet commitments — Contingent liabilities'.

Sundry debtors

(million EUR)

	Balance at 31.12.2003	Balance at 31.12.2002
1. Unpaid fines		
Amounts outstanding	1 811.04	2 283.65
Value reduction	– 86.74	– 19.96
Subtotal	*1 724.30*	*2 263.69*
2. Financial intermediaries		
Amounts held by financial intermediaries	1 008.60	1 089.86
Value reduction	0.00	0.00
Subtotal	*1 008.60*	*1 089.86*
3. Amounts held in trust accounts		
Amounts held in trust accounts	300.87	201.27
Value reduction	– 0.08	– 0.92
Subtotal	*300.79*	*200.35*
4. EFTA financial mechanism		
Amount to be returned to the Commission	44.55	61.65
Value reduction	0.00	0.00
Subtotal	*44.55*	*61.65*
5. Galileo programme		
Advances given	0.00	120.00
Value reduction	0.00	0.00
Subtotal	*0.00*	*120.00*
6. Receivables due on certain programmes		
Files open at year-end	126.36	0.00
Value reduction	– 106.81	0.00
Subtotal	*19.55*	*0.00*
7. Call on the Guarantee Fund — amounts due		
Amounts paid to the EIB and recoverable from the debtor	4.83	0.00
Value reduction	– 4.83	0.00
Subtotal	*0.00*	*0.00*
8. Other recovery orders		
Recovery orders issued	519.97	721.12
Value reduction	– 185.20	– 148.22
Subtotal	*334.77*	*572.90*
9. Accrued income and prepaid expenses		
Accrued interest and other income to be received	65.83	85.49
Prepaid expenses	71.95	69.80
Subtotal	*137.78*	*153.29*
10. Expenditure to be recorded	0.00	10.78
Total	**3 570.34**	**4 472.52**

annex as off-balance-sheet commitments under contingent assets. The amount shown in the off-balance-sheet commitments as potential liabilities totals EUR 3 210 million, being the total outstanding claims pending judgment plus interest earned on payments received pending final judgment.

Note also that the accounting treatment of fines differs for the ECSC in liquidation: whereas the Commission recognises a receivable and a revenue once it imposes a fine, the ECSC in liquidation does not recognise a revenue until the amount has been paid without appeal — until settlement, a provision is maintained for appealed amounts. No new fines have been issued by the ECSC in liquidation in the last two years, although a provision of EUR 3.8 million exists for fines currently being appealed.

2. Amounts paid to financial intermediaries but not yet transferred to the final beneficiary. This item 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, which totals EUR 1 090 million, represents funds held by intermediaries at 31 December 2003 (2002: EUR 1 009 million). For the split of these amounts by budget line, see Annex 2 D. The bank interest generated by these amounts is also included: EUR 46.5 million (2002: EUR 80.5 million).

   The issue of pre-financing operations and the integrated accounting and clearance arrangements for them is to be addressed as part of the Communities' accounting modernisation project. The inventory currently being made outside the accounts is a step towards establishing the opening balance sheet for these items for 2005.

3. Certain financial instruments are managed on trust by third-party bodies, such as the EIB, EIF, EBRD, CEB and Eurofer (European Confederation of Iron and Steel Industries). The amount held by these bodies in trust accounts at 31 December 2003 totals EUR 300.9 million, not including write-down (2002: EUR 201.2 million). For the split of these amounts by budget line, see Annex 2 D.

   The figure does not include investments in risk capital funds by these instruments, which are shown under 'Other investments' (see note IV.B.1 of 'Assets').

4. The EFTA financial mechanism was introduced in 1993 to support the development and structural adjustment of certain regions of the European Union. The contributors, including the Commission, are joint owners of the funds available. The Commission's share at 31 December 2003 is EUR 44.5 million (2002: EUR 61.6 million).

5. An advance of EUR 120 million paid to the Galileo programme was included under this heading in 2002 but has been transferred to investments in 2003 (see also note IV.A of 'Assets').

6. These amounts relate to advances granted under both the ECIP (EUR 72.6 million) and MEDIA (EUR 50 million) programmes. Using the principle of prudence and based on the risks and uncertainty involved, a value reduction is included for the ECIP balances of 100 % and EUR 34.2 million for the MEDIA amounts. A review of the open files is ongoing so as to ascertain the status of all such advances in order to determine the final amounts to be refunded to the Commission. When a file is closed and a receivable is due, a recov-

ery order is made and the balance will be transferred to recovery orders.

Also included is an amount of EUR 3.7 million relating to the ‘Eurotech capital’ programme. This concerns amounts not invested by the financial intermediaries at 31 December 2003 and related interest due on these amounts.

7. A call was made on the Guarantee Fund relating to a debt in Argentina and the amount paid to the EIB. The debt in question thus became a debt of the Guarantee Fund and was still outstanding at 31 December 2003. Given the nature and circumstances surrounding this receivable, a write-down of 100 % was considered prudent.

8. These are recovery orders entered in the accounts at 31 December 2003 as established entitlements to be recovered and not already included under other headings on the assets side of the balance sheet.

   A value adjustment has been entered for irrecoverable entitlements still to be determined. Entitlements due for more than one year are written down by 20 %. A further cut of 20 % is made for each additional year. This overall write-down is calculated on the amount of the entitlements outstanding at the end of the year. Certain entitlements, such as entitlements for which an individual write-down is made, are not included in the flat-rate write-down.

9. Interest to be received and charges paid in advance are included under this heading having been previously shown under the heading ‘Transitional accounts’.

10. As the payment appropriations carried over are already contained in the result for the financial year, only the expenditure to be charged to non-differentiated appropriations are included in this item. These amounts were also included under ‘Transitional accounts’ in prior years.

C. Other receivables

This item basically comprises amounts owed to the Community institutions by their staff or by insurance bodies.

(EUR)

	Balance at 31.12.2003	Balance at 31.12.2002
Receivable from personnel	36 929 231.45	41 200 687.23
Amounts due from insurance companies	258 785.79	205 027.79
Total	**37 188 017.24**	**41 405 715.02**

VIII. Cash investments

The breakdown by maturity date is as follows:

(EUR)

Description	Balance at 31.12.2003	Balance at 31.12.2002
Term deposits		
Maturity date less than one month	67 991 795.52	36 547 826.21
Maturity date between one month and one year	63 963 547.66	97 684 174.31
Bonds and other fixed income deposits	1 340 501 836.53	1 393 914 863.20
Total	**1 472 457 179.71**	**1 528 146 863.72**

IX. Disposable assets

(EUR)

Description	Balance at 31.12.2003	Balance at 31.12.2002
Accounts with Treasuries	10 276 517 701.99	14 901 823 209.61
Accounts with central banks	285 019 770.15	879 213 763.13
Borrowing and lending accounts	40 712 379.08	35 528 631.84
Current accounts	3 264 191 619.62	1 510 008 334.40
Imprest accounts	34 692 865.90	73 104 860.44
Cash in hand	270 046.53	290 276.54
Transfers	5 500 000.00	0.00
Total	**13 906 904 383.27**	**17 399 969 075.96**

This heading covers all the funds which the institutions keep in their accounts in each Member State and EFTA country (Treasury or central bank), as well as in current accounts, imprest accounts and petty cash. The proceeds of loans made from borrowed funds and loans granted to improve housing conditions for migrant workers are also included. Amounts received in connection with fines issued by the Commission for which the case is still open amount to EUR 1 708 million and are kept in specific current accounts.

Funds totalling EUR 1.4 million kept in imprest accounts with two banks outside the Communities 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).

I. Own capital

The own capital heading consists of:

A. The economic out-turn for the year

1. Budget out-turn of the European Communities
2. Result of adjustments
3. Result of borrowing and lending activities
4. Economic out-turn of the ECSC in liquidation

The budget out-turn is EUR 5 469.8 million and is set out in detail in the budget out-turn 2003 table.

Exchange differences included in the economic out-turn are the result of payments and financial assets in currencies other than the euro, in particular those of the three Member States which have not yet adopted the euro.

As regards financial assets, the value in euro of the national currencies varies each day in line with the market exchange rates. Financial assets are revalued for the purposes of the balance sheet at the exchange rates on 31 December. This revaluation produced an exchange difference for 2003 of EUR 74 million.

For payments, Articles 1 and 27 of the regulation laying down detailed rules for the implementation of the financial regulation ([1]) apply. The Commission enters payments at the monthly rates which are inevitably different from the market rates.

([1]) Commission Regulation (Euratom, ECSC, EC) No 3418/93 of 9 December 1993 laying down detailed rules for the implementation of certain provisions of the financial regulation of 21 December 1977, as amended by Commission Regulation (EC) No 1687/2001 of 21 August 2001 (OJ L 315, 16.12.1993 and OJ L 228, 24.8.2001).

The economic out-turn breaks down as follows:

(EUR)

	31.12.2003	31.12.2002
Budget out-turn of the European Communities	5 469 843 705.90	7 413 481 988.34
Result of adjustments	– 993 048 251.74	1 268 832 829.48
Result of borrowing and lending activities	102 691.94	211 819.79
Economic out-turn of the ECSC in liquidation	337 878 471.92	67 752 039.62
Economic out-turn for the year	**4 814 776 618.02**	**8 750 278 677.23**

The result of adjustments breaks down as follows:

(EUR)

Adjustments	31.12.2003	31.12.2002
A. Positive adjustments		
1. Reduction in charges: increase in assets	– 56 556 310.94	1 518 898 166.97
(a) Initial costs	0.00	0.00
(b) Intangible fixed assets	7 180 907.10	7 116 474.33
(c) Tangible fixed assets	238 840 030.51	378 597 881.01
(d) Financial fixed assets	39 186 302.15	229 276 528.07
(e) Loans granted from the budget	26 332 225.70	31 815 898.83
(f) Stocks	5 688 540.72	7 127 066.82
(g) Other expenses	– 373 784 317.12	864 964 317.91
2. Depreciation	55 743 667.79	104 386 481.08
3. Value adjustments	370 248 543.32	1 035 595 167.59
4. Provisions	330 044 146.29	25 569 219.41
5. Income resulting from budgetary assets acquired during the year but not recovered	2 640 333 412.83	5 943 096 498.61
Subtotal	*3 339 813 459.29*	*8 627 545 533.66*
B. Negative adjustments		
1. Reduction in revenue: reduction in assets	941 541 620.46	1 788 445 663.28
(a) Initial costs	0.00	0.00
(b) Intangible fixed assets	1 476 204.08	250 933.71
(c) Tangible fixed assets	67 222 569.24	89 649 379.35
(d) Financial fixed assets	1 889 089.00	3 376 076.00
(e) Loans granted from the budget	51 855 018.45	26 112 431.46
(f) Stocks	3 021 453.64	8 618 810.28
(g) Cashing of rights stated in previous years	816 077 286.05	1 660 438 032.48
2. Depreciation	260 637 395.89	244 114 042.60
3. Value adjustments	160 951 004.48	142 018 419.56
4. Exceptional depreciation and value adjustments	27 509 824.43	17 667 655.42
5. Provisions	2 879 842 850.00	5 193 944 066.50
6. Expenditure to be regularised	16 941 669.09	– 27 477 143.18
7. Results of related bodies	45 437 346.68	0.00
Subtotal	*4 332 861 711.03*	*7 358 712 704.18*
Result of adjustments (A – B)	**– 993 048 251.74**	**1 268 832 829.48**

The result of borrowing and lending activities breaks down as follows:

(EUR)

Instrument	Result 2003
Medium-term financial assistance (MTA)	6 713.73
Balance of payments (BOP)	2 881.55
Euratom	44 406.51
New Community Instrument (NCI)	48 690.15
Total	**102 691.94**

The allocation of the result of borrowing and lending operations for 2003 was not known at the date of closure.

The result of borrowing and lending operations for 2002 was allocated as follows for the various instruments:

(EUR)

Instrument	Result 2002	Transfer of result to budget	Transfer to special reserve	Transfer from special reserve
Medium-term financial assistance (MTA)	54 155.46	0.00	54 155.46	0.00
Balance of payments (BOP)	1 962.28	0.00	1 962.28	0.00
Euratom	107 372.69	0.00	107 372.69	0.00
New Community Instrument (NCI)	48 329.36	48 329.36	0.00	0.00
Total	**211 819.79**	**48 329.36**	**163 490.43**	**0.00**

A summary of the revenue and expenditure account of the ECSC in liquidation for 2003 is shown below (note that its results for 2002 relate to the period from 24 July to 31 December only, as it was only from 24 July that the assets were passed to the Communities).

(EUR)

	2003	2002
A. Revenues		
1. Interest and similar revenues	119 191 862	62 114 830
2. Commissions received	298 205	0
3. Gains on financial operations	11 697 059	10 446 755
4. Release of provisions	60 982 850	1 907 062
5. Other revenues	23 677 013	12 662 684
6. Release of smoothing provision	3 500 000	0
7. Movement on Guarantee Fund	254 000 000	32 000 000
Subtotal	*473 346 989*	*119 131 331*
B. Expenditure		
1. Interest and similar charges	57 938 886	32 986 478
2. Commissions paid	211 887	89 173
3. Losses on financial operations	16 214 228	10 914 491
4. General administrative expenses	280 274	1 455 616
5. Corrections to fixed asset values	5 648	5 649
6. Corrections to receivables and provisions	847 414	5 665 306
7. Other charges	3 470 180	188 424
8. Exceptional charges	0	74 154
9. Transfer to the research fund for coal and steel	56 500 000	0
Subtotal	*135 468 517*	*51 379 291*
Result for the period (A – B)	**337 878 472**	**67 752 040**

B. Out-turn carried over from previous financial years

This covers only the cumulative out-turn of economic adjustments given that the budget out-turn is repaid to the Member States and that the result of borrowing and lending activities is transferred partly to the reserves and partly to budget revenue.

The result of adjustments carried over from previous years has been updated to correct for an error found in the lease liability amount at 31 December 2002.

Movement in results carried forward from prior years

(EUR)

Result	Amount
Result carried forward from prior years at 31.12.2002	8 275 052 504.67
Result of adjustments for 2002	1 268 832 829.48
Correction of leasing liabilities at 31.12.2002	– 188 635 397.84
Inclusion of receivable from ECSC in liquidation at 31.12.2002	120 000 000.02
Result carried forward from prior years at 31.12.2003	**9 475 249 936.33**

C. Reserves

1. The revaluation reserve comprises the revaluations of tangible and intangible fixed assets. The balance at year-end relates entirely to revaluations made on Commission buildings prior to 2002.

2. The reserve for borrowing and lending activities comprises a special reserve set up in previous years to cover future liabilities resulting from borrowing and lending activities.

Special reserve for borrowing and lending activities

(EUR)

Instrument	Balance at 31.12.2002	Transfer to special reserve	Transfer from special reserve	Transfer between instruments	Balance at 31.12.2003
Medium-term financial assistance (MTA)	964 915.85	54 155.46	0.00	0.00	1 019 071.31
Balance of payments (BOP)	117 707.66	1 962.28	0.00	0.00	119 669.94
Euratom	1 064 211.88	107 372.69	0.00	0.00	1 171 584.57
New Community Instrument (NCI)	300 000.00	0.00	0.00	0.00	300 000.00
Total	**2 446 835.39**	**163 490.43**	**0.00**	**0.00**	**2 610 325.82**

3. The reserves relating to the ECSC in liquidation are made up of three separate reserves: a special reserve of EUR 88.1 million, a pension reserve of EUR 30 million, and a reserve for the research fund for coal and steel (EUR 369.6 million). The increase is due mainly to the allocation from the result from 2002 of EUR 229.7 million to the research fund.

ECSC in liquidation reserves *(EUR)*

Reserve	Balance at 31.12. 2002	Transfer of prior result	Movement 2003	Balance at 31.12. 2003
Special reserve	103 800 000.00	0.00	– 15 700 000.00	88 100 000.00
Pension reserve	34 000 000.00	0.00	– 4 000 000.00	30 000 000.00
Research fund for coal and steel	120 200 000.00	229 670 761.32	19 700 000.00	369 570 761.32
Total	**258 000 000.00**	**229 670 761.32**	**0.00**	**487 670 761.32**

II. Provisions for risks and charges

(EUR)

Description	Balance at 31.12.2003	Balance at 31.12.2002
Guarantee Fund	1 368 967 899.92	1 382 224 371.71
Provision for costs of decommissioning of nuclear facilities	1 613 467 850.51	1 133 625 000.51
Provision for pension scheme liabilities	21 900 000 000.00	19 500 000 000.00
Other provisions	102 066 089.00	418 853 763.50
Provisions of the ECSC in liquidation	363 650 039.23	674 741 254.62
Total	**25 348 151 878.66**	**23 109 444 390.34**

Guarantee Fund

Since the Guarantee Fund may be called on to cover defaulting debtors at any time, a provision has been created for liabilities and charges in line with the principle of prudence. This provision of EUR 1 369 million (2002: EUR 1 382 million) corresponds to the target amount [1] for the Guarantee Fund calculated on the basis of the amount of loans outstanding at 31 December 2003. The difference between the amount of the Fund shown on the assets side and the amount of the provision corresponds to the surplus to be repaid to the budget, i.e. EUR 223 million (2002: EUR 263 million) is entered under 'Own capital'.

(1) The target amount corresponds to 9 % of the amount outstanding.

Decommissioning of JRC nuclear facilities

In 2002, a consortium of independent experts conducted a study into the estimated costs of the decommissioning of the JRC nuclear facilities and waste management programme. Their report was received in mid-2003. For the 2002 annual accounts, the previous provision of EUR 570 million was amended to the experts' estimate of EUR 1 145 million recommended in this report. The updated provision also included EUR 76 million as an estimate of the cost required for the 'greenfield' option, i.e. total destruction of all the buildings. While the value of the provision at 31 December 2002 reflected this estimate less the EUR 11.4 million costs then incurred, i.e. EUR 1 133.6 million, for 2003 it was decided that the provision should be indexed for inflation (at a rate of 2.5 %). This resulted in a revised total estimate for the provision of EUR 1 657 million. Thus, the value of the provision at 31 December 2003 is this indexed amount of EUR 1 657 million less the costs incurred to date of EUR 43.5 million, giving EUR 1 613.5 million.

In view of the estimated duration of this programme (around 30 years), it should be pointed out that there is some uncertainty about this estimate, and the final cost could be different from the amounts currently entered.

Pensions

At 31 December 2003, the provisions concerning the Communities' pension scheme are defined by the Staff Regulations of Officials of the European Communities, and, in particular, Chapter 3 'Pensions' of Title V 'Emoluments and officials' welfare benefits' and Annex VIII 'Rules of the pension scheme'. They are directly applicable in all Member States.

The arrangement covers the various types of pension (retirement, invalidity, survivor's).

In accordance with Article 83 of the Staff Regulations, the payment of the benefits provided for in the pension scheme constitutes a charge to the Communities' budget (via the interinstitutional Chapter A–19 'Pensions and severance grants'). Member States guarantee the payment of these benefits collectively according to the scale fixed for the financing of this expenditure (paragraph 1, first subparagraph). In addition, officials contribute one third to the long-term financing of this scheme via a compulsory contribution fixed at 9.25 % of the basic salary.

For 2001 and 2002, the provision in respect of the estimated amount of pension rights was based on the applicable rules of the old Staff Regulations. As from 1 May 2004, new Staff Regulations of Officials of the European Communities, including, in particular, reform of the Communities' pension scheme, will be in force.

The liabilities under the Communities' pension scheme were subject to an actuarial valuation by independent experts at 31 December 2003, also on the basis of the applicable rules of the old Staff Regulations. This evaluation covered the advantages connected with retirement, invalidity and survival and was carried out in accordance with the methodology of IAS 19. This accounting standard requires the employer to determine his or her actuarial commitment on an ongoing basis, taking into account both the promised benefits during the lifetime of active employees, and foreseeable increases in salaries.

The actuarial valuation method used to calculate this liability is known as the projected unit credit method (or accumulated entitlements method). The results obtained within the framework of this study were compared with the estimates based on the previous actuarial valuation at 31 December 1997.

Liabilities cover the rights previously defined for the following persons:

1. staff in active employment at 31 December 2003 in all the institutions and agencies included in the Communities' pension scheme;

2. former officials receiving a retirement pension;

3. former officials receiving a disablement pension;

4. the recipients of a survivor's pension (widows or widowers, orphans, dependants).

The principal actuarial hypotheses used in the valuation were as follows:

1. the mortality table was constructed on the basis of the national tables of the officials' countries of origin, and was corrected to take account of actual observed mortality rates;

2. a discount rate based on the yield on government bonds to 31 December 2003 for a duration close to that of the scheme, being 2.61 %;

3. a general revaluation rate of the salaries and benefits based on revaluation statistics of the period 1992–2003 and equal to 0.3 %;

4. individual increases beyond the rate of the general revaluation, varying with age and corresponding to an average revaluation of 2 % on an annual basis;

5. matrimonial coefficients for active officials at the time of their departure on retirement, based on statistics of the population of officials and equal to 90 % for men and 50 % for women;

6. the actual marriage situation of former officials;

7. departure on retirement at the time when the official benefits from his full rights, at the earliest at 60 years old and at the latest at 65 years.

The two principal impacts are as follows:

— The actuarial liability was valued at EUR 21.9 billion at 31 December 2003, while the estimate on the basis of the previous valuation carried out in 1997, updated by taking the structural changes into account in the participants' population, gives an amount of EUR 19.8 billion.

— The essential difference between the two valuations comes from the changes in actuarial hypotheses and, more particularly, from the net discount rate for the increase in wages, which changed from 2.5 % to 2.3 % and the mortality table which is more prudent than that used previously.

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

Other provisions

The other provisions concern mainly an estimate of the Communities' contribution to the emergency fund for foot-and-mouth disease and other animal diseases of EUR 102.1 million relating to various Member States (2002: EUR 418.6 million) (see also point 8 of 'Off-balance-sheet commitments — Contingent liabilities').

Provisions of the ECSC in liquidation

These provisions cover borrowings not covered by a guarantee from Member States (EUR 243 million), a provision for bank costs of EUR 0.3 million, a provision for the research fund for coal and steel of EUR 116.5 million and a provision for fines being appealed of EUR 3.8 million.

(million EUR)

Type of pension/grant	Number of persons			Expenditure		
	Real	Estimate		Real	Estimate	
	2003	2004	2005	2003	2004	2005
Retirement pension	6 609	6 987	7 407	413	448	487
Invalidity pension	3 520	3 719	3 904	162	175	191
Survivor's pension	2 637	2 785	2 897	75	82	87
Severance grant	543	798	500	18	19	20
Total	**13 309**	**14 289**	**14 708**	**668**	**724**	**785**

III. Long-term liabilities

This heading includes liabilities due in more than one year.

(EUR)

Description	Balance at 31.12.2003	Balance at 31.12.2002
A. Borrowing		
Medium-term financial assistance (MTA)	1 211 000 000.00	1 241 000 000.00
Euratom	105 000 000.00	80 000 000.00
New Community Instrument (NCI)	0.00	17 678 708.69
ECSC in liquidation loans	428 672 854.67	471 885 847.68
Subtotal	*1 744 672 854.67*	*1 810 564 556.37*
B. Other long-term liabilities		
Staff funds	28 350 176.47	25 542 948.64
Deposits and guarantees received	2 412 984.34	2 706 356.93
Financial instruments	0.00	5 000 000.00
Leasing debts	1 365 715 654.70	1 180 489 057.86
EBRD subscriptions	18 562 500.00	27 000 000.00
Other	83 907 876.64	106 762 615.95
Subtotal	*1 498 949 192.15*	*1 347 500 979.38*
Total	**3 243 622 046.82**	**3 158 065 535.75**

A. Borrowing

This heading includes borrowings which fall due for payment in more than one year's time. The detailed movements in borrowing operations in 2003 are as follows:

(million EUR)

Description	Balance 31.12.2002	New borrowings	Repayments	Exchange differences	Balance at 31.12.2003
1. Borrowing					
Medium-term financial assistance (MTA)	1 351 000 000.00	118 000 000.00	– 118 000 000.00	0.00	1 351 000 000.00
Euratom	80 000 000.00	25 000 000.00	0.00	0.00	105 000 000.00
New Community Instrument (NCI)	17 678 708.69	0.00	0.00	– 1 362 023.11	16 316 685.58
ECSC in liquidation	712 936 097.13	0.00	– 241 050 249.45	– 40 989 849.01	430 895 998.67
Total	**2 161 614 805.82**	**143 000 000.00**	**– 359 050 249.45**	**– 42 351 872.12**	**1 903 212 684.25**

The amounts outstanding on borrowings at 31 December 2003 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. Liabilities from borrowings are guaranteed by the Communities' budget.

B. Other long-term liabilities

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.

Deposits and guarantees received: These are sums deducted as guarantees for the payment of construction work and the guarantee accounts for accounting officers, delegate accounting officers and imprest administrators.

Financial instruments: This item covers a liability relating to the MTA instrument.

Leasing: This item covers leasing liabilities due in more than one year (see note III.E of 'Assets').

EBRD subscriptions: This item covers the payments still to be made on the part of the capital subscribed by the Commission which has been called up (see note IV.A of 'Assets').

Other: As it has invoked its purchase option for a building, Parliament must repay the cost of investment (see note III.A of 'Assets'). Also included here is a tax liability owed by the Commission to the Brussels Capital Region of EUR 3.2 million (with a further EUR 3.5 million falling due in 2004).

Split of long-term and short-term liabilities *(EUR)*

Description	Amount due > 1 year	Amount due < 1 year	Balance at 31.12.2003
1. Borrowing			
Medium-term financial assistance (MTA)	1 211 000 000.00	140 000 000.00	1 351 000 000.00
Euratom	105 000 000.00	0.00	105 000 000.00
New Community Instrument (NCI)	0.00	16 316 685.58	16 316 685.58
ECSC in liquidation	428 672 854.67	2 223 144.00	430 895 998.67
Subtotal	*1 744 672 854.67*	*158 539 829.58*	*1 903 212 684.25*
2. Other long-term liabilities			
Staff funds	28 350 176.47	0.00	28 350 176.47
Deposits and guarantees received	2 412 984.34	0.00	2 412 984.34
Financial instruments	0.00	5 000 000.00	5 000 000.00
Leasing debts	1 365 715 654.70	100 876 665.74	1 466 592 320.44
EBRD subscriptions	18 562 500.00	8 437 500.00	27 000 000.00
Other	83 907 876.64	24 176 428.66	108 084 305.30
Subtotal	*1 498 949 192.15*	*138 490 594.40*	*1 637 439 786.55*
Total	**3 243 622 046.82**	**297 030 423.98**	**3 540 652 470.80**

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 above).

B. Other short-term financial liabilities

Prior to 2003, this item covered payments booked to the budget in the current year but only effected by the accounting officer between the closure of the accounts and 15 January of the following year. However, the financial regulation that came into force on 1 January 2003 states that payments can only be made up to 31 December of the financial year. Thus, this amount does not exist this year.

C. Current liabilities

C.1. Member States and EFTA countries

This item includes amounts owed to EFTA countries, which include the budget out-turn figures of the current year, EUR 14.1 million, and the previous year and the balance on the EFTA current account.

Amending budgets Nos 6 and 7 of 2003 were adopted by the European Parliament on 4 December 2003. Together, they resulted in a reduction of EUR 4.9 billion in the Member States' own resources contributions for 2003. This was due to a decrease in the credits for the Structural Funds of EUR 5 billion (amending budget No 6/2003) and an increase in payment appropriations for administration expenditures of EUR 21.9 million (amending budget No 7/2003). In accordance with Article 10(3)(10) of Regulation (EC, Euratom) No 1150/2000, the readjustments related to these amending budgets took place in January 2004. To that end, at the end of December 2003, the Commission had authorised the Member States to make on the first working day of 2004 the corresponding negative entry in the own resources account kept by them for the Commission.

Amounts owed to Member States and EFTA countries

(EUR)

Description	Balance at 31.12.2003	Balance at 31.12.2002
EFTA budget out-turns (current and previous years)	22 236 558.08	19 113 198.11
EFTA current account	3 674 293.29	2 316 358.83
Amending budget	4 910 166 839.10	0.00
Due to UK in relation to foot-and-mouth disease claim	23 215 654.00	0.00
Clearance of accounts corrections annulled	0.00	17 106 225.58
Amounts owed by the ECSC in liquidation	584 946.92	640 585.22
Total	**4 959 878 291.39**	**39 176 367.74**

An amount of EUR 23.2 million to be paid to the UK relating to a claim made for reimbursement of certain costs in connection with the foot-and-mouth disease outbreak in 2001 is also included under this heading.

C. 2. Non-consolidated Community bodies

This item covers amounts totalling EUR 15.9 million owed by the institutions to certain Community bodies which do not come within the scope of consolidation (2002: EUR 13.6 million).

C.3. Payment appropriations to be carried over

In accordance with the financial regulation, payment appropriations carried over to the following year are entered as budget charges. The contra-entry to these appropriations carried over and not yet used is to be found in the short-term liabilities in the balance sheet. This amount includes EUR 176.5 million (2002: EUR 3 254 million) in payment appropriations carried over for structural operations which is an overall sum as the appropriations have been calculated on the basis of expenditure estimated by the Member States.

It should be noted that this classification is being examined as part of the modernisation of the accounting system project and any changes deemed necessary will be made for the 2005 accounts.

At 31 December 2003, the breakdown of appropriations to be carried over, taking all the institutions together, was as follows:

(EUR)

	Balance at 31.12.2003	Balance at 31.12.2002
Non-differentiated appropriations carried over automatically	853 237 812.69	682 597 676.01
Appropriations carried over by Commission decision	348 311 602.93	3 473 257 116.75
Differentiated appropriations for the year from contributions from third parties	1 044 474 322.86	691 121 596.08
Total	**2 246 023 738.48**	**4 846 976 388.84**

C.4. Sundry creditors

	Balance at 31.12.2003	Balance at 31.12.2002
		(EUR)
Other sundry creditors	318 569 936.55	508 060 413.50
Interest accrued	40 142 629.64	63 668 063.58
Revenue to be booked	41 611 936.98	496 572 605.46
Amounts for re-employment to be carried over	0.00	147 413 674.32
Total	**400 324 503.17**	**1 215 714 756.86**

This item covers debts arising from the activities of the European Communities as well as non-budget recovery orders.

This item includes revenue not booked, i.e. revenue that could not be definitively booked to the budget before the close of the year. Additionally, it includes accrued interest on borrowings and swaps. In previous years, these items were included under the heading 'Transitional accounts'. This year, it was considered more appropriate to include them here.

Under the financial regulation, amounts for re-employment from 2003 onwards are recorded as assigned revenue, hence the zero balance above at 31 December 2003.

In previous years, this item also covered conversion gains on currency items, but this year the gain is included in the result of adjustments.

D. Other liabilities

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

OFF-BALANCE-SHEET COMMITMENTS: CONTINGENT ASSETS AND LIABILITIES

Contingent assets

(EUR)

		31.12.2003	31.12.2002
1 .	**Guarantees received**	**1 487 151 248**	**1 543 953 426**
	1.1. Guarantees received for NCI and Euratom instruments	121 316 686	148 599 344
	1.2. Other guarantees received	209 017 677	145 574 582
	1.3. Guarantees received in respect of fines' cases pending	1 156 816 885	1 249 779 500
2.	**Swaps to be received**	**374 437 630**	**404 829 637**
3.	**EAGGF-Guarantee — net contingent gain on disposal of agricultural stocks**	**259 170 000**	**—**
4.	**Contingent assets relating to cases of fraud and irregularities concerning structural actions**	**815 363 000**	**560 917 000**
5.	**Estimates of amounts receivable**	**403 946 460**	**344 448 681**
	Total	**3 340 068 338**	**2 854 148 744**

Contingent liabilities

(EUR)

		31.12.2003	31.12.2002
1.	Guarantees given	13 573 120 182	13 757 120 182
	1.1. Guarantees given for EIB loans	13 573 000 000	13 757 000 000
	1.2. Guarantees signed by the EIF	0	0
	1.3. Guarantees given in relation to financial activities	120 182	120 182
2.	Swaps to be delivered	382 392 139	410 677 938
3.	EAGGF-Guarantee	25 212 545 589	25 499 770 292
	3.1. Expenditure incurred by the Member States under the EAGGF Guarantee Section between 16 October 2003 and 31 December 2003	24 419 496 000	24 691 023 000
	3.2. Contingent liabilities connected with the clearance of the EAGGF-Guarantee accounts pending judgment by the Court of Justice	770 102 430	771 604 236
	3.3. Contingent liability in connection with a procedure for correcting advances pending judgment by the Court of Justice	14 077 159	4 583 056
	3.4. Contingent liabilities relating to the judgments by the Court of Justice pending execution	8 870 000	10 000 000
	3.5. Contingent losses on the disposal of agricultural stock	—	22 560 000
4.	Fines — appeals to the Court of Justice	3 210 013 714	3 321 639 326
5.	Commitments against differentiated appropriations not covered by carry-over of payment appropriations	102 620 979 678	95 053 551 303
6.	Legal commitments for which budget commitments have not yet been made	106 618 208 182	140 851 992 051
	6.1. Structural operations (aid planned but not committed for the period 2000–06)	94 788 376 821	125 768 662 800
	6.2. Cohesion Fund	8 489 281 988	11 356 088 451
	6.3. ISPA	2 553 409 104	2 434 166 175
	6.4. Protocols with Mediterranean countries	234 128 893	193 400 000
	6.5. External relations		
	KEDO	40 000 000	60 000 000
	UNWRA	124 306 875	182 056 875
	Shelter fund	22 000 000	40 000 000
	6.6. Fisheries agreements	366 704 501	537 617 750
	6.7. Galileo programme	—	280 000 000
7.	Contributions to related organisations	1 240 205 310	922 500 000
	7.1. Uncalled share capital: EBRD	442 500 000	442 500 000
	7.2. Uncalled share capital: EIF	480 000 000	480 000 000
	7.3. Uncalled share capital: Galileo programme	317 705 310	—
8.	Contingent liabilities relating to the emergency veterinary fund	538 863 573	1 071 000 000
9.	Renovation of the Berlaymont building	552 879 207	552 879 207
10.	Long-term leasing	1 355 119 965	850 853 824
	10.1. Buildings	1 354 372 717	849 492 497
	10.2. IT equipment and vehicles	747 248	1 361 327
11.	Amounts relating to legal cases	2 403 827 349	21 606 426
	11.1. Tax of the Brussels Capital Region	3 674 244	20 006 426
	11.2. Litigation: Charlemagne building	1 600 000	1 600 000
	11.3. Actions for damages brought against the Commission	2 398 553 105	—
12.	Correction of budgetary imbalances	p.m.	p.m.
	Total	**257 708 154 888**	**282 313 590 549**

NB: All contingent liabilities (except for swaps) would be financed, should they fall due, by the Communities' budget in the years to come. The Communities' budget is financed by the Member States.

Contingent assets and liabilities are included in the annex to the financial statements as off-balance-sheet commitments. These include commitments made or received that could be of considerable budgetary significance in the medium or long term. Whether or not these commitments are confirmed will depend on the materialisation (or not) of one or more future events that are currently uncertain and not entirely under the control of the Communities.

CONTINGENT ASSETS

Point 1

Guarantees received

1.1. Guarantees received under borrowing and lending activities

The Commission 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)

	31.12.2003	31.12.2002
Euratom: guarantees by third countries	105 000 000	80 000 000
NCI: banks or long-term credit institutions	0	50 920 635
NCI: loans to Member States	16 316 686	17 678 709
Total	**121 316 686**	**148 599 344**

The Commission has not received third-party guarantees for loans granted under the medium-term financial assistance (MTA) scheme. However, these loans, totalling EUR 1 356 million, are guaranteed by the Guarantee Fund.

1.2. Other guarantees received

These are guarantees received by the Commission in connection with the operation of its various activities during the year. As part of the accounting modernisation project, the Commission is producing a more exhaustive list of these guarantees for inclusion in future financial statements.

1.3. Guarantees received in respect of fines' cases pending

See note VII.B.4 of 'Assets' and point 4 of 'Contingent liabilities' for further details of the treatment of the amounts received in relation to fines issued. In summary, the recipient of a fine wishing to appeal can either provide a bank guarantee for the amount (and interest) in question or make a provisional payment. A total of EUR 1 156.8 million of such bank guarantees was received at 31 December 2003 and is shown as a contingent asset.

Point 2

Swaps to be received

These are swaps entered into by the Commission and ECSC in liquidation outstanding at year-end.

	31.12.2003	31.12.2002
Commission: exchange rate swaps	125 000 000	125 000 000
ECSC in liquidation: interest rate swaps	164 307 097	187 592 896
ECSC in liquidation: interest and exchange rate swaps	85 130 533	92 236 741
Total	**374 437 630**	**404 829 637**

(EUR)

Point 3

EAGGF-Guarantee — net contingent gain on disposal of agricultural stocks

The situation as regards stocks was established at 30 September 2003 and the additional depreciation of stocks was calculated at 30 September 2003 and entered. The expected selling prices for products from public stocks might change in line with the market situation. The situation update of market prices in February 2004 shows a contingent gain of EUR 259.2 million (2002: contingent loss of EUR 22.56 million) compared with the end of 2003.

Point 4

Fraud and irregularities

Structural operations

This amount is based on the formal reports submitted by the Member States in accordance with Commission Regulation (EC) No 1681/94. This shows 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. This represents a theoretical maximum rather than the amounts that will actually be made available to the Communities' budget, for the following reasons:

— The Member States do not always report the results of their recovery operations (and certainly not promptly).

— Although Member States must inform the Commission of the likelihood of recovery, it is impossible to determine exactly what proportion of the amounts still to be recovered will actually be recovered. National laws sometimes provide for a 30-year limitation period, which may well make the national authorities think twice about formally writing off the debt even if the chances of recovery are only theoretical. For structural operations, Member States must now send the Commission once a year a statement of the amounts awaiting recovery (Article 8 of Commission Regulation (EC) No 438/2001) to give a better picture of the actual situation.

— 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.

— 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 2003. 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.

On the date when the consolidated statements on the implementation of the budget were drawn up, the annual report on the fight against fraud for 2003 had not yet been adopted.

Point 5

Estimates of amounts receivable

An estimate of the amount receivable is first to be made by the authorising officer responsible in respect of any measure or situation that may give rise to or modify an amount owing to the Communities. Estimates of amounts receivable are to specify the type of revenue and the budget item to which they are to be booked and, as far as possible, the particulars of the debtor and the estimated amount. Subject to Article 161(2) of the financial regulation, an estimate of amounts receivable does not generate commitment appropriations. The estimate of amounts receivable is regularised, when the recovery order is drawn up, i.e. when the entitlement is certain, of a fixed amount and due.

CONTINGENT LIABILITIES

Point 1

Guarantees given

1.1. Loans granted by the European Investment Bank (EIB) to third countries from its own resources

As formulated, the guarantee legally covers the loans signed by the EIB at 31 December 2003 (including loans granted to Member States before accession). However, the Communities' guarantee is limited to a percentage of the ceiling of the credit lines authorised: 65, 70, 75 or 100 %. Where the ceiling is not reached, the Communities' guarantee covers the full amount.

At 31 December 2003, the amount outstanding totalled EUR 13 573 million (2002: EUR 13 757 million) and this, therefore, is the maximum risk faced by the Communities.

For loans covered by the Communities' budget guarantee, the EIB also obtains guarantees from third parties (States, public or private financial institutions); in these cases, the Commission is a secondary guarantor. The Communities' budget guarantee covers only the political risk of guarantees provided under the title 'Risk sharing'. The other risks are covered by the EIB should the primary guarantor not honour the undertakings given.

For guarantees provided under the title 'Non-risk sharing', all the risks are covered by the Communities' budget should the primary guarantor not honour its undertakings given. If the primary guarantor is a public authority, these risks are confined as a rule to the political risk, but when the guarantees are provided by an institution or a private company, the Communities' budget might also have to cover the commercial risk.

The loans granted by the EIB from its own resources to third countries and covered by the Communities' budget guarantee are as follows:

(million EUR)

	Risk sharing 31.12.2003	Non-risk sharing 31.12.2003		Total outstanding 31.12.2003	Total outstanding 31.12.2002
		Public authority	Private company		
65 % guarantee	1 006	2 170	332	3 508	2 589
70 % guarantee	726	3 225	656	4 607	4 587
75 % guarantee	0	2 376	396	2 772	3 255
100 % guarantee	0	1 900	786	2 686	3 326
Total	**1 732**	**9 671**	**2 170**	**13 573**	**13 757**

1.2. Guarantees signed by the European Investment Fund (EIF)

At 31 December 2003, the EIF had signed guarantees and commitments in venture capital operations totalling EUR 3 055.3 million; however, of this amount, EUR 1 357.4 million relates to the portfolio of guarantee operations for projects related to the development of trans-European networks (TENs) that has been transferred to the EIB (the relevant agreement was signed with the EIB on 7 December 2000). The EIB bears the risk of the transactions (with the EIF remaining the guaranteeing party under the relevant guarantee agreements) and in return is entitled to receive the related fees (utilisation fee plus commitment fee) from the intermediaries. Excluding these amounts, since the EIF bears no risk, the total guarantees given and commitments in venture capital operations by the EIF at 31 December 2003 is EUR 1 697.9 million; this represents a maximum potential risk of EUR 509.4 million for the European Communities, as the Communities contribute 30 % of the capital of the EIF. The total capital subscribed by the Communities is EUR 600 million, of which 20 % has been called up.

In the 2002 financial statements, the European Communities mistakenly included a contingent liability relating to these TEN guarantees. The comparative figures have now been adjusted accordingly — in fact, the amount of guarantees outstanding and commitments in venture capital operations should have been EUR 1 562 million (Communities' share EUR 468.6 million).

As the EIF is consolidated using the equity method, the calculation of the maximum commitment from the Communities' budget takes account of not only the capital, but also the European Communities' share of the EIF's total own resources. The Communities' share of the EIF's own resources totals EUR 170.2 million (2002: EUR 166.5 million) (see also note IV.A of 'Assets'). The capital not called up totals EUR 480 million. Given these figures, in the worst possible scenario the European Communities would not have to repay any further amounts should all the guarantees be called in and thus no contingent liability is shown for 2003 or 2002.

The proportion of the capital subscribed by the European Communities which has not been called up (80 %) is also included in the off-balance-sheet commitments as a contingent liability (point 7).

1.3. Guarantees in relation to financial activities

The amount relates to guarantees given by the Communities relating to JOP facility 3. The Communities' risk is capped at the amounts shown.

Point 2

Swaps to be delivered

These are swaps entered into by the Commission and ECSC in liquidation outstanding at year-end:

(EUR)

	31.12.2003	31.12.2002
Commission: exchange rate swaps	130 000 000	135 000 000
ECSC in liquidation: interest rate swaps	164 307 097	187 592 896
ECSC in liquidation: interest and exchange rate swaps	88 085 042	88 085 042
Total	**382 392 139**	**410 677 938**

Point 3

EAGGF-Guarantee

3.1. Expenditure between 16 October 2003 and 31 December 2003

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 2002 and 15 October 2003, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2004. Payments made by Member States between 16 October 2003 and 31 December 2003 are included in the off-balance-sheet commitments.

3.2. Clearance of accounts

Contingent 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.

3.3. Contingent debt pending a judgment by the Court

Contingent debt towards a Member State as part of a procedure lodged with the Court of Justice concerning correction of advances.

3.4. Contingent debts in respect of judgments pending execution

Contingent debts for which the Commission decision has not been taken by the date on which the accounts are closed and for which the compensation arrangements need to be agreed on between the parties concerned.

Point 4

Fines

As the fines imposed by the Commission for infringement of competition rules are entered in the result for the financial year, it has been decided that for both fines for which an appeal has been lodged [1] and for those where it is unknown if an appeal will be made should be included as a contingent liability in the off-balance-sheet commitments pending a decision by the Court of Justice. This contingent liability will be maintained until a decision that acquires the authority of a final decision (see also note VII B.4 of 'Assets').

Fines outstanding *(million EUR)*

Year	Appeals presented				Provisional payments, appeal not known	Appeal not known, no amounts received	Total contingent liability
	With bank guarantees	Provisional payment made	Neither payment nor guarantee	Total			
Pre-2003	1 142.8	1 350.3	171.5	2 664.6	0.0	16.9	2 681.5
2003	14.0	10.4	15.2	39.6	12.3	375.8	427.7
Total	**1 156.8**	**1 360.7**	**186.7**	**2 704.2**	**12.3**	**392.7**	**3 109.2**

The table above shows the state of play of fines imposed by the Commission that were still pending a legal decision when the accounts were closed. Once notified, debtors who do not accept the Commission decision fining them are entitled to lodge an appeal with the Court of Justice. However, the principal of the fine has to be paid within the prescribed time limit, since, under Article 242 of the EC Treaty, appeals do not have suspensory effect. Debtors have two options: they can either provide a bank guarantee or make a provisional payment.

Only once the final judgment is delivered does the accounting officer either refund the full amount of the provisional payment plus the interest on the principal or irrevocably collect the amount of the fine, as fixed by the final judicial decision, refunding, if appropriate, the provisional payment together with the interest.

Interest earned on provisional payments (EUR 100.8 million) is included in the result of adjustments for the year and also as a contingent liability to reflect the uncertainty of the amounts.

Point 5

Outstanding commitments (RAL)

Commitments against differentiated appropriations still outstanding at 31 December 2003 totalled EUR 103.9 billion of which EUR 1 264.6 million is covered by carry-overs of payment appropriations from 2003 to 2004. The latter already feature in the budget outturn for the year as budget liabilities, so they are not included in the potential liabilities. The outstanding commitment total of EUR 102.6 billion is the maximum potential commitment.

(1) Even if the appeal against fines imposed in 2003 was made in 2004 before the closure of accounts.

The overall amount of outstanding commitments has been growing over the last 10 years, most of the increase being linked to the increase over the same period in commitment appropriations and corresponding to the deferred completion of the operations covered by the budget commitments. These normal outstanding commitments are the direct and legitimate consequence of the implementation of the Communities' budget. For 2003, the increase in commitments outstanding (before carry-over) was 5 %, compared with 14 % in 2002, mainly due to the gradual stabilisation of the situation for the Structural Funds in 2003.

In a joint declaration of 25 November 2002, the Commission, Parliament and Council emphasised the need to contain the amounts still to be cleared and to eliminate 'abnormal outstanding commitments' in the medium term. Potentially abnormal outstanding commitments were defined in this declaration, by common agreement, as consisting of dormant commitments for which no payment had been made for the past two financial years and old commitments that have been in the budget for at least five financial years.

As a result of this declaration, the Commission undertook to present, along with the preliminary draft budget for 2004, the results of the Commission's endeavours to examine all potentially abnormal RAL cases, identified as at 31 December 2002, by the end of 2003. Furthermore, as required by the joint declaration, the Commission provided progress reports to the budgetary authority, in particular focusing on those budget lines identified in the annex to the declaration, on the accounting situations as at 31 March 2003 and 31 July 2003. In these progress reports, the budgetary authority was informed of the findings of this examination, including the measures taken by the Commission to prevent abnormal commitments from re-emerging in the future.

By the end of 2003, the results, covering 99.9 % of the potentially abnormal RAL commitments of the Commission, were as follows:

(million EUR)

	Structural Funds	Internal policies	External action	Pre-accession aid	Total
Potentially abnormal RAL at the beginning of 2003, of which:	13 249	1 225	2 573	226	17 273
— paid in 2003	3 005	346	542	63	3 956
— decommitted in 2003	2 110	250	358	20	2 738
— amounts retained after examination of commitments	8 130	628	1 673	143	10 574
Potentially abnormal RAL not examined at the end of 2003	4	1	0	0	5

The potentially abnormal RAL that has been retained is based on case-by-case examinations, with justifications supplied, that payments are still to be made on the basis of the outstanding commitments.

Point 6

Legal commitments without a budget commitment

These contingent liabilities originated because the Commission decided to enter into legal commitments in respect of amounts that were not covered by commitment appropriations in the budget.

Under the interinstitutional agreement and, more generally, the rules relating to the budget, the following expenditure must be recorded as off-balance-sheet commitments in view of the volume of financial commitments which arises.

— The Structural Funds and the Cohesion Fund represent expenditure targets and the whole allocation shown in the financial perspective is meant to be matched by decisions. As a result, contingent commitments are evaluated at a maximum (points 6.1 and 6.2).

— A second more binding level of commitment arises once there is a legal decision for each programme or project (see table below).

— ISPA: In itself, the ISPA regulation does not lead to off-balance-sheet commitments as it does not provide for an annual allocation or even a total allocation. This is determined each year by the budgetary authority in line with the financial perspective. The ceilings in Heading 7 ('Pre-accession') are not expenditure targets and the interinstitutional agreement allows a degree of flexibility between the various pre-accession instruments. On the other hand, ISPA generates contingent liabilities in connection with the individual projects as they involve a number of annual tranches of which only the first is covered by a budget commitment when the decision is adopted (point 6.3).

— The commitments made under financial protocols with Mediterranean non-member countries: The amount included in point 6.4 is the difference between the total amount of the protocols signed and the amount of the budget commitments entered in the accounts. The increase in these contingent liabilities corresponds to decommitments in 2003. These protocols are international treaties that cannot be wound up without the agreement of both parties, although the process of winding them up is ongoing.

— Commitments entered into with specified third parties for other operations outside Heading 4, relating to specific amounts over a fixed period (points 6.5 and 6.6).

— See point 7.3 below and also note VII.B.4 of 'Assets' for details on the Galileo programme (point 6.7).

The other multiannual programmes do not contain any commitments to be included under contingent liabilities: expenditure in future years is conditional on the annual decisions by the budgetary authority or changes in the rules concerned.

Legal commitments not followed up by a budget commitment total EUR 84.2 billion (2002: EUR 114.7 billion) and correspond to the difference between the value of the programmes adopted by the Commission at 31 December 2003 and the amount of budget commitments entered into in respect of these programmes and implemented between 2000 and 2003.

Commitments on multiannual programmes

Cohesion Fund *(million EUR)*

Total allocation 2000-06 (*) (a)	Budget commitments (b)	Maximum potential commitments (a-b)
19 519	11 030	8 489

(*) Under the ceiling for the Cohesion Fund in the financial perspective in force at 31 December 2003.

(million EUR)

Structural Funds (1)	Amount available under the financial perspective (current prices) (a)	Legal commitments concluded in 2000-03 (b)	Budget commitments 2000-03 (2) (c)	Maximum potential commitments (a - c)	Legal commitments with no budget commitment (b - c)(*))
Objective 1	147 098	138 809	80 919	66 179	57 890
Objective 2	24 242	23 230	13 810	10 432	9 420
Objective 3	26 054	24 947	14 467	11 587	10 479
FIFG (outside Objective 1)	1 198	1 148	661	537	487
Communities' initiatives	11 295	11 140	5 241	6 054	5 899
Total	**209 887**	**199 273**	**115 098**	**94 789**	**84 175**

(*) Budget commitments in respect of the networks are not included unless they take the form of a programme with annual tranches.
(1) Commitments from Chapter B2-16 ('Innovation measures and technical assistance') are not included in this list as they are not likely to have generated any off-balance-sheet commitments.
(2) Including appropriations cancelled and those which have not been carried over or transferred in 2000, 2001, 2002 and 2003.

ISPA *(million EUR)*

ISPA contribution to projects adopted by the Commission in 2000 and 2003 (a)	Budget commitments (b)	Maximum contingent commitments (a - b)
6 8934 340		2 553

Point 7

Contributions to related organisations

This sum represents payments outstanding on non-called-up capital subscribed by the Commission.

7.1. Uncalled share capital: EBRD

(million EUR)

EBRD	Total EBRD capital	Commission subscription
Capital	20 000	600.0
Paid-in	5 250	157.5
Uncalled	14 750	442.5

7.2. Uncalled share capital: EIF

(million EUR)

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

7.3. Uncalled share capital: Galileo programme

(million EUR)

Galileo programme	Total Galileo programme capital	Commission subscription
Capital	570	520
Paid-in	132	122
Uncalled	438	398

Pursuant to Council Regulation (EC) No 876/2002 of 21 May 2002, the Commission's contribution to the Galileo programme is EUR 520 million. This commitment is for a period of four years ending on 20 May 2006. In 2002, budget commitments totalling EUR 240 million were entered in the accounts, against which grants of EUR 120 million were paid. EUR 2 million of interest earned on the Commission contribution was treated as an increase in its subscription. A further EUR 80 million was committed in 2003 without further payments and is included in the RAL (above) and so deducted from the above total (see also note VII.B.4 of 'Assets').

Point 8

Emergency veterinary fund

This heading covers amounts for foot-and-mouth disease primarily, but also other disease eradication costs that may have to be borne by the Communities' budget. The amounts entered represent the maximum possible liability minus the amounts already entered as provisions.

The largest amount relates to the foot-and-mouth disease crisis, primarily in the UK, which ran from February 2001 to September 2001. On-the-spot financial checks are ongoing for the only remaining UK claim of EUR 483 million, while a provision of EUR 40 million is recognised in the accounts at year-end. Thus, the difference between the total claim and the amount provided for, in this case EUR 443 million, is included as a contingent liability here. The balance relates to similar claims from other Member States.

Point 9

Renovation of the Berlaymont building

An agreement was signed between the Commission, the Belgian State and S. A. Berlaymont on 13 November 2002. It fixes the maximum price the Commission will have to pay and a deadline for the building to be made available. The long-term lease (27 years) for the Berlaymont building has not yet been signed. The amount entered as a contingent liability is the value of the building before renovation (EUR 49 578 705) and a fixed amount (EUR 503 300 502) covering the cost of the renovation work and all other costs.

The Berlaymont building does not yet figure in the balance sheet of the Communities at 31 December 2003, since the finance leasing contract has not yet been signed and no payment was made in 2003.

Point 10

Long-term leases

10.1. Buildings

This heading covers buildings occupied under a long-term leasing contract (with an initial term of more than five years) which do not meet the conditions for entry on the assets side of the balance sheet. 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 amount of EUR 2.1 million corresponds to the annual rent.

In accordance with the framework contract relating to the construction of one or more extensions to the building of the Court of Auditors, signed on 15 December 1999, the Luxembourg State undertakes to grant the Court a building lease on the land for the first extension at the price of EUR 1 for a period not exceeding 49 years. Any further building leases on other land needed for the other extensions must not exceed the expiry date of the building lease granted for the first extension.

The Luxembourg State also undertakes to sell the land at any time at the market rate determined by a joint expert opinion. For its part, the Court undertakes to do all it can to purchase the land from the Luxembourg State. It will ask the budgetary authority for the necessary funds.

The Commission is in negotiations with the owner of a building for which rental payments have been made on a provisional basis since 1999. The purpose of the negotiations is to fix a rental value that does not exceed the advance provided for in the existing agreement protocol, while the building is being brought up to standard.

Point 11

Amounts related to legal cases

11.1. Brussels Capital Region tax

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 proceedings brought by the owners of some of the buildings occupied by the Commission. The Commission has reached agreement with the Brussels authorities and agreed an amount of EUR 9.9 million to be paid over the period 2003–05. There is, however, still one claim not yet finalised and this amount is included under this heading for 31 December 2003.

11.2. Dispute concerning the acceptance of work done on the Charlemagne building

Legal action has been brought concerning work carried out on the Charlemagne building. The dispute is between the Charlemagne's previous owner and the company that carried out the work. Should the previous owner lose the case, the Commission would have to foot a bill of EUR 1.6 million.

11.3. Actions for damages brought against the Commission

This heading relates to two actions for damages currently being brought against the Commission. The first was brought against it in June 2003 in relation to a ruling made by the Commission. The claim is for EUR 735 million. The Commission submitted its defence in February 2004. The deadline for the applicant's reply is the end of May 2004. The Commission will then submit a rejoinder.

In the second case, an action for damages was brought in October 2003, also in relation to a ruling made by the Commission. The claim is for EUR 1 664 million. The Commission submitted its defence in February 2004. The deadline for the applicant's reply is 14 June 2004. The Commission will then submit a rejoinder.

Neither case is likely to be decided before late 2005. It should be noted that in an action for damages under Article 288 of the EC Treaty the applicant must demonstrate a sufficiently serious breach by the institution of a rule of law intended to confer rights on individuals, real harm suffered by the applicant, and a direct causal link between the unlawful act and the harm. In both cases, the Commission has vigorously denied any liability in damages.

European Commission

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