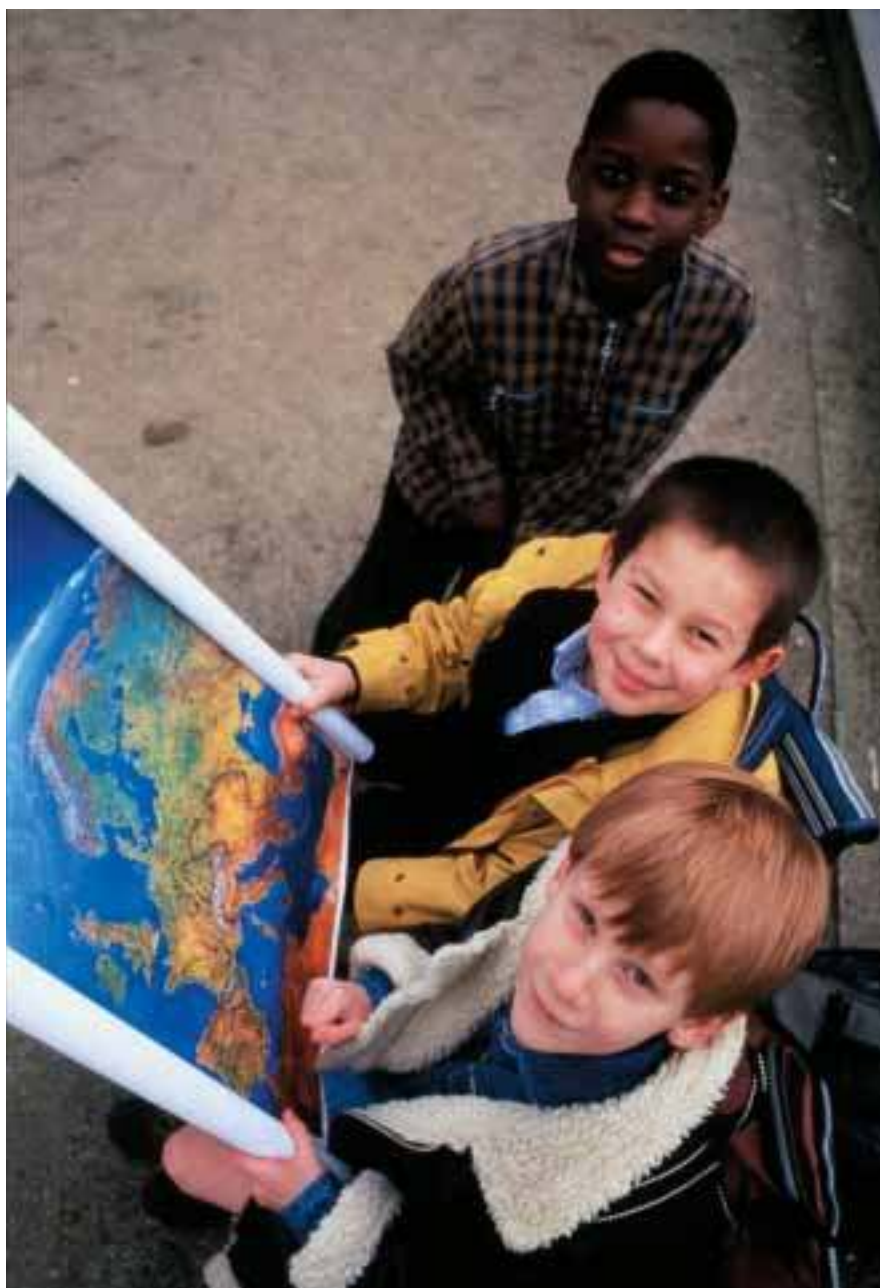




EUROPEAN UNION

FINANCIAL REPORT 2002



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**FINANCIAL REPORT
2002**

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FOREWORD

The year 2002 was marked by several important developments for the European Union, which inevitably had an impact on the EU budget and its management by the Commission.

2002 was the year of negotiations, on financial reform and the enlargement, to define the framework for the coming years.

But 2002 also saw some unforeseen events, notably the war in Afghanistan and natural disasters in Europe. These were met by innovative solutions and sufficient budgetary resources to provide immediate relief.

At the Union level, in 2002 the euro made its successful entrance into European households. This was the culmination of a process which had begun with the introduction of the euro for non-cash transactions in January 1999 and which had required unprecedented and extensive forward planning and wide information coverage.

The year ended with the Copenhagen European Council, a historic moment in the Union's evolution. During 2002 the enlargement financial framework was negotiated and in December agreement was reached on a formula for enlarging the EU to 10 new Member States, so marking the end of the post-war division of Europe. The question of agricultural support was resolved by a rural development package for 2004–06 specifically adapted to the requirements of the new States. Budgetary transfers ensure that all new Member States will be in a net beneficiary position when participating fully in all transfers in and out of the EC budget from 1 May 2004. New 'road-maps' indicate the main steps Bulgaria and Romania need to take in order to reach their target of accession in 2007. Commitments of EUR 125 million were made available to Turkey to help with its pre-accession efforts. Efforts to prepare the EU institutions' administration for enlargement, especially the language services, began to significantly impact on the budget.

The financial reform in the EU institutions took a giant step with the decision on the new Financial Regulation for the Community budget. This is a very important event for the management of the EU budget and one of the major legislative proposals of the Prodi Commission. It was adopted in record time. In June the Council, having reached agreement with the European Parliament and taking into account the views expressed by the Court of Auditors, unanimously adopted the new Financial Regulation. The new version simplifies rules, presents clearly the principles of the EU budget and identifies the policy focus of the budget (Activity-Based Budgeting). This way of presenting the budget aims to simplify decision-making on political priorities and their operational consequences in terms of human and financial resources. This new presentation will be applied formally for the first time to the 2004 budget, although it has been used informally now for several years. The Financial Regulation lays down provisions for the use of appropriations and control and audit systems so that financial management is geared to results and performance. At the same time the Financial Regulation sets the frame for the ongoing modernisation of the accounting system, towards a fully fledged accrual accounting in 2005.

Another reform sector was opened in July 2002, when the Commission launched its mid-term review of the common agricultural policy (CAP). The proposals aimed at more efficient use of taxpayers' money propose *inter alia* the decoupling of the link between subsidies and production. The implications for the farming community, consumers, taxpayers, rural development, as well as the EU's position in the WTO farm trade negotiations, have been hotly debated since then.

Other less positive events also affected the budget. The summer floods in central Europe caused widespread devastation and distress not seen for a century. The Community set up in just two months the European Union Solidarity Fund to help both Member States and candidate coun-

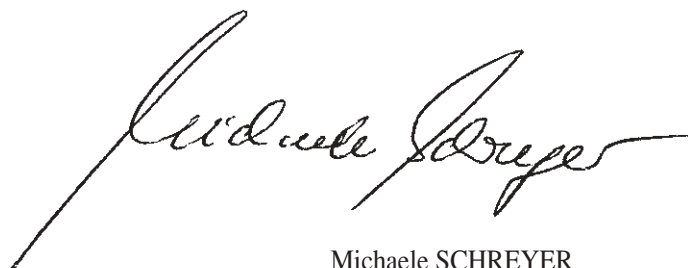
tries cope with the disaster. EUR 728 million was made available to repair damaged essential services and infrastructure and in clean-up operations in Germany, France, Austria and the Czech Republic. Important advance payments were made to farmers whose arable crops were affected by the summer floods. The Fund will now operate on an annual basis up to 2006, with an indicative budget of EUR 1 billion. This should help to react quickly in the event of future such natural disasters.

On the external front, in the year 2002 the EU budget provided special aid for countries torn by war and crisis. The Community took proactive measures internationally. EUR 275 million budget funding was provided for reconstruction and support to the new authorities in Afghanistan and for humanitarian aid in the region. The Community continued to lead on humanitarian support: its initial budget of EUR 442 million was increased during 2002. This extra funding was needed for food crises in two regions — southern Africa and the Horn of Africa — and for helping to alleviate the ongoing crisis in the Middle East.

Overall, for 2002, the Commission was entrusted with a budget of some EUR 99 billion in order to carry out the tasks defined by the legislative and budgetary authorities. Those funds were used during the year to bring forward European integration, to maximise impact on the European Union Member States and its neighbours in the coming years and to meet unexpected challenges.

The financial year 2002 has seen a nearly full take-up of appropriations available for entering into new legal commitments and new projects (EUR 98.6 billion). Payments on the other hand, were far lower. They initially amounted to EUR 95.6 billion, up by 2 % against 2001, corresponding to 1.03 % of EU GNP. The final closing of the accounts for the budget year 2002 revealed a surplus of EUR 7.413 billion, given back to the Member States in 2003 in the form of reductions in their contributions to the budget. The highest underspend occurred in the Structural Funds, where amounts budgeted are based on forecasts submitted by the Member States. The surplus recorded in agriculture, administrative expenditure and the reserves represents real savings.

The year 2002 also opened the way for the future of the Union by setting up the Convention on the future of Europe which began its formal work to draft a new constitutional treaty in March. The quality of its deliberations since then has rather confounded its earlier sceptics. A preliminary draft of a treaty establishing a constitution for an enlarged Europe is being drawn up. The Commission submitted contributions also on the questions of the Union's own resources, on simplifying the budgetary procedure in this process and anchoring in the constitution the instrument of the multiannual financial framework so as to ensure that for the future expenditure will develop in an orderly manner and give the Union the means to attain its objectives.

A handwritten signature in black ink, appearing to read 'Michael Schreyer', written in a cursive style.

Michael SCHREYER

Commissioner for the budget

The Commission is responsible for implementing the budget in compliance with the rules and for ensuring that Community funds are used efficiently. The directorates-general and services in the Commission are responsible for implementing Community programmes in their respective areas and for managing the appropriations earmarked to finance them, usually through and with the Member States.

How has the Commission used these Community resources in 2002?

The purpose of this Financial Report is to set out how the funds have been allocated in the many programmes and projects which the EU taxpayer has supported during the year.

The Report first reviews the economic context in which the budget was implemented in 2002. The procedure leading to the approval of the budget is summarised, and the sources of revenue to finance the budget are identified. A detailed presentation of how those resources have been used follows. Examples demonstrate, in practical terms, what has been achieved with EU taxpayers' money.

The 'theme' of the 2002 Report is the way in which EU funds and the Commission services work together to enhance the EU citizen's security. This takes many forms — civil protection; road, air and maritime safety; consumer health; our environment — but shows the added-value to be achieved by tackling such issues at the Community level.

The Commission's Budget DG staff hope that you will enjoy reading this Report, and look forward to your comments.

	<i>Page</i>
1. The economic situation of the European Union in 2002	9
2. Financial perspective (2000–06)	10
3. Establishing the 2002 budget	13
4. Budget revenue in 2002	18
5. Budget implementation in 2002	22
6. The new financial regulation	31
7. How EU funds and the European Commission work to enhance the security of the EU citizen	32
8. Policy areas and activities by activity-based budgeting	59
— Economic and financial affairs	60
— Enterprise	62
— Competition	64
— Employment and social affairs	66
— Agriculture and rural development	68
— Energy and transport	71
— Environment	74
— Indirect research	76
— Information society	79
— Direct research	81
— Fisheries	83
— Internal market	85
— Regional policy	87
— Taxation and customs union	90
— Education and culture	92
— Press and communication	96
— Health and consumer protection	98
— Justice and home affairs	101
— External relations	103
— Trade	106
— Development and relations with ACP countries	108
— Enlargement	110
— Humanitarian aid	112
— Fight against fraud	114

	<i>Page</i>
9. OLAF and the fight against fraud	116
10. Borrowing and lending activities	117
11. Treasury report	122
Annexes	
— Evolution of the budget of the European Union 1958–2002	125
— Extract from the consolidated accounts of the European Union (provisional)	139
Agencies	219
Glossary	221

1. THE ECONOMIC SITUATION OF THE EUROPEAN UNION IN 2002

The recovery in the euro area and the EU started in the first quarter of 2002, but has failed to accelerate. GDP in the euro area increased by 0.3% quarter-on-quarter in the third, the same growth rate as in the second, while according to advanced indicators the growth rate for the fourth quarter may be of similar size. The composition of domestic demand growth shifted from public to private spending. While investment was weak, private consumption was supported by lower inflation in the second and third quarters. In the Autumn 2002 forecast, the average growth rate was estimated to be 0.8 % in 2002.

Private consumption growth jumped from 0.3 % in the second quarter to 0.5 % in the third but may have weakened slightly in the fourth quarter, after having been weak until the first quarter — it was close to zero for three quarters in a row. Stubborn inflation has eroded the purchasing power of households, but after a decline in inflation in the second quarter purchasing power was strengthened. Investment has fallen by an average rate of 0.7 % during each of the six quarters up to second quarter 2002. In the third quarter it finally broke the declining pattern with 0.1 % growth. Pressure on profits and the existence of sufficient capacity limit the vigour of its expansion.

During the first half of 2002, developments in headline Harmonised Index of Consumer Prices inflation in the euro area mostly reflected the unwinding of temporary shocks. Headline inflation slowed to 1.8 % y-o-y in June, from 2.7 % in January. However, since August, reflecting unfavourable base effects and rises in energy prices, headline inflation is again above 2 % (2.3 % in December). By contrast, core inflation (headline excluding unprocessed food and energy) has shown remarkable resilience at 2.3 to 2.6 % since the beginning of 2002. The reason for the re-

silience in core inflation is mainly high services inflation, as all other core inflation components have been on a downward trend for most of 2002.

Despite the pronounced slowdown, employment creation is estimated to continue, albeit at a weak pace. The rise of the unemployment rate, currently standing at 8.4 %, is likely to remain limited. However, in several Member States the unemployment rate continues to increase rather sharply. The other side of the relatively resilient labour market is that productivity gains are expected to remain low for another year. As a consequence, unit labour costs are expected to increase. To some extent this is a normal cyclical reaction as employment lags the activity slowdown, but nevertheless it puts additional strains on corporate profitability and weighs on the resumption of investment.

Mainly due to adverse cyclical developments, the general government deficit for the euro area as a whole widens to 2.3 % of GDP in 2002. In 2002, apart from the deterioration in the economic situation, other elements contributed to the widening of the deficit. The worse outcome for 2001 provided for a lower starting position, but there were also overruns.

In 2002 global equity prices recorded their third consecutive year of annual losses. Weaker optimism about near-term growth prospects and geopolitical tensions continue to depress stock markets.

The euro rose from a year-low of 0.86 USD/EUR at the end of January 2002 to above parity in July. It remained below or just above parity until mid-December when it started to appreciate, mainly as counterpart of dollar weakness induced by geopolitical tensions and doubts about the strength of the US economy.

2. FINANCIAL PERSPECTIVE (2000–06)

The Community budget since 1988 has been defined within a multi-annual financial framework — the financial perspective (FP) — in order to ensure tighter budgetary discipline and to improve the functioning of the budgetary procedure and interinstitutional cooperation.

The current financial perspective was agreed at the European Council in Berlin in March 1999 for seven years (2000–06). It is the third financial programming period after those of 1988–92 and 1993–99. Its definition and implementing provisions are further detailed in the interinstitutional agreement (IIA) of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure.

Structure of the financial perspective

The financial framework consists of seven headings — some of them broken down into sub-headings — with an annual ceiling for commitment appropriations set for each heading. The sum of all seven headings' ceilings results in the global ceiling of appropriations for commitments. A corresponding estimate is then established for the annual ceiling of appropriations for payments.

As regards enlargement-related expenditure:

- A new Heading 7 was created to cover the three pre-accession instruments: the agricultural instrument (Sapard), the structural instrument (ISPA) and the enhanced Phare programme for applicant countries;
- A new Heading 8 was created in order to cover accession spending, starting from year 2002 (it does not therefore appear in the table 1 below which concerns the financial perspective for EU-15;
- A margin has been left available under the own resources ceiling in payment appropriations in order to finance accession-re-

lated expenditure when new Member States join the Union. This margin adds up to the amounts already left available for accession in Heading 8 as from 2002. For 2002, the margin for unforeseen expenditure under the own resources ceiling stands at 0.13 % of GNP.

Implementation of the financial perspective (FP)

Technical adjustment

Following the provisions of the IIA, the Commission proceeds at the beginning of each budgetary procedure to the technical adjustment of the FP in order to take into account inflation and the evolution of GNP growth. This is required due to the financial perspective framework being originally expressed in constant prices (1999 prices), and therefore needs to be adjusted to the most recent economic environment before the establishment of the preliminary draft budget for the following year.

The technical adjustment exercise is differentiated by heading. A fixed rate of 2 % per year is used as a deflator for:

- amounts entered under Heading 1 (Agriculture);
- amounts entered under sub-heading 'Structural Funds' of Heading 2;
- agriculture and structural operations in 'Available for accession' (Heading 8).

The GNI deflator in euro is applied to the amounts entered in all other headings (actual deflator). On 20 February 2001, the Commission proceeded to the technical adjustment for 2002.

Adjustment to take account of implementation

Another crucial exercise is the adjustment of the financial perspective to take account of implementation. This task is governed by the necessity to ensure an orderly progression of appropriations for payments in relation to the appropriations for commitments. Indeed, the FP is established on the basis of an estimate of the ratio between appropriations for commitments and appropriations for payments. An error in this estimate would cause an imbalance between the two ceilings, for example lower commitments than expected would create a corresponding backlog in payments that would have to be made up later.

On 13 March 2001, the Commission adopted a proposal on the adjustment to take account of implementation, which would apply as from 2002. It led to the decision to raise the annual ceiling for commitment appropriations in the 'Structural Funds' sub-heading of Heading 2. As foreseen in the IIA, a delay in the adoption of programmes occurred in 2001 and EUR 6 152 million of the allocation could not be committed. This amount was therefore transferred to subsequent years by increasing the corresponding expenditure ceilings.

Transfers added to the annual ceilings of the Structural Funds sub-heading of Heading 2

(million EUR — 2001 prices)

2002	2003	2004	2005	2006
870	1 178	1 642	1 396	1 067

European Union Solidarity Fund

Following the disastrous floods that occurred in central Europe during the summer 2002, the Commission proposed the creation of a European Union Solidarity Fund in order to

provide relief in the face of such events. On 7 November 2002, the European Parliament, the Council and the Commission signed an interinstitutional agreement in order to create the European Union Solidarity Fund. The related regulation was also proposed by the Commission to specify the conditions of mobilisation for the fund. This fund is endowed with a maximum annual amount of EUR 1 billion and can be mobilised above the financial perspective ceilings concerned.

Flexibility instrument

The flexibility instrument is a new feature of the 1999 interinstitutional agreement. It offers the possibility to cover the financing of clearly identified expenditure for a given financial year, which cannot be met within the ceilings available under one or more headings. Its annual ceiling amounts to EUR 200 million and its mobilisation is decided jointly by the two arms of the budgetary authority on the basis of a Commission proposal.

Table 1 below shows the financial perspective for the European Union with 15 members, adjusted to 2002 prices.

TABLE 1

Financial perspective (EU-15) — adjusted to 2002 prices

(million EUR)

Appropriations for commitments	Current prices			2002 prices			
	2000	2001	2002	2003	2004	2005	2006
1. Agriculture	41 738	44 530	46 587	46 449	45 377	44 497	44 209
CAP (not including rural development)	37 352	40 035	41 992	41 843	40 761	39 870	39 572
Rural development and accompanying measures	4 386	4 495	4 595	4 606	4 616	4 627	4 637
2. Structural operations	32 678	32 720	32 768	32 153	31 420	31 420	30 969
Structural Funds	30 019	30 005	29 979	29 364	28 738	28 738	28 292
Cohesion Fund	2 659	2 715	2 789	2 789	2 682	2 682	2 677
3. Internal policies ⁽¹⁾	6 031	6 272	6 558	6 676	6 793	6 910	7 038
4. External actions	4 627	4 735	4 873	4 884	4 895	4 905	4 916
5. Administration ⁽²⁾	4 638	4 766	5 012	5 119	5 225	5 332	5 439
6. Reserves	906	916	676	426	426	426	426
Monetary reserve	500	500	250	0	0	0	0
Emergency aid reserve	203	208	213	213	213	213	213
Guarantee reserve	203	208	213	213	213	213	213
7. Pre-accession aid	3 174	3 240	3 328	3 328	3 328	3 328	3 328
Agriculture	529	540	555	555	555	555	555
Pre-accession structural instrument	1 058	1 080	1 109	1 109	1 109	1 109	1 109
Phare (applicant countries)	1 587	1 620	1 664	1 664	1 664	1 664	1 664
Total appropriations for commitments	93 792	97 189	99 802	99 035	97 464	96 818	96 325
Total appropriations for payments	91 322	94 730	100 078	100 795	97 645	95 789	95 217
Appropriations for payments as % of GNP	1.10 %	1.09 %	1.10 %	1.08 %	1.02 %	0.97 %	0.95 %
Available for accession (appropriations for payments)			4 397	7 125	9 440	12 146	15 097
Agriculture			1 698	2 154	2 600	3 109	3 608
Other expenditure			2 699	4 971	6 840	9 037	11 489
Ceiling, appropriations for payments	91 322	94 730	104 475	107 920	107 085	107 935	110 314
Ceiling, payments as % of GNP	1.10 %	1.09 %	1.14 %	1.15 %	1.12 %	1.10 %	1.09 %
Margin for unforeseen expenditure	0.17 %	0.18 %	0.13 %	0.12 %	0.15 %	0.17 %	0.18 %
Own resources ceiling	1.27 %	1.27 %	1.27 %	1.27 %	1.27 %	1.27 %	1.27 %

⁽¹⁾ In accordance with Article 2 of Decision No182/1999/EC of the European Parliament and of the Council and Article 2 of Council Decision1999/64/Euratom (OJ L and p. 34), € 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 € 1 100 million at 1999 prices for the period 2000-06.

1. Strategic planning and programming

The Commission has decided to organise its activities on the basis of clear strategic objectives, which must be reflected in the use of its resources. The first strategic planning and programming cycle covered the year 2002. This decision guided the process of drafting the budget and planning the Commission's work. In addition, the activities set out in the decision will be the subject of strategic evaluations, so that in subsequent cycles the Commission will be able to adjust the resources and methods chosen to implement the priorities in the light of their impact and effectiveness.

The Commission identified six main priority objectives for 2002: the euro, sustainable development, development cooperation, the Mediterranean, enlargement and new governance. Some of these measures needed a shift in resource allocations, but in many cases, priority measures did not require any extra and could be implemented on the basis of existing resources.

Strategic planning is a continuous exercise which forms part of the broader framework of the strategic guidelines for 2000-05. Several of the programmes and activities coming under the 2002 priorities will extend over a number of years: the enlargement process, for example, will be completed only over the medium term, since some countries will need more time to become members, and other applicants may come along in the meantime.

Other objectives of a more permanent nature continue to mobilise a significant share of the Commission's resources, without necessarily being reflected in annual priorities, such as the implementation of the Structural Funds, the reform of the common agricultural policy, monitoring of compliance with the rules on freedom of movement, the creation of an area of freedom, security and justice, improve-

ments to the legislative framework, or reform of the Commission itself. These activities by their very nature will remain crucial for the future in maintaining Europe's current level of integration.

2. Evolution of the 2002 budget

On 8 May 2001, the Commission adopted the preliminary draft budget for 2002. This proposed an increase of 3.5 % in commitment appropriations compared with 2001. The proposed increase in payment appropriations was 4.8 %. These figures compare with an estimated 3.8 % increase of Member States' government expenditure plans for 2002. The 2002 preliminary draft budget, excluding letters of amendment, thus amounted to 1.06 % of EU GNP, less than the 2001 budget at 1.08 % and remained EUR 2.5 billion below the 'Berlin ceiling'.

The draft budget established by the Council at first reading on 20 July 2001 came to EUR 99.010 billion in appropriations for commitments and EUR 95.600 billion in appropriations for payments. Compared with the 2001 budget, including supplementary and amending budgets, these figures represented an increase of 2.1 % in commitments and 2 % in payments.

After Parliament's first reading on 25 October, the draft budget came to EUR 99.634 billion in commitments and EUR 98.737 billion in payments.

Parliament adopted the 2002 budget after its second reading on 13 December. It totalled EUR 98.635 billion in appropriations for commitments (1.7 % higher than in 2001, but EUR 2.2 billion below the ceiling) and to EUR 95.655 billion in appropriations for payments (up by 2 %, the maximum increase agreed with the Council at a conciliation meeting). The total for appropriations for pay-

ments was 1.03 % of Community GNP, EUR 4.59 billion below the ceiling of the financial perspective, making this budget historically low.

The appropriations for Heading 1 (Agriculture) came to EUR 44.255 billion, of which EUR 39.66 billion was for compulsory market expenditure (0.3 % higher than in 2001, and EUR 2.332 billion below the ceiling of the financial perspective) and EUR 4.495 billion for rural development and accompanying measures.

The appropriations for Heading 2 (Structural operations) were set at EUR 33.838 billion in commitments and EUR 32.129 billion in payments, mainly for the Structural Funds: this was EUR 200 million above the ceiling of the financial perspective, due to the restructuring of the Spanish and Portuguese fishing fleets (EUR 170 million) and the regions bordering on the candidate countries (EUR 30 million), financed by drawing on the flexibility instrument. The remainder of the heading, covering the Cohesion Fund, was within the ceiling.

The appropriations for Heading 3 (Internal policies) came to EUR 6.558 billion in commitments and EUR 6.157 billion in payments, leaving a symbolic margin of EUR 0.2 million below the ceiling and representing a 5.2 % increase over 2001. This heading contains a number of priorities which are shared by the institutions, namely eLearning, immigration and asylum, agencies for food safety and mar-

itime safety, and a pilot project for small and medium-sized businesses affected by enlargement. Education, vocational training and youth, the internal market and the area of security and justice were also given a substantial increase in appropriations. For its final year, the fifth research framework programme received an allocation of EUR 4.055 billion (3.4 % up on 2001).

The commitment appropriations for 'External action' (Heading 4) came to EUR 4.803 billion, 2.5 % down on 2001, while payment appropriations were 6.7 % higher reflecting the emphasis placed on implementing projects which had already been committed. EUR 165 million was provided for the Afghan crisis. The appropriations for humanitarian aid were lower than in 2001; the appropriations for the Mediterranean countries were slightly reduced; those for Latin America were slightly increased and those for the Tacis programme were kept at the same level.

The commitment appropriations for 'Pre-accession aid' (Heading 7) came to EUR 3.328 billion, the ceiling of the financial perspective, while payment appropriations in this heading totalled EUR 2.595 billion, 23.5 % higher than in 2001, in order to make up the backlog in implementing these measures.

Finally, 'Administrative expenditure' (Heading 5) came to EUR 5.177 billion (4.8 % up on 2001) leaving a margin of only EUR 2.2 million.

3. Overview of the various stages of the 2002 budgetary procedure

TABLE 2

Commitments

(million EUR, rounded)

Heading	Budget 2001	PDB 2002	Council first reading	Parliament first reading	Council second reading	Parliament second reading (voted budget)	Change (%) 2002/01
1	44 024	44 251	45 022	45 390	44 255	44 255	+ 0.5
2	32 720	33 835	33 638	33 638	33 838	33 838	+ 3.4
3	6 232	6 490	6 447	6 554	6 470	6 557	+ 5.2
4	4 929	4 745	4 772	4 873	4 753	4 803	- 2.5
5	4 939	5 186	5 127	5 175	5 127	5 177	+ 4.8
6	916	676	676	676	676	676	- 26.2
7	3 240	3 328	3 328	3 328	3 328	3 328	+ 2.7
Total	96 999	98 512	99 010	99 634	98 447	98 634	+ 1.7

Payments

(million EUR, rounded)

Heading	Budget 2001	PDB 2002	Council first reading	Parliament first reading	Council second reading	Parliament second reading (voted budget)	Change (%) 2002/01
1	44 024	44 251	45 022	45 390	44 255	44 255	+ 0.5
2	31 574	32 489	32 075	33 657	32 114	32 129	+ 1.8
3	5 855	6 057	5 992	6 158	5 997	6 157	+ 5.2
4	4 371	4 213	4 167	4 779	4 117	4 665	+ 6.7
5	4 939	5 186	5 127	5 175	5 127	5 177	+ 4.8
6	916	676	676	676	676	676	- 26.2
7	2 101	2 921	2 541	2 901	2 541	2 595	+ 23.5
Total	93 780	95 794	95 600	98 737	94 827	95 655	+ 2.0

4. Budgetary adjustments

Appropriations carried forward from 2001 to 2002

From budget year 2001, unused appropriations of EUR 309 million for commitments and EUR 394 million for payments were carried forward to 2002.

Amongst these were EUR 175 million under 'Structural actions', EUR 172 million relating

to the Structural Funds' programming procedure in respect of cases where the programming documents for 2000-06 were approved too late to permit commitments in 2001. The carry-forward was necessary to fully cover the Member States' programme allocations.

EUR 168 million in payment appropriations was carried forward under 'Internal policies', justified by foreseen insufficient payment appropriations in 2002.

For 'External action', EUR 115 million of unused commitment appropriations was carried forward, notably EUR 63 million following the late adoption of a transfer to macro-financial assistance to the Former Yugoslav Republic of Macedonia (FYROM). EUR 226 million in payment appropriations was carried forward, spread across the heading but in the main for 'Other cooperation measures' and 'Cooperation with the Balkan countries'.

5. Supplementary and amending budgets

Supplementary and amending budget No 1/2002: was adopted by Parliament on 28 February. Following the interinstitutional agreement on the financing of the Convention on the future of the European Union, it contained the new lines and transfers of appropriations necessary for the three institutions (Commission, Council and Parliament) to pay their contributions.

Supplementary and amending budget No 2/2002: was adopted on 30 May. Its purpose was to recalculate the revenue side of the budget in accordance with the new own resources decision and enter as revenue an estimate of the positive balance resulting from implementation of the 2001 budget.

Supplementary and amending budget No 3/2002: was adopted on 3 July. Its purpose was to update the estimate of own resources and the collection costs for the Member States and to enter the definitive amount of the balance of the 2001 budget. In its resolution Parliament noted that the final surplus for the 2001 financial year was EUR 15 billion and restated its concern at the build-up of outstanding payments.

Supplementary and amending budget No 4/2002: was adopted on 26 September. The main purpose was to draw on the margin remaining under the ceiling of Heading 4 (Ex-

ternal action) of the financial perspective for reconstruction aid to Afghanistan. It also created two new lines to accommodate the appropriations for the European Union's Solidarity Fund to cover disaster relief in the Member States and the countries which have applied for accession.

Supplementary and amending budget No 5/2002: was adopted on 21 November. Its purpose was to use the European Union's Solidarity Fund for mobilising EUR 599 million for heading 3 (Internal policies) and EUR 129 million for Heading 7 (Pre-accession aid) following the floods in Germany, Austria and the Czech Republic in August and in France in September.

Supplementary and amending budget No 6/2002: was adopted on 5 December. The purpose was to bring forward to 2002 around EUR 77 million of administrative expenditure, thus leaving a margin for manoeuvre to finance the expenditure needed in 2003 to prepare the institutions administratively for enlargement.

6. Transfers in 2002

In 2002, a total of 56 transfers were approved. Transfers of commitment appropriations, excluding transfers from the reserve, totalled EUR 2.031 billion, the equivalent of 2.0 % of the final budget, and payment appropriations EUR 3.275 billion, i.e. 3.4 % of the final budget. The breakdown between headings was amended by:

- a net increase (from Heading 6, 'Reserves') in external actions of EUR 174 million in commitment appropriations and EUR 33 million in payments;
- under 'Structural operations', by a decrease in payment appropriations of EUR 530 million;

-
- under 'Internal policies' by an increase of EUR 599 million in payment appropriations;
 - and under 'Pre-accession aid' by a decrease of EUR 69 million in payment appropriations.

The global transfer of payment appropriations, i.e. the end-of-year budget adjustments to reinforce budget lines expected to be overspent, using the available appropriations from those lines expected to be underspent at year-end - was proposed in October. It covered Headings 2, 3, 4 and 7 of the financial perspectives and amounted to EUR 745.5 million in payment appropriations, i.e. 22.8 % of the transfers-of-payment appropriations for the full year, excluding transfers from the reserve.

4. BUDGET REVENUE IN 2002

The budget of the European Union is financed from the following sources:

- traditional own resources (custom duties, agricultural duties and sugar levies);
- the VAT-based resource;
- the GNI-based resource;
- other revenue (including the balance from the previous year).

As from the financial year 2002 the new Council decision (2000/597/EC, Euratom) on the system of the European Communities' own resources applies. The new Council decision entered into force, after ratification by all Member States, on 1 March 2002 with retroactive effect as from 1 January 2002 (and from 1 January 2001 as regards the collection costs of traditional own resources and the rules for the calculation of the UK correction).

The application of the new decision entails the following changes compared with the previous own resources decision in force (94/728/EC, Euratom):

- the percentage of traditional own resources (TOR) retained by Member States to cover their collection costs increases from 10 to 25 %;
- the maximum rate of call of the VAT resource is reduced from 1.00 to 0.75 % (and to 0.50 % as from 2004);
- a modified calculation method applies to the UK correction, implying, inter alia, the neutralisation of the windfall gains of the United Kingdom that result from the increase in the percentage of traditional own resources retained by Member States;
- the share of Germany, the Netherlands, Austria and Sweden in the financing of the UK correction is reduced to one quarter of its normal value (whereas earlier only the share of Germany was reduced — to two thirds of its normal value);

- the European system of accounts 1995 (ESA 95) replaces the previous version ESA 79 also in the budgetary and own resources area, consequently the concept of gross national product (GNP) is replaced by the concept of gross national income (GNI).

The breakdown of the 2002 total revenue of EUR 95.4 billion into the different revenue sources is shown in Figure 1.

Traditional own resources

The EU's traditional own resources are made up of customs duties, agricultural duties and sugar levies. They are established by the Member States, which keep 25 % to cover their collection costs.

Customs duties are levied on imports of non-agricultural products from third countries, at rates based on the common customs tariff. These rates are often subject to reductions as a result of agreements in the framework of the World Trade Organisation (WTO), previously the General Agreement on Tariffs and Trade (GATT), and specific agreements granting preferential tariffs to certain trading partners or products. In 2002, this revenue amounted to EUR 9 701.2 million (after deduction of 25 % in collection costs), which corresponds to a decrease of 31.9 % compared with the previous year.

Agricultural duties are charged on imports of agricultural products from third countries. In 2002, this revenue amounted to EUR 886.4 million, which corresponds to a decrease of 21.8 % compared with the previous year.

Producers of sugar, isoglucose and inulin syrup pay levies on production to finance the export refunds for sugar. Together these levies offset expenditure of virtually the same amount. In 2002 revenue from this source amounted to EUR 649.5 million, which repre-

sents a decrease of 22.7 % compared with the previous year.

Furthermore, following the entry into force of the new own resources decision (see above), the amount of collection costs for 2001 corresponding to the additional 15 percentage points retained by Member States has been adjusted retroactively. This adjustment amounts to EUR 2 023 million, which decreased Member States' own resources payments accordingly in 2002.

VAT-based own resources

The VAT-based own resources are calculated by applying a uniform rate to the harmonised national VAT bases, which are determined in accordance with Community rules. Furthermore, Member States' VAT bases are capped at 50 % of their GNI. In 2002, five Member States (Greece, Spain, Ireland, Luxembourg and Portugal) benefited from this limit.

The uniform rate is obtained by deducting the so-called frozen rate from the maximum rate of call of VAT. The frozen rate is derived from and proportional to the amount of the UK correction (see below).

In accordance with the own resources decision in force (2000/597/EC, Euratom), the maximum rate is set at 0.75 % of the harmonised capped VAT bases in 2002. The uniform rate of VAT amounted to 0.5251 % (rounded figure).

Payments during a given year derive from the forecasts for the capped VAT bases entered in the budget for that year and the negative or positive adjustments for previous years that result from the difference between the outturn and the latest budgetary forecast for these bases.

In 2002, the VAT resource amounted to EUR 22 388.2 million. This included net negative

adjustments (i.e. a global reimbursement to the Member States) for previous years totalling EUR 150.8 million, the budget forecasts having overestimated the growth of the national VAT bases.

GNI-based own resources

A new source of revenue based on GNP was first introduced in 1988 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. It consists of a uniform rate applied to the sum of all Member States' GNI (as from 2002 the concept of GNP has been replaced by that of GNI) 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 2002, the uniform rate of call of this additional resource amounted to 0.5096 % (rounded figure) of total EU GNI. In total, the GNI resource amounted to EUR 45 947.6 million (including reserves). This included net positive adjustments (i.e. global additional payments called in from the Member States) for previous years totalling EUR 97.3 million, the budget forecasts having underestimated economic growth.

The correction in favour of the United Kingdom

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

The cost of the correction is borne by the other 14 Member States according to their

share in Community GNI. However, certain Member States enjoy a reduction in their financing share, the cost of which is assumed by the remaining Member States. For corrections relating to the years previous to 2001 only Germany benefited from a reduction, by one third, of its normal financing share. As from the 2001 correction, the share of Germany, the Netherlands, Austria and Sweden has been reduced to one quarter of its normal value.

The correction for a certain year 'n' is financed in the following year.

A first provisional estimate of the correction for year 'n' is budgeted in year 'n' + 1. If deemed necessary this estimate can be updated in an amending budget before the budgeting of the result of the final calculation of the correction and its financing in year 'n' + 4.

The total amount of the UK correction budgeted in 2002 amounted to EUR 5 092.2 million and was due to two elements:

- the amount of the 2001 correction (EUR 5 027.0 million);
- the difference between the result of the final calculation of the 1998 correction and the amount previously budgeted in 1999 (EUR 65.2 million).

Other revenue

The general budget is also financed by other revenue, including, inter alia, the balance from the previous exercise, 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 and interest on late payments.

In 2002 other revenue amounted to EUR 17 736.4 million, of which EUR 15 002.5 million corresponded to the surplus carried over from 2001.

FIGURE 1
EU revenue 2002

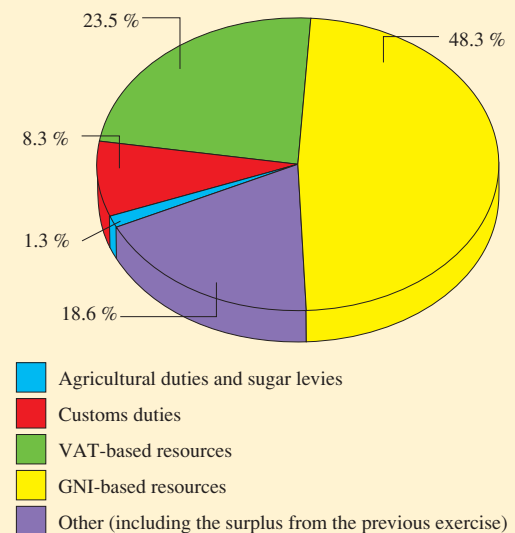


FIGURE 2

EU revenue 1992–2002

(billion EUR)

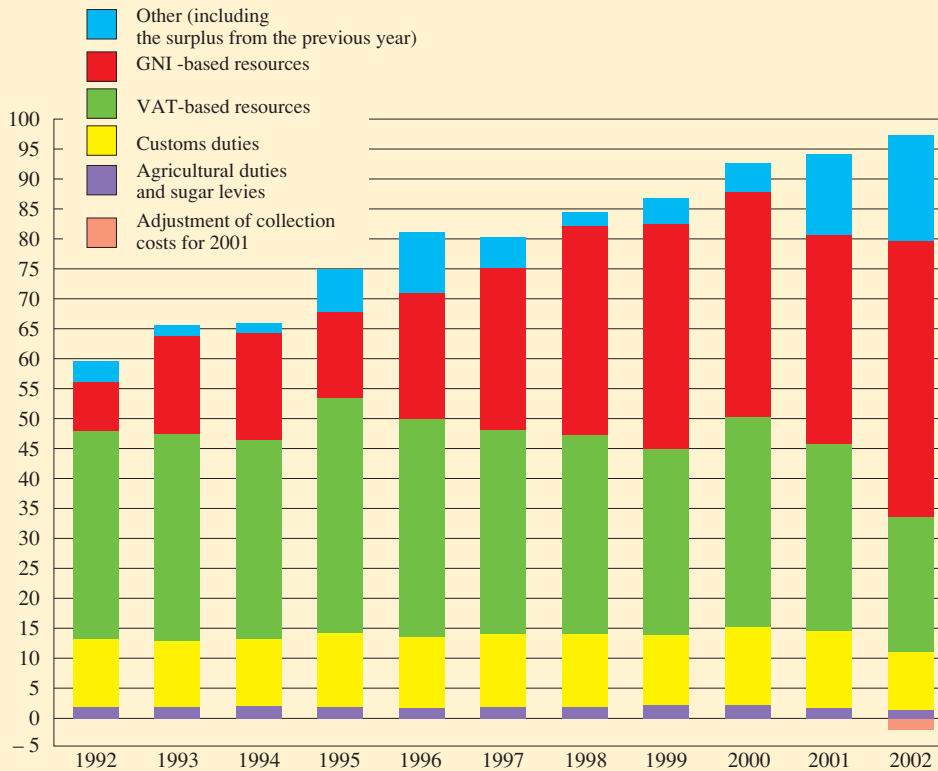
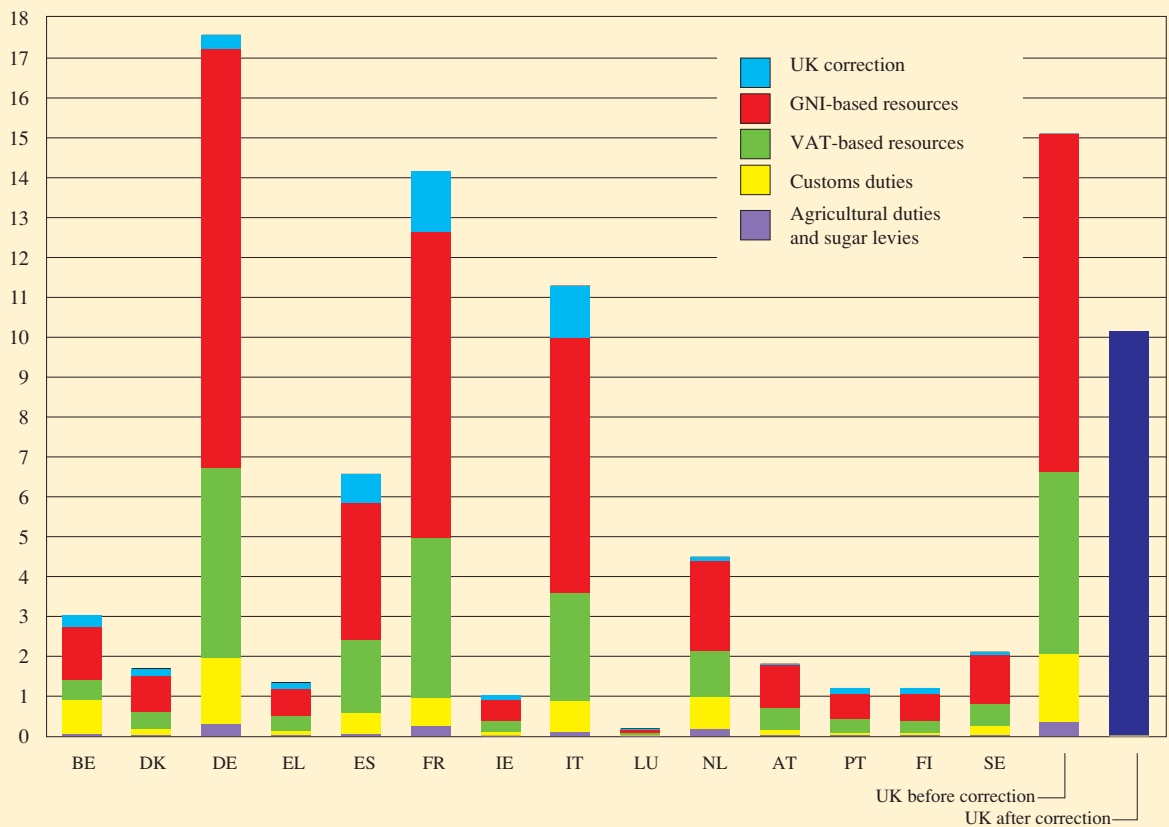


FIGURE 3

Own resources by Member State in 2002

(billion EUR)



5. BUDGET IMPLEMENTATION IN 2002

TABLE 3

Implementation of commitments and payments as at 31 December 2002

Provisional data

Heading	Commitments												
	Initial voted budget without reserve	EFTA	Current reserve commitments	Carried forward appropriations	Supplementary and amending budget	Transfers		Other appropriations	Authorised appropriations	Implementation as at date of report		Implementation as at 31.12.2001	
						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)	39 635.2		24.9				0.0		39 635.2	38 867.5	98	37 719.6	96
Rural development and accompanying measures (B1-4 and B1-5)	4 595.0			99.0			0.0	4 694.0	4 349.6	93	4 363.8	97	
Sub-total	44 230.2		24.9	99.0			0.0	44 329.2	43 217.1	97	42 083.4	95	
2. Structural operations													
Objective 1 (B2-10)	21 329.6			3.9				3.0	21 336.5	21 335.4	100	26 202.9	100
Objective 2 (B2-11)	3 729.8			1.5					3 731.3	3 731.3	100	6 263.6	100
Objective 3 (B2-12)	3 646.0								3 646.0	3 646.0	100	3 762.3	100
Other structural operations (outside Objective 1 regions (B2-13))	168.9			4.6					173.5	173.5	100	173.4	97
Community initiatives (B2-14)	1 860.3			161.9		-56.9		1.0	1 966.3	1 965.7	100	1 433.8	89
Innovation schemes and technical assistance (B2-16)	144.3						41.9	0.2	186.4	183.3	98	204.7	96
Other specific structural operations (B2-2)	170.0						15.0		185.0	185.0	100		
Cohesion fund (B2-3)	2 789.0			3.3					2 792.3	2 791.5	100	3 125.2	100
Sub - total	33 837.9			175.2				4.2	34 017.3	34 011.7	100	41 165.9	100
3. Internal policies													
Research and technological development (B6)	4 055.0	80.0		6.2		-1.0	0.0	545.2	4 685.4	4 519.7	96	4 183.3	93
Other agricultural operations (B2-5)	55.3					-0.3			55.0	52.4	95	49.9	91
Other regional actions (B2-6)	15.0								15.0	15.0	100	15.0	100
Transport (B2-7)	25.0		2.6	1.0		1.6			27.6	25.4	92	23.1	92
Other measures concerning fisheries and the sea (B2-9)	65.1					-1.4			63.7	60.5	95	52.3	84
Education, vocational training and youth (B3-1)	523.6	10.7		5.1				106.0	645.4	604.3	94	582.1	96
Culture and audiovisual sector (B3-2)	116.7	2.4		3.1				19.1	141.3	133.4	94	131.0	92
Information and communication (B3-3)	105.3					3.2		0.4	108.9	84.4	78	104.3	91
Social dimension and employment (B3-4)	153.0	1.7	4.2			1.5		1.3	157.5	149.0	95	148.6	96
Contributions to European political parties (B3-5)	7.0								7.0				
Energy (B4-1)	33.1	0.6						2.2	35.9	33.4	93	62.7	96
Euratom nuclear safeguards (B4-2)	17.7					1.4		0.2	19.3	19.1	99	17.6	98
Environment (B4-3)	189.9	0.4				13.2		9.9	213.4	212.0	99	213.4	92
Consumer policy and consumer health protection (B5-1)	22.5	0.4				-1.0			21.9	21.0	96	21.2	93
Aid for reconstruction (B5-2)	0.9								0.9	0.9	100	3.3	100
Internal market (B5-3)	184.8	1.1		0.2		1.1		4.3	191.5	176.7	92	142.3	91
Industry (B5-4)													
Labour market and technological innovation (B5-5)	99.6	2.1		0.4		5.0		2.7	109.8	103.8	95	133.0	87
Statistical information (B5-6)	34.0	0.6		0.1				5.1	39.8	35.1	88	35.2	96
Trans - european networks (B5-7)	677.0	0.5		1.6		-0.5		0.2	678.8	641.3	94	655.1	98
Area for freedom, security and justice (B5-8)	103.5	0.3	17.1	1.0		21.9		0.1	126.8	121.6	96	125.0	85
Combatting fraud (B5-9)	6.1								6.1	5.9	97	4.4	88
Solidarity fund (B2-4)					599.0				599.0	599.0	100		
Sub-total	6 490.1	100.8	23.9	18.7	599.0	44.7	0.0	696.7	7 950.0	7 613.9	96	6 702.8	94

(million EUR)

Payments														Stock of RAL		Payments		Commitments on RAL as at 01.01.2002 (1)
Initial voted budget without reserve	EFTA	Current reserve payments	Carried forward appropriations	Supplementary and amending budget	Transfers		Other appropriations	Authorised appropriations	Implementation as at date of report		Implementation as at 31/12/2001		as at 01/01/2002	as at date of report	On RAL prior to 2002	On 2002 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)	
39 635.2		24.9	585.8			0.0		40 221.0	39 171.1	97	37 170.4	94	586.1	231.3	534.9	38 636.2	-51.2	
4 595.0			99.0			0.0		4 694.0	4 349.6	93	4 363.8	97				4 349.6		
44 230.2		24.9	684.8			0.0		44 915.0	43 520.7	97	41 534.2	94	586.1	231.3	534.9	42 985.8	-51.2	
18 818.0							3.0	18 821.0	15 369.1	82	13 789.5	71	30 883.8	36 711.8	13 432.0	1 937.2	-138.1	
4 360.0						-955.0		3 405.0	1 641.2	48	3 137.8	70	8 198.7	10 063.0	1 550.0	91.3	-225.9	
3 360.0								3 360.0	2 404.4	72	1 630.3	51	5 779.4	6 992.4	2 358.9	45.5	-28.7	
380.0								380.0	155.0	41	115.6	25	965.2	983.3	150.1	4.9	-0.3	
2 327.0						-123.0	1.0	2 205.0	556.5	25	1 701.4	89	3 902.4	5 256.9	450.6	106.0	-54.6	
245.0							0.2	245.2	185.8	76	97.9	43	427.1	365.2	138.2	47.6	-59.2	
39.0								39.0	39.0	100				146.0	39.0			
2 600.0						548.0		3 148.0	3 148.0	100	1 983.4	63	6 608.7	6 212.4	2 856.1	291.9	-39.7	
32 129.0						-530.0	4.2	31 603.2	23 499.0	74	22 455.9	68	56 765.3	66 731.0	20 935.9	2 563.4	-546.5	
3 751.9	72.8					-20.1	0.0	4 520.6	3 667.3	81	3 195.9	83	6 945.6	7 520.9	2 080.5	1 586.7	-277.2	
61.2			10.5			-0.2		71.5	62.6	88	79.3	74	112.7	94.5	50.3	12.3	-8.1	
15.0								15.0	15.0	100	15.2	96	4.5	3.4	3.0	12.0	-1.1	
22.8		1.9	1.6			1.3		25.7	16.1	63	14.6	68	35.5	39.7	13.4	2.8	-5.2	
59.1						-0.6		58.5	39.4	67	43.7	79	104.4	124.5	26.0	13.5	-0.8	
523.2	10.7						168.7	702.6	592.5	84	567.5	86	482.9	485.2	180.0	412.6	-9.5	
125.9	2.5						25.8	154.2	118.5	77	97.0	68	152.6	165.2	74.3	44.1	-2.2	
95.7			4.0			8.2	0.4	108.3	87.2	81	93.4	85	94.3	77.1	49.3	37.7	-14.5	
137.3	1.3	3.4				6.5	1.4	146.5	132.2	90	122.5	84	152.2	157.4	69.0	63.2	-12.0	
6.3								6.3										
34.6	0.7		3.3				2.4	41.0	29.1	71	34.4	78	75.6	74.7	28.6	0.4	-5.1	
17.6							0.3	17.9	16.6	93	17.6	92	11.8	12.9	5.8	10.7	-1.4	
137.2	0.4					15.0	10.5	163.1	152.0	93	155.9	86	299.9	324.3	79.5	72.4	-35.7	
20.0	0.4							20.4	19.3	95	19.0	94	24.9	23.5	16.0	3.3	-3.0	
0.9								0.9	0.9	100	3.3	100			0.9			
167.2	1.0		5.0			0.0	4.5	177.7	141.2	79	126.7	75	177.6	177.5	72.4	68.6	-35.9	
62.0								62.0										
125.1	1.3		22.0			3.6	0.0	154.8	108.0	70	111.0	75	387.4	372.6	93.7	14.3	-10.6	
31.6	0.6						6.3	38.5	32.3	84	32.6	90	43.6	45.0	24.6	7.8	-1.3	
601.0	0.5		108.6			1.7	0.2	712.0	656.3	92	482.1	79	1 380.2	1 308.2	437.6	218.8	-56.7	
111.5	0.2	17.0	13.3			7.9	0.1	133.0	77.0	58	85.6	67	95.6	132.3	30.8	46.0	-7.7	
5.0								5.0	4.7	94	5.5	89	3.6	3.5	1.4	3.3	-1.3	
						599.0		599.0	599.0	100						599.0		
6 112.1	92.4	22.3	168.3			622.3	0.0	939.4	7 934.5	83	5 302.8	82	10 646.9	11 204.4	3 336.2	3 230.4	-489.2	

TABLE 3 (continued)

Heading	Commitments												
	Initial voted budget without reserve	EFTA	Current reserve commitments	Carried forward appropriations	Supplementary and amending budget	Transfers		Other appropriations	Authorised appropriations	Implementation as at date of report		Implementation as at 31/12/2001	
						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)	455.0			2.3		55.0			512.3	505.9	99	461.3	99
Humanitarian aid (B7-21)	441.8					80.0		0.1	521.9	520.3	100	523.0	100
Cooperation with Asia developing countries (B7-30)	488.0			22.2	70.0			2.5	582.7	574.9	99	407.5	93
Cooperation with Latin American developing countries (B7-31)	346.7			1.8			0.0	0.1	348.6	333.2	96	300.2	96
Cooperation with countries of Southern Africa and South Africa (B7-32)	124.8			0.1					124.9	124.2	99	121.2	99
Cooperation with the Mediterranean third countries and the Middle East (B7-4)	861.5					-78.0		0.5	784.0	783.5	100	909.3	99
European bank for Reconstruction and Development (B7-51)													
Assistance to partner countries in Eastern Europe and Central Asia (B7-52)	473.9			1.5				3.8	479.2	444.5	93	407.7	98
Other Community measures in favour of the CEEC, NIS, Mongolia and Western Balkans (B7-53)												40.0	100
Cooperation with the Balkans countries (B7-54)	765.0			65.9		-7.0	0.0	18.6	842.5	820.9	97	822.1	91
Other cooperation measures (B7-6)	419.8			18.8				1.0	439.6	429.4	98	432.4	93
European initiative for democracy and the protection of human rights (B7-7)	104.0								104.0	103.8	100	104.8	99
International fisheries agreements (B7-80)	149.5								191.9	190.3	99	194.4	100
External aspects of certain Community policies (B7-81 to B7-87)	75.9							0.4	94.4	74.0	78	76.4	97
Common foreign and common security policy (B8-0)	30.0			2.8				0.0	32.8	32.9	100	32.7	85
Mediterranean countries pre-accession strategy (B7-04 and B7-05)	21.0					128.0			149.0	148.0	99	26.3	100
Sub-total	4 756.9			115.4	70.0	220.8	0.0	44.7	5 207.8	5 085.8	98	4 859.3	96
5. Administration													
Part A (excluding pensions)	2 693.2	1.6		0.7	40.4	7.8	1.2	119.3	2 864.2	2 821.1	98	2 656.1	98
Pensions (A-19)	688.1				-2.5	-1.8	-1.2		682.6	681.0	100	626.4	100
Sub-total	3 381.3	1.6		0.7	37.9	6.0	0.0	119.3	3 546.8	3 502.1	99	3 282.5	98
6. Reserves													
Monetary reserve (B1-6)	250.0								250.0				
Guarantee reserve (B0-2)	213.0								221.8	170.5	77	207.2	100
Emergencies aid reserve (B7-91)	213.0					-174.0			39.0				
Sub-total	676.0					-174.0		8.8	510.8	170.5	33	207.2	24
7. Pre-accession aid													
Agriculture (B7-01) (Sapard)	555.0								555.0	554.6	100	540.1	100
Pre-accession structural instrument (B7-02) (ISPA)	1 109.0			0.1					1 109.1	1 109.0	100	1 121.2	100
PHARE (applicant countries) (B7-03)	1 664.0							74.8	1 738.8	1 711.3	98	1 650.7	98
Solidarity fund (B7-09)					129.0				129.0	129.0	100		
Sub-total	3 328.0			0.1	129.0			74.8	3 531.9	3 503.9	99	3 312.0	99
Grand total	96 700.4	102.4	48.8	409.1	835.9	97.5	0.0	948.5	99 093.8	97 105.0	98	101 613.2	97

(1) For non dissociated appropriations, cancellations are included

(million EUR)

Payments														Stock of RAL		Payments		Commitments on RAL as at 01.01.2002 (°)
Initial voted budget without reserve	EFTA	Current reserve payments	Carried forward appropriations	Supplementary and amending budget	Transfers		Other appropriations	Authorised appropriations	Implementation as at date of report		Implementation as at 31/12/2001		as at 01/01/2002	as at date of report	On RAL prior to 2002	On 2002 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)	
420.8								420.8	416.3	99	483.8	99	996.9	1 035.7	323.0	93.3	-50.8	
441.8			50.0			51.0	0.1	542.9	474.2	87	561.1	90	376.9	361.4	193.6	280.6	-61.7	
465.1							2.5	467.6	454.3	97	383.1	96	2 032.0	2 047.9	354.9	99.3	-104.7	
318.4						-85.0	0.0	233.5	181.8	78	152.0	66	1 276.6	1 393.7	177.5	4.2	-34.1	
148.5						-12.4		136.1	119.3	88	99.5	82	455.7	446.8	118.8	0.5	-13.8	
678.6		5.2	4.2			180.0	0.5	863.3	843.4	98	579.0	93	3 782.6	3 581.2	605.2	238.3	-141.6	
8.4								8.4	8.4	100	7.4	100	43.9	35.4	8.4			
542.7						-74.5	3.8	472.0	395.1	84	382.4	88	1 445.1	1 456.2	361.1	34.1	-38.2	
							0.1	0.1	0.1	100	40.7	49	0.2		0.1		-0.1	
781.7			100.0			-6.4	18.6	893.9	749.2	84	920.0	87	907.2	955.9	421.0	328.2	-22.9	
411.1			65.0			-13.5	0.0	463.7	387.2	84	301.6	65	840.0	803.2	320.2	67.3	-78.6	
100.7						3.0		103.7	93.8	90	54.3	56	242.6	234.3	83.7	10.1	-18.3	
152.8						42.4		195.2	186.2	95	192.0	89	16.6	20.6	4.1	182.1	-0.2	
88.1			0.2			-8.0	18.2	98.5	64.5	65	42.0	69	211.7	198.6	50.8	13.8	-22.6	
35.0			7.0			-6.0		36.0	30.9	86	29.5	67	33.7	27.5	14.1	16.8	-7.9	
20.5						8.5		29.0	18.9	65	2.5	19	31.7	160.6	15.1	3.9	-0.2	
4 614.2		5.2	226.4			79.2	0.0	4 964.7	4 423.6	89	4 230.9	86	12 693.4	12 759.0	3 051.6	1 372.5	-595.9	
2 693.2	1.6		242.3	40.4	7.8	1.2	136.9	3 123.4	2 758.2	88	2 588.6	88	261.2	284.0	222.3	2 535.6	-39.3	
688.1				-2.5	-1.8	-1.2		682.6	679.3	100	625.2	100				679.3	-1.6	
3 381.3	1.6		242.3	37.9	6.0	0.0	136.9	3 806.0	3 437.5	90	3 213.8	90	261.2	284.0	222.3	3 214.9	-40.9	
250.0								250.0										
213.0							8.8	221.8	170.5	77	207.2	100				170.5		
213.0						-33.0		180.0										
676.0						-33.0	8.8	651.8	170.5	26	207.2	24				170.5		
370.0								370.0	123.9	33	30.5	6	1 038.6	1 468.8	123.9	0.1	-0.4	
704.4						-198.0		506.4	398.4	79	203.2	58	1 931.7	2 642.3	331.6	66.8	-0.1	
1 520.7							74.8	1 595.5	1 101.2	69	1 167.8	79	3 728.2	4 305.4	1 010.7	90.4	-33.0	
						129.0		129.0	129.0	100						129.0		
2 595.1						-69.0	0.0	74.8	2 600.9	1 752.5	67	1 401.5	61	6 698.5	8 416.5	1 466.2	286.3	-33.5
93 737.9	94.0	52.4	1 321.8	37.9	75.5	0.0	1 209.0	96 476.2	83 371.0	86	78 346.3	82	87 651.4	99 626.2	29 547.1	53 823.8	-1 757.2	

1. Introduction

For budget year 2002, EUR 97 billion was committed from total available appropriations of EUR 99 billion, an implementation rate of 98 %. This compares with 97 % in 2001.

Payments made amounted to EUR 83.4 billion from total available appropriations of EUR 96.5 billion, an implementation rate of

86 %, compared with 82 % in 2001. 'Structural actions' (EUR 8 billion), 'Agriculture' (EUR 1.4 billion) and 'Internal policies' (EUR 1.4 billion) mainly account for the unused appropriations of EUR 13.1 billion.

Of the unused appropriations in 2002, EUR 145 million for commitments and EUR 3.9 billion for payments were carried forward to the next financial year, under Article 9 of the new financial regulation.

Heading	Implementation of commitment appropriations (%)		Implementation of payment appropriations (%)	
	2002	2001	2002	2001
1. Agriculture	97	95	97	94
2. Structural actions	100	100	74	68
3. Internal policies	96	94	83	82
4. External actions	98	96	89	86
5. Administration	98	98	90	90
6. Reserves	33	24	26	24
7. Pre-accession aid	99	99	67	61
Total	98	97	86	82

2. Agriculture (Heading 1)

(million EUR)

	Initial budget	Carryover from 2001	SAB	Budget authority transfers	Other appropriations	Total authorised appropriations	Implementation 2002	Implementation rate (%)
Commitments	44 230	99	0	(1462-1462) 0	0	44 329	43 217	97
Payments	44 230	685	0	(1462-1462) 0	0	44 915	43 521	97

Agricultural expenditure for the year was EUR 43.5 billion, or 97 % of total available appropriations, compared with 94 % in 2001. Of the unused appropriations, EUR 84 million for commitments and EUR 315 million for payments were carried forward to 2003.

None of the EUR 25 million initial reserve was released during the year. The traditional

end-year transfer within the heading amounted to EUR 1.5 billion mainly from the beef and veal sector (EUR 960 million) as the faster than expected pace of recovery in the beef market led to lower spending for beef storage, export refunds and premium schemes. This transfer covered deficits arising mainly for arable crops (EUR 700 million) because of the decisions to make advance

payment in direct aid to certain regions for the marketing year 2002/03, and for the milk and milk products sector (EUR 470 million) as a deteriorating market led to increased spending for the sector.

For 'CAP-related expenditure' (Heading 1a), the under-utilisation mainly relates to veterinary and plant health measures (EUR 600 million) because of delays in finalising payments related to foot-and-mouth disease (FMD). However, of EUR 440 million carried forward automatically from 2001 to the emergency fund, EUR 420 million was paid in

2002 to cover costs mainly related to FMD. Concerning the eradication of animal diseases, while EUR 166 million was committed in 2002, none was spent in the year and of EUR 111 million carried forward from 2001, EUR 97 million was paid mainly for the TSE monitoring programmes (EUR 63 million).

For Sub-heading 1b, under-spending of EUR 345 million was the net result of over-implementation of the rural development programmes by certain Member States and of under-implementation of the same programmes by other Member States.

3. Structural actions (Heading 2)

(million EUR)

	Initial budget	Carryover from 2001	SAB	Budget authority transfers	Other appropriations	Total authorised appropriations	Implementation 2002	Implementation rate (%)
Commitments	33 838	175	0	(62-62) 0	4	34 017	34 012	100
Payments	32 129	0	0	(548-1078) 530	4	31 603	23 499	74

Full implementation for commitments was reached for this heading with a small unutilised amount under 'Structural Funds' for 'Innovative measures'.

Total payments for the heading amounted to EUR 23.5 billion, or 74 % of available appropriations, an under-utilisation of around EUR 8 billion entirely related to the Structural Funds. This situation is an improvement on the implementation rate of 68 % in 2001 when unused appropriations amounted to EUR 10.5 billion. For the new Structural Fund programmes 2000-06, EUR 19 billion in payments were made, an implementation rate of 91 %, a significant improvement compared with EUR 14.6 billion or 70 % in 2001.

For the Structural Funds in 2002 the unused payment appropriations mainly relate to the

earlier programmes 1994-99, where payments amounted to EUR 1.2 billion of the EUR 7.3 billion available. In September 2002, the Commission had already pointed to the risk of a concentration of payment requests towards the deadline (31 March 2003) for Member States to present final payment requests, in contrast to the payment forecasts for 2002 by Member States which indicated full utilisation of available appropriations.

The year saw full utilisation for the Cohesion Fund payment appropriations of EUR 3.2 billion, a significant improvement compared with EUR 2 billion or 63 % implemented during the same period in 2001.

Of the remaining appropriations for 2002, EUR 3.3 billion for payments were carried forward to 2003.

4. Internal policies (Heading 3)

(million EUR)

	Initial budget	Carryover from 2001	SAB	Budget authority transfers	Other-appropriations	Total authorised appropriations	Implementation 2002	Implementation rate (%)
Commitments	6 490	19	599	(65-20) 45	798	7 950	7 614	96
Payments	6 112	168	0	(695-72) 622	1 032	7 935	6 567	83

EUR 7.6 billion or 96 % of total available appropriations was committed in 2002, compared with EUR 6.7 billion, an implementation rate of 94 %, in 2001. Excluding third party appropriations, under-utilisation of commitment appropriations for this heading is in the region of EUR 150 million, spread across the heading and is mainly accounted for by EUR 37 million for 'Trans-European networks', EUR 25 million for 'Information and communication', EUR 18 million for 'Education, vocational training and youth', EUR 18 million for 'Research and development' and EUR 15 million for 'Internal market'.

Of the unused appropriations in 2002, EUR 22 million for commitments was carried forward to 2003.

Payments made amounted to EUR 6.6 billion, an implementation rate of 83 % compared with EUR 5.3 billion or 82 % in 2001.

The additional payment appropriations from contributions of the associate States to the

Community budget (third part appropriations) comprise equality between commitment and payment appropriations. However, the latter can be only implemented in stages, according to the duration and the progress of the projects. A partial implementation of these appropriations, corresponding to the payments of the advances, is consequently normal, and the remaining amounts will make it possible in the successive years to liquidate the RAL connected with these projects.

Without third party appropriations, unused appropriations for the heading are in the region of EUR 700 million and mainly concern EUR 305 million for 'Research and development', EUR 54 million for 'Trans-European networks', EUR 55 million for 'Area for freedom, security and justice', EUR 44 million for 'Labour market and technology', and EUR 36 million for 'Internal market'.

Of the remaining appropriations in 2002, EUR 87 million for payments was carried forward to 2003.

5. External actions (Heading 4)

(million EUR)

	Initial budget	Carryover from 2001	SAB	Budget authority transfers	Other appropriations	Total authorised appropriations	Implementation 2002	Implementation rate (%)
Commitments	4 757	115	70	(356-135) 221	45	5 208	5 086	98
Payments	4 614	226	0	(333-254) 79	45	4 695	4 424	89

Under this heading, EUR 5.1 billion in commitments were made, an implementation rate of 98 %, slightly higher in comparison to 2001.

Excluding third-party appropriations, unused appropriations amounted to EUR 78 million, mainly: EUR 32 million for 'Assistance to partner countries in eastern Europe and Central Asia', EUR 17 million for 'Cooperation with Latin American countries' and EUR 22 million for 'Cooperation with the Balkan countries'. Of the appropriations that could not be used before end-year 2002, EUR

35 million was carried forward to 2003.

All of the initial appropriations placed in reserve were released to the heading during the year, including EUR 35 million to cover the financial contribution due for 2002 under the fisheries agreements with Angola and Senegal.

EUR 4.4 billion payments were made in 2002, an implementation rate of 89 % compared with 86 % in 2001.

Excluding third-party appropriations, unused appropriations amounted to EUR 520 million.

Of the remaining payment appropriations in 2002, EUR 32 million was carried forward to 2003. The under-utilisation is a combination of programmes committed late in the year, late reinforcements and an increase in the budget over the PDB, and is accounted for mainly by EUR 128 million for 'Cooperation with the Balkan countries', EUR 76 million for 'Assistance to partner countries in eastern Europe and Central Asia', EUR 76 million for 'Other cooperation measures', EUR 69 million for 'Humanitarian aid', and EUR 55 million for 'Cooperation with developing Latin American countries'.

Of the initial EUR 52 million placed in reserve, EUR 47 million was transferred to the heading, including EUR 35 million for 'International fisheries agreements'. A further EUR 33 million from the 'Emergency aid' reserve was transferred to the heading, specifically for Humanitarian aid for Afghanistan and neighbours, Palestine and Southern Africa.

Through a combination of increasing payments and a continued effort in screening old and dormant commitments, outstanding commitments (RAL) have been stable for this heading for the second consecutive year.

6. Administrative expenditure

	Initial budget	Carryover from 2001	SAB	Budget authority transfers	Other appropriations	Total authorised appropriations	Implementation 2002	Implementation rate (%)
Commitments	3 381	0.7	38	(13-7) 6	121	3 547	3 502	99
Payments	3 381	242	38	(13-7) 6	139	3 806	3 438	90

The appropriations to pay wages were fully used up. For the first time since many years, there was no need to reinforce Chapter A-19 (Pensions).

In respect of rents, the Commission concluded an agreement with the Belgian State concerning the Berlaymont site: this agreement fixes the price the Commission will have to pay as

an annual instalment under a long-term lease. In the context of the frontloading operation decided by the budgetary authority, execution of 2002 for rent includes also the payment of the rent for the beginning of 2003 which had to be paid before 1 January 2003. Under 'Buildings expenditure', budgetary lines connected with security had to be reinforced following the attacks of 11 September 2001 and

the strengthening of safety measures adopted by the Commission.

Expenditure for the Official Journal (and to a lesser extent, those of the Publications Office) was influenced by the need to prepare publication of the secondary legislation in the nine languages of the applicant countries. This involves the publication of some 80 000 pages by language.

7. Pre-accession aid (Heading 7)

	Initial budget	Carryover from 2001	SAB	Budget authority transfers	Other appropriations	Total authorised appropriations	Implementation 2002	Implementation rate (%)
Commitments	3 328	0.06	129	0	75	3 532	3 504	99
Payments	2 595	0	0	(129-198) 69	75	2 601	1 753	67

For commitments, 99 % implementation was achieved under this heading, similar to the result in 2001.

Payments amounting to EUR 1.8 billion were made, an implementation rate of 67 %, compared with EUR 1.4 billion or 61 % last year. This outcome translates to an under-utilisation of around EUR 800 million mainly related to

Phare programmes where unused appropriations amounted to EUR 430 million as the volume of payment requests from national authorities was lower than initially expected. For Sapard, the under-implementation was around EUR 250 million due to commitments made late in the year. For ISPA it was around EUR 100 million due to the concentration of commitments at year-end.

Recasting of the financial regulation applicable to the Community budget. On 25 June 2002 the Council adopted the new financial regulation applicable to the general budget of the European Communities. The regulation confines itself to stating the broad principles and basic rules governing the establishment and execution of the budget and financial control whilst the associated implementing rules have been moved to their own specific regulation in order to produce a better hierarchy of norms.

The new financial regulation, which entered into force on 1 January 2003, has been changed as follows: simplification and legibility of the rules applicable to all stages of bud-

get establishment and implementation; clarification of budgetary principles (unity, universality, specification, annuality, equilibrium, transparency, etc.); new structure, corresponding to the activity-based approach; more information for the budgetary authority; more flexibility, for example when making transfers from one budget line to another; rationalisation of management methods (centralised, decentralised or joint); modernisation of financial management geared to results and performance; fewer exceptions to the rules; modernisation of accounting rules; incorporation of provisions on public procurement procedures to improve transparency and prevention of fraud in this field.



7. HOW EU FUNDS AND THE EUROPEAN COMMISSION WORK TO ENHANCE THE SECURITY OF THE EU CITIZEN

PART 1 — OVERVIEW

In line with the practice of recent years, this Financial Report examines in depth a particular theme intended to show how EU funds have been used to the benefit of the EU taxpayer.

For the financial year 2002, the theme 'Security' has been selected.

The following chapters (Parts) examine how EU resources, and the efforts of the Commission services, have been employed together to enhance the security of the EU citizen in a wide range of areas - food safety, health protection, transport safety, protection against environmental hazards, civil and diplomatic protection.

The report demonstrates what is being achieved under these areas: it also aims to show the advantages to be gained by tackling these issues at Community, as opposed to national level, given that many are transnational in nature and impact.

Link with the 2001 Report

Protection of EU citizens as consumers was examined in the 2001 edition of the Financial Report under the theme 'Consumers in the European Union'. This protection was given a new impetus when in May 2002, the European Commission adopted a new consumer policy strategy specifying its overall political approach for the five year period, 2002-06, with three key objectives.

□ 'A high common level of consumer protection'. This means harmonising, by the most appropriate means (e.g. framework directive, standards, best practices), not just the safety of goods and services, but also those economic and legal interests that will enable consumers to shop with confidence anywhere in the EU and by whatever means.

□ 'Effective enforcement of consumer protection rules'. There is no good law if it is not properly enforced. In practice, consumers should be given the same protection throughout the EU, and also in an enlarged EU. The priority actions are the development of an administrative cooperation framework between Member States and of redress mechanisms for consumers.

□ 'Proper involvement of consumer organisations in EU policies'. For consumer protection policies to be effective, consumers themselves must have an opportunity to contribute to the development of policies that affect them. Consumers and their representatives should have the capacity and resources to promote their interests on a similar footing as other stakeholders.

PART 2 - FOOD SECURITY AND SAFETY FOR EU CITIZENS

2.1. Introduction

Consumer confidence in the quality and safety of food products has been considerably shaken during the last ten years or so by the cumulative impacts of food-related health crises. Responding to the challenge, the European Union is implementing a comprehensive strategy to restore people's belief in the safety and quality of their food entitled 'From the farm to the fork'.

A new regulatory approach was laid out by the European Commission in January 2000 with the publication of the White Paper on food safety. This drew together, for the first time, all aspects of food safety along the food chain, from hygiene provisions to animal feed, health, welfare and phytosanitary requirements. Since then considerable progress

has been made in implementing many of the more than 80 separate actions outlined in the White Paper.

2.2. Safety is a producer responsibility

The framework of the EU's drive for greater food safety is a general food law adopted as a regulation in January 2002. It is based on the following principles:

- responsibility for ensuring the delivery of safe food and animal feeds belongs to the food and feed manufacturers. Unsafe foods and feed must be withdrawn;
- foodstuffs, animal feed, food and feed ingredients must be traceable;
- clear procedures should be established for developing food law and dealing with food emergencies;
- feeding stuffs will be covered by a rapid alarm system to be triggered as soon as doubts arise about their safety. The system extends existing arrangements covering food to the feed sector and feed and food imports from outside the EU. It obliges notification of any direct or indirect threat to human health, animal health or the environment.

The regulation also:

- established the European Food Safety Authority (EFSA) which was launched later in 2002. Assessing and communicating the risk of possible threats to food safety is often very difficult. The Authority has been created because of the need for independent, scientific advice that is also transparent and open to scrutiny.

The main task of the EFSA is to provide scientific advice and support for Community legislation and policies in all fields having a di-

rect or indirect impact on food and feed safety. It will give independent information on these matters and communicate on risks in the food chain to the general public. The Authority is to become a point of reference for all stakeholders, policymakers and the public by virtue of its independence, the scientific quality of its opinions and its information to the public as well as the transparency of its procedures.

In addition to its own specialist personnel, the Authority will manage and be supported by networks of similar scientific and food safety organisations in the EU.

- gave the Commission new powers to take emergency measures when national authorities are unable to contain an emerging food risk. Such measures can be taken where it is evident that a feed and food originating in the EU, or imported from a third country, is likely to constitute a serious risk to human health, animal health or the environment, and that such a risk cannot be contained satisfactorily by means of measures taken by the Member States. Such action can be initiated by the Commission itself, or be requested by a Member State.

Depending on the gravity of the situation, emergency measures can take the form of a suspension of the marketing or use of the feed or food in question, of subjecting the use and marketing of the feed or food to special conditions or any other appropriate interim measure.

- replaced three standing committees with just one. The Standing Committee on the Food Chain and Animal Health, brings together Member States representatives with important roles in decision-making on food safety issues. The Committee will help the Commission to develop food safety measures.

2.2.1. A single, transparent food hygiene policy

This is a major pillar of food safety involving an important revision of EU food hygiene legislation. The package of new proposals aims to merge, harmonise and simplify the very detailed and complicated hygiene requirements previously spread over 17 directives. With the creation of a single, transparent hygiene policy applicable to all food and food operators, the proposals set out a simplified and transparent set of rules, where full responsibility for food safety is given to food operators, while at the same time leaving them more flexibility in deciding on appropriate safety measures.

2.2.2. An EU approach to food and feed controls

The Commission is addressing certain weaknesses in current EU legislation in a proposal which will streamline and reinforce the existing control system. Member States are being encouraged to apply an EU approach to the design and development of national control systems based on:

- clear definition of the obligations of Member States;
- clear definition of the obligations of the Commission inspection services;
- enforcement measures.

2.2.3. Labelling for informed decisions

Consumers have a constantly widening range of foods to choose from and need to be able to make informed decisions. Many need details of ingredients for health reasons. However, since the EU's current legal framework dates from 23 years ago, the Commission has

launched an in-depth review to:

- assess whether current legislation is fully adapted to consumers' needs and expectations;
- judge whether it corresponds to the reality of trade in food in the 21st century;
- decide whether it is the best means of providing information in the global market.

An important labelling innovation expected to come into force by 2005 will abolish the '25 % rule'. This freed producers of the obligation to label components of compound ingredients that make up less than 25 % of the final food product. In future, ingredients likely to cause allergies cannot be 'hidden'.

2.2.4 Nutrition and health claims

Consumers, the food industry and retailers are demanding that attention be given to the use of nutrition claims and health claims on foods. National approaches differ widely and these differences can handicap consumer protection.

The objectives and principles of the Union's approach are to:

- harmonise the voluntary provision of information on nutrition and health claims within the EU;
- give consumers, on a voluntary basis, the necessary information to make food choices;
- improve the free movement of goods within the internal market;
- increase legal security for all operators;
- create equal conditions of competition for the food industry.



2.3. Safety of food products

2.3.1. Dietetic foods, food supplements and fortified foods

To ensure a high level of human health protection in the single market dietetic foods such as foods for infants and young children, foods for weight-reducing diets or foods for special medical purposes, have been subject to Community legislation. Over the years there has been an increase in the marketing and use of food supplements (for example vitamin pills) and fortified foods (regular foods with added nutrients). Therefore in the White Paper on food safety the Commission identified a need for harmonised rules and announced legislative proposals.

New EU-wide rules on food supplements will harmonise the substantially diverging national rules on the sale of food supplements in the form of pills and capsules, introducing common safety rules for food supplements that contain vitamins and minerals. Labels will have to give consumers detailed information on nutrient content and on usage information, including a warning about exceeding the intake as set out in the manufacturer's instructions and a statement that food supplements should not be used as a substitute for a varied diet.

2.3.2. Food additives and flavourings

The Community legislation on food additives is based on the principle that only those additives that are explicitly authorised may be used. Most food additives may only be used in limited quantities in certain foodstuffs. If no quantitative limits are foreseen for the use of a food additive, it must be used according to good manufacturing practice, i.e. only as much as necessary to achieve the desired technological effect.

Food additives may only be authorised if:

- there is a technological need for their use
- they do not mislead the consumer
- they present no hazard to the health of the consumer.

Prior to their authorisation, food additives are evaluated for their safety by the Scientific Committee on Food, an expert panel that advises the European Commission in questions relating to food.

Flavourings are substances used to give taste and/or smell to food. Community legislation defines different types of flavourings, such as: natural, natural-identical or artificial flavouring substances, flavouring preparations of plant or animal origin, processed flavourings which evolve flavour after heating and smoke flavourings.

European Parliament and Council Regulation (EC) No 2232/96 sets out the basic rules for the use of flavouring substances in or on foodstuffs in the EU. It furthermore lays down a procedure for the establishment of a EU-wide positive list of flavouring substances. After its establishment, foreseen by July 2005 at the latest, only those flavouring substances listed may be added to foods.

2.3.3. Food contact materials

Food contact materials are all materials and articles intended to come into contact with foodstuffs, including packaging materials but also cutlery, dishes, processing machines, containers, etc. The term also includes materials and articles which are in contact with water intended for human consumption, but it does not cover fixed public or private water supply equipment. The harmonisation at EU level of the legislation on food contact materials fulfills two essential goals: the protection of the health of the consumer and the removal of technical barriers in trade.

2.3.4. Food contaminants and residues (chemical, pharmaceutical)

Efficient control of contaminants and residues in foodstuffs is an essential contribution to the maintenance of a high level of consumer protection in the EU. Legislation has been put in place by the EU on the following substances:

- contaminants which may unintentionally enter food during the various stages of its production and marketing;
- residues of substance used in veterinary medicinal products for the prevention and the treatment of diseases in food-producing animals;
- residues of substance used as additives in feed intended for food-producing animals;
- residues of substance used in plant protection products (pesticides) for the prevention and the treatment of pests and diseases in plants grown for food and feed production.

2.3.5. Food hygiene

The Commission is currently revising the Community's food safety hygiene rules,

putting forward proposals for regulations, under which food operators right through the food chain will bear primary responsibility for food safety. The new regulations will merge, harmonise and simplify detailed and complex hygiene requirements previously contained in Council Directive 93/43/EEC on the hygiene of foodstuffs and a number of related directives. They innovate in making a single, transparent hygiene policy applicable to all food and all food operators right through the food chain 'from the farm to the table', together with effective instruments to manage food safety and any future food crises throughout the food chain.

2.3.6. Food irradiation

Irradiation is a physical treatment of food with high-energy, ionising radiation. It can be used to prolong the shelf life of food products and/or to reduce health hazards associated with certain products due to the presence of pathogenic micro-organisms. At Community level irradiated foods and food ingredients are regulated by:

- Framework Directive 1999/2/EC of the European Parliament and Council on the approximation of the laws of Member States concerning foods and food ingredients treated with ionising radiation. The directive covers general and technical aspects for carrying out the process, labelling of irradiated foods and conditions for authorising food irradiation.
- Implementing Directive 1999/3/EC of the European Parliament and Council on the establishment of a Community list of food and food ingredients treated with ionising radiation. So far, this list of products authorised for irradiation within the whole EU contains only a single food category: 'dried aromatic herbs, spices and vegetable seasonings'.

The marketing of any product not complying with the directives has been prohibited since 20 March 2001.

2.3.7. Microbiological risks in food/Zoonoses

Foodstuffs of animal and plant origin may present intrinsic hazards, due to microbiological contamination. To protect consumers from microbiological risks in food products, Community legislation sets out numerous hygienic measures (such as HACCP-based principles, meat inspection, etc.). In particular, microbiological criteria have been laid down for specific foodstuffs. These criteria are applicable at the site of food production as well as in the framework of import control and Intra-Community trade.

Animal health is an important factor in food safety because some diseases or infections, the so-called zoonoses, such as brucellosis, salmonellosis and listeriosis, can be transmitted to humans, in particular through contaminated food. The Commission announced a revision of existing legislation on zoonoses in the White Paper on food safety, and a proposal for this revision was adopted on 1 August 2001.

Following the White Paper on food safety, the Commission is also elaborating a proposal for a strategy to set and revise the microbiological criteria for foodstuffs in Community legislation.

2.3.8. Natural mineral water

There are different categories of water intended for human consumption and natural mineral water is just one of them. Natural mineral water is characterised by its purity at source and its constant level of minerals. Natural mineral water is subject to an authorisation procedure carried out by the competent au-

thorities of the EU Member States or by European Economic Area (EEA) countries.

2.4. Food and Veterinary Office

The Commission, in its role as guardian of the Treaties of the European Community, is responsible for ensuring that Community legislation on food safety, animal health, plant health and animal welfare is properly implemented and enforced. As a Commission service, the Food and Veterinary Office (FVO) plays an important role in fulfilling this task. The FVO's mission is:

- to promote effective control systems in the food safety and quality, veterinary and plant health sectors;
- to check on compliance with the requirements of EU food safety and quality, veterinary and plant health legislation within the European Union and in third countries exporting to the EU;
- to contribute to the development of EU policy in the food safety and quality, veterinary and plant health sectors;
- to inform stakeholders of the outcome of evaluations.

The FVO's main activity is to carry out inspections in Member States and third countries and to verify the implementation and enforcement of EU legislation by competent authorities. Recommendations are made to the country's competent authority to address shortcomings revealed during the inspections. The competent authority is requested to present an action plan to the FVO on how it intends to address the shortcomings. Together with other Commission services, the FVO evaluates this action plan and monitors its implementation.

2.5. Bovine spongiform encephalopathy (BSE), transmissible spongiform encephalopathy (TSE) and animal health measures

The European Commission, since 1989 in close cooperation with the Member States, has taken a series of measures to manage the risk of BSE in the EU. Since September 1999, the responsibilities of the Directorate-General for Health and Consumer Protection in relation to BSE include:

- development of veterinary legislation to protect consumer and animal health, and to ensure the safety of animal feed;
- management of the Standing Committee on the Food Chain and Animal Health where representatives of the Member States discuss current veterinary issues and approve urgent measures as necessary;
- management of the scientific committees advising the European Commission on consumer health protection issues, including BSE. Since the beginning of 2003, this work has been taken over by the EFSA;
- inspection and control of the correct implementation of legislation to protect animal and consumer health by the Member States.

In October 2002, the Commission approved a EUR 132 million package to fight animal diseases in 2003. The EU budget will contribute EUR 94 million for financing BSE and scrapie monitoring. The amount will be used for the purchase of test kits. The Commission also adopted funding provisions for the 2003 programmes eradicating animal diseases and preventing zoonoses like salmonella. The EU will contribute EUR 38 million from its resources in the veterinary field for the eradication and monitoring of major animal diseases in the Member States. The diseases targeted



by the programmes, either have implications for both human and animal health, or cause serious losses in livestock farming and therefore constitute barriers to intra-EU or international trade.

2.6. Genetically modified organisms (GMOs)

In March 2003, a common position was agreed by the Agriculture Council on the Commission's proposal to label all genetically modified feed and to extend the current labelling requirements for genetically modified food. The regulation revises the current re-

quirements in respect of GM foods and GM feeds and establishes an efficient and transparent EU system to regulate the placing on the market and labelling of food and feed products, consisting of or containing GMOs.

The effect of the agreement is to extend the current labelling requirements, irrespective of the detectability of DNA or novel protein, to also cover such food (soya or maize oil produced from GM soya or GM maize) and food ingredients produced from GMOs (biscuits with maize oil produced from GM maize) where DNA or protein resulting from the genetic modification is not detectable and to allow consumers to exercise their freedom of choice. The label has to indicate, 'this product contains genetically modified organisms' or '... produced from genetically modified (name of organism)'.

The agreement also introduces for the first time strict labelling requirements of GM feed along the same principle as for GM food. The proposal will require labelling of, for example, GM soya meal and any compound feed that includes in its composition the GM soya meal. It will also require labelling of corn gluten feed produced from GM maize.

With this background, the EU's objective is to ensure legal certainty and establish certain thresholds for adventitious presence of GMOs in conventional products below which those conventional products will not have to be labelled as containing GMOs.

2.7. Safer rules for feed additives — Prohibition of antibiotics as growth promoters

Strengthening rules on the safety of animal feed is one of the cornerstones of the EU's food safety strategy. Banning the use of antibiotics as growth promoters in feed is also vital to efforts to combat anti-microbial resis-

tance (the phenomenon of antibiotic resistant 'super bugs'). The EU has already banned antibiotics used in human medicine from being added to animal feed.

The European Commission has adopted a proposal for a regulation of the EP and the Council on additives used in animal nutrition (COM(2002) 153 final). The common position by the Council was adopted on 17 March 2003.

The proposal:

- phases out the use of antibiotics other than coccidiostats and histomonostats as growth promoters. They may be used only until 31 December 2005;
- allows the use of additives not only in feeds but also in drinking water and extends the scope to amino acids, which are currently covered by Directive 82/471/EEC;
- establishes an authorisation procedure where the EFSA carries out the risk assessment. Each authorisation is time-limited (10 years) and will be granted by a regulation adopted by comitology procedure;
- increases transparency — public consultation during the procedure — and establishes a register of additives available to the public;
- introduces post-market monitoring requirements on a case-by-case basis depending on the outcome of the assessment;
- provides for the re-evaluation of all of additives authorised before the entry into force of the regulation.

The proposal takes into account the opinion of the Scientific Steering Committee of the EU which has recommended the progressive phasing out of the use of all antibiotics as growth promoters, while preserving animal

health. This commitment is part of the Community strategy to combat the threat to human, animal and plant health posed by antimicrobial resistance.

2.8. New labelling rules for feed

Detailed quantitative information may help to ensure that potentially contaminated feed can be traced to specific batches, which will be beneficial to public health. Directive 2002/2/EC has imposed a compulsory declaration for all feed materials in compound feedingstuffs as well as their amount with a tolerance of approximately 15 %.

2.9. Presence of undesirable substances in animal feed

Directive 2002/32/EC replaced the former directive on undesirable substances that fixed maximum limits for undesirable substances or products (such as heavy metals, dioxins, aflatoxins, certain pesticides and botanical impurities) in feedingstuffs. The new directive has introduced new provisions intended to improve food safety: prohibits dilution of contaminated feed materials, foresees the possibility to set maximum limits of undesirable substances in feed additives and introduces action thresholds on the presence of undesirable substances triggering intervention by competent authorities to identify the source of the contamination, if they are exceeded.

2.10. Improving feed controls

Efficient control of feedingstuffs is an essential tool to improve food safety. The Commission has developed various recommendations for the inspection programmes carried out by Member States. For 2002 the Commission recommendation of 12 March 2002 identifies some issues as worthy of a coordinated pro-

gramme: dioxin contamination in trace elements and mineral feedingstuffs, contamination by heavy metals in trace elements and mineral feedingstuffs and mycotoxin contamination of feedingstuffs.

2.11. Food safety/enlargement

EU enlargement is a massive project. The expansion of the Union to perhaps 25 Member States or more clearly represents a major challenge for the EU institutions, the current and future Member States, and of course for business.

The challenge is to bring standards in the candidate countries up to current EU standards and not to tolerate any weakening of food safety levels within the enlarged internal market.

First, enlargement will mark a major shift in the geographical borders of the Union. Some current external borders will become internal borders and thus will consequently disappear as the single market develops. But new external borders will be created and it is essential that a revised network of border inspection posts is fully effective to guard against potential threats from imports to public health, animal health and plant health within the Union.

Second, the Union has recently adopted fundamental and comprehensive rules for the prevention, control and eradication of TSEs. It is essential from a public health perspective that candidate countries adopt and enforce the same rules applicable within the Union, prior to accession.

Third, much needs to be done as regards the upgrading of agri-food establishments in the candidate countries to the required EU standards. A number of transitional periods to allow for the required conversion have been requested in this respect.

The Commission is taking a number of measures aimed at helping the candidate countries to transpose the EU acquis into their national legislation and to pave the way for their systems and facilities to reach the high levels required under EU legislation. For example:

- by providing technical assistance to help candidate countries align their legislation with EU law;
- financial assistance is available to applicant countries under the Sapard and Phare programmes. The Commission is monitoring whether the commitments undertaken by the applicant countries are being respected;
- teams of experts from our Member States called 'peer reviews' to assess and advise them on administrative capacity;
- the inspection services — the Food and Veterinary Office — are carrying out a series of inspections to assess precisely food safety controls and standards.

Providing assistance to applicant countries is of course only half of the picture. Responsibility for the other half rests with the candidate countries themselves. In other words they need to ensure that their systems and facilities are up to scratch. So while the benefits of EU membership are significant, with that membership comes responsibilities, which must be upheld in order to maintain the integrity of the food safety mechanisms within the Union.

PART 3 — PROTECTING THE HEALTH OF EU CITIZENS

3.1. Introduction

Health is an important priority for Europeans. We expect to be protected against illness and disease. We want to bring up our children in a

healthy environment, and demand that our workplace is safe and hygienic. When travelling within the European Union, we need access to reliable and high-quality health advice and assistance.

Public authorities in Member States have a responsibility to ensure that these concerns are reflected in their policies. In addition, the European Union has a vital role to play through the obligations placed on it by the European Treaties. Community actions complement the Member States' national health policies, but at the same time bring European added value: issues such as cross-border health threats - for example influenza - or free movement of patients and medical personnel need a response at European level.

3.2. A new public health programme

The year 2002 was the final one of the eight action programmes in the field of public health, which ended on 31 December 2002.

In September 2002, the European Parliament and the Council adopted a programme of Community action in the field of public health⁽¹⁾. The three basic objectives of this programme, covered by a budget of EUR 312 million over the 2003-08 period, are:

- to improve health-related information and knowledge;
- to boost the capacity to react swiftly and in a coordinated manner to threats to health;
- to promote health and prevent diseases.

The programme should thus help to remedy inequalities in this field and encourage cooperation between the Member States with a view to providing a high level of health pro-

⁽¹⁾ O J L 271, 9.10.2002, Decision No 1786/2002/EC.

tection. It should also foster the development of a cross-sectoral approach to health issues, particularly by integrating the health dimension more fully into other Community policies and activities.

3.3. Health information

The European Commission is currently developing a sustainable health information and knowledge system to collect, analyse and disseminate information on human health at Community level concerning health status, health policies and health determinants.

Health information and knowledge for citizens and patients aims at supporting the national efforts to inform the public on health issues and at making available topical health information with direct relevance to the Community dimension.

Health information and knowledge for the professional audience aims at providing a timely, accurate and comparable description of the health situation, health determinants and health policies in the EU and candidate countries.

Health information systems required by and supporting the application of the Community legislation are implemented to fulfil the legislative needs. These systems need to be integrated, where appropriate, into the system for the professional audience.

3.4. Online health services

On 9 December, the Commission adopted a communication setting out quality control criteria for health-related web sites, namely, transparency and honesty, authority, privacy and data protection, updating of information, accountability, and accessibility. The communication also provides guidelines on informing Internet users as to what

should be expected from a good health web site.



3.5. Threats to Health

Infectious diseases threaten the health of the citizens of the European Community. Therefore, preventing the transmission of emerging pathogens and the resurgence of others, as well as enhancing the rapid and coordinated response capability to these threats, is a

responsibility shared among national health authorities and the European Commission.

The Community's public health programme related to 'Threats to health' endeavours to address these issues. It specifically aims to further the development of a variety of communicable disease surveillance networks and early warning and rapid response systems (Decision 2119/98/EC), address the problems of antimicrobial resistance and bioterrorism, and develop strategies for preventing and responding to communicable disease (e.g. influenza preparedness and protection against intentional epidemics) and non-communicable disease threats. It also addresses issues related to the quality and safety of substances of human origin (e.g. blood, tissues and cells, and organs), as specifically referred to in Article 152 of the EC Treaty, in order to prevent the transmission of pathogens by these therapeutic materials.

3.6. Bio-terrorism

The terrorist attacks in the United States on 11 September 2001 and, more specifically, the subsequent 'anthrax' scare, brought to the world's attention the threat of deliberate attacks through the use of biological, chemical or nuclear agents. The European Union has taken a proactive stance on the issue and reviewed existing systems of protection, to minimise the health threats to its citizens.

The Directorate-General for Health and Consumer Protection is currently creating a network and a rapid alert system to add to the scope of the existing EU-wide communicable disease network, put in place in 1999, to detect and oversee any outbreak of infectious disease. Notably the strength of the early warning and rapid response capacity of these systems will be increased to ensure a timely, coordinated and effective reaction to a terrorist attack of a biological, chemical or a nuclear nature.

3.7. Blood, tissues, organs

An increasing number of patients in the EU receive treatments based on biological substances donated by others. These include blood, tissues, cells, and whole human organs. Such substances are of high therapeutic value, but they may also carry risks for the recipients, in particular the transmission of communicable diseases. The Community contributes to reducing such risks by adopting legislation on quality and safety of these substances, and by funding projects in this area.

The Community's legislative framework (Directive 2002/98/EC of the European Parliament and of the Council ⁽¹⁾ setting standards of quality and safety for the collection, testing, processing, storage and distribution of human blood and blood components and amending Directive 2001/83/EC) addresses the quality, safety and efficacy requirements related to blood and plasma donations whether they be for transfusion, the starting material for manufacturing plasma-derived medicinal products or as essentials in some in vitro diagnostic medical devices. It puts in place requirements for the collection, testing, processing, storage, and distribution of human blood and blood components, quality and safety standards, as well as traceability procedures. It excludes, however, the actual therapeutic use of blood and its components. Moreover, its provisions are no longer applicable as soon as the components are provided for further manufacturing into medicinal products, where pharmaceutical legislation comes into force.

3.8. Health determinants

3.8.1. Tackling major health determinants is of great potential for reducing the burden of disease and promoting the health of the general population. Health determinants can be

⁽¹⁾ 27.1.2003.

categorised as: personal behaviour and lifestyles; influences within communities which can sustain or damage health; living and working conditions and access to health services; and general socioeconomic, cultural and environmental conditions.

The aim of Community action in this area is twofold: first, to encourage and support the development of actions and networks for gathering, providing and exchanging information in order to assess and develop policies, strategies and measures, with the purpose of establishing effective interventions aimed at tackling the determinants of health; and second, to promote and stimulate Member States' efforts in this field, for example, by developing innovative projects which will stand as examples of effective practice.

3.8.2. Tobacco

Tobacco is the single largest cause of avoidable death in the European Union accounting for over half a million deaths each year and over a million deaths in Europe as a whole. It is estimated that 25 % of all cancer deaths and 15 % of all deaths in the Union could be attributed to smoking. In order to curb this epidemic, the European Community is actively developing a comprehensive tobacco control policy, which is characterised by a four-stage approach:

- legislative measures are the backbone of the Community's present and future tobacco control activities;
- support for Europe-wide smoking prevention and cessation activities is another important element in the tobacco control strategy;
- mainstreaming tobacco control into a range of other Community policies (e. g. agricultural policy, taxation policy, development policy) is essential in order to make sure that tobacco control principles are part of all relevant policies;

- making sure that the pioneering role of the European Community in many tobacco control areas produces an impact beyond the frontiers of the European Union, and establishes the Community as a major player in tobacco control at a global level.

3.8.3. Nutrition

Nutrition, together with smoking and physical inactivity, is one of the main determinants for cardiovascular disease and cancer. The scientific community estimated that an unhealthy diet and a sedentary lifestyle might be responsible for up to one third of the cases of cancers, and for approximately one third of premature deaths due to cardiovascular disease in Europe.

Under the new action plan, the two main objectives will be:

1. to collect quality information and make it accessible to people, professionals and policy makers;
2. to establish a network of Member States' expert institutes to improve dietary habits and physical activity habits in Europe.

3.8.4. Drugs

Each year 7 000 to 8 000 drug-related deaths, mainly opiate deaths and deaths where many drugs have been used in combination, are reported in the EU countries. The real figure is thought to be considerably higher because of underreporting of deaths related to overdoses and also because of deaths indirectly related to drug use, such as AIDS and other infectious diseases and suicide, accidents and violence. This is thought to increase the real number of deaths that can be related to drugs as much as three-fold. The number of drug-related deaths has stabilised or even decreased in recent years. Harm reduction methods, such as nee-

dle exchange programmes, substitution programmes with methadone and related substances for opiate users, low-threshold and outreach services (for example walk-in clinics for addicted people irrespective of current drug use) are thought to have played a part in this development.

The European Union drugs strategy (2000-04) set the target to reduce significantly, over five years, the prevalence of drug use and the recruitment of new users, especially those under 18 years of age.

3.8.5. Alcohol

Alcohol is one of the key health determinants in the European countries which needs to be tackled. Europe is the continent where per capita alcohol consumption is the highest in the world. In established market economies such as the EU Member States the burden of disease and injury attributable to alcohol is estimated to be situated between 8 and 10 %.

Combating alcohol-related harm therefore is a public health priority in many Member States, and at EU level. It is not only health consequences in a narrow sense which raise concern. The social dimension has also to be considered: violence, hooliganism, crime, family problems, social exclusion, problems at the workplace and drink driving. All these are areas where political action is needed. There is agreement among the Member States that, beyond individual national efforts, a joint alcohol strategy at Community level is needed.

3.9. Environment

The presence of natural or man-made hazards is a source of environmental diseases, which might be seen as the visible and clinical indication of inadequate environmental conditions.

3.9.1. Health and environment

The Commission will adopt in the coming months a communication on its new strategy for health and the environment. This strategy will propose to develop actions to tackle specific diseases such as asthma and respiratory allergies or to better protect health from environmental risks such as pesticide residues. But the new strategy will also set up permanent monitoring and reporting systems to identify new emerging threats and to assess the health impact of the actions implemented at Community and national level.

To start developing the tools needed by this approach the new public health programme will support the establishment of networks to analyse the existing scientific knowledge and to assess the consistency and the progress made in the implementation of the Community's health and environment legislative framework.

3.9.2. Electromagnetic fields

In response to growing concerns amongst the general public, specifically about EMF exposure from mobile phones and transmitter masts, and the rapid increase in the application of new technologies using radio-frequencies, the Commission asked the competent scientific committee to update the existing scientific advice on health risks associated with the exposure to electromagnetic fields in the light of new evidence on exposure and research on health effects. The Committee on Toxicology, Eco-toxicology and the Environment has adopted these opinions.

3.10. Health and safety at work

3.10.1. Community action on health and safety at work revolves around Article 137 of the Treaty, which provides the legal basis in

respect of improvement, in particular, of the working environment to protect workers' health and safety.

The Commission adopted on 12 March 2002 the new Community strategy on health and safety at work, which covers the period 2002-06 (COM/2002/118).

This strategy is based on a comprehensive approach to well-being at work, mainly by consolidating a culture of risk prevention, including related physical, psychological and social risks. It has three novel features.

- It adopts a global approach to well-being at work, taking account of changes in the world of work and the emergence of new risks, especially of a psycho-social nature. As such, it is geared to enhancing the quality of work, and regards a safety and healthy working environment as one of the essential components.
- It is based on consolidating a culture of risk prevention, on combining a variety of political instruments - legislation, the social dialogue, progressive measures and best practices, corporate social responsibility and economic incentives - and on building partnerships between all the players on the safety and health scene.
- It points out the fact that an ambitious social policy is a factor in the competitiveness equation and that, on the other side of the coin, having a 'non-policy' engenders costs which weigh heavily on economies and societies.

On 25 June, the European Parliament and the Council adopted a directive on the minimum health and safety requirements in terms of daily limit values for the exposure of workers to vibrations.

In December, pursuant to Article 138(2) of the EC Treaty, the Commission launched the first phase of Community-level consultation of the

social partners on 'stress and its effect on health and safety at work'.

Also in December, the European Parliament approved a report on the directive on minimum health and safety requirements in relation to the exposure of workers to noise risk: employers will have to ensure the availability of adequate hearing protectors for workers; workers will have to wear such protectors when noise exposure levels reach the threshold set in the directive. In the same month, the Parliament approved an amendment to Directive 83/477/EEC on protecting workers from exposure to asbestos: this will improve the protection of workers exposed to asbestos, and will facilitate a formal agreement to ban asbestos in the EU.

PART 4 — SECURITY IN TRANSPORT FOR EU CITIZENS

4.1. Introduction

The European Commission's objective for the next 10 years is to refocus Europe's transport policy on the demands and needs of its citizens. In adopting in September 2001 the White Paper entitled 'European transport policy for 2010: Time to decide', the European Commission is for the first time placing users' needs at the heart of its strategy and proposing 60 or so measures to meet this challenge. The Commission wants to ensure that the development of transport in Europe goes hand in hand with an efficient, high-quality and safe service for citizens.

More generally, the Commission's objective is to ensure that safety takes priority in all circumstances. Citizens must be guaranteed the highest possible level of safety as a result of appropriate legislation and the strict applica-

tion of controls and penalties for modes of transport such as aviation, shipping and the railways.

4.2. Maritime safety

4.2.1. Safety of passenger ships

In March 2002, as part of the follow-up to its White Paper on the future of European transport policy, the Commission adopted a communication on the safety of passenger ships. This set out the Commission's opinion on how liability for damage caused to passengers in the event of accidents should be regulated. The communication is accompanied by two proposals for directives concerning respectively: the introduction of specific stability requirements for ro-ro passenger ships operating international services from or to Community ports; the introduction of new standards for high-speed craft and safety requirements relating to passengers with reduced mobility.

4.2.2. European Maritime Safety Agency

As a result of the damage caused to the environment and the exceptionally high cost of the adverse effects on fishing and tourism, the *Erika* and *Prestige* oil spills are amongst the worst environmental disasters of recent years.

As part of a package of proposals adopted by the Commission following the *Erika* disaster, the European Parliament and the Council established the European Maritime Safety Agency through Regulation (EC) No 1406/2002 of 27 June. The aim of this independent body is to assist the Commission in preparing legislation in the field of maritime safety, to monitor implementation by the Member States, to assist the latter in imple-

menting maritime safety measures, to coordinate investigations following accidents at sea and to provide assistance to the candidate countries. The Agency will be fully operational in the second half of 2003.

4.2.3. Effects of the sinking of the oil tanker, *Prestige*

On 3 December, the Commission adopted a communication on improving safety at sea in response to the *Prestige* accident off the Spanish coast. On 20 December, it adopted a proposal for a regulation aimed at speeding up the schedule for the withdrawal of single-hull tankers and prohibiting the transport of heavy fuel oil in single-hull tankers to or from EU ports.

At its meeting of 5 and 6 December, the Council, too, called on the Member States to implement speedily the measures adopted in the wake of the *Erika* accident and to support the establishment of a supplementary compensation fund under the auspices of the International Maritime Organisation to cover up to EUR 1 billion of the cost of the damage caused to the victims of oil spills.

The European Parliament also adopted a resolution on the consequences of this accident on 19 December, calling, in particular, for the establishment of a European coastguard service and a European civil protection force capable of intervening in the event of natural disasters or industrial accidents; Parliament also wants flags of convenience to be banned from the European Union's territorial waters and, while stressing the importance of proper ship maintenance, considers that Member States should be obliged to grant refuge to ships in distress.

4.2.4. Maritime traffic safety

The European Parliament and the Council also adopted Directive 2002/59/EC on 27

June, which seeks to impose additional strict conditions on shipping in order to improve safety at sea and avoid shipping accidents of all kinds.

The directive provides for the setting up of a notification system also covering vessels not calling at Community ports. It strengthens the powers of Member States to take action, as coastal States, in the event of a risk of an accident or threat of pollution off their coasts even outside their territorial waters. It requires vessels in Community waters to carry on board automatic identification systems (or transponders) and 'black boxes' similar to those used in aircraft to facilitate accident investigations. This directive seeks to improve the procedures concerning the transmission and utilisation of data concerning dangerous cargoes and to speed up the development of joint databases. On the basis that most sinkings occur when the weather conditions are extremely adverse, the directive also introduces the possibility of preventing vessels from leaving ports in such conditions. Finally, it requires each Member State to designate ports of refuge where vessels in distress can seek shelter.

4.3. Protection of the marine environment

4.3.1. Marine pollution

At present, the role of the European Community in the field of response to marine pollution finds its legal basis in the Decision No 2850 of 20 December 2000 of the European Parliament and the Council setting up a Community framework for cooperation in the field of accidental or deliberate marine pollution. This framework has been established for the period 1 January 2000 to 31 December 2006, and its aim is to:

- support and supplement Member States' efforts;

- contribute to improving the capabilities of the Member States for response in case of incidents;

- strengthen the conditions for and facilitate efficient mutual assistance and cooperation;

- promote cooperation among Member States in order to provide for compensation for damage in accordance with the polluter-pays principle.

4.3.2. Cooperation

The European Commission - Environment DG, Civil Protection and Environmental Accidents Unit - with the help of a Management Committee on Marine Pollution implements the framework for cooperation via:

- a three-year rolling plan which includes actions such as training, exchange of experts, exercises, pilot projects, surveys of the environmental impact after an accident, etc.;

- a Community information system with the purpose of exchanging data on the preparedness and response to marine pollution;

- a contingency organisation which includes a 24-hour urgent pollution alert system, the possibility to send a European task force on scene, the acquisition of satellite images and the coordination of mission of observers.

4.4. Air security and safety

4.4.1. Air security

Specialists make a distinction between air safety, which is concerned with the rules for the construction and use of aircraft, and air

security, which is aimed at the prevention of illegal acts in the field of aviation. Security has always been a matter of concern in the field of aviation, in particular since the Lockerbie bombing in 1988. However, this concern has always been addressed on an essentially national and intergovernmental basis rather than a Community one. The attacks on 11 September showed that there is an unprecedented dimension to the terrorist threat which justifies the need for coherence in all cooperation efforts (banks, police, courts, etc.) and effective action. It was therefore decided to introduce an EU security policy based on the legal instruments provided by the Treaty in order to give legal force to the rules and mechanisms for cooperation at EU level.

The Commission, at the request of the European Council, proposed that the same rules with regard to security should be applied at all EU airports, for both national and international flights. To ensure that these rules are complied with, the Commission has also proposed arrangements for inspections in Member States and at airports.

The new terrorist threat shows the need for tougher controls and in particular for better training of staff and better coordination of the staff responsible for security.

The reinforcement of cockpit doors in response to security concerns will lead to the adoption of other EU measures as regards safety (a video link between the cockpit and the cabin) and air navigation (the inviolability of the transponder).

On 16 December, the European Parliament and the Council adopted Regulation (EC) No 2320/2002 establishing common rules intended to harmonise and reinforce security measures and procedures as a direct response to the terrorist attacks of 11 September 2001 in the United States; this regulation imposes certain obligations on Member States and introduces a system of inspections at Community level, to be conducted by the Commission.

4.4.2. Air safety

On 15 July, the European Parliament and the Council adopted Regulation (EC) No 1592/2002 which has two objectives: firstly, to establish common rules in the field of civil aviation, in particular, for the certification and maintenance of aeronautical products; secondly, to establish a European Aviation Safety Agency which is independent with regard to technical matters and which has legal, administrative and financial autonomy.

The European Aviation Safety Agency, developed in parallel with the common rules in the field of civil aviation, will help to maintain a uniform high level of safety within the territory of the Union. Thanks to this Agency, the procedures for the certification of aeroplanes will be simplified. The Agency will have the specific objective of helping the Community legislature to draw up common standards to ensure the highest possible level of safety, of ensuring that these standards are applied uniformly in Europe, and of promoting their adoption worldwide.

4.5. Rail safety

4.5.1. Guaranteeing rail safety

Rail has always been far safer than road. However a number of dramatic train accidents over the last three years have alerted public opinion and the authorities to rail safety. The growing demand for international services in the context of network and system interoperability combined with the opening of the market has therefore meant rethinking the approach to rail safety first. Interoperability must guarantee a level of safety at least equal to, if not higher than, that achieved today in the national context.

That is why the directive on the interoperability of the high-speed rail system and the re-

cently adopted directive on the conventional rail system both list safety amongst the essential requirements for operation of the trans-European railway system.

In January, the Commission published five legislative proposals, together with an introductory communication, designed to promote the use of rail transport in the Community. The legislative initiatives include a proposal for a directive on railway safety and a proposal for a regulation establishing the European Railway Agency responsible for safety and interoperability. This package was the subject of a policy debate at the Council meeting of 5 and 6 December.

4.5.2. The proposal for a directive on rail safety

The proposed directive addresses four main problem areas related to the development of safe railways in Europe. It applies a gradual approach to harmonisation and the development of common principles, taking into account the great differences that exist between the Member States.

The first and most important task in the evolving restructuring of European railways is to modernise and harmonise the safety regulatory structure and the content of safety rules in the Member States and at European level. The directive states that infrastructure managers and railway undertakings bear the immediate and operational responsibility for safety on the railway networks and for the control of risks.

The second problem addressed by the directive is the removal of barriers to further market opening and the creation of a single European rail system. The safety certificate, granted to the railway undertaking for operation on a specific network, is still recognised as the means to achieve access to infrastructure. In this directive the concept is further de-

veloped by introducing common requirements for and common elements of a safety management system that must be implemented also by infrastructure managers.

The third problem area addressed by the directive concerns transparency, information and the application of due process in railway regulation. The world of the old State-owned monopoly railways was from many aspects a closed world. It was mainly self-regulatory and there was no real need to give information to the public on safety and to apply transparent decision-making rules. With an open market and regulation by public authorities the requirements on the rail sector will increase. It must develop in the same direction as other modes of transport.

The directive introduces common principles for decisions by the railway authorities, requires availability of rules and regulations, stages timetables and makes mandatory provisions for players to be allowed to appeal against all decisions. Common safety indicators (CSI) are laid down by the directive and will be further developed through the committee procedure. These indicators will render it possible to monitor the development of railway safety in the Member States and at Community level. Railway undertakings and infrastructure managers will be obliged to submit annual reports on the development of safety to their national safety authority which in turn must publish a report each year and make it available to the European Rail Agency.

The fourth area addressed by the directive is investigation of accidents and incidents. The creation of a single market for rail transport and railway equipment renders it more important to share information and learn lessons from accidents and incidents. Technical failures and operational and managerial deficiencies could be more easily detected and avoided if information were available and spread within the sector.

4.6. Road Safety

4.6.1. Of all modes of transport, transport by road is the most dangerous and the most costly in terms of human lives. Studies indicate that drivers in Europe expect stricter road safety measures, such as improved road quality, better training of drivers, enforcement of traffic regulations, checks on vehicle safety, and road safety campaigns.

Until the 1990s, the Community's lack of explicit powers with regard to road safety made it hard for it to formulate action in that area. Nonetheless, the Community has long been contributing to road safety. The creation of the internal market made it possible, especially via technical standardisation, to develop safe motor vehicle equipment and accessories by means of over 50 directives (compulsory use of seatbelts, transport of dangerous goods, use of speed limitation devices in lorries, standardised driving licences and roadworthiness testing of all vehicles).

The digital tachograph — a technological revolution in road transport. The Commission has moved to strengthen enforcement in this area. Regulation 2135/98, introduces a new generation of fully digital tachographs. The digital tachograph is a more secure and accurate recording and storage device than the pre-

sent equipment. The new device will record all the vehicle's activities, for example distance, speed and driving times and rest periods of the driver. The system will include a printer, for use in roadside inspections and the driver will be given a card incorporating a microchip, which he must insert into the tachograph when he takes control of the vehicle. This personal driver card will ensure that inspections remain simple. Following the publication of the technical specifications for the digital tachograph in August 2002, there will be a 24-month lead-in to the obligatory installation of the digital tachograph in new vehicles.

4.6.2. Death on a daily basis: 40 000 fatalities a year

In 2000, road accidents killed over 40 000 people in the European Union and injured more than 1.7 million. The age group most affected is the 14-25 year olds, for whom road accidents are the prime cause of death. One person in three will be injured in an accident at some point in their lives. The directly measurable cost of road accidents is of the order of EUR 45 billion. Indirect costs (including physical and psychological damage suffered by the victims and their families) are three to four times higher. The annual figure is put at EUR 160 billion, equivalent to 2 % of the EU's GNP.

In November 2002, the Commission provided a subsidy of EUR 1.1 million for road safety campaigns aimed at combating this problem. In the end-of-year period, the opportunities for drinking, combined with an increased need to travel, are the cause of very many fatal or serious road traffic accidents. People under 25 years of age are, alas, the category most affected.

The European Commission provided substantial support to the efforts of seven EU countries, namely Belgium, Denmark, France,



Greece, the Netherlands, Portugal and Spain which have set up designated driver campaigns.

In 1995, to combat this problem, Belgium launched the first awareness-raising campaigns on the 'Bob' theme in order to encourage people travelling by car to always designate somebody who will refrain from drinking and make sure that the others get home safely.

Since then, with the support of the Commission, the Bob scheme has been emulated in the other EU States, known as 'Lince' in Spain, 'Designated Dessie' in Ireland, 'Capitaine de soirée' in France, 'Stoeder med Stil' in Denmark, 'Bob' in the Netherlands and in Greece and 'Joker' in Portugal.

4.6.3. In its White Paper entitled 'European transport policy for 2010: Time to decide', the Commission proposed placing users at the heart of transport policy. In respect of unsafe roads it proposed to:

- set a target for the EU of reducing by half the number of people killed on European roads by 2010;
- by 2005, harmonise the rules governing checks and penalties in international commercial transport on the trans-European road network, particularly with regard to speeding and drink-driving;
- draw up a list of 'black spots' on trans-European routes where there are particularly significant hazards and harmonise their signposting;
- require coach manufacturers to fit seat belts on all seats of the vehicles they produce. A directive to this end will be proposed in 2003;
- tackle dangerous driving and exchange good practices with a view to encouraging responsible driving through training and

education schemes aimed in particular at young drivers;

- continue efforts to combat the scourge of drink-driving and find solutions to the issue of the use of drugs and medicines.

4.7. Improving safety in tunnels

In December, the Commission published its proposal for a new directive to achieve a uniform, constant and high level of protection for all European citizens driving through tunnels on the trans-European road network.

In recent years the risks have increased with the ageing of tunnels: they are used more and more intensively and serious accidents have shown that non-national users are at a greater risk of becoming a victim due to the lack of harmonisation of safety information, communication and equipment. The Commission put forward harmonised minimum safety requirements on infrastructure, operation, traffic rules and signing which will considerably improve the protection of road users in most tunnels and will harmonise the safety equipment which can be found in tunnels.

The Commission proposed that all tunnels longer than 500 meters and belonging to the trans-European road network be subject to new harmonised minimum safety requirements. More than 500 tunnels in operation, under construction or at the design stage will be concerned by the proposed rules. In most countries, tunnels should comply with the new standards within 10 years of the entry into force of the directive. In the first six-year period, 50 % of tunnels will need to comply.

As a first step of a road tunnel safety information campaign, the Commission produced in June 2002, ahead of the summer break, an information leaflet entitled 'Safe driving in road tunnels' providing user-friendly information

on how to behave in road tunnels at all times and especially in case of an emergency such as congestion, accident or fire. The leaflet was made available in the 11 official languages and was distributed mainly by national road safety organisations.

PART 5 — ENVIRONMENTAL SAFETY FOR EU CITIZENS

5.1. Introduction

A Flash Eurobarometer survey commissioned by the European Commission's Environment DG and published to coincide with World Environment Day on 5 June 2002, revealed that a significant majority of European citizens are concerned about the current and future state of the environment. According to the survey, which canvassed 7 500 people, a majority of Europeans are either 'very' or 'quite' worried about trends influencing the environment, in particular climate change, waste, wildlife protection and the impact on health.

In total, 89 % of respondents said they were considerably concerned about the negative effects environmental degradation — particularly polluted air and water and the widespread presence of chemicals — has on their health. Some 86 % said they were worried by the fact that the planet's resources are being consumed more quickly than they can be replenished and with the related problem of waste generation. A further 82 % of those questioned said they were troubled by trends affecting natural habitats and wildlife species, with 72 % expressing strong concerns — borne out by the recent devastating floods in central and eastern Europe — about climate change. The current state of the environment leaves many Europeans feeling that their quality of life is diminishing and that radical action is needed if the trend is to be reversed.

5.2. What are the problems?

When asked which factors have the worst impact on their local environment, 50 % of interviewees said that traffic congestion was a serious problem, 40 % felt that damage to the landscape and the poor quality of Europe's bathing waters was an issue, while 36 % complained of noise pollution. Among other negative factors were lack of green areas in cities and inadequate civil protection measures in the event of natural or industrial disasters. The Flash Eurobarometer survey results clearly reveal that the state of the environment is the factor that has the greatest impact on quality of life, followed by economic and social issues. Clearly, public authorities have an obligation to address the legitimate concerns of many Europeans by acting swiftly to reverse current trends and by giving higher priority to the environmental dimension when deciding on a range of policies.

5.3. Air Quality

The issue of air quality is now a major concern for many European citizens. It is also one of the areas in which the European Union has been most active. Since the early 1970s, the EU has been working to improve air quality by controlling emissions of harmful substances into the atmosphere, improving fuel quality, and by integrating environmental protection requirements into the transport and energy sectors.

As the result of EU legislation, much progress has been made in tackling air pollutants such as sulphur dioxide, lead, nitrogen oxides, carbon monoxide and benzene. However, despite a reduction in some harmful emissions, air quality continues to cause problems. Summer smog — originating in potentially harmful ground-level ozone — exceeded safe limits somewhere in Europe on two out of three days during summer 2001. Fine particulates also present a health risk which is of increas-

ing concern. Clearly, more needs to be done at local, national, European and international level.

The EU's sixth environmental action programme (EAP) entitled 'Environment 2010: Our future, our choice' includes environment and health as one of the four main target areas requiring greater effort — and air pollution is one of the issues highlighted in this area. The sixth EAP aims to achieve levels of air quality that do not result in unacceptable impacts on, and risks to, human health and the environment.

The EU is acting at many levels to reduce exposure to air pollution: through EC legislation, through work at international level to re-

duce cross-border pollution, through cooperation with sectors responsible for air pollution, through national, regional authorities and NGOs, and through research. The Commission has recently launched 'Clean air for Europe' (CAFE), which will lead to a thematic strategy setting out the objectives and measures for the next phase of air quality policy.

5.4. Bathing water

5.4.1. Protection of bathing waters was one of the first components of European water policy. The 1976 bathing water directive has been successful in setting binding standards for bathing waters throughout the European Union. The annual bathing water report shows substantial progress in the quality of bathing waters and public awareness.

Europeans are very concerned about water quality in sea, coasts, rivers and lakes. Knowing there is clean and safe water in which to swim plays an important factor in their choice of holiday destination. Moreover, for the tourist industry, clean and safe water is an important incentive in attracting visitors.

The 1976 bathing water directive reflects clearly the state of knowledge and experience of the early 1970s. Since 1976, epidemiological knowledge has progressed and management methods have improved.

In October 2002, the European Commission presented a proposal for a revised directive of the European Parliament and of the Council concerning the quality of bathing water. This Commission proposal is to replace the existing Council Directive 1976/160/EEC, which has been in force for over 25 years. The new proposal is intended to deliver three clear benefits: improved health standards, more efficient management including the active involvement of the public and, finally, allowing Member States greater flexibility in the way they implement the directive.



5.4.2. Improved health standards

The new proposal represents a significant tightening of the health standards relating to faecal pollution. Compared with the current directive, the proposed standards reduce by a factor of two to three the risk of contracting gastro-enteritis and respiratory diseases as a result of bathing.

The new proposal sets out quality standards that have to be respected — the obligatory ('good') standard and a tougher ('excellent') standard that Member States should encourage. The intention is to encourage the progressive movement towards cleaner bathing waters and to allow sites with exceptionally good water quality to exploit/capitalise on this situation.

5.4.3. Proactive approach to beach management

The proposed directive requires that information on the status of a bathing site, the monitoring data on water quality, the management plan and other relevant information is readily available to the general public. As well as being physically displayed at the site, information should also be available through the media and the Internet. The users of bathing water sites should be actively involved in the development of the management plan by way of public consultations.

5.5. Pesticides

5.5.1. Pesticides have been regulated for a long time in most Member States and by the European Union. Most of the relevant EU legislation has focused on the authorisation of substances for use in plant protection products before they are placed on the market to promote the approach of prevention at source.

Legislation has also set out maximum residue levels in food and feedstuffs to control the 'end-of-life' stage.

Residue levels in food are monitored regularly by the Member States and, since 1996, in a coordinated EU programme. The most recent report by the European Commission's Food and Veterinary Office showed that in about 3 % of the samples maximum residue levels were exceeded.

In July 2002, a new strategy aimed at reducing the impact of pesticides on the environment and on human health (3) was set out in a communication adopted by the European Commission. The strategy will aim to reduce the risks from pesticides to farmers, consumers, and the environment, whilst maintaining crop productivity.

The communication entitled 'Towards a thematic strategy on the sustainable use of pesticides', sets out its objectives as follows:

- to minimise the hazards and risks to health and environment from the use of pesticides;
- to improve controls on the use and distribution of pesticides;
- to reduce the levels of harmful active substances, in particular by replacing the most dangerous by safer (including non-chemical) alternatives;
- to encourage the use of low-input or pesticide-free crop farming;
- to establish a transparent system for reporting and monitoring progress including the development of appropriate indicators.

5.5.2. Plant protection products (PPPs)

The strategy will focus on pesticides that are used in plant protection products (PPPs), in

particular those used in agriculture. They have for a long time attracted special attention, because most of them are hazardous substances which are deliberately released into the environment when used in agriculture. Another reason is that residues may remain in food for which safe levels have to be fixed. However, this is accepted as there are considerable benefits linked to their use in agricultural production.

Farmers and consumers will benefit from a more responsible use of PPPs. It will safeguard yields and increase the quality and safety of agricultural products. It will also ensure a reliable supply of produce.

Following the consultation process, the Commission will develop its strategy, specifying the measures it proposes to take. It will present it to the Council of Ministers and European Parliament at the beginning of 2004.

5.6. Noise

It is part of Community policy to achieve a high level of health and environmental protection, and one of the objectives to be pursued is protection against noise. In the Green Paper on future noise policy, the Commission addressed noise in the environment as one of the main environmental problems in Europe.

In June 2002, the European Parliament and Council adopted Directive 2002/49/EC whose main aim is to provide a common basis for tackling the noise problem across the EU. The underlying principles of this text are similar to those for other overarching environment policy directives:

- monitoring the environmental problem by requiring competent authorities in Member States to draw up 'strategic noise maps' for major roads, railways, airports and agglomerations, using harmonised noise indicators Lden (day-evening-night equivalent

level) and Lnight (night equivalent level). These maps will be used to assess the number of people annoyed and sleep-disturbed respectively throughout Europe;

- informing and consulting the public about noise exposure, its effects, and the measures considered to address noise, in line with the principles of the Aarhus Convention;
- addressing local noise issues by requiring competent authorities to draw up action plans to reduce noise where necessary and maintain environmental noise quality where it is good. The directive does not set any limit value, nor does it prescribe the measures to be used in the action plans, which remain at the discretion of the competent authorities;
- developing a long-term EU strategy, which includes objectives to reduce the number of people affected by noise in the longer term, and provides a framework for developing existing Community policy on noise reduction from source.

5.7. Civil protection

5.7.1. Europe regularly suffers from major disasters like floods and forest fires, as well as technological accidents such as factory explosions and chemical spills. In some cases, countries are able to cope with such catastrophes single-handedly. But often they need swift emergency assistance from abroad, and this is where the Community strategy on co-operation in the field of civil protection comes in.

The types of disaster that European countries face depends to some extent on their geography and climate. Many southern EU Member States are particularly prone to earthquakes and forest fires, for example, while countries in the north are more likely to suffer smaller

technical disasters like factory explosions or shipwrecks. As a result, different Member States have built up disaster-response expertise in different areas, and this is why Community cooperation on civil protection is so important. By exchanging views and experiences, civil protection experts from across the Union can learn from one another's best practices and improve Europe's overall capacity for coping with catastrophes.

5.7.2. The European Union's various civil protection cooperation strategies are not designed to replace national systems. All initiatives are firmly based on the guiding EU principle of subsidiarity, which states that actions in the Union should always be taken at the most local level possible. National, regional and local expertise lies at the heart of all of Europe's disaster response initiatives and will always do so.

What the Community sets out to do is to play a coordinating role between civil protection experts in the Union's 15 Member States, the candidate countries and the three European Economic Area (EEA) countries.

In emergency situations, the Community approach ensures that the best personnel are dispatched to disaster areas as quickly as possible. At other times, it allows civil protection professionals from across Europe to meet regularly, exchange views and learn from one another's best practices. The approach has allowed the Community to develop some of the world's best disaster-response strategies.

5.7.3. More specifically, Community cooperation in the field of civil protection has the following objectives:

- to support and supplement efforts at national, regional and local levels to prevent disasters and, if they happen, to help those responsible for civil protection and intervention to be better prepared;

- to contribute to public information so that European citizens are better able to protect themselves;

- to establish a framework for effective and rapid cooperation between national civil protection services when mutual assistance is needed;

- to enhance the coherence of actions undertaken at international level in the field of civil protection, especially in the context of cooperation with the central and east European candidate countries and with Malta, Cyprus and Turkey, in view of enlargement.

5.7.4. In June 2002, The Commission adopted a communication taking stock of the progress made to improve the EU's preparedness to respond to the consequences of terrorist threats. This communication follows the Commission's November 2001 communication, which looked at how to mobilise resources, expertise and networks in the area of civil protection, in the wake of the events of 11 September. The Commission has since taken action to enhance its response capabilities. Hence, in future, a country hit by any kind of major emergency including the consequences of terrorist threats will be able to call on the help of coordinated EU intervention teams. These teams, which will have the latest technical resources at their disposal, will be coordinated by the Commission with the support of the best-qualified European experts.

As part of its civil protection mechanism, the Commission has set up a Monitoring and Information Centre which is operational on a 24-hour basis. The centre will ensure that the most appropriate intervention teams and resources are rapidly identified and dispatched in case of an emergency. Information on nuclear, bacteriological and chemical expertise and on the immediate access to information on serum and vaccines is now also available.

5.7.5. In parallel to these measures being taken specifically against terrorist threats, the Community has also been active in the area of freedom, security and justice. In 2002, it co-financed projects to enhance the security of the EU citizen, particularly in the field of security of international airports and air transport, assistance and protection of victims, crime prevention, environmental crime, terrorism, smuggling of drugs and drug trafficking.

While in 2002 these actions were funded under the programmes Grotius, Oisín, Stop, Hippocrate and Falcone, these programmes have been merged as from 2003 in AGIS, a new framework programme on police and judicial cooperation in criminal matters (OJ L 203, 1.8.2002, p. 5), contributing to provide European Union citizens with a high level of protection in this area.

PART 6 — EU CITIZENS' RIGHT TO DIPLOMATIC AND CONSULAR PROTECTION

6.1. Introduction

Following completion of the requisite legislative procedures by all the Member States, the decision of 19 December 1995 (95/553/EC), regarding protection for citizens of the European Union by diplomatic and consular representations of the Member States in non-member countries, entered into force on 3 May 2002.

As a result, all Union citizens are now entitled to receive such protection if, in the territory where they are located, their own Member State — or another State representing it on a permanent basis — has no accessible permanent representation or accessible honorary consul competent for such matters.

6.2. The following are extracts from the decision:

Article 1

Every citizen of the European Union is entitled to the consular protection of any Member State's diplomatic or consular representation if, in the place in which he is located, his own Member State or another State representing it on a permanent basis has no:

- accessible permanent representation, or
- accessible Honorary Consul competent for such matters.

Article 3

Diplomatic and consular representations which give protection shall treat a person seeking help as if he were a national of the Member State which they represent.

Article 5

1. The protection referred to in Article 1 shall comprise:

- (a) assistance in cases of death;
- (b) assistance in cases of serious accident or serious illness;
- (c) assistance in cases of arrest or detention;
- (d) assistance to victims of violent crime;
- (e) the relief and repatriation of distressed citizens of the Union.

2. In addition, Member States' diplomatic representations or consular agents serving in a non-member State may, in so far as it is within their powers, also come to the assistance of any citizen of the Union who so requests in other circumstances.

8. POLICY AREAS AND ACTIVITIES BY ACTIVITY-BASED BUDGETING

1.1. 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.

1.2. This chapter of the Report is a presentation of the actions of the European Union in 2002, in ABB format, and includes the implementation of commitments in 2002. Wherever possible, for each main policy area an example illustrating the use of resources in 2002 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 the aim of the expenditure is);
- actual figures of commitments in 2002 showing clearly the budgetary significance of the activity (i.e. how much is spent);
- tangible examples of the use of financial and human resources within policy areas (i.e. on what it is spent).

1.3. In this presentation:

- number of staff comprises those in 2002 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 in 2002 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.

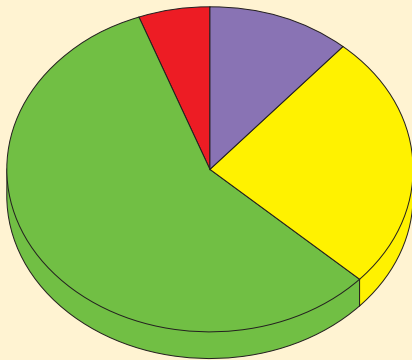
1.4. The ABB nomenclature used for this part of the Report is primarily that of 2003, the first year when the Commission's budget proposal was presented by policy area and activity. In a few cases, given that the nomenclature of activities is still evolving, certain definitions may not be comparable to those of other years. The implementation figures given are in all cases those of 2002.

Overview

Policy area	Implementation 2002	
	Total appropriations (million EUR)	Human resources
Economic and financial affairs	440	495
Enterprise	270	927
Competition	68	685
Employment and social affairs	9 601	765
Agriculture and rural development	46 535	1 024
Energy and transport	990	999
Environment	263	571
Indirect research	2 848	1 610
Direct research	301	2 088
Information society	1 049	1 038
Fisheries	1 093	309
Internal market	53	472
Regional policy	22 651	539
Taxation and customs union	81	462
Education and culture	759	707
Press and communication	124	684
Health and consumer protection	380	809
Justice and home affairs	124	283
External relations	3 231	2 333
Trade	63	500
Development and relations with ACP countries	1 144	1 506
Enlargement	1 918	620
Humanitarian aid	535	152
Fight against fraud	38	335
Commission's policy coordination and legal advice	166	1 400
Administration	721	4 244
Budget	51	463
Audit	18	186
Statistics	108	743

Economic and financial affairs

Activities 2002 — Commitments



Number of staff: 495

Total commitments

EUR 440 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 50 million

Includes the phasing out of European Coal and Steel Community (ECSC) activities.

International economic and financial questions

EUR 112 million

The financial interventions relate to macro-economic 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 which accompany IMF-backed reform programmes. Macroeconomic aid is part of the CARDS and Tacis annual allocations for the regions.

Financial operations and instruments

EUR 253 million

□ The guarantee reserve of EUR 213 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. Most of the guaranteed loans are granted within the framework of the general mandate of the Community to the EIB for third countries. In 2002, EUR 171 million of the reserve

was used to back more than EUR 2.5 billion of loans.

Under the Enterprise programme, EUR 75 million was allocated to improving the financial environment of enterprises.

Economic and monetary union

EUR 25 million

- The euro helps to strengthen the bonds which unite Europeans. Individuals and businesses can now more than ever take full advantage of the free movement of persons, services, goods and capital and together preserve the stability and strength of their economies.
- Information campaign to support the successful introduction of euro notes and coins in 2002.
- 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:

Macro-financial assistance to Bosnia

The Community has supported the process of economic reforms in Bosnia and Herzegovina through Community macro-financial assistance. In May 1999, the Council decided to provide Bosnia and Herzegovina with macro-financial assistance comprising a loan facility of up to EUR 20 million and a grant facility of up to EUR 40 million, in the context of an IMF programme (three-year standby arrangement) that was agreed in May 1998. An identical decision was made also in November 2002.

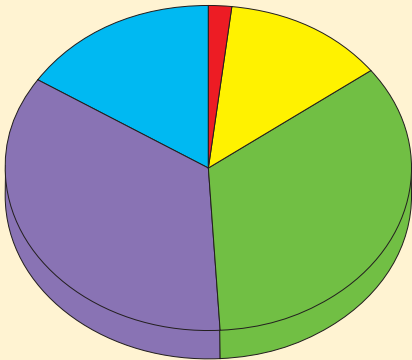
The objective of this assistance is to contribute to bolstering the country's economic, social and political stability by easing the country's financial constraints and support the balance of payments. The assistance is conditional upon, and thereby supportive of, progress in economic stabilisation reform.

This type of assistance is complementary to the other CARDS actions, in particular the reforms and institution-building necessary to implement the obligations of a future stabilisation and association agreement.

The key issues facing the authorities are deepening economic reform and creating the conditions for self-sustaining market-driven economic growth, accelerating the return of displaced persons and refugees with particular emphasis on enabling citizens to exercise their property rights, and fostering functional and democratically accountable common institutions supported by an effective merit-based civil service and a sound financial basis based on the rule of law.

Enterprise

Activities 2002 — Commitments



Number of staff: 927

Total commitments

EUR 270 million

Objective: To encourage entrepreneurial activity and to contribute to the improvement of the business environment, to ensure access for goods and services to markets while ensuring a high level of safety and protection of the environment; to support the creation of an environment which is supportive to innovation and change; to enhance the global competitive position of European industry; to promote sustainable production and ensure the cost-effectiveness of the environment and social pillars of the EU's sustainability strategy.

Administrative expenditure

EUR 95 million

Encouraging entrepreneurship

EUR 34 million

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

Research — Promoting innovation and change

EUR 93 million

The research programme entitled 'Promotion of innovation and encouragement of SME participation' aims to promote innovative activities, including the creation of enterprises, and to facilitate the dissemination and exploitation of research results, as well as to support technology transfer.

Getting still more from the internal market **EUR 43 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 sustainable development **EUR 5 million**

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

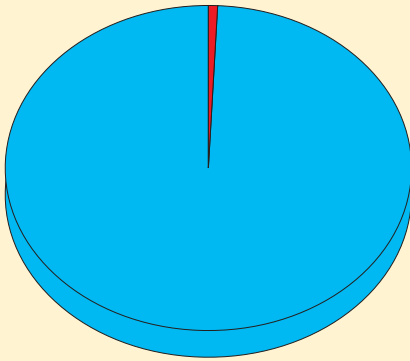
Example **The programme for enterprise and entrepreneurship, particularly for SMES**

Six operational objectives - implementation in 2002:

- to enhance the growth and competitiveness of business in a knowledge-based internationalised economy: **EUR 1.8 million;**
- to promote entrepreneurship: **EUR 1.1 million;**
- to simplify and improve the administrative and regulatory framework for business so that research, innovation and entrepreneurship in particular can flourish: **EUR 0.9 million;**
- to improve the financial environment for business, especially SMEs: **EUR 0.3 million;**
- to give business easier access to support services, Community programmes and networks and to improve the coordination of these facilities; to ensure effective operation of the Euro-Info Centres and Euro-Info Correspondance Centre Networks, the European E-business Support Network for SMEs, and the Top Class Business Support Services in Europe 25: **EUR 8.4 million;**
- other actions: **EUR 2.4 million.**

Competition

Activities 2002 — Commitments



Number of staff: 685

Total commitments

EUR 67.9 million

Objective: To preserve active and fair competition between businesses contributing to the welfare of consumers (they can benefit from lower prices and a wider choice of products and services) and the competitiveness of European economy.

Competition enforcement is one of the Commission's central Treaty obligations — undoubtedly its largest autonomous decision-

making power — and will play an essential role in economic governance within the single market.

Administrative expenditure

EUR 67.8 million

International cooperation

EUR 0.1 million

Competition issues are embracing global dimensions that necessitate closer international

cooperation between competition authorities in different countries.

Mergers, antitrust, market liberalisation and cartels

(no appropriations)

Control of State aid

(no appropriations)

Example: Commission's action in motor vehicle distribution

The new block exemption regulation adopted in 2002 represents a major advance over the old one. It no longer prescribes a single exempted system of distribution but prefers instead greater flexibility of choice by economic operators themselves and lays down stricter rules both on sales of new vehicles and their spare parts and on after-sales servicing.

Before proposing amendments to the regulation in force the Commission made an evaluation report of it by consulting vehicle manufacturers, parts manufacturers, official dealers responsible for sales and after-sales servicing, independent resellers of vehicles, intermediaries, independent repairers, independent spare-part wholesalers and retailers, potential new entrants, consumers and certain categories of customer such as leasing companies and requesting them to submit remarks and comments. The Commission also organised a hearing attended not only by the abovementioned categories of operator but also by consumer associations, national competition authorities and repre-

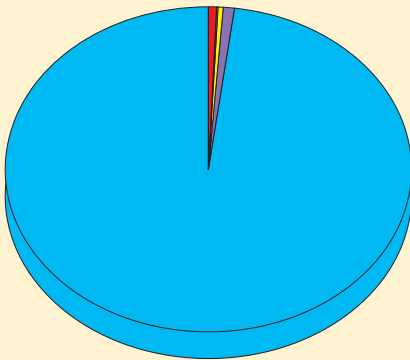
sentatives of the European Parliament and of national parliaments.

The objective of new regulation of increasing competition for the sale of new vehicles and their spare parts and the provision of after-sales services goes hand in hand with the objectives of improving the functioning of the internal market and securing substantial advantages for consumers. The fixing of these objectives in no way affects, however, the qualitative control exercised by the manufacturers concerned over their distribution networks or over the safety and reliability of their products. This new regulation affords the operators concerned a whole series of commercial opportunities, and the attainment of the above objectives will depend entirely on the commercial decisions taken by each category of those operators, at their level, with a view to benefiting from those opportunities.

An explanatory brochure serving as a practical guide for consumers and all operators was published at the same time as the new regulation came into force.

Employment and social affairs

Activities 2002 — Commitments



Number of staff: 765

Total commitments

EUR 9 601 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 85 million

Employment and European Social Fund (ESF)

EUR 9 404 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.

Equal opportunities for women and men

EUR 11 million

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

■ Work organisations and working conditions	EUR 62 million
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Financial aid is provided for:

- | | |
|--|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> modernising labour law and industrial relations by drawing up legal instruments; <input type="checkbox"/> promoting worker mobility throughout the EU, with special emphasis on coordinating | <ul style="list-style-type: none"> national social inclusion policies promoting both the sectoral and multisectoral aspects of the social dialogue; <input type="checkbox"/> security schemes. |
|--|--|

■ Promoting an inclusive society	EUR 39 million
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<p>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</p>	<p>social protection systems by supporting increased cooperation between the Member States in this field.</p>
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Example: Taking stock of five years of the European employment strategy

The European employment strategy (EES) was launched at the Luxembourg jobs summit (1997) against a background of high levels of unemployment. The Lisbon European Council of 2000 updated the strategy - adopting the goal of full employment; setting medium-term employment targets and integrating the strategy into a wider framework of policy coordination.

The evaluation after five years confirms the structural character of these improvements (more than 10 million new jobs created since 1997, 6 million of which were taken up by women and 4 million less unemployed, while the active population continued to grow by 5 million people, through reductions in levels of structural unemployment, a more employment-intensive pattern of economic growth and a more rapid labour market response to economic and social changes.

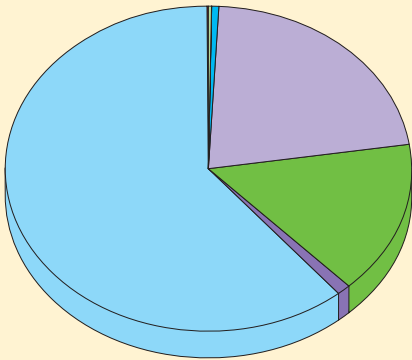
A number of specific policy changes have taken place. Employment policies and the role of public employment services have been reshaped to support an active and preventive approach. In some Member States tax benefit systems have been adapted in

line with the principles of activation. Labour taxation started to become more employment friendly. Education and training systems increasingly adapted to labour market needs. Progress in modernising work organisation has occurred, notably in terms of working time arrangements and more flexible work contracts. Gender mainstreaming has become generalised, with various initiatives taken to tackle the gender gaps, including the provision of childcare facilities to improve the reconciliation of work and family life. And new common paradigms such as lifelong learning and quality at work were recognised as policy priorities, with convergence in these areas starting to take place.

Beyond this general process of policy convergence, the open method of coordination of the Luxembourg process has demonstrated its added value in fostering partnerships and new working methods, both at national and EU level. Overall, the strategy has brought a shift in national policy formulation and focus - away from managing unemployment, towards managing employment growth.

Agriculture and rural development

Activities 2002 — Commitments



Number of staff: 1 024

Total commitments

EUR 46 535 million

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

Administrative expenditure

EUR 114 million

Policy strategy and coordination

EUR 41 million

External relations

EUR 5 million

Plant products

EUR 28 437 million

This activity is organised into a number of common market organisation (CMO) for the different plant sectors (cereals, olive oil, wine,


textile plants, sugar, etc.) and for direct aid to arable farmers.

Animal products

EUR 10 361 million


This activity is organised into a number of common market organisation (CMO) for the different animal sectors (milk and milk prod-

ucts, beef and veal, sheepmeat, pigmeat, etc.). Price and market stabilisation and support of farm income measures are financed.

	Rural development	EUR 7 281 million
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The development policy, relating to farming and conversion to other activities, aims:

- | | |
|---|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> to improve agricultural holdings; <input type="checkbox"/> to guarantee the safety and quality of food-stuffs; <input type="checkbox"/> to ensure fair and stable incomes for farmers; <input type="checkbox"/> to ensure that environmental issues are taken into account; | <ul style="list-style-type: none"> <input type="checkbox"/> 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; <input type="checkbox"/> to improve living and working conditions and promote equal opportunities. |
|---|--|

	Audit of agricultural expenditure	EUR - 259 million
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Recoveries from Member States following clearance of accounts.

	Sapard	EUR 555 million
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This measure provides aid to agriculture and rural development in the candidate countries.

Example:**Leader+ programme**

Leader+ is one of four initiatives financed by EU Structural Funds and is designed to help rural actors consider the long-term potential of their local region. Encouraging the implementation of integrated, high-quality and original strategies for sustainable development, it has a strong focus on partnership and networks of exchange of experience. A total of EUR 5 047 million for the period 2000-06 will be spent, of which EUR 2 105 million is funded by the EAGGF-Guidance Section and the remainder by public and private contributions. The implementation in 2002 was EUR 305 million.

Leader+ is structured around three actions, in addition to technical assistance:

- Action 1: Support for integrated territorial development strategies of a pilot nature based on a bottom-up approach;
- Action 2: Support for cooperation between rural territories;
- Action 3: Networking.

Implementation of Action 1 is through local action groups (LAGs) selected in an open procedure based on the criteria laid down in the programmes. These include the rural na-

ture of the territories, their homogeneity in physical, economic and social terms, and integrated and innovative development plans. Economic and social partners and associations must make up at least 50 % of the local partnership, and the relevance and effectiveness of this partnership is also taken into account.

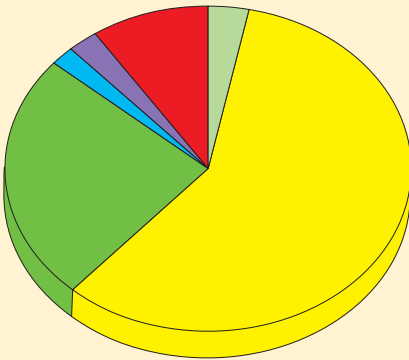
The priority themes laid down by the Commission are:

- making the best use of natural and cultural resources, including enhancing the value of sites;
- improving the quality of life in rural areas;
- adding value to local products, in particular by facilitating access to markets for small production units via collective actions;
- the use of new know-how and new technologies to make products and services in rural areas more competitive.

National networks (Action 3) act as a forum for information exchange on experience and know-how and deliver assistance for local and transnational cooperation.

Energy and transport

Activities 2002 — Commitments



Number of staff: 999

Total commitments

EUR 990 million

Objective: To reconcile energy and transport with environmental constraints, while ensuring economic growth, safety and security of supply, by focussing 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 93 million

Inland, air and maritime transport

EUR 24 million

- Improvements to safety, environment-friendly mobility and the competitiveness of combined freight transport.
- Creation of the single European sky.

- Establishment of the European Aviation Safety Authority and the European Maritime Safety Agency.

Trans-European networks **EUR 578 million**

- Developing the trans-European network is considered an EU policy essential to the smooth functioning of the internal market and for economic and social cohesion.
- Transport network projects (budget 2002: EUR 581 million) comprise road, air, rail, maritime and inland waterway networks, combined networks, traffic management and navigation satellites (Galileo).
- The objective of support for trans-European energy networks (budget 2002: EUR 21 million) is to guarantee the permanent supply of energy.

Conventional and renewable energies **EUR 32 million**

The five-year framework programme (1998-2002) covers projects for clean and efficient use of solid fuels (Carnot), safe transport of radioactive materials (Sure), promotion of renewable energy sources (Altener), promotion of energy efficiency (Save), promotion of international cooperation in the energy sector (Synergy) and studies, analyses and forecasts in the energy sector (Etap).

Nuclear energy **EUR 19 million**

This activity concerns on-the-spot safeguard inspections, sampling and analyses and specific safeguards for large-scale plutonium-processing plants.

Research related to energy and transport **EUR 244 million**

In the transport sector, the objective is to find a better long-term balance between the growing demand for mobility and the necessary compliance with environmental, social, economic and safety constraints. Special attention will be paid to the best way of combining and integrating the advantages of the different modes of transport.

In the energy sector, the activity comprises actions to devise sustainable energy systems and services for Europe, which will result in a more secure and more diversified supply of energy.

Example: Financial support for energy infrastructures

In 2002, some EUR 3.4 million was allocated to six priority projects for electricity networks and EUR 11 million to six priority projects for gas networks to promote the interconnection, interoperability and development of trans-European energy networks and access to such networks in accordance with current Community law, with the aims of:

- allowing effective operation of the internal market in general and of the internal energy market in particular, while encouraging the rational production, distribution and utilisation of energy resources and the development of renewable energy resources, so as to reduce the cost of energy to the consumer and render the European economy more competitive;
- facilitating the development and reducing the isolation of the less-favoured regions of the Community, thereby helping to strengthen economic and social cohesion;
- reinforcing the security of energy supplies, for example by strengthening relations with third countries in the energy sector in their mutual interest, in particular in the framework of the Energy Charter Treaty and cooperation agreements concluded by the Community.

Priorities

1. For electricity networks:

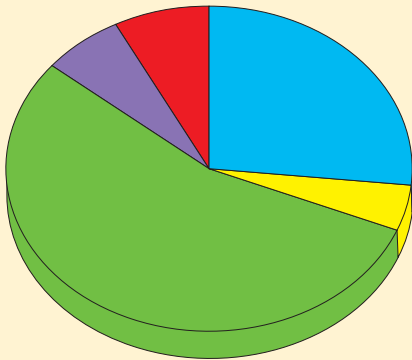
- the connection of isolated electricity networks to the interconnected European networks;
- the development of interconnections between Member States, including the extension of the networks to the new Member States as a precondition to their economic development, and of internal connections insofar as necessary in order to make the best use of these interconnections.

2. For natural gas networks:

- the introduction of natural gas into new regions;
- the connection of isolated gas networks to the interconnected European networks, including the necessary improvements to the existing networks for this purpose and the connection of the separate natural gas networks;
- increasing the transmission (gas delivery pipelines), reception (LNG) and storage capacities needed to satisfy demand, and diversification of supply sources and routes for natural gas.

Environment

Activities 2002 — Commitments



Number of staff: 571

Total commitments

EUR 263 million

Objective: To promote sustainable development, preserving the rights of future generations to a viable environment; to work towards a high level of environmental and health protection and improvement of the quality of life; to promote environmental efficiency; to encourage the equitable use, as well as the sound and effective management, of common environmental resources.

Administrative expenditure

EUR 70 million

Global environmental affairs

EUR 12 million

The implementation of the environmental acquis in candidate countries, the pursuit of multilateral environmental objectives, as well as the pursuit of an external sustainable devel-

opment strategy, extending and adapting EU sustainable development principles to the international arena.

Environmental programmes and projects

EUR 144 million

Mainly LIFE III: LIFE Nature (2002 budget: EUR 72 million) specifically targets the conservation of natural habitats and of species of wild fauna and flora, whereas LIFE Environment (2002 budget: EUR 72 million) is aimed at contributing to the development of innova-

tive 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.

Development of new policy initiatives

EUR 17 million

A comprehensive approach based on the sixth environmental action programme.

Implementation of environment policy

EUR 20 million

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

Example:

LIFE-demonstration projects

Expenditure in 2002: EUR 70 million

The actions taken under the thematic component LIFE Environment are aimed at contributing to the development of innovative and integrated techniques and methods and the furthering of development of the Community environment policy, specifically targeting sustainable industrial production and the inclusion of environmental considerations in land-use and management.

A closer link is established between the fields of intervention of this instrument and the political priorities and technical concerns of Community environmental policy. To this end a frame of reference, approved by the LIFE Committee is established to inform parties, interested in obtaining financial support under LIFE, of actions that are of particular interest to the Community. Eligible actions have been more clearly defined and the scope of the preparatory actions has been broadened.

The activities under LIFE Environment are to co-finance projects of a demonstration nature which:

- integrate environmental considerations and sustainable development in land-use development and planning, including urban and coastal areas;
- promote the sustainable management of groundwater and surface water;

- minimise the environmental impact of economic activity, notably through the development of clean technologies and by placing the emphasis on prevention, including the reduction of emission of gases having a greenhouse effect;
- prevent, reuse, recover and recycle wastes of all kinds and ensure the sound management of waste streams;
- reduce the environmental impact of products through an integrated approach to production, distribution, consumption and end-of-lifetime handling, including the development of environment-friendly products.

Demonstration projects must set out to test an innovative solution to an environmental problem and lead to concrete, practical results. They must be implemented on a scale which allows evaluation of the technical and economic viability of large-scale introduction of this solution. These actions are aimed at bridging the gap between research, and development results, and their widespread implementation. To this end, demonstration projects based on the results of successful projects supported in the framework of past or ongoing RTD programmes in the field of environment are particularly encouraged.

Indirect research



Number of staff: 1 610

Total commitments

EUR 2 848 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 42 million

Research on life sciences

EUR 693 million

The programme focuses on food, nutrition and health; control of infectious diseases; the cell factory; environment and health; sustain-

able management of agriculture; and the ageing population.

Research on competitive and sustainable growth

EUR 708 million

Support for research activities which contribute simultaneously to competitiveness and sustainability is the main objective of the specific programme. The role of industry is not only to identify the areas of collaboration but

also to group projects together and integrate them in the value-added chain, so that technological assimilation and innovation is more effective throughout Europe.

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

■ Research on preserving the ecosystem **EUR 544 million**

The environment part of the programme is intended to promote the environmental sciences and technological and socioeconomic research. The energy part is financing actions to devise sustainable energy systems and ser-

vices for Europe, which will result in a more secure and more diversified supply of energy, the availability of high-quality, low-cost energy services, enhanced industrial competitiveness and a lesser impact on the environment.

■ International role of research **EUR 197 million**

The activity comprises international cooperation differentiated according to five groups of target countries, and financing the training of

researchers by two systems of grants to enable young non-EU researchers to work in EU laboratories and vice versa.

■ Human potential and mobility of researchers **EUR 402 million**

The objective of this activity is to maintain and develop the knowledge potential available to the EU by supplying support for the train-

ing and mobility of researchers by improving access to research infrastructures.

■ Nuclear research **EUR 262 million**

This activity covers the shared-cost research provided for under the Euratom framework programme. The appropriations are to finance actions which help exploit the full potential of

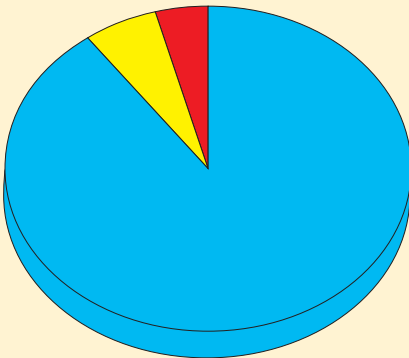
both nuclear fusion and nuclear fission on a sustainable basis by making existing technologies safer and economical and by exploring promising new concepts.

Example:**The European research area**

1. A stock of material resources and facilities that have been optimised at the European level
 - Objective: to set up 'centres of excellence' by networking leading-edge research institutions.
2. More coherent use of public instruments and resources
 - Objective: to implement national and European research programmes in a more coordinated way and to foster closer relations between European organisations for scientific and technological cooperation.
3. More dynamic private investment
 - Objective: better use of instruments of indirect support to research, development of effective tools to protect intellectual property by encouraging the creation of companies and risk capital investment.
4. A common system of scientific and technical reference for policy implementation
 - Objective: to develop the research needed for political decisions and to establish a common system of scientific and technical reference.
5. More abundant and more mobile human resources
 - Objective: to step up the mobility of researchers, increase the place and role of women in research and to give the young a taste for careers in science.
6. A dynamic European landscape, open and attractive to researchers and investments
 - Objective: to reinforce the role of the regions in European research, to integrate the scientific communities of western and eastern Europe and to make Europe attractive to researchers from the rest of the world.
7. An area of shared values
 - Objective: tackling the questions of science and society in their European dimension and developing a shared vision of the ethical issues of science and technology.

Information society

Activities 2002 — Commitments



Number of staff: 1 038

Total commitments

EUR 1 049 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 44 million

eEurope and electronic communications policy

EUR 62 million

- To develop the internal market in this area, apply the new regulatory framework and promote the competitiveness of the European communications sector.
- The eEurope action plan.

Research and technological development on information society policy

EUR 943 million

Community support 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:

eEurope is a political initiative to ensure that the European Union fully benefits from the changes which the information society is bringing.

The key objectives of the initiative are:

- to bring every citizen, home and school, every business and every administration into the digital age and online;
- to create a digitally literate Europe, supported by an entrepreneurial culture ready to finance and develop new ideas;
- to ensure that the whole process is socially inclusive, builds consumer trust and strengthens social cohesion.

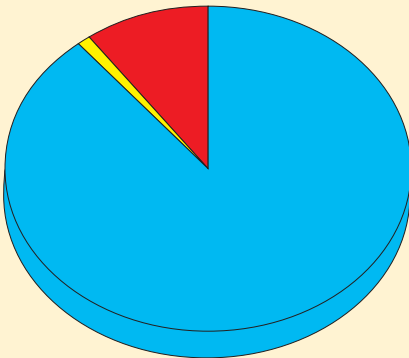
eEUROPE

To achieve these objectives, the Commission has defined joint actions by the Commission, the Member States, industry and the citizens of Europe on 10 priorities:

- bringing European youth into the digital age;
- cheaper Internet access;
- accelerating e-commerce;
- fast Internet access for researchers and students;
- Smart cards for secure electronic access;
- risk capital for high-tech SMEs;
- e-participation for the disabled;
- healthcare online;
- intelligent transport;
- government online.

Direct research

Activities 2002 — Commitments



Number of staff: 2 088

Total commitments

EUR 301 million ⁽¹⁾

Objective: The Joint Research Centre (JRC), as the Commission's scientific arm, is to provide support for the process of formulating EU policy.

The Joint Research Centre carries out research activities in the following areas:

- consumer protection;
- medical and health applications - research includes the evaluation of the effectiveness, the safety and the area of application of non-conventional therapies;
- the information society;
- safety of the citizen;
- integration of environmental protection in other EU policies;
- pollution prevention and control;
- global change;
- energy and transport;
- agriculture, rural development and fisheries.

Administrative expenditure

EUR 1 million

Directly financed research operational appropriations

EUR 290 million

The activity comprises direct scientific and technical support action for Community policies within the fifth framework programme

for research and technological development (Euratom and EC).

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

Decommissioning

EUR 10 million

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

Example: Helping Parkinson's sufferers to walk

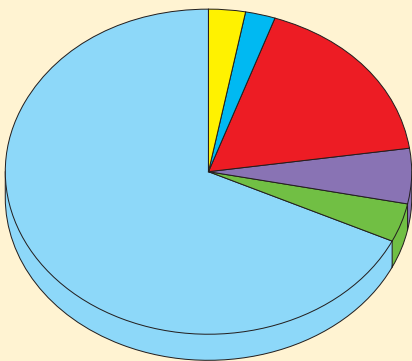
The Commission-funded Parreha (Parkinsonians rehabilitation by intelligent instrumentation) project, involves the JRC Institute for the Protection and Security of the Citizen (IPSC). Many Parkinson's sufferers have difficulty walking in conditions such as an unobstructed corridor that would normally present no problems. Yet, when visual 'obstructions' or 'cues' - such as pieces of paper set down on the floor - are placed in their way, some are able to walk normally, an effect called kinesia paradoxa.

Using technology developed under Parreha, a lightweight computer-driven headset en-

ables wearers to see virtual visual cues wherever they look, allowing them to walk in areas where they would previously have 'frozen'. Exhibits included both the portable Parreha system and an easily adjustable virtual reality exercise room that extends the use of cues. The room enables clinicians to control the environmental parameters that lead to freezing and either adjust them or introduce positive cues to unfreeze the subject. Tested at Europe's largest Parkinson's clinic in Bad Nauheim, Germany, the virtual reality room has attracted a good response from both specialists and patients.

Fisheries

Activities 2002 — Commitments



Number of staff: 309

Total commitments

EUR 1 093 million

Objective: To conserve marine resources by managing them responsibly.

Administrative expenditure

EUR 32 million

Fisheries markets

EUR 26 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 190 million

Fisheries agreements with third countries and contributions to international organisations.

Specific actions in support of the common fisheries policy **EUR 60 million**

Specific measures in support of the internal aspects of the common fisheries policy (CFP), in particular financing of the control infrastructures of the Member States, inspection and surveillance of fishing activities, strength-

ening 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 42 million
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	Structural interventions for fisheries	EUR 743 million
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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 de-

veloped regions and structural measures in the fisheries sector in other regions. Innovative actions at the Community level such as studies, pilot project and experience-sharing, are also supported.

Example: EU action plan (2002) to integrate environmental protection requirements into the common fisheries policy

Environmental integration in the common fisheries policy (CFP) is based on the following:

- the principles of precaution, prevention, rectification at source and polluter pays;
- aiming at a progressive implementation of an ecosystem-based approach, to the extent permitted by scientific knowledge;
- the Community maintains the same level of commitment to these principles in its own fisheries management decisions and at the international level.

Priority measures

Management action within the CFP aimed at the integration of environmental protection requirements gives the highest priority to:

- within the framework of multi-annual management plans, a reduction in fishing pressure on fishing grounds to sustainable levels; where possible, and on the basis of scientific advice, this reduction should target fishing activities having adverse effects both on the sustainability of fish stocks and on the favourable conservation status of non-commercial species and habitats;

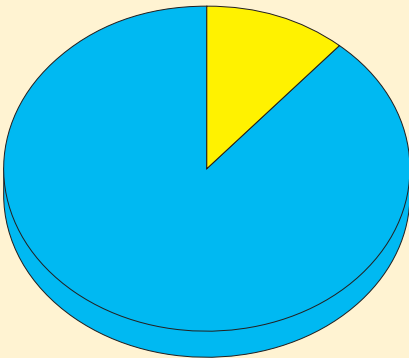
- an improvement of fishing methods with a view to reducing discards, incidental by-catch and impact on habitats. In the coming months, the Commission will devise an action plan on discards and appropriate proposals to protect sharks, cetaceans and sea birds from adverse effects of fishing;
- the elimination of public aid for the modernisation or renewal of the fishing fleet except for aid to improve safety or product quality not likely to increase fishing capacity.

Monitoring and evaluation

By means of a system based on indicators, the Commission will design an experimental monitoring system based on such indicators after consulting the Scientific, Technical and Economic Committee for Fisheries to become operational during 2003. Within the sixth research framework programme, and in close collaboration with research bodies and environmental agencies, Member States are invited to study the performance of the abovementioned monitoring system to deliver relevant information for the CFP.

Internal market

Activities 2002 — Commitments



Number of staff: 472

Total commitments

EUR 53 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 47 million

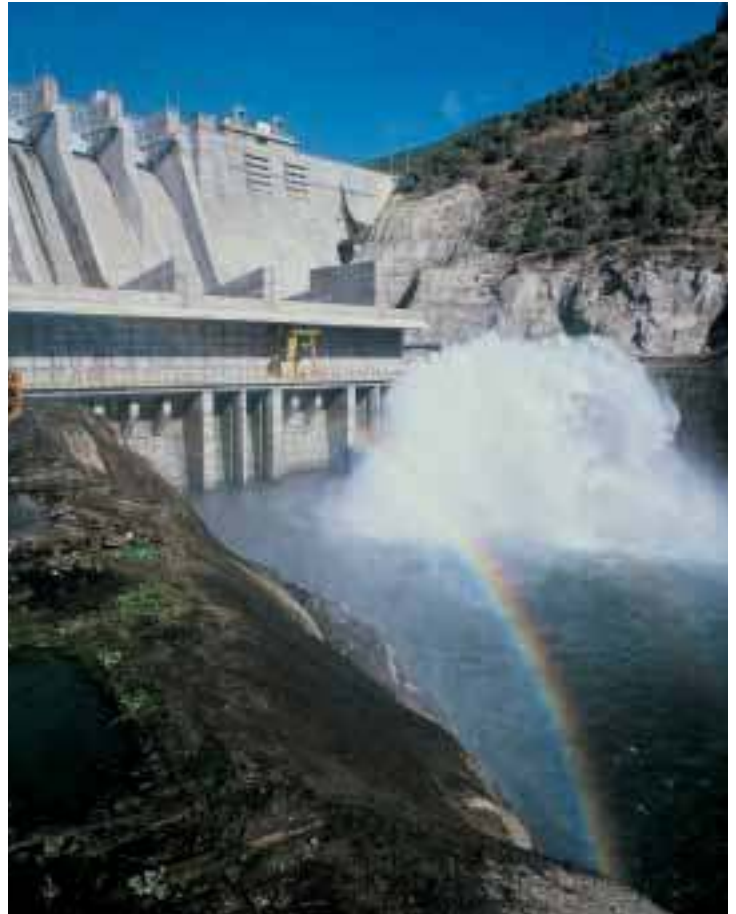
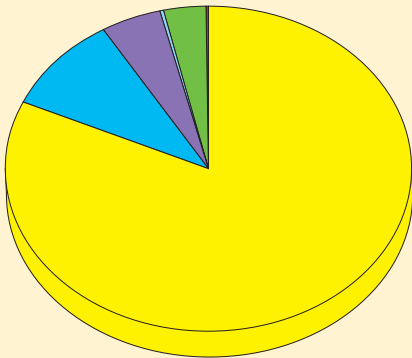
Policy strategy and coordination for the Internal market DG **EUR 6 million**

Example: Internal market scoreboard
Internal market index — How the evolution of the internal market is measured in Member States

Variable	Source	Weight (%)	Impact	Explanation
Sectoral and ad hoc State aid as percentage of GDP	Eurostat	14	-	Proxy for fair competition
Value of published public procurement as percentage of GDP	Eurostat	13	+	Proxy for transparency and market access
Telecommunication costs (10-minute local, national and international call)	Eurostat	9	-	Proxy for market opening in telecommunications sector
Electricity prices (industry and households)	Eurostat	12	-	Proxy for market opening in electricity sector
Gas prices (industry and households)	Eurostat	7	-	Proxy for market opening in gas sector
Relative price level of private final consumption including indirect taxes (EU average = 100)	Eurostat	10	-	Proxy for price divergence by Member State from EU average
Intra-EU foreign direct Investment inward flows as percentage of GDP (FDI)	Eurostat	12	+	Proxy for free movement of capital between Member States
Intra-EU trade as percentage of GDP	Eurostat	14	+	Proxy for free movement of goods between Member States
Active population in a Member State (aged 15-64) originally coming from other Member States as percentage of total population	Eurostat	3	+	Proxy for free movement of workers between Member States
Value of pension fund assets as percentage of GDP	Internal Market DG	1	+	Proxy for movement from pay-as-you-go to funded pension schemes
Retail lending interest rates over savings interest rates ratio	European Central Bank	4	-	Proxy for efficiency of the banking sector
Postal tariffs (20g standard letter)	Internal Market DG	1	-	Proxy for market opening in postal services

Regional policy

Activities 2002 — Commitments



Number of staff: 539

Total commitments

EUR 22 651 million

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

The policy area includes the cohesion policies in respect of Member States and their regions, covered by the European Regional Development Fund (ERDF) activities, and the Cohesion Fund. It also includes structural pre-accession assistance to the candidate countries through the Instrument for Structural Policies for Pre-accession (ISPA). The appropriations


are mainly implemented by the Member States as a part of decentralised management. The Commission directly manages only technical assistance projects and the pre-accession facility ISPA. The area also includes the Solidarity Fund aimed at assisting Member States, as well as candidate countries, in the event of major natural disasters.

Administrative expenditure

EUR 61 million

Policy strategy and coordination

EUR 32 million

 ERDF and other regional interventions	EUR 17 935 million
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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;
- 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.

 Cohesion Fund	EUR 2 788 million
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The Cohesion Fund provides project finance assistance to Spain, Greece, Portugal and Ire-

land, to implement environmental and transportation infrastructure projects.

 Pre-accession interventions related to the structural policies	EUR 1 107 million
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Within the framework of the pre-accession strategy, ISPA (Instrument for Structural Policies for Pre-Accession) supports the applicant countries of central and eastern Europe to

catch up with Community standards on transportation infrastructure and environmental investments.

 Solidarity Fund management	EUR 728 million
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The European Solidarity Fund has to react rapidly in emergency situations and cases of major catastrophes.

Example:**The European Union Solidarity Fund**

The floods in Germany, Austria, the Czech Republic and France in the summer of 2002 caused serious human and material damage. For several weeks, they called a halt to the economy of the affected regions. The cost in human terms and the damage to infrastructure and the natural and cultural heritage were particularly severe in Germany (EUR 15 billion), Austria (EUR 2 billion), the Czech Republic (EUR 2 to 3 billion) and Slovakia (EUR 35 million).

The European Union reacted immediately. It launched the idea of creating a European Union Solidarity Fund (EUSF) as the most appropriate instrument in such situations. The Fund allocated aid as follows.

(million EUR, rounded)

Austria	134
France	21
Germany	444
Czech Republic	129
Total	728

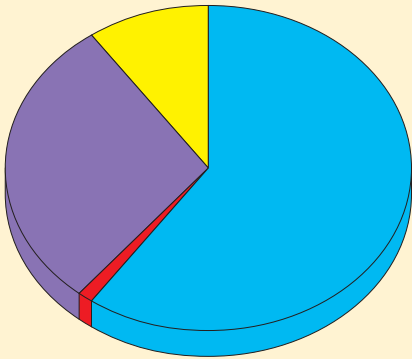
The Solidarity Fund will intervene mainly in cases of major natural disasters with serious repercussions on living conditions, the natural environment or the economy in one or more regions of a Member State or a country applying for accession.

Intended to finance measures alleviating non-insurable damage in principle, the urgent actions eligible for the Fund are the following:

- immediate restoration to working order of infrastructure and plant in the fields of energy, drinking water, wastewater, telecommunications, transport, health and education;
- providing temporary accommodation and funding rescue services to meet the immediate needs of the population concerned;
- immediate securing of preventive infrastructures and measures of immediate protection of the cultural heritage;
- immediate cleaning up of disaster-stricken areas, including natural zones.

Taxation and Customs Union

Activities 2002 — Commitments



Number of staff: 462

Total commitments

EUR 81 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 48 million

International aspects of taxation and customs


EUR 1 million

Customs 2002 and Customs 2007 programmes, with the aim to provide as much support as possible for the enlargement

process, by bringing current working methods into line.

 Customs policy	EUR 24 million
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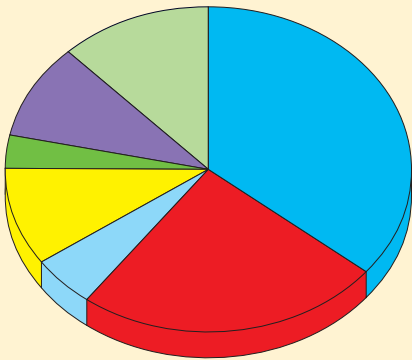
The Customs 2007 programme with the goal of ensuring that customs authorities apply Community legislation in such a way as to ensure the smooth operation of the internal market in an enlarged Community.

 Taxation policy	EUR 8 million
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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.

Education and culture

Activities 2002 — Commitments



Number of staff: 707

Total commitments

EUR 759 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 92 million

Education

EUR 272 million

The Socrates programme contributes to the promotion of a 'Europe of knowledge', through strengthening the European dimen-


sion in education and training by promoting lifelong learning, based on formal and informal education and training.

Vocational training

EUR 185 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).

EUR 14 million was allocated to the European Centre for the Development of Vocational Training in Thessaloniki, and EUR 13 million to the European Training Foundation in Turin.

 Culture and language	EUR 39 million
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The framework programme in support of Culture comprises:

- | | |
|--|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> promotion of cultural dialogue and of mutual knowledge of the culture and history of the European peoples; <input type="checkbox"/> promotion of creativity and the transnational dissemination of culture and the movement of artists, creators and other | <ul style="list-style-type: none"> cultural operators and professionals and their works; <input type="checkbox"/> sharing and highlighting, at the European level, the common cultural heritage of European significance; <input type="checkbox"/> the fostering of intercultural dialogue and mutual exchange between European and non-European cultures. |
|--|---|

 Dialogue with the citizens	EUR 25 million
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Community financing is provided for town-twinning, European integration of universi-

ties, special annual events and action for civil society.

 Youth	EUR 72 million
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The Youth for Europe programme is intended for young people who are neither at school nor university, and is designed to enable them to gain experience of informal education through personal involvement in voluntary

schemes or participation in transnational exchanges. The programme also covers measures for training and cooperation between youth leaders, a youth information aspect and studies on youth issues.

 Audiovisual policy and sports	EUR 74 million
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The implementation of the MediaPlus and Media Training programmes to improve the

competitiveness of the European audiovisual industry.

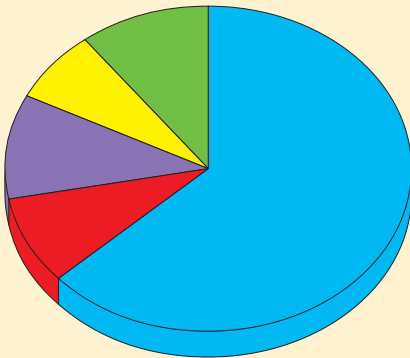
Example: Socrates programme in 2002

Breakdown	Implementation 2002 (EU-15)	
	Outputs	Million EUR
Action/specific objective 1: Comenius school teaching		
Outputs:		
School partnerships:		47.109
• projects (establishments involved)	8 000	
• preparatory visits	2 000	
Training of school education staff		
• multilateral cooperation projects	40	6.966
• mobility		12.500
• initial training courses (number of grants)	0	0
• continuing training courses	4 700	9.000
• language assistantships	810	3.500
Networks	4	1.580
<i>Subtotal</i>		<i>68.155</i>
Action/specific objective 2: Erasmus higher education		
Outputs:		
• European university cooperation		21.342
• organisation of mobility (including intensive language preparatory courses)	1 530	12.593
• other activities	884	8.749
Mobility:		
• students (number of grants)	105 989	93.000
• teachers (number of grants)	12 000	9.500
• organisation of mobility	0	0
• intensive language preparatory courses	0	0
Thematic networks	33	5.266
<i>Subtotal</i>		<i>129.108</i>
Action/specific objective 3: Grundtvig adult education and other educational pathways		
Outputs:		
European cooperation projects	53	7.824
Education partnership (establishments involved)	175	7.900
Grants for mobility for training	1 333	1.000
Networks	8	1.687
<i>Subtotal</i>		<i>18.411</i>
Action/specific objective 4: Lingua teaching and learning languages		
Outputs:		
Promotion of learning languages (projects)	7	1.566

Breakdown	Implementation 2002 (EU-15)	
	Outputs	Million EUR
Development of tools and equipment	15	2.853
<i>Subtotal</i>		4.419
Action/specific objective 5: Minerva open and distance learning		
Outputs:		
Transnational projects Minerva	39	6.867
Projects Netdays	12	0.358
<i>Subtotal</i>		7.225
Action/specific objective 6: Observation and innovation		
Outputs:		
Observation		
• general observation actions (projects)	10	1.464
• networking (Tuning II)	0	0
• Arion study visits (number of grants)	1 400	1.500
• Eurydice information network	31	3.202
• Naric projects	11	0.125
<i>Subtotal</i>		6.291
Action/specific objective 7: Joint actions		
Outputs:		
Projects	7	0.713
<i>Subtotal</i>		0.713
Action/specific objective 8: Accompanying measures		
Outputs:		
• awareness-raising (projects)	71	4.049
• national agencies (projects)	23	5.600
• international cooperation (projects)	1	0.250
• evaluation	4	0.650
• dissemination of results (projects)	0	0
• associations and NGOs (projects)	6	0.873
<i>Subtotal</i>		11.422
Action/specific objective 9: Preparatory visits		
Outputs:		
Grants	800	1.600
<i>Subtotal</i>		1.600
Total		247.344

Press and communication

Activities 2002 — Commitments



Number of staff: 684

Total commitments

EUR 124 million

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

Administrative expenditure

EUR 79 million

Provision of information to the media on the decisions and the policies of the Commission

EUR 11 million

General information work concerning the European Union.

Analysis of public opinion's trends and development of general information for the citizens


EUR 13 million

Integrated management of means of communication (at central and local level)

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, etc.).

 **Coordination of information relays and networks in the European Union** **EUR 13 million**

Financing of information outlets.

Example: Information services to the 'information relays'

The general purpose of these services is to concentrate and optimise the compilation and elaboration of European Union-level information of general interest and value, in order to leave Commission representations free to focus more on information of relevance in the specific Member State. In order to facilitate access to relevant information by the relays, the European Commission has created specific information services.

Network newsletters

The electronic newsletter, published 11 times a year in English and French, provides analyses of the main policy developments that take place at an European level, as well as additional information on European Union-related matters. It contains a first section focused on the analysis of one or more topics, which are of wide and current political relevance. A second section describes the objectives and functioning of other information networks in the European Union. A third section is dedicated to reports on activities and initiatives taken by the network members.

Specialised information dossiers

Twice a year, the help desk publishes a document, and a structured set of transparencies, summarising the theme of the information dossier, containing in-depth analyses and complex information on topics of par-

ticular relevance. The document - published in English, French and German - and the transparencies - published in the 11 official languages of the European Union - are aimed at providing network members with specialised information on important topics.

DOC lists

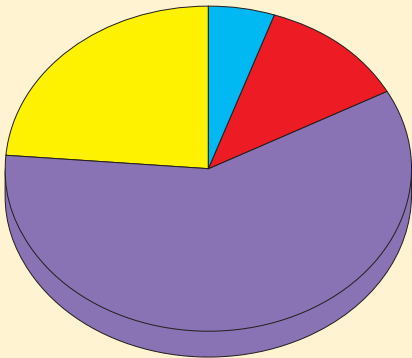
The TECIS help desk offers a monitoring service of all main information sources at European Union level. A regular check is carried out of all official web sites of the European institutions and of all European Union-level databases generating information on official documents, reports, calls for proposals and other documentation which may be of relevance for the network members. Information on such documents is published online fortnightly.

Hotline service

A personalised information gathering service, based on a question and answer system, is offered to the network members through the help desk. Network members can address specific information requests to the help desk, and the staff will - according to the type of question - either provide the answer or identify a source where the answer can be obtained. The questions and answers, which can be relevant to the rest of the network, are published online in an ad hoc database.

Health and consumer protection

Activities 2002 — Commitments



Number of staff: 809

Total commitments

EUR 380 million

Objective: To protect consumers' health, safety and economic well-being by promoting their rights to information and education, to encourage them to organise themselves and to safeguard more effectively their own interests; and to combat in collaboration with the Member States today's major health scourges such as communicable diseases, drug addiction and cancer.

Administrative expenditure


EUR 90 million

Consumer policy

EUR 20 million


The strategy for 2002-06 states that EU consumer policy should:

- guarantee essential health and safety standards - when buying a product, consumers should be reassured it is safe and be protected against illegal and abusive practices by sellers;
- empower individuals to understand policies that affect them and have an input when these policies are made;
- establish a coherent and common environment so that shoppers are confident about making cross-border purchases;
- ensure that consumer concerns are systematically integrated into the whole gamut of relevant EU policy areas from environment and transport to financial services and agriculture.

 Public health	EUR 45 million
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The main objectives of the framework programme are:

- | | |
|--|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> improving health information with the intention of putting in place a comprehensive information system. | <ul style="list-style-type: none"> <input type="checkbox"/> responding rapidly to health threats by enhancing the capacity to tackle communicable diseases and by strengthening the capacity to tackle other health threats. <input type="checkbox"/> addressing health determinants through promotion and disease-prevention measures. |
|--|---|

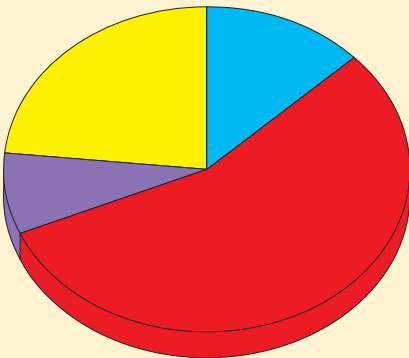
 Food safety, animal health, animal welfare and plant health	EUR 225 million
--	------------------------

- | | |
|--|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> 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. | <ul style="list-style-type: none"> <input type="checkbox"/> Contribution to the European Food Safety Agency. |
|--|---|

Example: Community activities in favour of consumers	
Breakdown	Implementation 2002 (million EUR)
MID-TERM OBJECTIVE 1:	
A high common level of consumer protection	
Action 1. Scientific opinion and risk analysis	
Action 2. Preparation of legislative initiatives and other	
Action 3. Monitoring and evaluation of the markets having an impact on the economic interests	
Action 4. Knowledge base for consumer policy	
Subtotal	11.89
MID-TERM OBJECTIVE 2:	
Effective enforcement of consumer protection rules	
Action 5. Coordination of the actions of follow-up and of the enforcement of the legislation	
Action 6. Creation of databases on the application of the rights of consumers	
Action 7. Monitoring and evaluation of the safety of non-food products and of services	
Action 8. Follow-up and evaluation of alternative dispute resolution	
Action 9. Consumer information/assistance networks	
Action 10. Joint action of follow-up and of enforcement of the legislation	
Subtotal	1.84
MID-TERM OBJECTIVE 3:	
Proper involvement of consumer organisations in EU policies	
Action 11. Technical and legal expertise for consumer organisations	
Action 12. Representation of the European consumers in international forums	
Action 13. Reinforcement of the powers of consumer organisations	
Action 14. Information on consumer rights	
Action 15. Consumer education	
Action 16. Representation of the consumers at Community level	
Action 17. Representation of consumers as regards standardisation	
Subtotal	5.33
HORIZONTAL	
Action 18. Specific projects	
Action 19. Evaluation Knowledge base	
Total	19.47

Justice and home affairs

Activities 2002 — Commitments



Number of staff: 283

Total commitments	EUR 124 million
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Objective: to ensure that the citizens of the European Union enjoy freedom and equal access to security and justice.

Administrative expenditure	EUR 29 million
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Police, customs and judicial cooperation in criminal and civil matters	EUR 16 million
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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 within the next five years,

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 69 million
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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 a preparatory action on migration and on non-member countries.

Coordination in the field of drugs

EUR 10 million

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

Example: Actions of the EU to combat the financing of terrorism

At the extraordinary European Council on 21 September 2001 it was decided that the fight against terrorism would be a priority objective of the European Union. The Council approved a plan of action dealing with enhanced police and judicial cooperation, developing international legal instruments against terrorism, preventing terrorist funding, strengthening air security and greater consistency amongst all the Union's policies. The regular updates of the 'Terrorism roadmap' concerning this plan of action, prepared by the Council in cooperation with the Commission services and approved by the General Affairs and External Relations Council, provide both an overview and the state of play of the measures implementing this plan of action on particular dates.

Most important legislative actions since September 2001

- Protocol to the Convention on Mutual Assistance in Criminal Matters between the Member States of the European Union.
- Directives or amendments in directives on prevention of the use of the financial system for the purpose of money laun-

dering and on insider trading and market manipulation (market abuse).

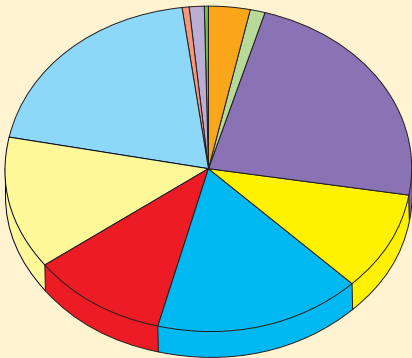
- Council regulations on specific restrictive measures directed against certain persons and entities with a view to combating terrorism, on imposing certain specific restrictive measures directed against certain persons and entities associated with Usama bin Laden, the Al-Qaida network and others.
- Controls on cross-border cash movements.
- Implementation of the Commission's action plan to prevent fraud and counterfeiting of non-cash payments.

Most important institutional measures taken since September 2001

- Establishment of special anti-terrorism unit at Europol and relations with the United States.
- FIU.NET Project (system for cooperation between the financial intelligence units).
- Monitoring progress in candidate countries in implementing anti-money-laundering legislation.

External relations

Activities 2002 — Commitments



Number of staff: 2 333

Total commitments

EUR 3 231 million

Objective: To ensure a stable and peaceful Europe as an important partner in cooperation in every region of the world, with a voice that is heard internationally.

Administrative expenditure

EUR 336 million

Multilateral relations and general external relations matters

EUR 36 million

Conflict prevention and crisis management measures, de-mining actions, participation in certain international organisations and fora

and through increasing the visibility of the Community and its activities by communication and information.

Common foreign and security policy (CFSP)

EUR 30 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 con-

tribution (EUR 14 million) related to the preparation and setting up of the EU Police Mission to be deployed in Bosnia and Herzegovina from 2003.

Human rights and democratisation **EUR 108 million**

The goals pursued are promotion and defence of human rights and fundamental freedoms and support for the democratisation process. 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 36 million**

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

Relations with eastern Europe, Caucasus and Central Asian Republic **EUR 413 million**

Relations with the east European and Central Asian Partner States eligible for the Tacis programme which includes cross-border coopera-

tion, rehabilitation in the Caucasus as well as special nuclear safety provisions.

Relations with the Western Balkans **EUR 645 million**

The stabilisation and association process (SAP) is a framework in which a new contractual relationship — stabilisation and association agreements — and an assistance pro-

gramme (CARDS) help Albania, Bosnia and Herzegovina, Croatia, FYROM and the FRY (Serbia, Kosovo and Montenegro) to progress at its own pace towards EU membership.

Relations with the Middle East and South Mediterranean **EUR 751 million**

The Barcelona Process is the Union's main instrument to help promote stability and prosperity to the Union's Mediterranean neighbours. In the MEDA II programme (2000-06) the Community interventions comprise the socioeconomic development of the EU's Mediterranean partners. The main areas for Community intervention will be education, health, fight against unemployment, improve-

ment of infrastructures, support to privatisation and structural adjustment programmes, projects in rural development and protection of natural resources (in particular water).

As for the Middle East peace process, a more active role of the Union is pursued, both as regards establishing a lasting cease-fire and moving into final status negotiations.

Policy strategy and coordination **EUR 17 million**

Relations with Latin America **EUR 317 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 in-

tegration; the promotion of sustainable development; support for the economic reforms and for integration into the world economy; the facilitation of trade and of the economic relations between the European Union and Latin America.

Relations with Asia **EUR 541 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.

Example: Human rights and democratisation

Breakdown	Implementation 2002	
	Outputs	EUR million
Operational Objective 1: Support to reinforce democratisation, good governance and the rule of law (31 focus countries)	59	54.8
Operational Objective 2: Actions to support the abolition of the death penalty	8	5.2
Operational Objective 3: Combating racism and xenophobia and discrimination against minorities and indigenous peoples	32	21.1
Operational Objective 4: Support to fight against torture	19	14.3
Total	118	95.4

EUR 95 million was allocated to around 100 actions, mainly in 31 focus countries and covering four priorities:

- support to reinforce democratisation and the rule of law
- actions to support the abolition of the death penalty
- combating racism/xenophobia and discrimination
- support to fight against torture.

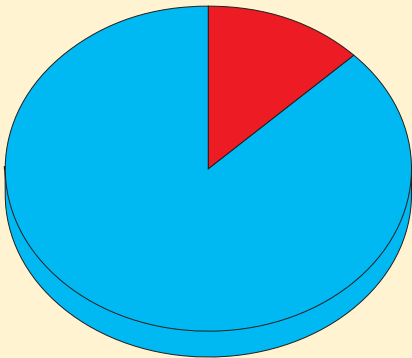
About EUR 60 million was allocated to focus countries, the balance to regional projects (which may involve some focus countries).

The different outputs are mainly obtained via calls for proposals, targeted projects and microprojects.

Targeted projects, due to the nature of the partners, are implemented mainly with international organisations depending on the United Nations or other major partners in the field of human rights like the Council of Europe or the OSCE.

Trade

Activities 2002 — Commitments



Number of staff: 500

Total commitments

EUR 63 million

Objective: To contribute to a harmonious development of the economy and of world trade.

Administrative expenditure

EUR 55 million

Trade policy

EUR 8 million

In the framework of the Doha round of multi-lateral 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.

The EU has made major efforts to adapt its legislation and its procedures to the rules of the WTO and to other international commitments, and is combating unfair commercial practices by third country companies to the detriment of EU companies.

Example: Why is the common commercial policy judged a model of successful policy integration and effectiveness?

Three reasons:

- a will to act collectively
- a generally balanced and effective decision-making process
- a broadly-based political platform.

The customs union and the internal market mean that the Member States have no choice but to pool tariff arrangements at external borders, as well as their commercial defence measures, and the power to conclude trade agreements with non-member countries. The common commercial policy is obviously the external face of the common market. So the basic common aspiration to act collectively was explicit from the outset.

There is a clear allocation of responsibilities. The Commission has an exclusive right of initiative - it proposes negotiating directives. The Commission negotiates but the Council approves or rejects the agreement reached. The Council's decision is usually taken by qualified majority. This is the

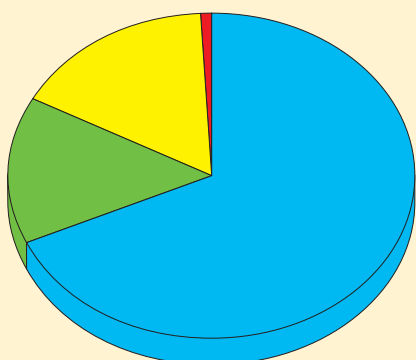
Community method in action. It means, in practice, that it is very hard for the Commission to go against the wishes of more than one Member State, quite simply because of the qualified majority rule, which in itself is a process that encourages debate and consensual decision-making.

The more defensive Member States have admitted that liberalisation is crucial to growth and competitiveness. The more open Member States have admitted that liberalisation requires some regulation of markets to offset any adverse social or sectoral effects of liberalisation and take on board new social demands.

In short, this in-depth debate together with an ongoing dialogue between the Commission and the Member States - when a political issue has to be dealt with, the Commissioner responsible goes to the General Affairs Council to explain what is at stake and receive policy guidelines - has led to a European approach to commercial policy, namely market opening plus regulation.

Development and relations with ACP countries

Activities 2002 — Commitments



Number of staff: 1 506

Total commitments

EUR 1 144 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; 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.

Administrative expenditure

EUR 186 million

Development cooperation policy and sectorial strategies **EUR 781 million**


Preference is given to the use of geographical programmes, instead of specific thematic interventions, in all the cases where an integrated geographical approach enables the deployment of more coordinated measures, with resulting gains in efficiency and synergy. This approach is manifest in cases such as information technology and sustainable energy and

rehabilitation, where the Commission proposes to address problems at country level rather than through thematic interventions.

The horizontal approach is maintained for operations such as the NGO co-financing, and interventions in the environment/tropical forest sector.

Policy strategy and coordination

EUR 10 million

 **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).

Example: Food aid for the people of Afghanistan

Further to the downfall of the Taleban power back in November 2001, the Commission embarked upon a reconstruction assistance programme with commitments worth over EUR 180 million in 2002. The main programme components included aid to uprooted people, rural recovery and food security and a two-phased recovery programme. The overall objectives of this support were to facilitate the sustainable return of internally displaced persons (IDPs) and refugees, to improve the availability and access to food for the benefit of the food-insecure groups and to provide alternatives to poppy production.

This programme has been implemented in the framework of the overall pledges (USD 5 billion over five years) made by donors during the Tokyo conference in January 2002.

The rural recovery and food security programme aimed at providing support to the rural communities and the chronic food-insecure groups. The approach adopted by the Commission focused on linking crisis to post-crisis problems with the aim to remobilise rural production systems and strengthen the production capacity of the rural population to produce food and/or create additional income.

The programme enabled the support community-based reconstruction programmes via non-governmental organisations (EUR 15 million), the provision of basic food and non-food items to rural food-insecure groups via Euronaid (two allocations worth

EUR 4.5 million and EUR 8.2 million), and the launching of a programme to set up a system to produce and distribute quality seeds adapted to local agro-climatic conditions implemented by the FAO (EUR 6 million). The selection of implementing partners was carried out by prioritising partners with experience in the country as well as local partners.

In order to support the emergency assistance operations in response to three consecutive years of drought that devastated almost all parts of the country and resulted in widespread food insecurity, the Commission provided support to the food aid operations carried out by the World Food Programme. Three subsequent allocations were decided, a total of which came to EUR 38.9 million. The most recent decision was taken in November 2002 and is presently being implemented in order to meet the basic food requirements of the most vulnerable populations over the winter months.

Through a new food security proposal for Afghanistan worth EUR 25 million, the Commission intends now to move away from the emergency and post-crisis intervention towards a rural reconstruction and long-term food security strategy. The cornerstones of this new approach are a labour-intensive public works programme targeting vital rural infrastructure including water resources infrastructure and irrigation schemes, capacity building for key government departments and the setting-up of a national livelihood-based food security and nutritional surveillance system.

Enlargement

Activities 2002 — Commitments



Number of staff: 620

Total commitments

EUR 1 918 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 117 million

Pre-accession assistance instruments

EUR 1 793 million

- This activity essentially covers the Phare programme for pre-accession aid to the applicant central and east European countries. The activity comprises the various national programmes, 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*.
- It also covers the financial interventions in favour of the candidate countries of the Mediterranean region, Cyprus and Malta (EUR 20 million) and Turkey (EUR 126 million).

Information and communication strategy

EUR 8 million

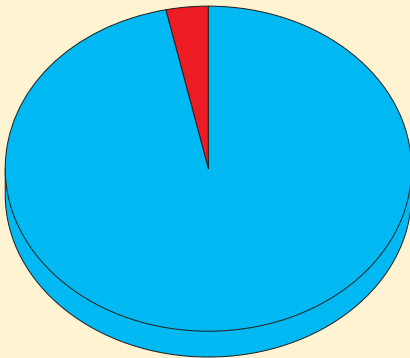
Example:**Cross-border cooperation (CBC)**

Phare CBC aims to strengthen the involvement of local and regional actors in cross-border cooperation, to enhance the bottom-up approach, to bolster their capacities for programming, implementation and monitoring, and to allow local authorities in border regions to take decisions on small projects of a real cross-border nature through setting up small project funds. In 2002, EUR 151 million was allocated to some 20 actions across the candidate countries. Activities financed under this programme were of the following types:

- alleviation of the administrative and institutional obstacles to the free flow of persons, products or services across the border while taking into account the security aspects of such flows;
- improving infrastructures, in particular communication facilities and the provision of local water, gas and electricity supplies, providing benefits across border areas;
- environmental protection, for instance waste management, environmental management and pollution prevention dealing with problems exacerbated by the proximity to external borders;
- agricultural and rural development measures with particular attention to facilitating cross-border cooperation projects;
- measures in the fields of energy and transport, aimed at complementing the development of trans-European networks in accordance with the orientations adopted by the Commission;
- actions related to justice and home affairs Community policy;
- promotion of business cooperation, enterprise development, financial cooperation and cooperation between institutions representing the business sector (e.g. chambers of commerce);
- aid to investment and provision of supporting services and facilities, in particular for technology transfer and for marketing for small and medium-sized enterprises;
- training and employment measures;
- local economic development, including tourism;
- measures to promote cooperation in health, particularly the sharing of resources and facilities on a cross-border basis;
- the development or establishment of facilities and resources to improve the flow of information and communications between border regions, including support for cross-border radio, television, newspapers and other media;
- cultural exchanges;
- local employment, education and training initiatives.

Humanitarian aid

Activities 2002 — Commitments



Number of staff: 152

Total commitments

EUR 535 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 17 million

Humanitarian aid

EUR 518 million

Non-discriminatory assistance, geared primarily towards help and protection for people in third countries, in particular the most vulnerable groups of people and primarily those in developing countries, victims of natural disas-

ters as well as wars or armed conflicts. This aid also comprises preparatory and preventive actions. The emergency aid reserve can be used for non-foreseeable needs.

Example:**Humanitarian operations 2002**

ECHO's response to humanitarian crises followed the global development of needs as affected by natural and man-made disasters. The global disaster situation in 2001/02 was characterised by a slight decrease in the frequency and the number of people affected by natural disasters, while the humanitarian consequences of man-made crises stagnated at an unacceptably high level.

Research indicated 42 ongoing wars and violent crises worldwide. The total number of 12 million refugees remained virtually unchanged in 2002, whereas it was estimated that there are at least 25 million internally displaced persons in 47 countries. In 2002, half of the violent crises and wars were located in Africa, which hosted 27.5 % of all refugees, whereas Asia hosted the largest refugee population worldwide (48.3 % of all refugees).

Following a steady increase in the number of natural disasters in the period 1996-2001, the International Federation of the Red Cross (IFRC) world disaster report recorded a slight downward trend in 2002. However, the 39 000 people killed by natural disasters represented almost a doubling compared

with the previous year. The natural disasters situation during 2001/02 has been dominated by three main events effecting ECHO's humanitarian operations: the ongoing drought in South Africa and its consequences on food security, widespread floods in South Asia, and a series of devastating wind storms.

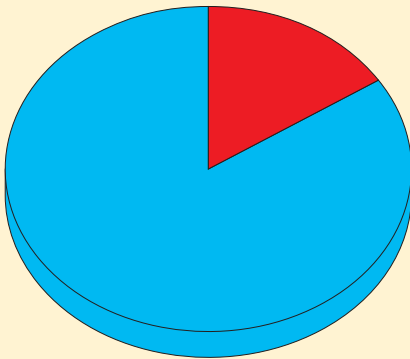
ECHO's response to humanitarian crises in 2002 has been channelled through 115 funding decisions totalling EUR 538 million (including EUR 18 million of EDF). Some 798 contracts for humanitarian aid were signed in 2002.

Out of the total 115 funding decisions, 22 were emergency decisions (7 % of used budget funds) to intervene in acute crises, either natural disasters or conflicts.

ECHO's main partner group remains EC NGOs, 62.2 % of ECHO's funding was implemented through them. International organisations received 34.3 %: UN organisations accounted for 27 % and other international organisations, mainly the ICRC and the IFRC, received 7.9 %. The remaining 3.5 % of funding is mostly for non-humanitarian contracts, such as technical assistance.

Fight against fraud

Activities 2002 — Commitments



Number of staff: 335

Total commitments

EUR 38 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 32 million

Fight against fraud

EUR 6 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.

Example: OLAF anti-fraud communicators network

The OLAF anti-fraud communicators network (OAFCN) includes the OLAF Spokesman, spokespersons responsible for public relations and information officers in the national investigation services, with which OLAF cooperates in the Member States. It forms a part of the external independent communication strategy of OLAF.

OAFCN objectives are:

- to prevent fraud through the free-flow of information: 'prevention is better than cure';
- to create a permanent dialogue between OLAF's External Communication Unit and its counterparts in the national investigation services;
- to inform the European citizen of what OLAF and its partners in the Member States are doing both jointly and individually in order to protect their financial interests. This includes making all concerned aware of the need for an anti-fraud programme that is global, balanced and effective throughout the territory of the European Union;

- to give information to the general public (in particular through the media) relating to the fight against fraud and irregularities to the detriment of the European Union's financial interests.

OAFCN actions

The OAFCN endeavours to add value to the work of the national investigation services, and to highlight not only the work done in individual Member States but also the global Community aspect of the fight against fraud.

As far as it is legally and operationally possible, OAFCN members keep each other up to date on issues via press releases of mutual interest. Equally, the network assists journalists in evaluating information forwarded to them by other OAFCN members regardless of their nationality. Normally, national law enforcement agencies are more effective and more comfortable with their national media than with foreign media. However, one of OAFCN's purposes is to ensure that the door of each national investigation service with which OLAF cooperates is open to all the international media.

9. THE FIGHT AGAINST FRAUD



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

In order to step up the fight against fraud, corruption and any other illegal activity affecting the financial interests of the European Community, the European Anti-Fraud Office (OLAF) exercises the powers of external and internal investigation conferred on the Commission by Community legislation and agreements.

The Office provides the Member States with assistance from the Commission in organising close and regular cooperation between their competent authorities in order to coordinate their activities for the purpose of protecting the European Community's financial interests. The Office contributes to the design and development of a policy of fighting fraud and any other illegal activity affecting the financial interests of the European Community, and of protecting those interests particularly against dubious activities likely to result in administrative or criminal prosecution. It has special responsibility for developing the necessary infrastructure, and for collecting and exploiting the relevant information.

The Office was given responsibility for conducting administrative anti-fraud investiga-

tions by having conferred on it a special independent status.

The annual reports on operational activities of the Office, which have a special independent status, are available at the following web address: http://europa.eu.int/comm/anti_fraud/reports/index_en.html

The Commission adopted in June 2000 an overall strategy of fighting fraud, followed in May 2001 by an action plan 2001-03 which comprises:

- **A comprehensive anti-fraud policy for legislation**

- Fostering a culture of prevention and tightening up legal texts

- Strengthening legal instruments for detecting, monitoring and penalising fraud

- **A new culture of operational cooperation**

- Establishing a Community platform of services

- Developing a closer partnership with Member States and non-Community countries

- **An interinstitutional approach to prevent and combat corruption**

- Raising awareness among officials of the institutions of the principles of sound project management

- Improving the legal framework for administrative investigations

- **Strengthening the criminal law dimension**

- Following up the Commission communication on criminal law protection of the Communities' financial interests

- Stepping up cooperation and facilities for action in criminal matters

1. BORROWING

This report focuses 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 Communities 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, two borrowing operations, one operation of EUR 15 million and one operation of EUR 25 million were concluded.

In case of default by the recipient of a loan granted by the Union, the corresponding funds borrowed by the Union would be repaid from the general budget. 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 Union, the creditors would be repaid from the Guarantee Fund (set up by the Council regulation of 31 October 1994 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 depend-

ing on the geographical areas concerned and the objectives pursued.

In cases where the Union helps to restore the macroeconomic equilibria 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 directives. 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 European States of the former USSR and the countries of the southern Mediterranean. Disbursements are themselves linked to the beneficiary countries' meeting objectives in terms of macroeconomic stabilisation and structural reforms. The number of operations effected each year in these circumstances is limited, and it is difficult to make valid comparisons for the assis-

tance given from one year to the next. As the applicant countries make considerable progress in terms of macroeconomic adjustment, macrofinancial assistance will prove to be less necessary. The Balkans region currently receives from the Community a significant amount of macrofinancial assistance which includes a large grant element.

In 2002, the Council decided on macrofinancial assistance operations in the form of loans to:

- the Ukraine for a maximum of EUR 110 million (this new decision replaces Decision 98/592 for a maximum of EUR 150 million from which EUR 58 million was already disbursed);
- Bosnia and Herzegovina (BiH) for a maximum of EUR 20 million;
- the Federal Republic of Yugoslavia (FRY) for a maximum of EUR 55 million.

Budget-support operations in the form of outright grants were also approved in 2002 for:

- Bosnia and Herzegovina (BiH) for a maximum of EUR 40 million;
- the Federal Republic of Yugoslavia (FRY) for a maximum of EUR 75 million.

As regards disbursements:

- the only assistance in the form of a loan in 2002 was for an amount of EUR 12 million for the Former Yugoslav Republic of Macedonia (FYROM);
- assistance in the form of outright grants totalling EUR 158 million was also paid out in 2002, of which EUR 11 million went to Armenia, EUR 7 million to Tajikistan, EUR 115 million to FRY, EUR 15 million to Kosovo and EUR 10 million to FYROM.

2.3 European Investment Bank (EIB) lending under Council decisions

2.3.1. EIB objectives and priorities

In central and eastern Europe, the EIB has been increasingly active in the accession countries, helping them to progress with their preparations for accession and European integration (the EIB also assists the other applicant countries, Cyprus, Malta and Turkey). In addition, the EIB has developed a significant level of activity in the countries of the Western Balkans by supporting investment projects in Albania, Croatia, the Federal Republic of Yugoslavia and Bosnia and Herzegovina.

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.

Furthermore, the EIB has progressively widened the range of its activities in preparing for enlargement. 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 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 EIB also lends under the TERRA programme (Turkey earthquake reconstruction and rehabilitation action) and under the Turkey special action programme.

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 launched a programme of lending from its own resources, without budgetary guarantee, under its forthcoming Mediterranean partnership facility. A first project was approved during 2002.

In the countries that are candidates for EU membership, the EIB's activities are conducted within the framework of the EU programme to help the candidate countries to prepare for accession, in particular by financing investment aimed at integrating their infrastructure with that of the EU and by assisting SMEs. Whenever possible, projects are co-financed with other institutions. The 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.

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.

For south-eastern Europe, the EIB participates with the Commission in an Infrastructure Steering Group which prepares projects.

2.3.2. EIB lending in 2002

In 2002 the EIB signed 11 loan contracts in central and eastern Europe in the framework of the Council decisions for an aggregate amount of EUR 500 million in three countries. The majority (77 %) went to Romania, with 17 % to Bulgaria and the remainder to Slovakia.

EIB lending in 2002 in the framework of the Council's decisions by area and sector (1)

(million EUR)

Area	Number of loans	Total loan signatures	Energy/environment	Communications	Water management and miscellaneous	Industry and services	Global and investment loans
Central and eastern European countries	11	500	90	295	55	0	60
Balkan countries	8	425	95	310	0	0	20
Mediterranean countries	17	1 401	510	605	60	225	0
ALA countries	1	174	55	49	0	0	70
RSA	1	50					50
Total	41	2 550	750	1 259	115	226	200

(1) Loans with Community guarantee.

In 2002, the EIB signed eight loan contracts in the Balkans in the framework of the Council decisions for an aggregate amount of EUR 425 million in three countries. The majority (64 %) went to the Federal Republic of Yugoslavia, with 31 % to Croatia and the remainder to Bosnia and Herzegovina.

In the Mediterranean region, the EIB signed 17 loans in 7 countries in 2002 for a total of EUR 1.401 million.

Loans for projects in Turkey accounted for some 29 % of overall lending, while Algeria, Morocco and Egypt together absorbed a further 51 %.

The EIB signed three loans for an overall amount of EUR 144 million in three countries of Asia and Latin America. In addition, a loan of EUR 30 million went to Regional Central America.

In the Republic of South Africa the EIB signed one loan contract for an aggregate amount of EUR 50 million.

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

During the third year of the new mandate, the EIB signed loan agreements for a total of EUR 2.550 million, bringing the total amount in the new mandate to EUR 7.577 million corresponding to 38.9 % of the ceiling, with risk-sharing equivalent to 19.3 % of the loans signed.

For the special guarantee programme TERRA, the total amount of signed loan agreements is EUR 450 million.

EU-guaranteed mandates at 31 December 2002

Area	Mandate ceilings (million EUR)	Total amounts of loans signed ⁽¹⁾ (million EUR)	Amount of loans signed with risksharing (million EUR)	Percentage of risksharing achieved to date (relative to mandate ceiling)	Minimum risk sharing target (%)
CEEC's and Balkans	9 280	2 844	456	4.9	30
Mediterranean	6 425	3 177	106	1.6	30
Turkey SAP	450	130	0	0.0	30
ALA	2 480	1 114	891	35.9	30
RSA	825	252	0	0.0	30
Sub-total	19 460	7 517	1 453	7.5	30
Turkey TERRA ⁽²⁾	600	450	0		
Total	20 060	7 967	1 453		

⁽¹⁾ Less EUR 60 million cancellations CEECs and Balkans.

⁽²⁾ Outside of the risk-sharing agreement. It should be noted that the 65% ceiling of the guarantee is calculated from the combined amount of the mandate plus the TERRA ceiling, i.e. EUR 20 060 million.

11. TREASURY REPORT

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

The treasury accounts are to be kept according to the own resources regulation No 1150/2000, either by the Treasury (Ministry of Finance) itself, or by the central bank, to receive own resources based on value added tax (VAT) and gross national income (GNI) as well as traditional own resources (customs duties, agricultural duties and sugar levies).

Most of the Commission's payments for the European Agriculture Guidance and Guarantee Fund (EAGGF) as well as 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 EUR 1 account in each Member State, additional accounts in non-euro Member State currencies). In 2002, 11 public tenders 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.

The introduction of the euro has allowed a simplification of the banking architecture and the closure of many accounts.

Exchange operations between the euro and other Member State currencies are normally made by central banks.

Funds of the Commission, which are not currently 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 disposes of a SWIFT code of its own, like a bank. All payments and transfers between the Commission's accounts are sent electronically in SWIFT or Edifact format.

In 2002, more than 1.2 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 call-ups from Member States for advances on own resources, which then have to be regularised later in the year.

However, due to the fact that in neither 2001 nor 2002 all payment appropriations were used, a substantial cash position remained on the accounts at the end of both years, resulting in no additional call-up in 2002 and only a minor one in 2003.

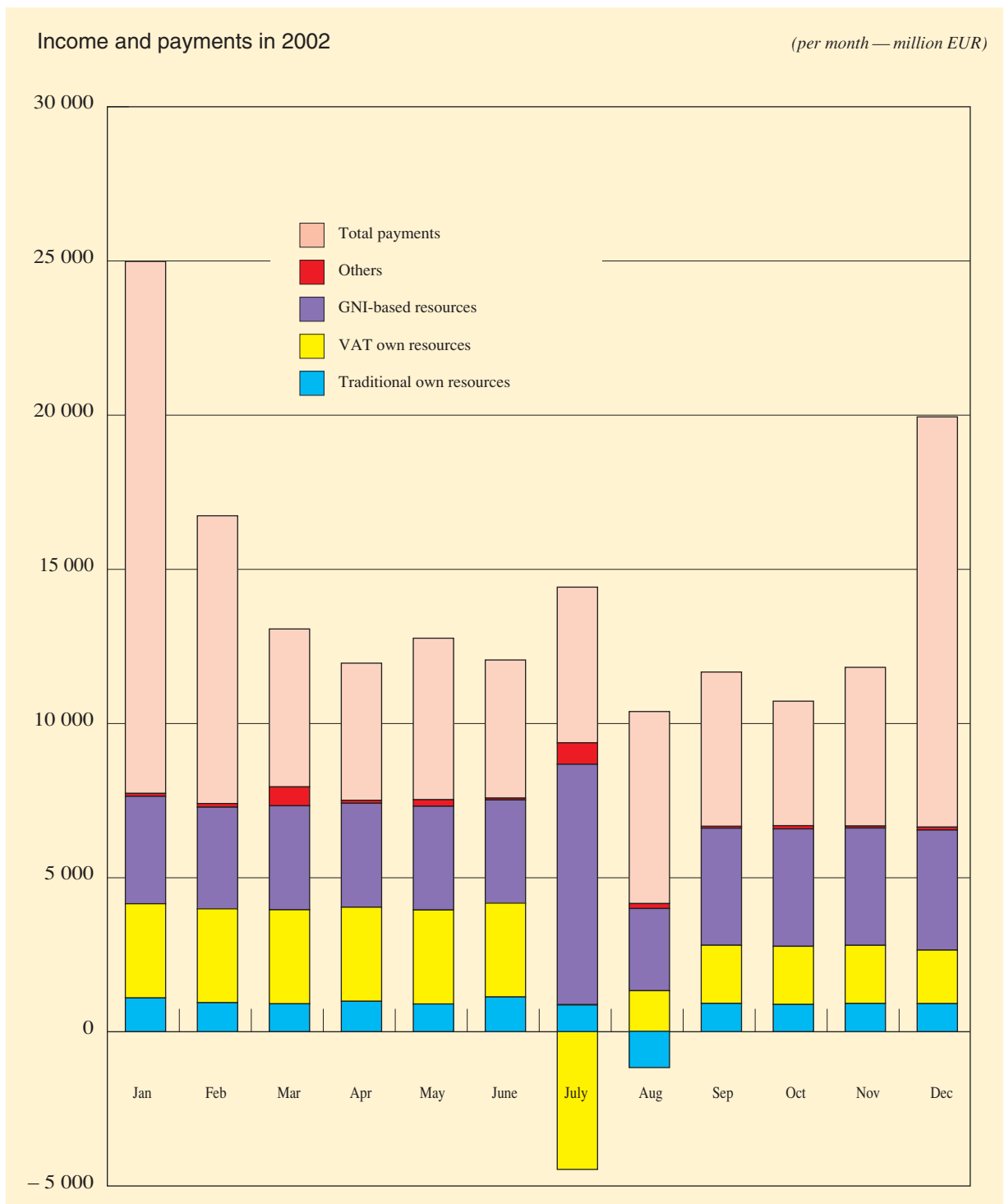
The final result of 2001 (EUR 15 billion) was refunded to Member States by way of an amending and supplementary budget in 2002, reducing the own resources call-up.

The treasury establishes monthly 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 to deposit provisionally paid fines imposed for violation of competition regulations. These violations are contested at the European Court of Justice. Companies

may choose to deposit a fine immediately or to provide a bank guarantee until a verdict of the Court or Court of First Instance is given.

The amount deposited on these accounts has increased considerably in 2002 to more than EUR 1.100 million.



ANNEX I

THE BUDGET OF THE EUROPEAN UNION 1958–2002

(Tables)

TABLE 4

Community expenditure from 1958 to 2002 (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 action									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	
<i>General budget — Total</i>	<i>7.3</i>	<i>18.1</i>	<i>21.2</i>	<i>34.0</i>	<i>41.5</i>	<i>39.8</i>	<i>46.8</i>	<i>76.6</i>	<i>125.2</i>	<i>476.1</i>	
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 4 (continued)

Community expenditure from 1958 to 2002 (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 action	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	
<i>General budget — Total</i>	<i>20 469.6</i>	<i>24 506.0</i>	<i>27 081.4</i>	<i>27 867.3</i>	<i>34 675.4</i>	<i>35 088.0</i>	<i>41 021.7</i>	<i>40 757.1</i>	<i>44 062.9</i>	<i>53 510.6</i>	
EDF	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.

(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	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	2 065.5	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
	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
	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
	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
	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
	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
		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
			395.0	248.1	421.6	486.9	407.7	571.9	335.3	201.1	348.0
									14 638.0	4 372.6	3 200.9
	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
	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
	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
	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
	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
	1 941.7	1 353.6	1 781.6	1 563.7	1 317.4	1 213.0	1 439.6	1 275.4	1 548.2	1 717.0	1 902.5
	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	61 478.7	68 408.6	78 604.9	81 491.9	82 502.6	84 951.6	82 132.1	82 567.3	89 886.2

TABLE 5

Community expenditure from 1958 to 2002 (Out-turn in payments)

Heading	Exercices										
	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 action									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	0.0	
<i>General budget — Total</i>	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 5 (continued)

Community expenditure from 1958 to 2002 (Out-turn in payments)

Heading	Exercices										
	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 action	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	
<i>General budget — Total</i>	96.1	96.4	96.6	96.7	96.8	96.8	96.5	96.4	96.6	97.3	
EDF	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		

⁽¹⁾ The Euratom budget was incorporated into the general budget in 1968.

FIGURE 4

Community expenditure from 1958 to 2002 (at current prices)

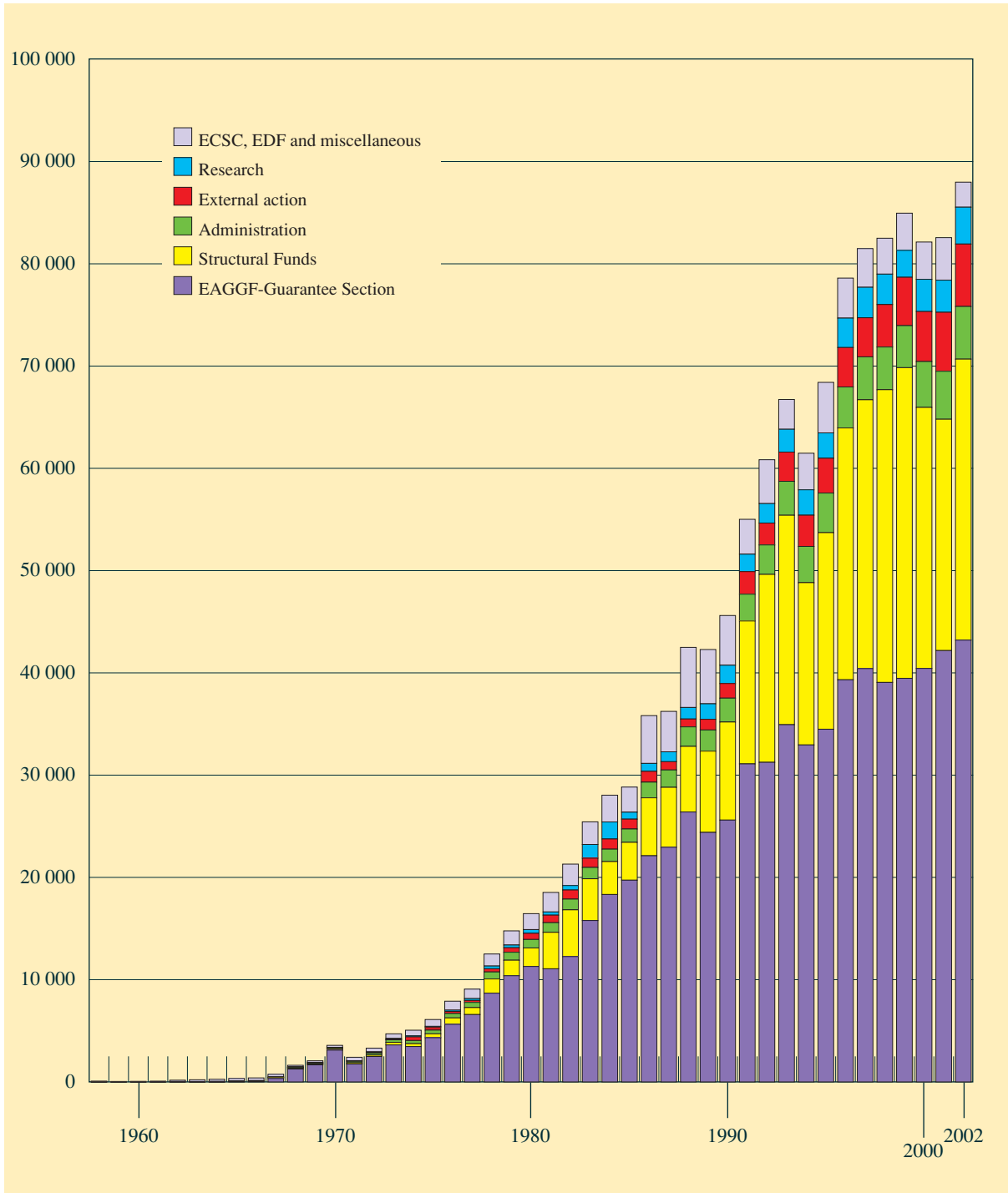
(million EUR)

FIGURE 5

Community expenditure from 1958 to 2002 (%)

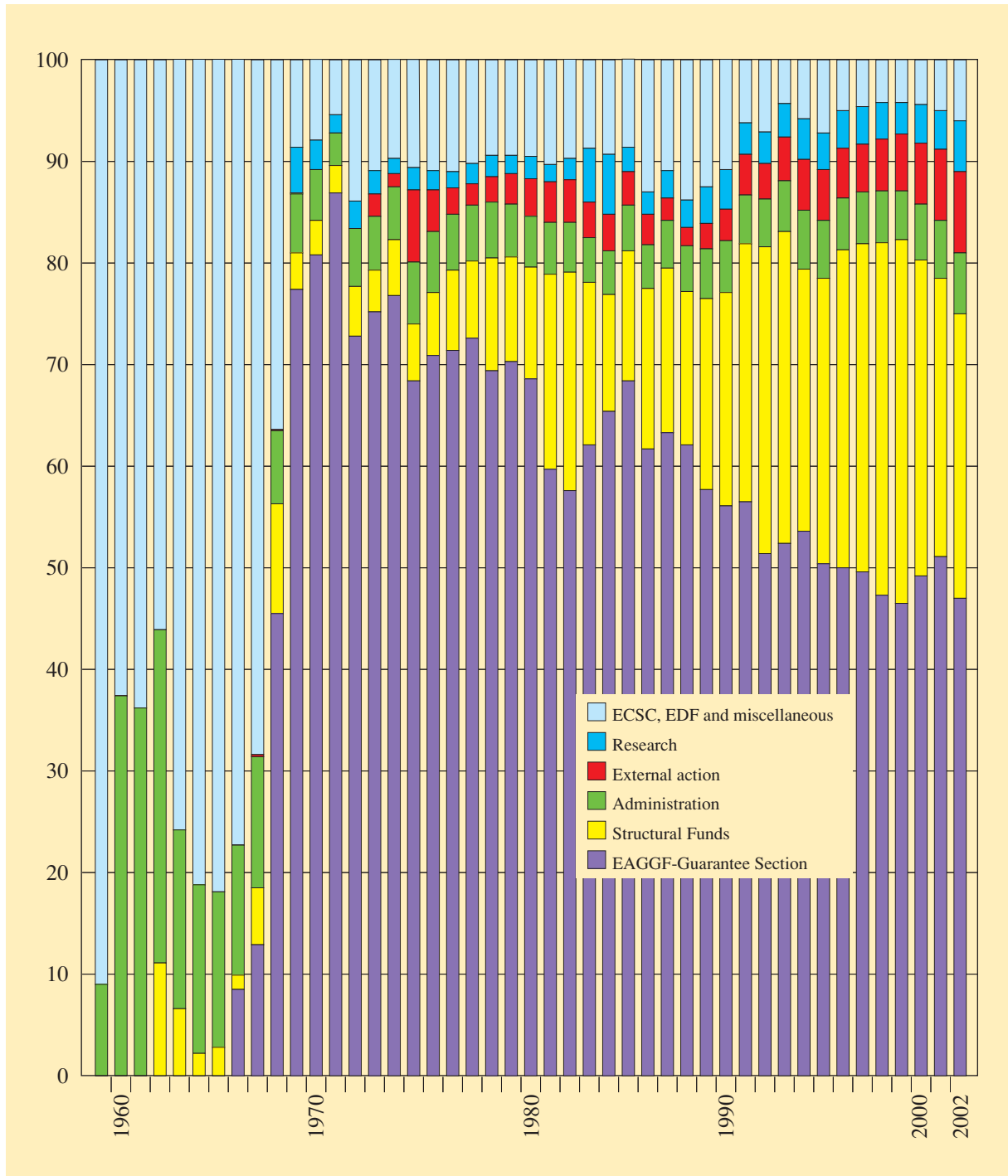


TABLE 6

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

	1958	1959	1960	1961	1962	1963
Total Community expenditure (million EUR) (including ECSC, Euratom and EDF)	81.3	48.4	58.6	77.5	171.9	212.4
Annual growth in nominal terms (%)		- 40.5	21.0	32.3	121.8	23.6
Total Community expenditure (2002 prices) (million EUR)			616.5	788.8	1 672.6	1 958.7
Annual growth in real terms (%)				27.9	112.0	17.1
Community expenditure as percentage of public expenditure in Member States			0.1	0.1	0.2	0.2
Expenditure as percentage of Community GDP			0.0	0.0	0.1	0.1
Expenditure per capita (EUR)			0.3	0.4	1.0	1.2
Expenditure per capita (2002 prices)			3.6	4.5	9.5	11.0

	1973	1974	1975	1976	1977	1978
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	4 703.5	5 056.4	6 101.4	7 895.6	9 076.1	12 510.1
Annual growth in nominal terms (%)	42.3	7.5	20.7	29.4	15.0	37.8
Total Community expenditure (2002 prices) (EUR million)	26 475.9	25 210.4	26 568.0	30 918.1	32 192.5	40 671.8
Annual growth in real terms (%)	30.9	- 4.8	5.4	16.4	4.1	26.3
Community expenditure as percentage of public expenditure in Member States	1.3	1.2	1.2	1.3	1.4	1.7
Expenditure as percentage of Community GDP	0.5	0.5	0.5	0.6	0.6	0.8
Expenditure per capita (EUR)	18.3	19.6	23.6	30.5	35.0	48.2
Expenditure per capita (2002 prices)	103.1	97.8	102.9	119.6	124.3	156.7

	1988	1989	1990	1991	1992	1993
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	42 495.2	42 284.1	45 608.0	55 016.2	60 844.1	66 733.4
Annual growth in nominal terms (%)	17.3	- 0.5	7.9	20.6	10.6	9.7
Total Community expenditure (2002 prices) (EUR million)	65 839.1	62 392.4	63 788.6	72 935.8	77 114.6	81 561.0
Annual growth in real terms (%)	12.3	- 5.2	2.2	14.3	5.7	5.8
Community expenditure as percentage of public expenditure in Member States	2.2	2.0	2.0	2.1	2.2	2.3
Expenditure as percentage of Community GDP	1.0	1.0	1.0	1.1	1.1	1.2
Expenditure per capita (EUR)	131.3	130.1	139.5	159.6	175.7	191.8
Expenditure per capita (2002 prices)	203.4	192.0	195.1	211.6	222.7	234.4

1964	1965	1966	1967	1968	1969	1970	1971	1972
259.4	339.0	393.7	747.9	1 626.8	2 065.5	3 576.4	2 411.3	3 304.8
22.1	30.7	16.1	90.0	117.5	27.0	73.1	- 32.6	37.1
2 287.0	2 877.4	3 237.6	5 994.6	12 684.4	15 323.9	24 889.8	15 683.3	20 221.0
16.8	25.8	12.5	85.2	111.6	20.8	62.4	- 37.0	28.9
0.3	0.3	0.3	0.6	1.1	1.3	2.0	1.2	1.4
0.1	0.1	0.1	0.2	0.4	0.5	0.7	0.4	0.5
1.4	1.9	2.1	4.1	8.8	11.1	19.0	12.7	17.3
12.7	15.8	17.7	32.5	68.5	82.1	132.2	82.6	105.8

1979	1980	1981	1982	1983	1984	1985	1986	1987
14 773.5	16 454.8	18 529.4	21 300.8	25 432.5	28 039.6	28 833.2	35 820.2	36 234.8
18.1	11.4	12.6	15.0	19.4	10.3	13.4	68.2	1.2
43 663.8	43 191.0	43 895.8	45 873.8	50 714.7	52 599.7	51 268.7	60 314.7	58 609.8
7.4	- 1.1	1.6	4.5	10.6	3.7	7.5	59.2	- 2.9
1.8	1.7	1.6	1.7	1.9	1.9	1.8	2.0	2.0
0.8	0.8	0.8	0.9	0.9	1.0	0.9	1.0	1.0
56.8	63.0	68.3	78.5	93.7	103.3	106.2	111.3	112.3
167.8	165.4	161.7	169.0	186.8	193.7	188.8	187.4	181.7

1994	1995	1996	1997	1998	1999	2000	2001	2002
61 478.7	68 408.6	78 604.9	81 491.9	82 502.6	84 951.6	82 132.1	82 562.3	89 886.2
- 7.9	11.3	14.9	3.7	1.2	3.0	- 3.3	0.5	8.9
73 234.7	79 116.2	88 777.8	90 411.1	89 825.7	90 946.0	85 449.5	84 461.2	89 886.2
- 10.2	8.0	12.2	1.8	- 0.6	1.2	- 6.0	- 1.2	6.4
2.1	2.1	2.3	2.3	2.3	2.2	2.0	2.0	2.1
1.1	1.1	1.2	1.1	1.1	1.1	1.0	0.9	1.0
176.1	183.9	210.7	217.8	220.0	226.1	217.9	217.9	235.2
209.8	212.7	238.0	241.7	239.6	242.1	226.7	222.9	235.2

TABLE 7

Community revenue from 1971 to 2002

(million EUR)

Type of revenue	1971		1972		1973		1974		1975		1976		1977		1978	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	713.8	30.6	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
Customs duties	582.3	25.0	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
VAT																
Fourth resource																
Miscellaneous	1 033.2	44.4	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
Total	2 329.3	100.0	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

(million EUR)

Type of revenue	1979		1980		1981		1982		1983		1984		1985		1986	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	2 143.5	14.4	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
Customs duties	5 189.1	34.8	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
VAT	4 737.7	31.8	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
Fourth resource																
Miscellaneous	2 821.2	18.9	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
Total	14 891.5	100.0	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

(million EUR)

Type of revenue	1987		1988		1989		1990		1991		1992		1993		1994	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	3 097.8	8.7	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
Customs duties	8 936.5	25.0	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
VAT	23 463.5	65.6	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
Fourth 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
Miscellaneous	285.5	0.7	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
Total	35 783.3	100.0	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

(million EUR)

Type of revenue	1995		1996		1997		1998		1999		2000		2001		2002 (1)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	1 944.6	2.6	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	1 259.4	1.3
Customs duties	12 508.6	16.7	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	7 954.6	8.3
VAT	39 183.2	52.2	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	31 250.0	33.1	22 382.2	23.5
Fourth resource	14 191.2	18.9	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	34 878.8	37.0	46 095.8	48.3
Miscellaneous	7 249.5	9.7	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	17 736.4	18.6
Total	75 077.1	100.0	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

(1) As from the year 2002 the sum of the UK rebate payments are recorded under the GNI and not under the VAT resource in the table above (amounting to euro 148.2 million).

TABLE 8

Staff of the Community institutions from 1969 to 2002

	1969	1970	1971	1972	1973	1974	1975
Parliament	529	532	589	787	1 096	1 172	1 206
Council	569	618	628	980	1 218	1 330	1 481
Commission	7 707	7 801	8 025	8 239	9 247	9 573	9 987
of which: Administrative budget	5 003	5 201	5 455	5 827	6 799	7 194	7 605
Research budget	2 704	2 501	2 450	2 277	2 277	2 198	2 184
Publications Office		99	120	135	171	181	198
Other bodies							
Court of Justice	110	114	126	138	223	254	261
Court of Auditors	24	26	29	30	35	35	35
Economic and Social Committee and Committee of the Regions	129	144	156	192	252	284	292
Total	9 068	9 235	9 553	10 366	12 071	12 648	13 262

	1986	1987	1988	1989	1990	1991	1992
Parliament	3 277	3 360	3 405	3 405	3 482	3 565	3 686
European Ombudsman							
European data protection supervisor							
Council	2 016	2 066	2 130	2 165	2 184	2 205	2 225
Commission	14 262	15 161	15 905	16 309	16 720	17 175	17 946
of which : Administrative budget	10 881	11 622	12 328	12 611	12 887	13 157	13 975
Research budget	2 939	3 053	3 073	3 176	3 285	3 462	3 409
Publications Office	350	380	396	406	424	428	428
OLAF							
Other bodies	92	106	108	116	124	128	134
Court of Justice	571	646	672	733	752	794	800
Court of Auditors	345	366	375	377	379	384	394
Economic and Social Committee and Committee of the Regions	448	471	485	494	501	506	510
Total	20 919	22 070	22 972	23 483	24 018	24 629	25 561

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
	1 404	1 537	1 709	2 112	2 573	2 927	2 931	2 941	2 966	2 998
	1 501	1 508	1 517	1 547	1 599	1 700	1 755	1 798	1 792	1 888
	10 641	11 068	11 418	11 649	11 947	12 283	12 675	12 998	13 280	13 703
	7 777	8 048	8 378	8 580	8 885	9 173	9 565	9 852	10 037	10 369
	2 658	2 806	2 816	2 771	2 736	2 753	2 747	2 779	2 851	2 922
	206	214	224	237	265	284	288	292	312	331
				61	61	73	75	75	80	81
	264	275	288	315	363	452	474	478	480	480
	35	35	164	214	259	284	294	303	303	307
	302	305	315	325	339	374	378	391	400	405
	14 147	14 728	15 411	16 162	17 080	18 020	18 507	18 909	19 221	19 781

	1993	1994	1995	1996	1997	1998	1999	2000	2001	
	3 790	3 790	4 091	4 105	4 109	4 110	4 181	4 199	4 264	4 338
										27
										15
	2 256	2 304	2 464	2 529	2 529	2 534	2 621	2 659	2 703	2 701
	18 576	19 027	20 383	21 464	22 006	22 509	22 661	23 076	24 087	24 080
	14 540	14 918	15 836	16 449	16 789	17 094	17 082	17 087	17 587	17 906
	3 430	3 497	3 497	3 694	3 712	3 712	3 712	3 704	3 731	3 556
	463	465	525	525	525	525	525	522	522	520
							149	224	300	300
	143	147	525	796	980	1 178	1 193	1 539	1 947	1 798
	825	837	950	953	953	953	961	1 010	1 075	1 077
	402	427	503	503	528	553	552	552	552	575
	510	599	716	727	739	739	737	751	757	764
	26 359	26 984	29 107	30 281	30 864	31 398	31 713	32 247	33 438	33 577

TABLE 9

Summary of own resources by Member State from 1993 to 2002

(million EUR)

	Out-turn 1993		Out-turn 1994		Out-turn 1995		Out-turn 1996		Out-turn 1997	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Belgium	2 394.9	3.7	2 822.1	4.4	2 680.1	4.0	2 750.9	3.9	2 971.4	3.9
Denmark	1 206.5	1.9	1 296.2	2.0	1 295.4	1.9	1 368.7	1.9	1 505.8	2.0
Germany	19 076.4	29.8	21 366.3	33.3	21 324.1	31.4	20 742.7	29.2	21 217.3	28.2
Greece	1 011.2	1.6	992.3	1.5	985.2	1.5	1 105.9	1.6	1 178.4	1.6
Spain	5 192.6	8.1	4 718.1	7.4	3 645.2	5.4	4 547.1	6.4	5 367.6	7.1
France	11 545.5	18.0	12 550.9	19.6	11 876.8	17.5	12 423.2	17.5	13 185.9	17.5
Ireland	567.4	0.9	638.9	1.0	664.8	1.0	681.6	1.0	687.0	0.9
Italy	10 265.0	16.0	7 759.5	12.1	6 413.7	9.5	9 003.0	12.7	8 667.1	11.5
Luxembourg	167.0	0.3	165.4	0.3	167.6	0.2	160.7	0.2	170.7	0.2
Netherlands	4 030.6	6.3	4 245.9	6.6	4 349.6	6.4	4 435.5	6.2	4 837.6	6.4
Austria					1 762.9	2.6	1 874.0	2.6	2 110.4	2.8
Portugal	909.4	1.4	1 215.6	1.9	864.9	1.3	851.9	1.2	1 077.8	1.4
Finland					887.4	1.3	964.0	1.4	1 061.9	1.4
Sweden					1 658.3	2.4	1 968.3	2.8	2 326.0	3.1
United Kingdom	7 626.6	11.9	6 417.4	10.0	9 251.6	13.6	8 218.1	11.6	8 928.1	11.9
Total	63 993.2	100.0	64 188.8	100.0	67 827.6	100.0	71 095.6	100.0	75 293.0	100.0

(million EUR)

	Out-turn 1998		Out-turn 1999		Out-turn 2000		Out-turn 2001		Out-turn 2002	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Belgium	3 130.9	3.8	3 196.2	3.9	3 388.6	3.9	3 531.6	4.4	3 017.9	3.9
Denmark	1 694.7	2.1	1 656.2	2.0	1 684.8	1.9	1 777.7	2.2	1 687.9	2.2
Germany	20 633.0	25.1	21 069.0	25.5	21 774.9	24.8	19 727.2	24.4	17 582.2	22.6
Greece	1 310.3	1.6	1 348.8	1.6	1 333.8	1.5	1 350.1	1.7	1 337.5	1.7
Spain	5 752.4	7.0	6 231.3	7.6	6 445.4	7.3	6 591.5	8.2	6 551.2	8.4
France	13 584.3	16.5	13 993.8	17.0	14 510.9	16.5	14 471.3	17.9	14 152.3	18.2
Ireland	984.7	1.2	1 059.7	1.3	1 074.4	1.2	1 211.3	1.5	1 018.8	1.3
Italy	10 581.4	12.9	10 765.8	13.0	10 999.9	12.5	11 612.5	14.4	11 279.5	14.5
Luxembourg	216.7	0.3	194.2	0.2	185.4	0.2	256.5	0.3	183.8	0.2
Netherlands	5 104.5	6.2	5 091.4	6.2	5 496.7	6.2	5 517.0	6.8	4 467.4	5.7
Austria	2 085.8	2.5	2 053.7	2.5	2 093.7	2.4	2 091.0	2.6	1 808.7	2.3
Portugal	1 104.6	1.3	1 227.6	1.5	1 255.0	1.4	1 266.0	1.6	1 187.3	1.5
Finland	1 145.8	1.4	1 210.7	1.5	1 225.7	1.4	1 233.1	1.5	1 184.5	1.5
Sweden	2 382.7	2.9	2 348.8	2.8	2 632.9	3.0	2 337.7	2.9	2 086.2	2.7
United Kingdom	12 537.2	15.2	11 083.5	13.4	13 857.0	15.8	7 743.4	9.6	10 152.8	13.1
Total	82 249.2	100.0	82 530.8	100.0	87 959.1	100.0	80 718.1	100.0	77 698.0	100.0

**EXTRACT FROM
THE CONSOLIDATED ACCOUNTS
OF THE EUROPEAN UNION
(provisional)**

DEVELOPMENT 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 a more dynamic and complete management, setting out the economic, financial and asset/liability implications which arise.

In recent years, it has emerged 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 OECD.

A number of decisions taken in 2002 will place the Communities in the forefront of the international movement towards modernisation of the accounts from 2005.

The new 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.

A dual system will be introduced on this date. While the budget accounts will still be subject to the cash principle, the general accounts will be fully fledged accrual 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 International Public Sector Accounting Standards (IPSAS) and, for accounting transactions which are not yet covered, on the International Accounting Standards (IAS). They will be subject to the opinion of an accounting standards committee providing independent professional guidance. The critical event for each transaction will be defined and the information architecture will be reviewed to ensure that each accounting event is fully registered at source. The financial statements can then be produced automatically. Each DG's internal control will be extended to the accounting aspects. Finally, the scope of consolidation will be extended.

However, the Commission has anticipated this reform and already introduced elements of accrual accounting in the presentation of the financial statements in recent years, without yet being able to apply the corresponding standards in full.

At present, this information does not come from an integrated system of accounts. The accounting officer's departments have to use non-accounting information from the various Directorates-General to complete the financial balance sheet and draw up the annexes to this balance sheet.

In 2000 and 2001, a special effort was made to improve the reliability of the information on fixed assets, inventories, the list of financial intermediaries, the valuation of entitlements and officials' pension rights.

⁽¹⁾ International Federation of Accountants.

⁽²⁾ OJ L 248, 25.6.2002.

This approach was continued more intensely in 2002. The presentation of the annual accounts and the explanatory notes have been supplemented, new balance-sheet and off-balance-sheet items have been included, the valuation of the shareholding in the EIF has been brought into line with IPSAS and the consolidation procedures have been improved.

ACCOUNTING PRINCIPLES

The aims of a financial statement should be to describe the nature and range of an institution's activities, explain how it is financed and supply definitive information on its operations.

These are certainly the objectives of the consolidated annual accounts produced annually by the European Commission.

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

The accounting system of the European institutions comprises general accounts and budget accounts. These accounts shall be kept in euro and 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 of that year.

Article 124 of the financial regulation sets out the accounting principles for drawing up the financial statements:

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

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.

The financial statements 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 implementation because of elements such as carry-overs and the establishment of entitlements.

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 2002 are the first drawn up in accordance with the new financial regulation.

The same rules of valuation and accounting methods are applied in all the European institutions 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.

2. Bases for conversion

2.1. Accounts are kept in euro.

2.2. 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 2002. Conversion rates for the main currencies at 31 December 2002:

EUR 1	GBP	0.650500
EUR 1	DKK	7.428800
EUR 1	SEK	9.152800
EUR 1	USD	1.048700
EUR 1	JPY	124.390000

Different conversion methods apply to the following headings:

— tangible and intangible assets, which retain their value in euro at the rate that applied when they were purchased;

— appropriations carried over, some of which are to cover commitments in national currencies converted into euro at the monthly accounting rates for December; the total amount in euro of appropriations carried over cannot be subsequently revalued;

— advances paid under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, which are converted at the exchange rates applying on the 10th day of the month following the month in which they are granted;

— the transitional accounts which retain their value in euro at the accounting rate that applied at the time of the accounting operation;

2.3. 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 profit and loss accounts;

— monetary items other than cash assets: when, overall, the negative exchange differences on assets and commitments expressed in a specific currency exceed the positive differences noted on assets and commitments expressed in the same currency, the surplus is recorded in the profit-and-loss accounts. Otherwise, the surplus is recorded in the transitional liability accounts.

3. Revenue

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

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

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

4. Expenditure

4.1. 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.

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

In the case of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, the payments are those effected by the Member States between 16 October 2001 and 15 October 2002, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2003. EAGGF-Guarantee expenditure may be subject to a clearance decision following controls in the Member States.

5. 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 new financial regulation states that the accrual accounting principle will be gradually introduced by 2005. One of the objectives of the plan to modernise the accounts is the transition from an accounting 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 result of the adjustments and the result of borrowing and lending activities.

5.1. 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 Regulation No 1150/2000 on own resources, this out-turn represents the difference between:

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

⁽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'.

5.2. Result of adjustments

In the course of the year, 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. 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.

5.3. Result of borrowing and lending activities

Borrowing and lending activities are off-budget operations provided for in the Treaty. Pursuant to the principle of budgetary equilibrium, the Community may not finance its 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 Community, to borrow on the financial markets to make loans in order to enable the final recipients to benefit from the advantageous conditions which the Community 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.

6. Rules on valuation

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

6.1. 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 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 following two values: the market value of the asset or the discounted value of the minimum lease payments due, in accordance with Article 21 of Regulation (EC) No 2909/2000 of 29 December 2000.

Except for land, assets under construction, advances and payments on account, 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 management in the accounts of the non-financial fixed assets of the European institutions) at the following rates:

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	12.50
Specialist furniture for kitchens, cafeterias	12.50
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	12.50
Measuring or laboratory equipment	25
Other plant, machinery and tools	12.50
Dismantlable shelving, partitions, false floors, false ceilings and wiring	25
Vehicle fleet	25
Furnished buildings	10
Unfurnished buildings	4
Land	n.a.

6.2. 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 re-sale cost of the last supplies received or the market price, whichever is the lower.

Publications: stocks of publications are valued at the re-sale cost. The re-sale cost includes all direct and indirect production costs. Production costs are purchase expenditures, conversion expenditures and other costs.

6.3. 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.

6.4. 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 which, according to IPSAS 15, must be valued at their correct level. Value adjustments are calculated and entered in the accounts for this purpose. A value reduction is thus applied for amounts considered irrecoverable.

Two types of value reduction exist:

- a specific value reduction 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 value reduction 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.

6.5. 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.

6.6. 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.

7. Pre-financing

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

Advances to public or private intermediaries which had not been received by the final beneficiary at 31 December 2002 and which are included in the year's budget expenditure are entered on the assets side of the balance sheet as short-term assets.

8. Consolidation

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

The method used is that of full consolidation.

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

agencies mentioned in Article 185 of the financial regulation. An analysis conducted as part of the modernisation of the Communities' accounting system, in particular after the gradual introduction of IPSAS 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.

Pending the entry in force of the Treaty of Nice on 1 February 2003, the Member States have temporarily entrusted the European Commission with the management of the ECSC in liquidation. As a result, the financial statements of the ECSC in liquidation were not consolidated at the end of 2002, but were annexed to the financial documents which the Commission draws up every year in accordance with Article 275 of the EC Treaty and the financial regulation applicable to the general budget of the European Communities (see Volume II).

1. GENERAL BUDGET AND TYPES OF APPROPRIATION

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 European 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.

1. Budgetary principles

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

- unity: all Community expenditure and revenue must be incorporated in a single budget document;
- 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.

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.

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 (in particular: 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. The appropriations in Part B of the Commission section (not including EAGGF) come into this category.

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 for operations extending over a number of years ⁽¹⁾;
- payment appropriations: cover expenditure arising from commitments en-

tered into in the current financial year and/or earlier financial years ⁽²⁾.

4. Origin of appropriations

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

4.1. Appropriations voted and changes to the initial budget

- Appropriations initially voted in the budget

- Transfers

Appropriations may be transferred between lines in accordance with the rules laid down in Articles 21 to 24 of the financial regulation ⁽³⁾.

- Supplementary and/or amending budgets

The budget adopted may be amended or increased by an amending budget which changes the allocation of appropriations without altering the total or by a supplementary budget which increases the initial allocation. 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 Community budget. The budget lines concerned and the amounts projected are published in Annex III of the EU 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 commitment = commitment appropriations + non-differentiated appropriations.

⁽²⁾ Appropriations for payment = payment appropriations + non-differentiated appropriations.

⁽³⁾ Regulation No 1605/2002 of 25 June 2002.

4.2. Appropriations carried over from previous year

- Automatic carry-overs

These are payment appropriations which may be carried over automatically for one financial year only in accordance with Article 9(4) of the financial regulation.

- Appropriations carried over by Commission decision

The Commission 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 Community 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 (Article 10 and Article 18(a) and (d) of the financial regulation).

- Work for third parties

As part of their research activities, the Community 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 (Article 10 and Article 18(d) of the financial regulation).

4.4. Appropriations for re-use

These appropriations arise from the refund of amounts paid in error. These amounts are assigned to the budget line which incurred the initial expenditure. At present, these appropriations may be carried over for a period of one year only (Article 27(2) of the 1977 financial regulation) ⁽¹⁾. From 2003, the new financial regulation converts them into assigned revenue (Article 10 and Article 18(f) 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 are Community funds which have been repaid by the beneficiaries. These amounts are re-entered by a Commission decision (Article 7(7) of the 1977 financial regulation, Article 18(2) of the financial regulation). The amounts entered must be used in the course of the financial year.

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

This involves the re-entry of commitment appropriations which have been decommitted. Amounts are re-entered by way of exception if they are indispensable for completion of the programme (Article 7(6) of the 1977 financial regulation; Article 157 of the financial regulation).

⁽¹⁾ Financial regulation of 21 December 1977.

5. Composition of appropriations available

- Final budget appropriations: initial budget plus supplementary and amending budget plus transfers plus EFTA contribution.
- Appropriations for the year: final appropriations plus revenue from third parties (contributions by third parties).
- Additional appropriations: revenue from third parties (contributions by third parties) plus appropriations carried over from the previous financial year plus other appropriations (appropriations for re-use plus commitment appropriations made available again following decommitments plus appropriations made available again following repayments of amounts paid on account).
- Total appropriations authorised: final budget appropriation plus additional appropriations.

6. 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.

6.1. Execution of revenue

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

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.

6.2. 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.

6.2.1. Utilisation of appropriations

- Appropriations for commitment: The appropriations authorised are available during the financial year for entering into commitments. The EFTA contribution forms part of the appropriations authorised. Their use is thus included in all the tables.
- Appropriations for payment: The appropriations authorised are available during the financial year for making payments. The EFTA contribution forms part of the appropriations authorised. Their use is thus included in all the tables.

6.2.2. 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 par-

⁽¹⁾ Commitment appropriations + non-differentiated appropriations.

⁽²⁾ Payment appropriations + non-differentiated appropriations.

ties and appropriations for re-use (Article 10 of the financial regulation).

Carry-overs may be authorised by the Commission:

- 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; howev-

er, 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).

6.2.3. Cancellation of appropriations

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

7. 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.

TABLE 10

Budget out-turn 2002

(EUR)

	EFTA-EEA	European Communities	Total
Revenue for year	94 962 082.00	95 339 442 563.45	95 434 404 645.45
Payments against appropriations for the year	- 86 723 282.10	- 83 684 043 337.13	- 83 770 766 619.23
Appropriations carried over to 2003		- 4 846 976 388.84	- 4 846 976 388.84
EFTA-EEA appropriations carried over from 2001	- 508 443.04		- 508 443.04
Cancellation of appropriations carried over from 2001 and not used in 2002	508 443.04	857 875 475.05	858 383 918.09
Exchange differences for the year		- 252 816 324.19	- 252 816 324.19
Balance for the year	8 238 799.90	7 413 481 988.34	7 421 720 788.24

TABLE 11

Summary of implementation of general budget — Revenue 2002

Title	Budget		Year 3	
	Initial 1	Definitive 2		
1 Own resources	93 644 195 004.00	80 926 283 648.00	79 394 796 638.37	
2 Adjustment of collection costs	0.00	-2 037 915 181.00	-2 023 032 973.62	
3 Surpluses available	1 200 000 000.00	15 374 982 104.00	15 211 517 690.08	
4 Miscellaneous Community taxes, levies and dues	588 420 234.00	587 492 563.00	575 046 558.08	
5 Administrative operation of the institutions	87 013 000.00	112 267 898.50	117 697 008.09	
6 Contributions from third parties	91 381 003.00	461 772 620.19	870 234 168.22	
7 Interest on late payments and fines	0	583 400 000.00	1 118 673 407.16	
8 Borrowing and lending operations	21 516 180.00	21 516 180.00	44 878 936.04	
9 Miscellaneous revenue	22 234 000.00	22 234 000.00	82 195 775.27	
Total	95 654 759 421.00	96 052 033 832.69	95 392 007 207.69	
Title 1: Own resources				
Chapter	Budget		Year 3	
	Initial 1	Definitive 2		
10 Agricultural duties	1 121 700 000.00	1 121 700 000.00	1 191 071 161.25	
11 Sugar levies	770 900 000.00	770 900 000.00	865 218 002.47	
12 Customs duties	15 765 900 000.00	13 734 200 000.00	12 870 733 798.24	
13 VAT	36 603 934 352.00	22 601 189 980.00	22 539 172 732.29	
14 GNP	41 147 610 652.00	46 604 993 668.00	45 850 609 172.47	
15 Correction of budgetary imbalances	0.00	0.00	149 071 090.27	
19 Costs incurred in the collection of own resources	-1 765 850 000.00	-3 906 700 000.00	-4 071 079 318.62	
Total Title 1	93 644 195 004.00	80 926 283 648.00	79 394 796 638.37	
Title 3: Surpluses, balances and adjustments				
Chapter	Budget		Year 3	
	Initial 1	Definitive 2		
30 Surplus available from the preceding financial year	1 200 000 000.00	15 374 982 104.00	15 265 852 103.55	
31 Balances on VAT	0.00	0.00	-150 786 347.49	
32 Balances on GNP	0.00	0.00	97 261 471.44	
35 Correction United Kingdom	0.00	0.00	-809 537.42	
Total Title 3	1 200 000 000.00	15 374 982 104.00	15 211 517 690.08	

(EUR)

Established entitlement			Amounts recovered			% of budget collected 9 = 8 / 2	To be recovered 10 = 5 - 8
Carried over 4	Total 5 = 3 + 4	Year 6	Carried over 7	Total 8 = 6 + 7			
2 173 440 157.05	81 568 236 795.42	77 651 583 699.32	2 123 786 206.57	79 775 369 905.89	98.58	1 792 866 889.53	
0.00	-2 023 032 973.62	-2 023 032 973.59	0.00	-2 023 032 973.59	99.27	-0.03	
372460000	15 583 977 690.08	14 948 187 690.19	372460000	15 320 647 690.19	99.65	263 329 999.89	
3 197 961.10	578 244 519.18	572 295 905.42	2 952 925.93	575 248 831.35	97.92	2 995 687.83	
50 696 688.05	168 393 696.14	95 174 123.90	45 502 533.60	140 676 657.50	125.30	27 717 038.64	
146 203 660.52	1 016 437 828.74	748 404 800.63	128 015 532.96	876 420 333.59	189.79	140 017 495.15	
2 947 869 928.17	4 066 543 335.33	10 726 869.39	620 724 984.81	631 451 854.20	108.24	3 435 091 481.13	
13 449 120.47	58 328 056.51	44 520 917.09	12 187 913.61	56 708 830.70	263.56	1 619 225.81	
9 612 422.23	91 808 197.50	78 544 546.84	2 368 968.78	80 913 515.62	363.92	10 894 681.88	
5 716 929 937.59	101 108 937 145.28	92 126 405 579.19	3 307 999 066.26	95 434 404 645.45	99.36	5 674 532 499.83	

Established entitlement			Amounts recovered			% of budget collected 9 = 8 / 2	To be recovered 10 = 5 - 8
Carried over 4	Total 5 = 3 + 4	Year 6	Carried over 7	Total 8 = 6 + 7			
578 723 277.14	1 769 794 438.39	601 532 217.44	578 715 068.61	1 180 247 286.05	105.22	589 547 152.34	
3 529 581.98	868 747 584.45	861 308 912.96	3 529 581.98	864 838 494.94	112.19	3 909 089.51	
1 832 680 648.69	14 703 414 446.93	11 139 990 859.52	1 777 517 801.14	12 917 508 660.66	94.05	1 785 905 786.27	
0.00	22 539 172 732.29	22 538 960 831.71	0.00	22 538 960 831.71	99.72	211 900.58	
0.00	45 850 609 172.47	45 850 349 483.70	0.00	45 850 349 483.70	98.38	259 688.77	
0.00	149 071 090.27	149 032 265.55	0.00	149 032 265.55	0.00	38 824.72	
-241 493 350.76	-4 312 572 669.38	-3 489 590 871.56	-235 976 245.16	-3 725 567 116.72	95.36	-587 005 552.66	
2 173 440 157.05	81 568 236 795.42	77 651 583 699.32	2 123 786 206.57	79 775 369 905.89	98.58	1 792 866 889.53	

Established entitlement			Amounts recovered			% of budget collected 9 = 8 / 2	To be recovered 10 = 5 - 8
Carried over 4	Total 5 = 3 + 4	Year 6	Carried over 7	Total 8 = 6 + 7			
372 460 000.00	15 638 312 103.55	15 002 522 103.55	372460000	15 374 982 103.55	100.00	263 330 000.00	
0.00	-150 786 347.49	-150 786 347.40	0.00	-150 786 347.40	0.00	-0.09	
0.00	97 261 471.44	97 261 471.47	0.00	97 261 471.47	0.00	-0.03	
0.00	-809 537.42	-809 537.43	0.00	-809 537.43	0.00	0.01	
372 460 000.00	15 583 977 690.1	14 948 187 690.19	372 460 000.00	15320647690	99.65	263 329 999.89	

TABLE 12
Execution of the year's commitment appropriations

Financial perspective	Commitment appropriations authorised	Commitments made against					
		appropriations for the year's	appropriations carried over	other appropriations	Total	%	
		1	2	3	4	(5=2+3+4)	
Heading 1: AGRICULTURE							
Agricultural expenditure (Titles B1-1 to B1-3)	39 660 080 000.00	38 867 580 546.20	0.00	0.00	38 867 580 546.20	98.00	
Rural development and ancillary measures (Title B1-4)	4 694 000 000.00	4 250 377 645.47	99 000 000.00	0.00	4 349 377 645.47	92.66	
<i>Total Heading 1</i>	<i>44 354 080 000.00</i>	<i>43 117 958 191.67</i>	<i>99 000 000.00</i>	<i>0.00</i>	<i>43 216 958 191.67</i>	<i>97.44</i>	
Heading 2: STRUCTURAL OPERATIONS							
Objective 1 (Chapter B2-10)	21 336 528 244.19	21 329 627 745.00	3 856 529.00	1 863 419.00	21 335 347 693.00	99.99	
Objective 2 (Chapter B2-11)	3 731 320 824.00	3 729 793 231.00	1 527 593.00	0.00	3 731 320 824.00	100.00	
Objective 3 (Chapter B2-12)	3 646 007 301.00	3 646 007 101.00	0.00	0.00	3 646 007 101.00	100.00	
Other structural measures (outside Objective 1 areas) (Chapter B2-13)	173 500 000.00	168 900 000.00	4 600 000.00	0.00	173 500 000.00	100.00	
Community initiatives (Chapter B2-14)	1 966 228 744.00	1 802 895 384.30	161 817 842.00	1 003 302.00	1 965 716 528.30	99.97	
Innovative measures and technical assistance (Chapter B2-16)	186 489 379.48	183 388 132.09	0.00	0.00	183 388 132.09	98.34	
Other specific structural measures (Title B2-2)	184 991 760.00	184 991 760.00	0.00	0.00	184 991 760.00	100.00	
Cohesion Fund (Title B2-3)	2 792 314 496.00	2 788 154 716.73	3 314 496.00	0.00	2 791 469 212.73	99.97	
<i>Total Heading 2</i>	<i>34 017 380 748.67</i>	<i>33 833 758 070.12</i>	<i>175 116 460.00</i>	<i>2 866 721.00</i>	<i>34 011 741 251.12</i>	<i>99.98</i>	
Heading 3: INTERNAL POLICIES							
Research and technological development (Subsection B6)	4 685 680 842.45	4 508 159 792.96	6 196 159.26	5 435 608.13	4 519 791 560.35	96.46	
Other agricultural operations (Title B2-5)	55 015 772.94	52 514 526.26	0.00	0.00	52 514 526.26	95.45	
Other regional policy operations (Title B2-6)	15 000 000.00	15 000 000.00	0.00	0.00	15 000 000.00	100.00	
Transport (Title B2-7)	29 956 185.00	24 565 337.03	956 185.00	0.00	25 521 522.03	85.20	
Other measures concerning fisheries and the sea (Title B2-9)	63 730 000.00	60 487 761.31	0.00	0.00	60 487 761.31	94.91	
Education, vocational training and youth (Title B3-1)	645 248 944.80	599 413 663.62	4 732 224.18	115 580.30	604 261 468.10	93.65	
Culture and audiovisual media (Title B3-2)	141 432 320.85	130 232 595.10	3 080 223.04	20 875.17	133 333 693.31	94.27	
Information and communication (Title B3-3)	108 848 766.20	84 280 357.97	0.00	0.00	84 280 357.97	77.43	
Social dimension and employment (Title B3-4)	161 727 252.21	149 208 094.63	0.00	30 828.37	149 238 923.00	92.28	
Contributions to European political parties (Title B3-5)	7 000 000.00	0.00	0.00	0.00	0.00	0.00	
Energy (Title B4-1)	35 803 208.09	33 361 581.42	0.00	0.00	33 361 581.42	93.18	
Euratom nuclear safeguards (Title B4-2)	19 281 312.16	18 917 106.50	0.00	151 353.37	19 068 459.87	98.90	
Environment (Title B4-3)	213 429 635.54	212 017 276.35	0.00	0.00	212 017 276.35	99.34	
Consumer policy and health protection (Title B5-1)	21 958 296.12	20 984 847.47	0.00	0.00	20 984 847.47	95.57	
Aid for reconstruction (Title B5-2)	898 000.00	896 823.54	0.00	0.00	896 823.54	99.87	
Internal market (Title B5-3)	191 562 422.16	173 252 993.64	112 900.00	3 215 980.66	176 581 874.30	92.18	
Industry (Title B5-4)	0.00	0.00	0.00	0.00	0.00	0.00	
Labour market and technological innovation (Title B5-5)	109 662 757.06	103 423 950.99	349 100.00	161 076.70	103 934 127.69	94.78	
Statistical information (Title B5-6)	39 746 897.53	32 985 499.12	19 200.00	2 108 078.96	35 112 778.08	88.34	
Trans-European networks (Title B5-7)	678 765 320.43	639 651 347.61	1 577 462.51	0.00	641 228 810.12	94.47	

(EUR)

	Appropriations carried over to 2003				Appropriations cancelled				
	automatic carryovers	non-automatic carryovers	Total	%	appropriations for the year	appropriations carried over	other appropriations	Total	%
	7	8	(9=7+8)	(10=9/1)	11	12	13	(14=11+12+13)	(15=14/1)
	0.00	34 576 329.00	34 576 329.00	0.09	757 923 124.80	0.00	0.00	757 923 124.80	1.91
	0.00	49 316 000.00	49 316 000.00	1.05	295 306 354.53	0.00	0.00	295 306 354.53	6.29
	0.00	83 892 329.00	83 892 329.00	0.19	1 053 229 479.33	0.00	0.00	1 053 229 479.33	2.37
	45 000.00		45 000.00	0.00	0.00	0.00	1 135 551.19	1 135 551.19	0.01
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00		0.00	0.00	200.00	0.00	0.00	200.00	0.00
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	370 000.00	370 000.00	0.02	142 215.70	0.00	0.00	142 215.70	0.01
	161 620.35	847 738.00	1 009 358.35	0.54	2 036 492.91	0.00	55 396.13	2 091 889.04	1.12
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00		0.00	0.00	845 283.27	0.00	0.00	845 283.27	0.03
	206 620.35	1 217 738.00	1 424 358.35	0.00	3 024 191.88	0.00	1 190 947.32	4 215 139.20	0.01
	147 660 889.36	6 266 111.59	153 927 000.95	3.29	11 504 572.34	11 977.61	445 731.20	11 962 281.15	0.26
	31 318.94		31 318.94	0.06	2 467 973.74	0.00	1 954.00	2 469 927.74	4.49
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00		0.00	0.00	4 434 662.97	0.00	0.00	4 434 662.97	14.80
	0.00		0.00	0.00	3 242 238.69	0.00	0.00	3 242 238.69	5.09
	22 930 838.94	9 403 970.00	32 334 808.94	5.01	8 063 224.70	333 120.27	256 322.79	8 652 667.76	1.34
	4 751 927.45	782 466.00	5 534 393.45	3.91	1 857 600.01	60 221.86	646 412.22	2 564 234.09	1.81
	245 738.46	1 497 344.00	1 743 082.46	1.60	22 627 898.03	0.00	197 427.74	22 825 325.77	20.97
	1 318 846.84	1 672 564.00	2 991 410.84	1.85	9 471 732.93	0.00	25 185.44	9 496 918.37	5.87
	0.00		0.00	0.00	7 000 000.00	0.00	0.00	7 000 000.00	100.00
	2 192 133.89		2 192 133.89	6.12	249 154.58	0.00	338.20	249 492.78	0.70
	27 945.71		27 945.71	0.14	182 893.50	0.00	2 013.08	184 906.58	0.96
	26 579.15	304 983.00	331 562.15	0.16	1 047 369.32	0.00	33 427.72	1 080 797.04	0.51
	265.04		265.04	0.00	972 672.53	0.00	511.08	973 183.61	4.43
	0.00		0.00	0.00	1 176.46	0.00	0.00	1 176.46	0.13
	674 267.15	2 421 549.00	3 095 816.15	1.62	11 762 411.92	60 000.00	62 319.79	11 884 731.71	6.20
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2 445 974.67	1 949 170.00	4 395 144.67	4.01	1 325 087.01	7 274.06	1 123.63	1 333 484.70	1.22
	2 949 817.88	1 393 600.00	4 343 417.88	10.93	163 540.88	58 367.62	68 793.07	290 701.57	0.73
	91 968.17	2 083 810.00	2 175 778.17	0.32	35 262 632.72	29 760.05	68 339.37	35 360 732.14	5.21

(Continued on the next page)

TABLE 12 (continued)

Financial perspective	Commitment appropriations authorised	Commitments made against					
		appropriations for the year's	appropriations carried over	other appropriations	Total	%	
		1	2	3	4	(5=2+3+4)	
Area of freedom, security and justice (Title B5-8)	143 822 032.74	120 685 558.33	867 917.53	0.00	121 553 475.86	84.52	
Fraud prevention (Chapter B5-91)	6 100 099.16	5 853 673.60	0.00	0.00	5 853 673.60	95.96	
European Union Solidarity Fund (Title B2-4)	599 000 000.00	599 000 000.00	0.00	0.00	599 000 000.00	100.00	
<i>Total Heading 3</i>	<i>7 973 670 065.44</i>	<i>7 584 892 787.45</i>	<i>17 891 371.52</i>	<i>11 239 381.66</i>	<i>7 614 023 540.63</i>	<i>95.49</i>	
Heading 4: EXTERNAL ACTION							
European Development Fund (Title B7-1)	0.00	0.00	0.00	0.00	0.00	0.00	
Food aid and support measures (Chapter B7-20)	512 300 000.00	503 658 145.11	2 300 000.00	0.00	505 958 145.11	98.76	
Humanitarian aid (Chapter B7-21)	521 923 843.65	520 315 000.00	0.00	0.00	520 315 000.00	99.69	
Cooperation with developing countries in Asia (Chapter B7-30)	582 615 311.81	552 721 490.86	22 141 841.00	0.00	574 863 331.86	98.67	
Cooperation with developing countries in Latin America (Chapter B7-31)	348 525 442.37	331 474 591.40	1 750 000.00	0.00	333 224 591.40	95.61	
Cooperation with southern Africa and South Africa (Chapter B7-32)	124 893 746.00	124 078 107.00	103 746.00	0.00	124 181 853.00	99.43	
Cooperation with third countries in the Mediterranean and the Middle East (Chapter B7-4)	783 829 171.52	783 194 529.99	0.00	195 120.92	783 389 650.91	99.94	
European Bank for Reconstruction and Development (Chapter B7-51)	0.00	0.00	0.00	0.00	0.00	0.00	
Cooperation with the new independent States and Mongolia (Chapter B7-52)	479 241 099.89	441 892 296.00	1 500 000.00	1 084 415.84	444 476 711.84	92.75	
Other Community operations for the CCEE, the NIS, Mongolia and the western Balkan countries (Chapter B7-53)	0.00	0.00	0.00	0.00	0.00	0.00	
Cooperation with the Balkan countries (Chapter B7-54)	842 613 012.92	754 944 764.00	65 940 000.00	5 415.28	820 890 179.28	97.42	
Other cooperation measures (Title B7-6)	439 500 525.59	410 527 368.68	18 743 020.98	0.00	429 270 389.66	97.67	
European initiative for democracy and human rights (Title B7-7)	104 012 300.46	103 723 244.00	0.00	0.00	103 723 244.00	99.72	
International fisheries agreements (Chapter B7-80)	191 750 463.66	190 384 505.63	0.00	0.00	190 384 505.63	99.29	
External aspects of certain Community policies (Chapters B7-81 to B7-87)	94 248 879.13	73 920 175.01	0.00	0.00	73 920 175.01	78.43	
Common foreign and security policy (Subsection B8)	32 800 000.00	29 999 655.99	2 800 000.00	0.00	32 799 655.99	100.00	
Pre-accession strategy for the Mediterranean countries (Chapters B7-04 and B7-05)	149 012 284.07	147 947 986.80	0.00	0.00	147 947 986.80	99.29	
<i>Total Heading 4</i>	<i>5 207 266 081.07</i>	<i>4 968 781 860.47</i>	<i>115 278 607.98</i>	<i>1 284 952.04</i>	<i>5 085 345 420.49</i>	<i>97.66</i>	
Heading 5: ADMINISTRATION							
Part A (excluding pensions)	4 698 899 248.11	4 450 836 518.31	3 158 886.67	137 257 658.00	4 591 253 062.98	97.71	
Pensions (all institutions)	682 579 000.00	680 992 000.00	0.00	0.00	680 992 000.00	99.77	
<i>Total Heading 5</i>	<i>5 381 478 248.11</i>	<i>5 131 828 518.31</i>	<i>3 158 886.67</i>	<i>137 257 658.00</i>	<i>5 272 245 062.98</i>	<i>97.97</i>	

(EUR)

	Appropriations carried over to 2003				Appropriations cancelled				
	automatic carryovers	non-automatic carryovers	Total	%	appropriations for the year	appropriations carried over	other appropriations	Total	%
	7	8	(9=7+8)	(10=9/1)	11	12	13	(14=11+12+13)	(15=14/1)
	31 863.30		31 863.30	0.02	22 115 079.11	121 614.47	0.00	22 236 693.58	15.46
	0.00		0.00	0.00	246 326.40	0.00	99.16	246 425.56	4.04
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	185 380 374.95	27 775 567.59	213 155 942.54	2.67	143 998 247.84	682 335.94	1 809 998.49	146 490 582.27	1.84
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00		0.00	0.00	6 341 854.89	0.00	0.00	6 341 854.89	1.24
	78 323.28		78 323.28	0.02	1 530 000.00	0.00	520.37	1 530 520.37	0.29
	246 613.47		246 613.47	0.04	5 278 509.14	18 100.00	2 208 757.34	7 505 366.48	1.29
	30 491.19	2 700 000.00	2 730 491.19	0.78	12 496 908.60	0.00	73 451.18	12 570 359.78	3.61
	0.00		0.00	0.00	711 893.00	0.00	0.00	711 893.00	0.57
	62 369.31	120 600.00	182 969.31	0.02	4 870.01	0.00	251 681.29	256 551.30	0.03
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2 636 727.56	30 017 200.00	32 653 927.56	6.81	1 990 504.00	0.00	119 956.49	2 110 460.49	0.44
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	14 320 957.35		14 320 957.35	1.70	3 055 236.00	0.00	4 346 640.29	7 401 876.29	0.88
	1 096 667.84	2 013 158.87	3 109 826.71	0.71	7 037 972.45	72 733.02	9 603.75	7 120 309.22	1.62
	4 019.00		4 019.00	0.00	276 756.00	0.00	8 281.46	285 037.46	0.27
	7 463.66		7 463.66	0.00	1 358 494.37	0.00	0.00	1 358 494.37	0.71
	18 071 129.13		18 071 129.13	19.17	2 257 574.99	0.00	0.00	2 257 574.99	2.40
	0.00		0.00	0.00	344.01	0.00	0.00	344.01	0.00
	9 297.27		9 297.27	0.01	1 055 000.00	0.00	0.00	1 055 000.00	0.71
	36 564 059.06	34 850 958.87	71 415 017.93	1.37	43 395 917.46	90 833.02	7 018 892.17	50 505 642.65	0.97
	57 606 907.93	16 736 600.00	74 343 507.93	1.58	32 131 819.69	649.00	1 170 208.51	33 302 677.20	0.71
	0.00		0.00	0.00	1 587 000.00	0.00	0.00	1 587 000.00	0.23
	57 606 907.93	16 736 600.00	74 343 507.93	1.38	33 718 819.69	649.00	1 170 208.51	34 889 677.20	0.65

(Continued on the next page)

TABLE 12 (continued)

Financial perspective	Commitment appropriations authorised	Commitments made against					
		appropriations for the year's	appropriations carried over	other appropriations	Total	%	
		1	2	3	4	(5=2+3+4)	
Heading 6: RESERVES							
Monetary reserve (Title B1-6)	250 000 000.00	0.00	0.00	0.00	0.00	0.00	
Guarantee reserve (Chapter B0-23 and B0-24)	213 000 000.00	170 490 000.00	0.00	0.00	170 490 000.00	80.04	
Guarantee reserve (Title B0-2)	8 783 507.16	0.00	0.00	0.00	0.00	0.00	
Emergency aid reserve (Chapter B7-91)	39 000 000.00	0.00	0.00	0.00	0.00	0.00	
<i>Total Heading 6</i>	<i>510 783 507.16</i>	<i>170 490 000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>170 490 000.00</i>	<i>33.38</i>	
Heading 7: PRE-ACCESSION AID							
Agriculture (Chapter B7-01)	555 000 000.00	554 561 121.19	0.00	0.00	554 561 121.19	99.92	
Pre-accession structural instrument (Chapter B7-02)	1 109 076 757.38	1 108 986 034.54	58 305.00	0.00	1 109 044 339.54	100.00	
Phare (applicant countries) (Chapter B7-03)	1 738 872 393.00	1 670 476 982.78	0.00	40 811 396.41	1 711 288 379.19	98.41	
European Union Solidarity Fund (Chapter B7-09)	129 000 000.00	129 000 000.00	0.00	0.00	129 000 000.00	100.00	
<i>Total Heading 7</i>	<i>3 531 949 150.38</i>	<i>3 463 024 138.51</i>	<i>58 305.00</i>	<i>40 811 396.41</i>	<i>3 503 893 839.92</i>	<i>99.21</i>	
Total	100 976 607 800.83	98 270 733 566.53	410 503 631.17	193 460 109.11	98 874 697 306.81	97.92	

(EUR)

	Appropriations carried over to 2003				Appropriations cancelled				
	automatic carryovers	non-automatic carryovers	Total	%	appropriations for the year	appropriations carried over	other appropriations	Total	%
	7	8	(9=7+8)	(10=9/1)	11	12	13	(14=11+12+13)	(15=14/1)
	0.00		0.00	0.00	250 000 000.00	0.00	0.00	250 000 000.00	100.00
	0.00		0.00	0.00	42 510 000.00	0.00	0.00	42 510 000.00	19.96
	8 783 507.16		8 783 507.16	100.00	0.00	0.00	0.00	0.00	0.00
	0.00		0.00	0.00	39 000 000.00	0.00	0.00	39 000 000.00	100.00
	8 783 507.16		8 783 507.16	1.72	331 510 000.00	0.00	0.00	331 510 000.00	64.90
	0.00		0.00	0.00	438 878.81	0.00	0.00	438 878.81	0.08
	16 097.44		16 097.44	0.00	13 965.46	0.00	2 354.94	16 320.40	0.00
	21 845 365.53		21 845 365.53	1.26	5 619 897.00	0.00	118 751.28	5 738 648.28	0.33
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	21 861 462.97		21 861 462.97	0.62	6 072 741.27	0.00	121 106.22	6 193 847.49	0.18
	310 402 932.42	164 473 193.46	474 876 125.88	0.47	1 614 949 397.47	773 817.96	11 311 152.71	1 627 034 368.14	1.61

TABLE 13

Implementation of payment appropriations for the year

Financial perspective	Payment appropriations authorised	Payments made against					
		appropriations for the year	appropriations carried over	other appropriations	Total	%	
		2	3	4	(5=2+3+4)	(6=5/1)	
1							
Heading 1: AGRICULTURE							
Agricultural expenditure (Titles B1-1 to B1-3)	40 245 997 004.50	38 636 404 502.20	534 771 970.15	0.00	39 171 176 472.35	97.33	
Rural development and ancillary measures (Title B1-4)	4 694 000 000.00	4 250 377 645.47	99 000 000.00	0.00	4 349 377 645.47	92.66	
<i>Total Heading 1</i>	<i>44 939 997 004.50</i>	<i>42 886 782 147.67</i>	<i>633 771 970.15</i>	<i>0.00</i>	<i>43 520 554 117.82</i>	<i>96.84</i>	
Heading 2: STRUCTURAL OPERATIONS							
Objective 1 (Chapter B2-10)	18 821 043 970.19	15 369 125 855.79	0.00	0.00	15 369 125 855.79	81.66	
Objective 2 (Chapter B2-11)	3 405 000 000.00	1 641 193 787.26	0.00	0.00	1 641 193 787.26	48.20	
Objective 3 (Chapter B2-12)	3 360 000 000.00	2 404 386 625.40	0.00	0.00	2 404 386 625.40	71.56	
Other structural measures (outside Objective 1 areas) (Chapter B2-13)	380 000 000.00	155 025 108.70	0.00	0.00	155 025 108.70	40.80	
Community initiatives (Chapter B2-14)	2 205 003 302.00	556 475 533.31	0.00	0.00	556 475 533.31	25.24	
Innovative measures and technical assistance (Chapter B2-16)	245 217 016.48	185 841 563.34	0.00	0.00	185 841 563.34	75.79	
Other specific structural measures (Title B2-2)	39 000 000.00	39 000 000.00	0.00	0.00	39 000 000.00	100.00	
Cohesion Fund (Title B2-3)	3 148 000 000.00	3 147 999 999.15	0.00	0.00	3 147 999 999.15	100.00	
<i>Total Heading 2</i>	<i>31 603 264 288.67</i>	<i>23 499 048 472.95</i>	<i>0.00</i>	<i>0.00</i>	<i>23 499 048 472.95</i>	<i>74.36</i>	
Heading 3: INTERNAL POLICIES							
Research and technological development (Subsection B6)	4 521 050 261.08	3 663 416 411.10	0.00	3 799 142.18	3 667 215 553.28	81.11	
Other agricultural operations (Title B2-5)	71 515 772.94	52 130 953.84	10 452 284.92	0.00	62 583 238.76	87.51	
Other regional policy operations (Title B2-6)	15 000 000.00	15 000 000.00	0.00	0.00	15 000 000.00	100.00	
Transport (Title B2-7)	27 600 000.00	16 122 660.95	0.00	0.00	16 122 660.95	58.42	
Other measures concerning fisheries and the sea (Title B2-9)	58 490 000.00	39 510 844.97	0.00	0.00	39 510 844.97	67.55	
Education, vocational training and youth (Title B3-1)	702 440 155.39	592 275 959.52	0.00	115 580.30	592 391 539.82	84.33	
Culture and audiovisual media (Title B3-2)	154 358 898.32	118 377 468.79	0.00	0.00	118 377 468.79	76.69	
Information and communication (Title B3-3)	108 471 051.19	86 997 082.51	197 037.67	0.00	87 194 120.18	80.38	
Social dimension and employment (Title B3-4)	149 745 166.49	132 152 479.61	0.00	0.00	132 152 479.61	88.25	
Contributions to European political parties (Title B3-5)	6 300 000.00	0.00	0.00	0.00	0.00	0.00	
Energy (Title B4-1)	40 933 206.64	28 737 307.73	342 793.08	0.00	29 080 100.81	71.04	
Euratom nuclear safeguards (Title B4-2)	17 853 455.74	16 435 331.93	0.00	80 716.58	16 516 048.51	92.51	
Environment (Title B4-3)	163 137 686.42	151 925 270.47	0.00	0.00	151 925 270.47	93.13	
Consumer policy and health protection (Title B5-1)	20 408 152.62	19 277 571.08	0.00	0.00	19 277 571.08	94.46	
Aid for reconstruction (Title B5-2)	898 000.00	896 823.54	0.00	0.00	896 823.54	99.87	
Internal market (Title B5-3)	177 756 464.66	138 131 909.63	0.00	2 932 297.58	141 064 207.21	79.36	
Industry (Title B5-4)	61 971 000.00	0.00	0.00	0.00	0.00	0.00	
Labour market and technological innovation (Title B5-5)	154 598 250.80	107 959 186.97	0.00	115 814.81	108 075 001.78	69.91	
Statistical information (Title B5-6)	38 297 086.43	30 852 236.46	0.00	1 483 657.75	32 335 894.21	84.43	

(EUR)

	Appropriations carried over to 2003				Appropriations cancelled				
	automatic carryovers	non-automatic carryovers	Total	%	appropriations for the year	appropriations carried over	other appropriations	Total	%
	7	8	(9=7+8)	(10=9/1)	11	12	13	(14=11+12+13)	(15=14/1)
	231 176 044.00	34 576 329.00	265 752 373.00	0.66	757 923 124.80	51 145 034.35	0.00	809 068 159.15	2.01
	0.00	49 316 000.00	49 316 000.00	1.05	295 306 354.53	0.00	0.00	295 306 354.53	6.29
	231 176 044.00	83 892 329.00	315 068 373.00	0.70	1 053 229 479.33	51 145 034.35	0.00	1 104 374 513.68	2.46
	45 000.00	1 978 200 000.00	1 978 245 000.00	10.51	1 470 674 144.21	0.00	2 998 970.19	1 473 673 114.40	7.83
	0.00	217 200 000.00	217 200 000.00	6.38	1 546 606 212.74	0.00	0.00	1 546 606 212.74	45.42
	0.00	153 200 000.00	153 200 000.00	4.56	802 413 374.60	0.00	0.00	802 413 374.60	23.88
	0.00	30 700 000.00	30 700 000.00	8.08	194 274 891.30	0.00	0.00	194 274 891.30	51.12
	0.00	874 800 000.00	874 800 000.00	39.67	772 724 466.69	0.00	1 003 302.00	773 727 768.69	35.09
	161 620.35		161 620.35	0.07	59 158 436.66	0.00	55 396.13	59 213 832.79	24.15
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00		0.00	0.00	0.85	0.00	0.00	0.85	0.00
	206 620.35	3 254 100 000.00	3 254 306 620.35	10.30	4 845 851 527.05	0.00	4 057 668.32	4 849 909 195.37	15.35
	542 038 254.69	6 936 641.09	548 974 895.78	12.14	303 951 367.18	0.00	908 444.84	304 859 812.02	6.74
	31 318.94	13 268.00	44 586.94	0.06	8 873 278.16	12 715.08	1 954.00	8 887 947.24	12.43
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	5 450 000.00	5 450 000.00	19.75	4 427 339.05	1 600 000.00	0.00	6 027 339.05	21.84
	0.00		0.00	0.00	18 979 155.03	0.00	0.00	18 979 155.03	32.45
	74 668 158.37		74 668 158.37	10.63	35 124 134.41	0.00	256 322.79	35 380 457.20	5.04
	21 709 969.53		21 709 969.53	14.06	13 604 172.61	0.00	667 287.39	14 271 460.00	9.25
	245 738.45		245 738.45	0.23	16 982 917.49	3 850 847.33	197 427.74	21 031 192.56	19.39
	1 273 316.58	241 500.00	1 514 816.58	1.01	16 021 856.49	0.00	56 013.81	16 077 870.30	10.74
	0.00		0.00	0.00	6 300 000.00	0.00	0.00	6 300 000.00	100.00
	2 004 794.45		2 004 794.45	4.90	6 844 843.22	3 003 129.96	338.20	9 848 311.38	24.06
	91 505.88		91 505.88	0.51	1 164 668.07	0.00	81 233.28	1 245 901.35	6.98
	6 065 129.89		6 065 129.89	3.72	5 053 735.02	0.00	93 551.04	5 147 286.06	3.16
	265.04		265.04	0.00	1 129 805.42	0.00	511.08	1 130 316.50	5.54
	0.00		0.00	0.00	1 176.46	0.00	0.00	1 176.46	0.13
	1 159 830.41		1 159 830.41	0.65	30 470 107.25	5 000 000.00	62 319.79	35 532 427.04	19.99
	0.00	61 971 000.00	61 971 000.00	100.00	0.00	0.00	0.00	0.00	0.00
	2 346 509.49		2 346 509.49	1.52	22 166 408.90	21 957 520.00	52 810.63	44 176 739.53	28.58
	4 044 933.89		4 044 933.89	10.56	1 150 503.54	0.00	765 754.79	1 916 258.33	5.00

(Continued on the next page)

TABLE 13 (continued)

Financial perspective	Payment appropriations authorised	Payments made against					
		appropriations for the year	appropriations carried over	other appropriations	Total	%	
		2	3	4	(5=2+3+4)	(6=5/1)	
1							
Trans-European networks (Title B5-7)	711 877 643.54	585 185 550.91	71 087 639.00	0.00	656 273 189.91	92.19	
Area of freedom, security and justice (Title B5-8)	150 131 570.14	67 757 792.17	9 270 833.70	0.00	77 028 625.87	51.31	
Fraud prevention (Chapter B5-91)	5 000 099.16	4 646 549.28	0.00	0.00	4 646 549.28	92.93	
European Union Solidarity Fund (Title B2-4)	599 000 000.00	599 000 000.00	0.00	0.00	599 000 000.00	100.00	
<i>Total Heading 3</i>	<i>7 956 833 921.56</i>	<i>6 466 789 391.46</i>	<i>91 350 588.37</i>	<i>8 527 209.20</i>	<i>6 566 667 189.03</i>	<i>82.53</i>	
Heading 4: EXTERNAL ACTION							
European Development Fund (Title B7-1)	0.00	0.00	0.00	0.00	0.00	0.00	
Food aid and support measures (Chapter B7-20)	420 810 000.00	416 271 166.16	0.00	0.00	416 271 166.16	98.92	
Humanitarian aid (Chapter B7-21)	542 923 843.65	474 253 373.97	0.00	0.00	474 253 373.97	87.35	
Cooperation with developing countries in Asia (Chapter B7-30)	467 567 181.82	454 251 911.98	0.00	0.00	454 251 911.98	97.15	
Cooperation with developing countries in Latin America (Chapter B7-31)	233 469 942.37	181 793 489.37	0.00	0.00	181 793 489.37	77.87	
Cooperation with southern Africa and South Africa (Chapter B7-32)	136 115 000.00	119 264 906.53	0.00	0.00	119 264 906.53	87.62	
Cooperation with third countries in the Mediterranean and the Middle East (Chapter B7-4)	868 439 108.52	839 457 498.14	3 752 707.69	195 120.92	843 405 326.75	97.12	
European Bank for Reconstruction and Development (Chapter B7-51)	8 438 000.00	8 437 500.00	0.00	0.00	8 437 500.00	99.99	
Cooperation with the new independent States and Mongolia (Chapter B7-52)	472 102 099.89	395 067 083.76	0.00	84 084.35	395 151 168.11	83.70	
Other Community operations for the CEECs, the NIS, Mongolia and the western Balkan countries (Chapter B7-53)	58 000.00	57 600.00	0.00	0.00	57 600.00	99.31	
Cooperation with the Balkan countries (Chapter B7-54)	893 957 155.92	719 169 478.93	30 000 000.00	5 415.28	749 174 894.21	83.80	
Other cooperation measures (Title B7-6)	463 753 375.59	323 896 655.18	63 440 292.84	0.00	387 336 948.02	83.52	
European initiative for democracy and human rights (Title B7-7)	103 752 300.46	93 766 586.64	0.00	0.00	93 766 586.64	90.38	
International fisheries agreements (Chapter B7-80)	195 133 463.66	186 174 296.27	0.00	0.00	186 174 296.27	95.41	
External aspects of certain Community policies (Chapters B7-81 to B7-87)	98 291 834.83	64 561 777.83	0.00	0.00	64 561 777.83	65.68	
Common foreign and security policy (Subsection B8)	36 035 415.00	26 329 293.54	4 603 511.58	0.00	30 932 805.12	85.84	
Pre-accession strategy for the Mediterranean countries (Chapters B7-04 and B7-05)	28 979 284.07	18 869 632.73	0.00	0.00	18 869 632.73	65.11	
<i>Total Heading 4</i>	<i>4 969 826 005.78</i>	<i>4 321 622 251.03</i>	<i>101 796 512.11</i>	<i>284 620.55</i>	<i>4 423 703 383.69</i>	<i>89.01</i>	
Heading 5: ADMINISTRATION							
Part A (excluding pensions)	5 174 046 414.15	3 995 838 234.74	404 893 413.86	131 486 975.63	4 532 218 624.23	87.60	
Pensions (all institutions)	682 585 600.00	679 346 406.86	0.00	0.00	679 346 406.86	99.53	
<i>Total Heading 5</i>	<i>5 856 632 014.15</i>	<i>4 675 184 641.60</i>	<i>404 893 413.86</i>	<i>131 486 975.63</i>	<i>5 211 565 031.09</i>	<i>88.99</i>	

(EUR)

Appropriations carried over to 2003					Appropriations cancelled				
automatic carryovers	non-automatic carryovers	Total	%	appropriations for the year	appropriations carried over	other appropriations	Total	%	
7	8	(9=7+8)	(10=9/1)	11	12	13	(14=11+12+13)	(15=14/1)	
91 968.17	7 000 000.00	7 091 968.17	1.00	10 948 785.09	37 495 361.00	68 339.37	48 512 485.46	6.81	
41 622.02	12 173 307.25	12 214 929.27	8.14	56 839 495.70	4 048 519.30	0.00	60 888 015.00	40.56	
0.00		0.00	0.00	353 450.72	0.00	99.16	353 549.88	7.07	
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	
655 813 315.80	93 785 716.34	749 599 032.14	9.42	560 387 199.81	76 968 092.67	3 212 407.91	640 567 700.39	8.05	
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	
0.00		0.00	0.00	4 538 833.84	0.00	0.00	4 538 833.84	1.08	
78 323.28		78 323.28	0.01	18 591 626.03	50 000 000.00	520.37	68 592 146.40	12.63	
246 613.47		246 613.47	0.05	10 858 088.02	0.00	2 210 568.35	13 068 656.37	2.80	
30 491.19		30 491.19	0.01	51 572 510.63	0.00	73 451.18	51 645 961.81	22.12	
0.00		0.00	0.00	16 850 093.47	0.00	0.00	16 850 093.47	12.38	
62 369.31	120 600.00	182 969.31	0.02	24 132 901.86	466 229.31	251 681.29	24 850 812.46	2.86	
0.00		0.00	0.00	500.00	0.00	0.00	500.00	0.01	
2 636 727.56	13 017 200.00	15 653 927.56	3.32	60 176 716.24	0.00	1 120 287.98	61 297 004.22	12.98	
0.00		0.00	0.00	400.00	0.00	0.00	400.00	0.69	
14 320 957.35	10 000 000.00	24 320 957.35	2.72	46 160 521.07	69 954 143.00	4 346 640.29	120 461 304.36	13.48	
1 096 667.84	8 541 312.50	9 637 980.34	2.08	65 209 136.32	1 559 707.16	9 603.75	66 778 447.23	14.40	
4 019.00		4 019.00	0.00	9 973 413.36	0.00	8 281.46	9 981 694.82	9.62	
7 463.66		7 463.66	0.00	8 951 703.73	0.00	0.00	8 951 703.73	4.59	
18 106 620.73		18 106 620.73	18.42	15 449 810.27	173 626.00	0.00	15 623 436.27	15.89	
0.00		0.00	0.00	2 670 706.46	2 431 903.42	0.00	5 102 609.88	14.16	
9 297.27		9 297.27	0.03	10 100 354.07	0.00	0.00	10 100 354.07	34.85	
36 599 550.66	31 679 112.50	68 278 663.16	1.37	345 237 315.37	124 585 608.89	8 021 034.67	477 843 958.93	9.61	
531 308 676.48	16 736 600.00	548 045 276.48	10.59	35 411 231.84	55 860 649.39	2 510 632.21	93 782 513.44	1.81	
22 730.49		22 730.49	0.00	3 209 862.65	6 600.00	0.00	3 216 462.65	0.47	
531 331 406.97	16 736 600.00	548 068 006.97	9.36	38 621 094.49	55 867 249.39	2 510 632.21	96 998 976.09	1.66	

(Continued on the next page)

TABLE 13 (continued)

Financial perspective	Payment appropriations authorised	Payments made against					
		appropriations for the year	appropriations carried over	other appropriations	Total	%	
		2	3	4	(5=2+3+4)	(6=5/1)	
1							
Heading 6: RESERVES							
Monetary reserve (Title B1-6)	250 000 000.00	0.00	0.00	0.00	0.00	0.00	
Guarantee reserve (Chapter B0-23 and B0-24)	213 000 000.00	170 490 000.00	0.00	0.00	170 490 000.00	80.04	
Guarantee reserve (Title B0-2)	8 783 507.16	0.00	0.00	0.00	0.00	0.00	
Emergency aid reserve (Chapter B7-91)	180 000 000.00	0.00	0.00	0.00	0.00	0.00	
<i>Total Heading 6</i>	<i>651 783 507.16</i>	<i>170 490 000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>170 490 000.00</i>	<i>26.16</i>	
Heading 7: PRE-ACCESSION AID							
Agriculture (Chapter B7-01)	370 000 000.00	123 871 214.14	0.00	0.00	123 871 214.14	33.48	
Pre-accession structural instrument (Chapter B7-02)	506 418 452.38	398 385 696.88	0.00	0.00	398 385 696.88	78.67	
Phare (applicant countries) (Chapter B7-03)	1 595 522 393.01	1 099 592 803.50	0.00	1 591 397.77	1 101 184 201.27	69.02	
European Union Solidarity Fund (Chapter B7-09)	129 000 000.00	129 000 000.00	0.00	0.00	129 000 000.00	100.00	
<i>Total Heading 7</i>	<i>2 600 940 845.39</i>	<i>1 750 849 714.52</i>	<i>0.00</i>	<i>1 591 397.77</i>	<i>1 752 441 112.29</i>	<i>67.38</i>	
Total	98 579 277 587.21	83 770 766 619.23	1 231 812 484.49	141 890 203.15	85 144 469 306.87	86.37	

(EUR)

	Appropriations carried over to 2003				Appropriations cancelled				
	automatic carryovers	non-automatic carryovers	Total	%	appropriations for the year	appropriations carried over	other appropriations	Total	%
	7	8	(9=7+8)	(10=9/1)	11	12	13	(14=11+12+13)	(15=14/1)
	0.00		0.00	0.00	250 000 000.00	0.00	0.00	250 000 000.00	100.00
	0.00		0.00	0.00	42 510 000.00	0.00	0.00	42 510 000.00	19.96
	8 783 507.16		8 783 507.16	100.00	0.00	0.00	0.00	0.00	0.00
	0.00		0.00	0.00	180 000 000.00	0.00	0.00	180 000 000.00	100.00
	8 783 507.16		8 783 507.16	1.35	472 510 000.00	0.00	0.00	472 510 000.00	72.49
	0.00		0.00	0.00	246 128 785.86	0.00	0.00	246 128 785.86	66.52
	16 097.44		16 097.44	0.00	108 014 303.12	0.00	2 354.94	108 016 658.06	21.33
	50 447 612.02		50 447 612.02	3.16	433 154 076.28	0.00	10 736 503.44	443 890 579.72	27.82
	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	50 463 709.46		50 463 709.46	1.94	787 297 165.26	0.00	10 738 858.38	798 036 023.64	30.68
	1 514 374 154.40	3 480 193 757.84	4 994 567 912.24	5.07	8 103 133 781.31	308 565 985.30	28 540 601.49	8 440 240 368.10	8.56

CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION AT 31 DECEMBER 2002

Assets

(EUR)

Heading	31 December 2002	31 December 2001
I. Initial costs	0.00	0.00
II. Intangible fixed assets	7 934 978.26	5 462 532.32
III. Tangible fixed assets	3 310 781 430.79	3 347 370 786.73
A. Land and buildings	1 401 405 844.93	1 479 717 856.26
B. Plant, machinery and tools	37 223 164.93	40 553 958.74
C. Furniture and vehicles	30 357 841.45	32 475 825.12
D. Computer hardware	79 590 926.86	71 783 580.88
E. Leasing, financing and similar entitlements	1 666 588 220.28	1 653 072 875.62
F. Other tangible assets	11 941 659.81	11 604 706.60
G. Fixed assets under construction and pre-payments	83 673 772.53	58 161 983.51
IV. Investments	2 017 727 773.45	2 080 812 121.69
A. Investments in related organisations	324 011 899.20	277 500 000.00
1. Subscriptions and participations	324 011 899.20	277 500 000.00
2. Receivables	0.00	0.00
B. Other fixed financial assets	1 693 715 874.28	1 803 312 121.69
1. Subscriptions and participations	42 225 810.97	22 879 226.68
2. Receivables	0.00	0.00
3. Guarantees and advances granted	1 651 490 063.31	1 780 432 895.01
4. Other	0.00	0.00
V. Long-term assets	21 620 488 517.45	17 594 861 536.78
A. Loans granted from the budget	627 217 512.42	652 429 224.78
B. Loans granted from borrowed funds	1 394 599 344.04	1 499 958 872.14
C. Other long-term assets	19 598 671 660.99	15 415 652 792.00
VI. Stocks	76 002 255.83	77 643 372.82
A. Office supplies and other consumables	14 088 330.78	14 352 646.78
B. Scientific equipment	61 913 925.05	63 266 912.48
C. Publications Office stocks	0.00	23 813.56
VII. Short-term assets	6 387 288 699.26	5 848 449 099.10
A. Long-term receivables due in less than one year	163 026 211.05	271 250 425.49
1. Loans granted from the budget	27 663 796.05	16 222 248.49
2. Loans granted from borrowed funds	115 000 000.00	235 000 000.00
3. Other assets with a term of more than one year	20 362 415.00	20 028 177.00
B. Current assets	6 215 706 105.74	5 567 336 187.05
1. Advances paid to Member States	0.00	0.00
2. Advances owed by Member States	2 078 454 951.07	1 442 840 826.65
a. EAGGF Guarantee	1 349 977 685.84	681 394 524.99
b. VAT paid and recoverable from Member States	37 137 312.19	38 590 776.31
c. Own resources	660 833 981.90	712 549 484.39
d. Other receivables from Member States	30 505 971.14	10 306 040.96
3. Amounts owed by Community institutions and bodies	10 846 237.86	4 568 651.20
4. Sundry debtors	4 126 404 916.81	4 119 926 709.20
C. Sundry receivables	8 556 382.47	9 862 486.56
1. Amounts owed by staff	8 351 354.68	9 680 494.77
2. Other	205 027.79	181 991.79
VIII. Cash investments	43 108 213.35	40 709 601.61
IX. Disposable assets	17 477 619 620.78	21 351 498 906.15
X. Transitional accounts	91 060 348.71	163 289 556.93
Total	51 032 011 837.91	50 510 097 514.13

Liabilities

(EUR)

Heading	31 December 2002	31 December 2001
I. Own capital	17 466 802 116.75	23 296 299 646.95
A. Economic out-turn for the year	9 132 178 113.69	17 140 984 720.10
1. Budget out-turn	7 413 481 988.34	15 002 522 103.55
2. Result of adjustments	1 718 484 305.56	2 138 390 842.73
3. Result of borrowing and lending activities	211 819.79	71 773.82
B. Economic out-turn carried over from previous years	8 275 052 504.67	6 095 767 613.11
Result of adjustments	8 275 052 504.67	6 095 767 613.11
C. Reserves	59 571 498.39	59 547 313.74
1. Revaluation reserve	57 124 663.00	57 124 663.00
2. Reserve for borrowing and lending activities	2 446 835.39	2 422 650.74
II. Provisions for liabilities and charges	21 452 822 932.72	17 266 328 288.63
A. Provisions for major repairs and maintenance	0.00	0.00
B. Provisions for losses and expenses	21 452 822 932.72	17 266 328 288.63
III. Long-term liabilities	2 674 035 325.46	2 977 145 074.80
A. Loans raised	1 338 678 708.69	1 427 898 931.80
B. Other long-term debts	1 335 356 616.77	1 549 246 143.00
IV. Short-term liabilities	8 723 451 476.31	6 391 750 835.17
A. Long-term liabilities falling due in less than one year	229 002 898.32	360 876 516.01
B. Other short-term financial liabilities	3 467 490 712.21	3 714 191 827.75
C. Current liabilities	5 010 473 041.09	2 300 706 758.74
1. Member States and EFTA countries	38 535 782.52	75 877 523.34
2. Community institutions and bodies	16 412 388.90	28 574 127.23
3. Appropriations to be carried over	4 846 976 388.84	2 089 687 959.54
4. Sundry creditors	108 548 480.83	106 567 148.63
D. Other liabilities	16 484 821 69	15 975 732.67
V. Transitional accounts	714 899 989.67	578 573 668.58
Total	51 032 011 837.91	50 510 097 514.13

COMMENTS ON THE CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR 2002

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 No 2909/2000 of 29 December 2000 on the management in the accounts of the non-financial fixed assets of the European institutions (OJ L 336, 30.12.2000);

— accounting and consolidation manual of the European Communities, drawn up by 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.

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 2002 annual accounts. These changes are explained in the notes and comparative figures are provided.

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.

Institutions

The intangible fixed assets of the Court of Justice, with a net book value of EUR 19 690.47 (acquisition value of EUR 29 217.63, depreciation of EUR 9 527.16) have been reclassified as tangible fixed assets. These amounts appear under the heading 'Transfers between headings' in the 'Computer software' and 'Tangible fixed assets' tables below.

A computer licence, governed by an interinstitutional framework contract for database management is shown for the first time in the balance sheet at 31 December 2002.

Commission

This is the first year that the Fisheries DG has entered the Seaguard/Arcvieuw software in the balance sheet. The net book value is EUR 6 400. This software, purchased in earlier years but not appearing in the balance sheet at 31 December 2001, is included under the heading 'Other adjustments'.

Some software of the Joint Research Centre, acquired before 2002, could not be entered in the balance sheet before the closure of the 2002 financial year. In 2002 they are included in the acquisitions during the year. Depreciation for years prior to 2002 is included in the amount of depreciation recorded in 2002. Karlsruhe entered computer software in

the balance sheet for a net book value of EUR 18 316.48.

Publications Office

Depreciation of intangible fixed assets (computer software) is spread over three years (33 %), the standard practice for the Office's software.

(EUR)

	Computer software
<i>A. Acquisition value</i>	
Previous year-end	19 019 968.76
Changes during the year:	
Acquisitions during the year	6 920 081.47
Disposals and withdrawals	- 207 608.07
Transfers between headings	- 29 217.63
Other changes	96 896.76
Year-end	25 800 121.29
<i>B. Depreciation and reduction in value</i>	
Previous year-end	13 557 436.44
Changes during the year:	
Recorded	4 447 896.23
Cancellations as a result of disposals and withdrawals	- 116 728.75
Transfers between headings	- 9 527.16
Other changes	- 13 933.73
Year-end	17 865 143.03
Net book value (A-B)	7 934 978.26

III. Tangible fixed assets

A. Land and buildings

Joint Research Centre

In the absence of historical data on the costs of acquisition and the costs of annual improvements before 1998, acquisition values are based on a valuation conducted by an outside firm at 31 December 1997. It has been possible to calculate the changes which occurred during the period 1998-2002.

The method of depreciation is as follows:

1. For buildings which had been depreciated in full at 1 January 1998, a new depreciation plan was fixed.

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

Delegations

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

The Commission's share of the building for the Delegation in Dar es Salaam (Tanzania), worth EUR 0.9 million, has been transferred from the heading 'Assets under construction and pre-payments made' to 'Land and buildings'.

European Parliament

In March 1994, Parliament signed a long-term leasing contract with a purchase option for a complex in Strasbourg (the Louise Weiss building). In accordance with Commission Regulation No 2909/2000 of 29 December 2000 on the management in the accounts of the non-financial fixed assets of the European institutions (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

of a rate of discount deriving either from the interest rate charged by the banks or an estimate.

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 2002 with a net value of EUR 13.7 million.

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 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 against 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.

Council

The Justus Lipsius building was not definitively accepted in 2002. The value may be revised after final acceptance.

As regards the land of the Justus Lipsius building, the Council's General Secretariat based itself on Article 24 of Commission Regulation 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 precedent conditions.

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

- the land would be returned to the Belgian State against 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

Commission

The heading 'Other adjustments' comprises the retrospective entries and value corrections for the JRC.

The depreciation figure recorded by the Press and Communication DG in 2002 includes some of the adjustments for earlier years. Shelving is still entered under 'Furniture and vehicles'. In 2003 it will be reclassified as 'Other tangible fixed assets'.

This is the first year that 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 2002 is EUR 433 897.83. The net book value at 31 December 2001 was EUR 602 666.70. This value has been included under 'Other adjustments'.

Following the physical stocktaking already carried out in the delegations, there is a correction under 'Other adjustments' for items acquired before 2002 which had not been entered in the inventories of the delegations concerned at 31 December 2001.

For 20 % of the delegations, there is no information about tangible fixed assets for 2002. The new LID WEB application and the physical stocktaking in delegations scheduled for 2003 should resolve this problem.

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.

As shown in the 'Tangible fixed assets' table below, the acquisition value at year-end is EUR 2 023.1 million. The table 'Finance leases and similar entitlements/items to be included in the balance sheet' below gives the details: the total is made up of EUR 1 943 million 'Land and buildings', EUR 78.8 million 'Plant, machinery and tools', EUR 970 030.90 'Furniture and vehicles' and EUR 31 666.43 'Computer hardware'.

⁽¹⁾ This heading is based on standard IPSAS 13 — Leases.

Commission

A new leasing contract was signed in 2002 for the Palmerston land and building (avenue de Palmerston 6/8 and 14 and rue des Eburons 77–79). The leasing contract covers the period from 24 April 2002 to 30 April 2029 with a purchase option for the Commission. The discounted value of the minimum payments due is EUR 9.85 million.

A new Commission building in Dublin, with a discounted value of minimum payments due of EUR 35.80 million, is included under this heading. The contract was signed in March 2002 for 20 years with a purchase option for the Commission.

The Charlemagne case is now 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.

Institutions

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 38.73 million on the basis of a valuation by the independent expert. This figure is provisional as negotiations are still under way after certain construction defects were noted.

The European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) have entered the finance leasing contracts for the Belliard 103-113 and Montoyer 91-102 buildings on the assets side of the balance sheet. They are co-financed on the following scale:

2001	EESC: 70 %	CoR: 30 %
2002	EESC: 67.7 %	CoR: 32.3 %
from 2003	EESC: 67 %	CoR: 33 %

The 2001 depreciation for the Montoyer building has been revised and corrected by EUR 0.9 million under 'Other adjustments'. In 2001, depreciation was erroneously calculated on the total value of the building and the land rather than on the value of the building alone.

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

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

The Court of Auditors has entered EUR 18 million under this item for the funds required for the planned extension of the Court's building. The bulk of the funds has 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 leasing contract mentioned in Item E 'Finance leases and similar entitlements'.

Tangible fixed assets

(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 pre-payments made
A. Acquisition value							
Previous year-end	2 100 339 776.69	307 699 600.65	135 131 463.00	307 485 110.30	1 970 024 186.79	15 442 085.66	58 161 983.51
Changes during the year:							
Acquisitions during the year	10 233 680.94	18 353 640.94	7 757 261.04	55 686 131.09	53 315 438.49	2 157 159.23	28 507 256.08
Disposals and withdrawals	- 146 856.64	- 15 455 770.65	- 8 514 884.94	- 57 322 480.28	- 210 271.35	- 4 210.00	- 2 668 001.68
Transfers between headings	2 668 001.68	1 956 048.97	- 1 944 528.97	- 113 757.37	0.00	131 455.00	- 327 465.38
Other changes		292 900.12	641 440.59	3 399 434.16	2.71		
<i>Year-end</i>	<i>2 113 094 602.67</i>	<i>3 12 846 420.03</i>	<i>133 070 750.72</i>	<i>309 134 437.90</i>	<i>2 023 129 356.64</i>	<i>17 726 489.89</i>	<i>83 673 772.53</i>
B. Rise in value							
Previous year-end	57 124 663.00						
Changes during the year							
Recorded							
Cancellations							
Other changes							
<i>Year-end</i>	<i>57 124 663.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
C. Depreciation and value adjustments							
Previous year-end	677 746 583.43	267 145 641.91	102 655 637.88	235 701 529.42	316 951 311.17	3 837 379.06	
Changes during the year:							
Recorded	91 128 027.58	21 940 426.68	9 376 606.45	48 327 165.09	60 545 433.87	1 816 324.52	
Cancellations as a result of disposals and withdrawals	- 61 190.27	- 15 148 906.03	- 8 067 721.12	- 56 570 592.95	- 131 817.68	- 4 210.00	
Transfers between headings		1 876 880.43	- 1 874 000.43	- 128 689.34	0.00	135 336.50	
Other changes		- 190 787.89	622 386.49	2 214 098.82	- 20 823 791.00		
<i>Year-end</i>	<i>768 813 420.74</i>	<i>275 623 255.10</i>	<i>102 712 909.27</i>	<i>229 543 511.04</i>	<i>356 541 136.36</i>	<i>5 784 830.08</i>	
Net book value (A+B+C)	1 401 405 844.93	37 223 164.93	30 357 841.45	79 590 926.86	1 666 588 220.28	11 941 659.81	83 673 772.53

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	Charges to be paid		Total (B)	Total value (A+B)	Acquisition value of works (C)	Asset value (A+B+C)
	Cumulative charges (A)	within 1 year				
TOTAL Previous year-end	471 282 272.64	102 409 434.93	1 459 992 151.15	1 931 274 423.79	38 749 763.00	1 970 024 186.79
Land and buildings:	648 247 205.64	78 807 242.65	1 248 769 012.67	1 897 016 218.31	46 345 176.00	1 943 361 394.31
Plant, machinery and tools	65 985 959.00	6 362 617.00	12 780 306.00	78 766 265.00		78 766 265.00
Furniture and vehicles	849 812.95	21 260.70	120 217.95	970 030.90		970 030.90
Computer hardware	24 011.63	4 652.87	7 654.80	31 666.43		31 666.43
Other tangible fixed assets			0.00	0.00		0.00
Assets under construction			0.00	0.00		0.00
TOTAL Year-end	715 106 989.22	85 195 773.22	1 261 677 191.42	1 976 784 180.64	46 345 176.00	2 023 129 356.64

IV. Financial fixed assets

This heading covers equity investments made with a view to establishing permanent links and seen as supporting the activities of the European Communities and related entitlements, independent of the due date, origin or form.

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 Community to third parties and the Guarantee Fund, which is designed to cover risks associated with loans granted to non-member countries.

A. Investments in related organisations

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 Community. The proportion of this capital called up — 30 % — has been paid in full.

On 15 April 1996, at their annual meeting, the Bank's governors decided to double the amount of authorised capital. Under this decision, the Community has subscribed for 30 000 additional shares with a face value of EUR 10 000 each. This operation involves paid-in shares and callable shares in the following proportions: 22.5 % of the subscribed shares represent a whole number of paid-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 paid. Payments outstanding on the proportion of capital called up — EUR 35.4 mil-

lion — are recorded under short-term liabilities (EUR 8.4 million) and long-term liabilities (EUR 27 million). Payments outstanding on non-called up capital, amounting to EUR 442.5 million, are included in the off-balance-sheet commitments.

The 3 % shareholding in the EBRD is valued at cost, as it represents a financial instrument as defined in 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 Community, represented by the Commission, subscribes 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 Community has a 'put option' on its 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.

As with the EBRD subscription, payments outstanding on non-called up capital (80 %), amounting to EUR 480 million, are included in the off-balance-sheet commitments.

The equity method was applied for the first time in 2002 to value the Communities' share in the EIF, in accordance with IPSAS 7. The cost method had been applied in the past. 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 out-turn ac-

count 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 provisional balance sheet for 2002 carries a total of EUR 555 million of own capital, including profits of EUR 18.7 million for the year. The Communities' share is 30 % of this amount (EUR 166.5 million), of which EUR 5.6 million concerns the result for 2002.

If the cost method had been applied as in past years, the holding would have remained the same as the 2001 amount, i.e. EUR 120 million, representing 30 % of subscribed and called-up capital valued at cost.

The difference (EUR 46.5 million) is accounted for as an adjustment as regards the share of the year's result (EUR 5.6 million) and in the adjustments carried forward as regards the remainder (EUR 40.9 million).

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 equity

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

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.

It has proved impossible to calculate the real value of ECIP equity contributions. In accordance with the principle of prudence, a 100 % adjustment has been applied.

- Eurotech capital, Venture consort and JOP

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

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

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

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

- Other financial instruments

In 2002, for the first time, subscriptions and participations of other financial instruments have been entered in the balance sheet. In the past, such operations were treated solely as budget expenditure for the year.

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 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 ‘MAP equity — ETF start-up facility’, under the trusteeship of the EIF (2001–05 programme) support the creation and financing of SMEs in the start-up phase by investing in suitable specialised venture capital funds.

Investments: Subscriptions and participations

	Related organisations			ECIP	Venture consort JOP, Eurotech	
	EBRD	EIF	Total Related organisations			
A. Acquisition value						
Previous year-end	600 000 000.00	600 000 000.00	1 200 000 000.00	22 879 226.68	20 160 704.00	
Changes during the year:						
Acquisitions during the year						
Disposals and withdrawals					– 947 758.00	
Transfers between headings						
<i>Year-end</i>	<i>600 000 000.00</i>	<i>600 000 000.00</i>	<i>1 200 000 000.00</i>	<i>22 879 226.68</i>	<i>19 212 946.00</i>	
B. Rise in value						
Previous year-end	0.00	0.00	0.00			
Changes during the year:						
Recorded (equity method)		46 511 899.20	46 511 899.20			
Cancellations						
Transfers between headings						
<i>Year-end</i>	<i>0.00</i>	<i>46 511 899.20</i>	<i>46 511 899.20</i>	<i>0.00</i>	<i>0.00</i>	
C. Reduction in value						
Previous year-end	0.00	0.00	0.00	0.00	20 160 704.00	
Changes during the year:						
Recorded				22 879 226.68		
Cancellations as a result of disposals and withdrawals					– 947 758.00	
Transfers between headings						
<i>Year-end</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>22 879 226.68</i>	<i>19 212 946.00</i>	
D. Amounts not called up						
<i>Year-end</i>	<i>442 500 000.00</i>	<i>480 000 000.00</i>	<i>922 500 000.00</i>	<i>0.00</i>	<i>0.00</i>	
Net book value (A+B–C–D)	157 500 000.00	166 511 899.20	324 011 899.20	0.00	0.00	

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 Community's creditors in the event of default by beneficiaries of loans granted or guaranteed by the Community.

This facility covers loans guaranteed by the Community as a result of a Council decision, in particular EIB lending operations outside the European Union and loans under macro-financial assistance 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 Community 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 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'.

The interinstitutional agreement of 29 October 1993 on budgetary discipline and im-

Non-related organisations			
SME finance facility	Growth and employment	MAP equity	Total non-related organisations
1 906 250.00	51 352 778.07	860 000.00	43 039 930.68 54 119 028.07 – 947 758.00
<i>1 906 250.00</i>	<i>51 352 778.07</i>	<i>860 000.00</i>	<i>96 211 200.75</i>
<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
153 000.00	11 740 217.10		20 160 704.00 34 772 443.78 – 947 758.00
<i>153 000.00</i>	<i>11 740 217.10</i>	<i>0.00</i>	<i>53 985 389.78</i>
<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
1 753 250.00	39 612 560.97	860 000.00	42 225 810.97

provement 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 Community budget, the proceeds from interest on investments made from the Fund's assets, and sums recovered from defaulting debtors for whom the Fund has had to activate its guarantee.

The entry on the assets side of the Commission's balance sheet (EUR 1 645 million) represents the Fund's net assets at 31 December 2002. For the sake of readability, this amount

comprises the repayable surplus in excess of the target amount at 31 December 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 (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 2002. 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 263 million); it is entered under own capital.

⁽¹⁾ The target amount corresponds to 9 % of the amount outstanding.

(EUR)

Description	Net book value at 31.12.2001 (A)	Changes during year (B)	Net book value at 31.12.2002 (C)=(A)+(B)
Guarantees and advances granted			
Guarantees	5 988 087.03	- 73 251.43	5 914 835.60
Advances granted	20 856.35	- 0.35	20 856.00
Guarantee Fund	1 774 423 951.63	- 128 869 579.92	1 645 554 371.71
<i>Subtotal</i>	<i>1 780 432 895.01</i>	<i>- 128 942 831.70</i>	<i>1 651 490 063.31</i>
Other financial fixed assets	0.00	0.00	0.00
Total	1 780 432 895.01	- 128 942 831.70	1 651 490 063.31

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 ⁽¹⁾. 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.

Also included are 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. As the contracts stipulate that loan repayments depend on the always uncertain success of the projects, an adjustment has been made for the loans which have been definitively converted into grants.

MEDIA I (1991–95) loans are included under this heading for the first time. Up to 2001, MEDIA I loans came under ‘Other long-term assets’ (EUR 26.8 million). The reason was that the Commission had no contractual link with the recipients of the support. The support contracts were signed by and on behalf of the decentralised structure to which the Commission had entrusted the management of support. As the Commission concluded agreements with the loan management bodies to take over direct management of the loans when the MEDIA I programme ended, they now come under ‘Loans granted from the budget’. The corresponding figures for 2001 have been reclassified.

⁽¹⁾ Including EUR 3.8 million granted to Greece before it joined the EU.

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.

It has proved impossible to calculate the real value of ECIP assets. In accordance with the principle of prudence, a 100 % adjustment has been applied.

Loans for migrant workers are also included under this heading.

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 Community. Community borrowings are direct commitments by the Community itself and not by any individual Member State ⁽²⁾.

As these loans are financial assets covered by borrowings, in order to give a true and fair view of the Union’s assets and liabilities, financial position and results, all the operations are now set out in the form of a balance sheet and a charges and incomes account ⁽³⁾.

Under an agreement with the EIB, the latter bears the risks of the NCI treasury instrument.

⁽²⁾ Detailed tables on these loans appear in Volume II.

⁽³⁾ The balance sheets, charges and income accounts and changes concerning loans related to financial activities under this heading are set out in detailed tables in Volume II.

Changes in volume of loans granted by the European Communities

	Balance at 31.12.2001 (A)	New loans (B)	Repayments (C)	Write-off (D)	Changes in exchange rates (E)
A. Loans granted from the budget					
Loans with special conditions	369 366 410.58		15 434 396.97		
Risk capital operations (1)	192 982 463.50	11 791 898.57	2 400 978.12	325 936.26	
ECIP loans(2)	67 604 196.21				
Loans for migrant workers MEDIA I, MEDIA II and MEDIA plus loans(3)	64 418.50		26 359.04		
	114 867 717.62	20 024 000.26	8 250 697.33	17 341 719.16	
<i>Subtotal</i>	<i>744 885 206.41</i>	<i>31 815 898.83</i>	<i>26 112 431.46</i>	<i>17 667 655.42</i>	<i>0.00</i>
B. Loans granted from borrowed funds					
Financial assistance (MTA)	1 614 000 000.00	12 000 000.00	265 000 000.00		
Food aid (FMA)	0.00				
Balance of payments	0.00				
NCI	80 958 872.14		7 285 966.40		-5 073 561.70
Euratom	40 000 000.00	40 000 000.00			
<i>Subtotal</i>	<i>1 734 958 872.14</i>	<i>52 000 000.00</i>	<i>272 285 966.40</i>	<i>0.00</i>	<i>-5 073 561.70</i>
Total	2 479 844 078.55	83 815 898.83	298 398 397.86	17 667 655.42	-5 073 561.70

(1) The write-off corresponds to commissions which the borrower does not have to repay.

(2) The value reduction covers the entire balance of loans at 31.12.2001.

(3) In accordance with the contracts, MEDIA loans are sometimes converted into grants. In such cases a write-off is made.

The amounts outstanding on borrowings at 31 December 2002 are entered under long-term assets in the case of loans due in more than a year and under short-term assets in the case of loans due in less than one year.

MEDIA I loans totalling EUR 26.8 million under heading V.C. 'Other long-term assets' up to 2001 have been transferred to heading V.A. 'Loans granted from the budget' (see notes to Heading V.B on the assets side).

Balance at 31.12.2002 (F)=(A)+(B) -(C)-(D)+(E)	Reduction in value at 31.12.2001 (G)	Changes during the year (H)	Reduction in value at 31.12.2002 (I)=(G)+(H)	Net value at 31.12.2002 (J)=(F)-(I)
353 932 013.61	0.00		0.00	353 932 013.61
202 047 447.69	413 085.28		413 085.28	201 634 362.41
67 604 196.21	49 000 000.00	18 604 196.21	67 604 196.21	0.00
38 059.46	0.00		0.00	38 059.46
109 299 301.39	0.00	10 022 428.40	10 022 428.40	99 276 872.99
<i>732 921 018.36</i>	<i>49 413 085.28</i>	<i>28 626 624.61</i>	<i>78 039 709.89</i>	<i>654 881 308.47</i>
1 361 000 000.00	0.00		0.00	1 361 000 000.00
0.00	0.00		0.00	0.00
0.00	0.00		0.00	0.00
68 599 344.04	0.00		0.00	68 599 344.04
80 000 000.00	0.00		0.00	80 000 000.00
<i>1 509 599 344.04</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>1 509 599 344.04</i>
2 242 520 362.40	49 413 085.28	28 626 624.61	78 039 709.89	2 164 480 652.51

(EUR)

	Due in > 1 year	Due in < 1 year	Loans outstanding at 31.12.2002
B. Loans granted from borrowed funds			
Financial assistance	1 246 000 000.00	115 000 000.00	1 361 000 000.00
Balance of payments	0.00	0.00	0.00
NCI	68 599 344.04	0.00	68 599 344.04
Euratom	80 000 000.00	0.00	80 000 000.00
<i>Subtotal</i>	<i>1 394 599 344.04</i>	<i>115 000 000.00</i>	<i>1 509 599 344.04</i>
C. Other long-term assets			
Amounts owed by Member States			
Pension scheme	19 500 000 000.00		19 500 000 000.00
Other	98 671 660.99	20 362 415.00	119 034 075.99
<i>Subtotal</i>	<i>19 598 671 660.99</i>	<i>20 362 415.00</i>	<i>19 619 034 075.99</i>
Total	21 620 488 517.45	163 026 211.05	21 783 514 728.50

C. Other long-term assets

1. *Community 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 8.25 % of the basic salary (second subparagraph of Article 83(1)). 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 an amount of EUR 15.3 billion receivable from the Member States was entered for the first time on the assets side of the balance sheet in 2001.

In line with changes in the rate on which the calculation is based (2.28 % at 31 December 2002 compared with 3.35 % used for 2001), the amount entered has risen to EUR 19.5 billion in 2002.

The method applied in 2002 to account for Community pensions is the same as in 2001: 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 Community pensions. Under the plan for modernising 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. *Financial contribution by the Belgian State*

This is the contribution to the purchase and fitting-out of the D3 building for Parliament, which came to EUR 176 million and is to be paid over 10 years ending in 2008.

VI. STOCKS

Commission

On the basis of an estimate of supplies purchased but not utilised, the Press and Communication's office supplies stock has been valued at EUR 32 600.

The stock of vaccines and antigens held by the Health and Consumer Protection DG at the Dublin Office has a net book value of EUR 6 504 850. It was valued in accordance with Regulation 2909/2002 (valuation at most recent acquisition price) and incorporated into the balance sheet for the first time in 2002.

The heading mainly covers the scientific and technical equipment of the Joint Research Centre. The fissile materials at Petten were valued at EUR 2.08 million using the purchase price, since they are consumed on a regular basis. Write-downs totalling 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 heavy water at Ispra has not been included in the balance sheet, since it has no commercial value.

Publications Office

The stock of publications held by the Publications Office is valued using special rules. Write-downs have been made.

The value of the publications stock that figures on the balance sheet 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.

Traditionally, publications from the paying stock have been valued on the basis of the cost price. The cost price is defined as equivalent to one third of the selling price.

The Office's balance sheet at 31 December 2001 included for the first time a provision bringing the value of the publications stock down to its market value. The market value was calculated by analysing the 2001 turnover of publications in stock on 31 December 2000. The analysis revealed that less than 0.5 % of the pre-2001 publications had been commercially distributed in 2001.

The same analysis was carried out for 2002. As this bore out the 2001 findings, the decision was taken to write down the value of the paying stock to zero. This calculation does not take account of the stock disposal costs that will have to be met for publications not sold.

The write-downs in respect of printshop stock were made as follows:

— for pre-2000 deliveries, a 33 % reduction was applied for each year of non-utilisation;

— for deliveries received in 2000 and 2001, the write-down was calculated on the basis of the utilisation in 2002 of stock on hand at 31 December 2001;

— for deliveries in 2002, there was no write-down.

European Parliament

The value of the stocks of office supplies is calculated on the basis of the average weighted price of the articles rather than on the most recent acquisition price. The net book value at 31 December 2002 is EUR 659 043.

The European Economic and Social Committee and the Committee of the Regions have broken down their joint stock of office supplies to 61.5 and 38.5 % respectively.

(EUR)

Description	Acquisition value	Write-down	Net book value	NBV at 31.12.2001
A. Office supplies and other consumables				
Office supplies	3 113 483.25	51 145.22	3 062 338.03	3 532 031.57
Other consumables	5 672 053.05	223 170.72	5 448 882.33	4 915 985.88
Building maintenance equipment	5 577 110.42		5 577 110.42	5 904 629.33
<i>Subtotal</i>	<i>14 362 646.12</i>	<i>274 315.94</i>	<i>14 088 330.78</i>	<i>14 352 646.78</i>
B. Scientific equipment				
Scientific reference equipment	60 545 403.42	19 067 611.55	41 477 791.87	45 270 043.00
Fissile material	30 823 596.18	16 907 236.00	13 916 360.18	17 908 434.00
Heavy water	14 923.00		14 923.00	14 923.00
Other scientific equipment	6 504 850.00		6 504 850.00	73 512.48
<i>Subtotal</i>	<i>97 888 772.60</i>	<i>35 974 847.55</i>	<i>61 913 925.05</i>	<i>63 266 912.48</i>
C. Publications stock				
<i>Subtotal</i>	<i>4 273 772.87</i>	<i>4 273 772.87</i>	<i>0.00</i>	<i>23 813.56</i>
Total	116 525 192.19	40 522 936.36	76 002 255.83	77 643 372.82

VII. Short-term assets

Current assets

B.2. Amounts owed by Member States

a. EAGGF-Guarantee: This item covers:

— the amounts owed by beneficiaries of EAGGF-Guarantee assistance (EUR 2 376 million) as declared and certified by the Member States and entered in the debtors ledger at the end of the year in accordance with Regulation (EC) No 2761/99. 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 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.

Member States estimated the total amount unlikely to be recovered at EUR 1 085.7. These estimates are to be reviewed by the certifying bodies, who are to report on any irregularities or errors detected. The evaluation work in respect of clearance will be completed at the same time as the accounting decision.

In accordance with this principle, 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 1 085.7, which accounts for 45.7 % of the total amount to be recovered in 2002. The fact that this adjustment is entered in the accounts does not mean that the EC is waiving future recovery of the amounts covered by the write-down.

— a receivable of EUR 59.6 million 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).

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 37.1 million). A specific write-down of EUR 1.3 million has been calculated.

c. Own resources. The heading includes own resources — this year totalling EUR 1 740.9 million — which, under Article 6(3)(b) of Regulation 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;
- adjustments 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 amounts of traditional own resources in the separate account are recovered, they must be credited to the account opened in the name of the Commission with the Member State's Treasury or the body it has appointed no later than the first working day following the 19th of the sec-

ond month following the month in which the amounts due were recovered.

This figure of EUR 1 740.9 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 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 not be taken too literally.

Despite this, in accordance with the principle of prudence, a write-down of EUR 1 136 million has been estimated on the basis of previous years' recovery statistics (EUR 697 million) and individual examination of certain cases (EUR 439 million). This write-down has been deducted from the item for receivables from Member States on the assets side of the balance sheet and does not mean that the EC 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 base 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 Community 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

The differences between the 2001 and 2002 amounts are as follows

(EUR million)

	31 December 2002	31 December 2001
Entitlements declared minus collection costs	1 740.9	2 119.5
Cases examined individually	481.5	578.0
Cases not examined individually	1259.4	1 541.5
Write-downs	1 136.2	1 581.4
Cases examined individually (1)	438.7	526.6
Cases not examined individually (2)	697.5	1 054.8
Net value of separate account entitlements	604.7	538.1

to secure recovery. Where the Member State fails to do this, it is held financially liable and required to pay the amount into the Community budget in accordance with Article 17(2) of Regulation 1150/2000.

Council Decision No 2000/597/EC, Euratom on the system of the European Communities' own resources allows Member States to withhold 25 %, rather than 10 %, of traditional own resources to cover the costs of collection. The decision entered into force on 1 March 2002, applying retroactively to 2001. The 2002 budget was, therefore, recalculated on the new basis. The 2001 figures include a 10 % deduction for collection costs, while the 2002 figures include a 25 % deduction.

(1) The individually examined cases are the same in 2001 and 2002. The change in the amount is due almost entirely to the change in the collection cost percentage.

(2) The write-down percentage calculated on the basis of cases from the last five years went from 68.4 % in 2001 to 55.4 % in 2002. The decrease is due to the fact that for 2002 the amount of separate account entitlements recovered (EUR 245 million) plus the amount of entitlements cancelled or written-off (EUR 151.7 million) is greater than the amount of entitlements entered in that account over the same period (EUR 363 million).

d. Other amounts owed by Member States: as of 2002 amounts owed in respect of own resources are shown under a separate heading, which explains the large decrease in 'other amounts owed by Member States' compared to 2001. The figure of EUR 30.5 million principally comprises late-payment interest of EU 12.7 million and structural operation receivables of EUR 17 million.

The breakdown of receivables from Member State by A accounts and by separated accounts in respect of own resources is as follows.

A accounts: Own resources established and still to be recovered at the end of financial year 2002

Member State	Agricultural duties (1)	Sugar and glucose levies (2)	Customs duties (3)	Traditional own resources TOTAL GROSS (4)	Collection costs (5)
Belgium	0	0	4 732 041	4 732 041	- 717 837
Denmark	0	0	7 591 354	7 591 354	- 763 000
Germany	0	0	19 435 385	19 435 385	- 2 389 240
Greece	8 209	26 043	0	34 251	- 7 332
Spain	0	0	31 003	31 003	- 4 831
France	0	0	178 149	178 149	- 17 815
Ireland	0	0	211 867	211 867	- 21 609
Italy	0	0	15 210 605	15 210 605	- 1 521 061
Luxembourg	0	0	0	0	0
Netherlands	- 1 106	0	8 588 272	8 587 166	- 1 047 897
Austria	0	0	0	0	3 330
Portugal	0	0	1 588 824	1 588 824	- 158 882
Finland	0	0	0	0	0
Sweden	0	0	572 316	572 316	- 58 911
United Kingdom	0	0	- 18 401	- 18 401	1 398
EU-15	7 102	26 043	58 121 416	58 154 561	- 6 703 686

(EUR million)

	Amounts owed at 31 december 2002	Amounts owed at 31 december 2001
a EAGGF		
EAGGF-Guarantee debtors	2 376.069	2 263.033
Value correction	- 1 085.744	- 1 640.588
Clearance of EAGGF-Guarantee accounts	59.653	58.949
<i>Subtotal</i>	<i>1 349.978</i>	<i>681.394</i>
b. VAT paid and to be recovered from Member States		
<i>Subtotal</i>	<i>37.137</i>	<i>38.591</i>
c. Own resources		
Own resources established in the A account, as laid down in Article 6(3) of Council Regulation 1150/2000, and pending recovery	51.451	54.020
Own resources established in the separate account, as laid down in Article 6(3) of Council Regulation 1150/2000, and pending recovery	1 740.906	2 119.431
Value correction	- 1 136.209	- 1 581.368
Own resources to be regularised	4.686	120.304
<i>Subtotal</i>	<i>660.834</i>	<i>712.387</i>
d. Other amounts owed by Member States		
Late-payment interest	12.717	10.259
National pensions (subrogations)	0.053	0.047
Miscellaneous	17.736	0.163
<i>Subtotal</i>	<i>30.506</i>	<i>10.469</i>
Total	2 078.455	1 442.841

(EUR)

	Traditional own resources TOTAL NET (6)	VAT and VAT balances (7)	GNP and GNP balances (8)	TOTAL own resources to be recovered (9)
	4 014 204	0	0	4 014 204
	6 828 354	0	0	6 828 354
	17 046 145	0	0	17 046 145
	26 920	0	0	26 920
	26 172	0	0	26 172
	160 334	0	0	160 334
	190 258	0	0	190 258
	13 689 545	0	0	13 689 545
	0	0	0	0
	7 539 269	0	0	7 539 269
	3 330	0	0	3 330
	1 429 942	0	0	1 429 942
	0	0	0	0
	513 405	0	0	513 405
	- 17 003	0	0	- 17 003
	51 450 875	0	0	51 450 875

Separated accounts: Own resources established and still to be recovered at the end of financial year 2002

(EUR)

Member State	Agricultural duties (1)	Sugar and glucose levies (2)	Customs duties (3)	Traditional own resources TOTAL GROSS (4)	Collection costs (5)	Traditional own resources TOTAL NET (6)
Belgium	37 181 633	0	117 305 603	154 487 236	-38 621 809	115 865 427
Denmark	2 421 163	0	8 429 057	10 850 220	-2 712 555	8 137 665
Germany	147 920 047	53 749	466 501 829	614 475 626	-153 618 907	460 856 720
Greece	18 663 581	0	11 519 445	30 183 026	-7 545 756	22 637 269
Spain	11 637 675	0	90 559 171	102 196 846	-25 549 212	76 647 635
France	17 783 240	449 841	134 897 760	153 130 840	-38 282 710	114 848 130
Ireland	88 232	0	5 132 795	5 221 028	-1 305 257	3 915 771
Italy	287 347 250	0	151 935 591	439 282 841	-109 820 710	329 462 131
Luxembourg	0	0	23 667	23 667	-5 917	17 750
Netherlands	26 447 148	3 379 456	72 671 563	102 498 167	-25 624 542	76 873 625
Austria	9 467 092	0	58 863 089	68 330 181	-17 082 545	51 247 636
Portugal	9 931 040	0	31 438 348	41 369 388	-10 342 347	31 027 041
Finland	122 634	0	5 191 870	5 314 504	-1 328 626	3 985 878
Sweden	1 994 548	0	5 968 022	7 962 570	-1 990 642	5 971 927
United Kingdom	18 534 766	0	567 346 561	585 881 328	-146 470 332	439 410 996
EU-15	589 540 050	3 883 047	1 727 784 370	2 321 207 467	-580 301 867	1 740 905 600

B.3. Amounts owed by 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.

B.4. Sundry debtors

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

1. The recovery orders entered in the accounts at 31 December 2002 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.

2. Unpaid fines imposed by the Commission for infringements of competition rules (EUR 2 263.6 million).

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;

The changes in the figures for outstanding fines and the write-downs are as follows

(EUR million)

Fine receivables 31.12.2001 (a)	Fines imposed 2002 (b)	Cancellations fine receivables (c)	Amounts definitively collected 2002 (d)	Movements amounts provisionally collected(e)	Fine receivables 31.12.2002 (f=a+b-c-d-e)
2 597.1	1 112.8	9.5	618.6	798.2	2 283.6

	at 31.12.2002	at 31.12.2001
Gross receivables	2 283.6	2 597.1
Write-downs	20.0	20.4
Net receivables	2 263.6	2 576.7

— 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 2002, a total of EUR 1 118.3 was collected provisionally. These provisional payments do not count as balance-sheet assets, but as contingent liabilities⁽¹⁾, since the payment is only provisional, pending the final judgment. In addition, at 31 December 2002, bank guarantees had been presented for a total of EUR 1 249.8 million. These guarantees do not affect the amount of receivables on the assets side of the balance sheet, but are entered in the annex as off-balance-sheet commitments under contingent assets.

The amount shown in the off-balance-sheet commitments as contingent liabilities totals EUR 3 342 million. The difference is accounted for by payments received provisionally

which no longer count as receivables, but still count as contingent liabilities (EUR 1 136.9 million, including EUR 1 118.3 in respect of fines where debtors have lodged appeals) and by an amount of receivables of EUR 58.5 million relating to fines where the debtor has not appealed (and which do not, therefore, have to be shown in the off-balance-sheet commitments annex).

3. 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 1 009 million, represents funds held by intermediaries at 31 December 2002. The bank interest generated by these amounts is also included (EUR 81 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.

⁽¹⁾ See point 11 of the off-balance sheet annex.

4. Certain financial instruments are managed on trust by third-party bodies, such as the EIB, the EIF, the EBRD, the CEB and Eurofer. The amount held by these bodies in trust accounts at 31 December 2002 totals EUR 201.2 million (not including write-down).

This figure does not include investments in risk capital funds by these instruments, which are shown under 'Other investments' (Assets IV.B.1).

In 2001, an amount of EUR 89.6 million was included in the balance of advances to financial intermediaries.

C. Sundry receivables

This item basically comprises amounts owed to the European institutions by their staff or by insurance bodies.

Write-downs of current receivables break down as follows:

(EUR)

Heading	Gross amount	Write-down	Net amount
VII.B.2. Amounts owed by Member States			
a. EAGGF	2 435 721 400.56	1 085 743 714.72	1 349 977 685.84
b. VAT to be recovered from Member States	38 464 113.46	1 326 801.27	37 137 312.19
c. Own resources	1 797 043 435.95	1 136 209 454.05	660 833 981.90
d. Other amounts owed by Member States	30 505 971.14	0.00	30 505 971.14
<i>Subtotal</i>	<i>4 301 734 921.11</i>	<i>2 223 279 970.04</i>	<i>2 078 454 951.07</i>
VII.B.4. Sundry debtors			
— Sundry debtors — Flat-rate write-down	1 808 035 277.94	145 765 017.53	1 662 270 260.41
— Sundry debtors — Individual write-down	2 488 067 294.68	23 932 638.28	2 464 134 656.40
<i>Subtotal</i>	<i>4 296 102 572.62</i>	<i>169 697 655.81</i>	<i>4 126 404 916.81</i>
Total	8 597 837 493.73	2 392 977 625.85	6 204 859 867.88

VIII. CASH INVESTMENTS

The breakdown by maturity date is as follows.

(EUR)

Description	31 december 2002	31 december 2001
Deposit accounts		
maturity less than 1 month	30 415 979.16	11 324 167.90
maturity between 1 month and 1 year	12 692 234.19	29 385 433.71
maturity over 1 year		
Total	43 108 213.35	40 709 601.61

IX. DISPOSABLE ASSETS

(EUR)

Description	31 december 2002	31 december 2001
A. Accounts with Treasuries	14.901.823.209,61	19.768.758.736,84
B. Accounts with central banks	879.213.763,13	466.533.056,99
C. Accounts for borrowing/lending operations	28.903.463,42	34.211.771,61
D. Current accounts	1.594.633.939,57	982.147.408,03
E. Imprest accounts	72.754.968,51	92.730.924,86
F. Cash in hand	290.276,54	117.007,82
G. Transfers of funds		7.000.000,00
Total	17.477.619.620,78	21.351.498.906,15

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.

Funds totalling EUR 1.3 million kept in current accounts with two banks outside the

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

The imprest account figures are as follows.

(EUR)

Description	31 december 2002	31 december 2001
Imprest accounts	74 073 461.45	94 283 720.63
Write-down	- 1 318 492.94	- 1 552 765.77
Total	72 754 968.51	92 730 924.86

X. TRANSITIONAL ACCOUNTS

(EUR)

Description	31 december 2002	31 december 2001
Imprest to be received	12 480 656.43	15 643 681.27
Expenditure to be charged	15 467 432.91	29 850 506.49
Charges paid in advance	63 110 117.36	58 240 100.87
Accrued income to be received	2 142.01	59 555 268.30
Total	91 060 348.71	163 289 556.93

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. Other miscellaneous

expenditure still to be booked, i.e. expenditure which could not be finally booked before 31 December 2002, is now included with the result of the adjustments and is not covered by this item.

LIABILITIES

I. Own capital

The own capital item now consists of:

A. The economic out-turn for the year

1. Budget out-turn
2. Result of adjustments
3. Result of borrowing and lending activities

The economic out-turn breaks down as follows.

The budget out-turn is EUR 7 413.5 million and is set out in detail in the budget out-turn 2002 table.

Exchange differences are the result of payments (EUR 83.5 million) 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 of EUR 161.1 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 December 2002	31 December 2001
Budget out-turn	7 413 481 988.34	15 002 522 103.55
Result of adjustments	1 718 484 305.56	2 138 390 842.73
Result of borrowing and lending activities	211 819.79	71 773.82
Economic out-turn for the financial year	9 132 178 113.69	17 140 984 720.10

The result of adjustments breaks down as follows:

(EUR)

Result of adjustments	31 December 2001	31 December 2000
Positive adjustments		
1. Reduction in charges: increase in assets	995.814.945,13	614.698.254,43
a. Initial costs	0,00	0,00
b. Intangible fixed assets	7.031.086,24	7.196.379,84
c. Tangible fixed assets	383.240.315,86	372.014.332,08
d. Financial fixed assets	229.276.528,07	8.503.729,00
e. Loans granted from the budget	31.815.898,83	54.019.006,14
f. Stocks	7.127.066,82	7.747.211,81
g. Other expenditure	337.324.049,31	165.217.595,56
2. Depreciation	104.546.812,11	102.782.643,09
3. Value adjustments	1.267.162.235,97	261.141.297,90
4. Provisions	5.829.639,49	0,00
5. Income resulting from budgetary assets acquired during the year and not recovered	5.937.993.658,13	18.481.882.247,04
<i>Subtotal</i>	<i>8.311.347.290,83</i>	<i>19.460.504.442,46</i>
Negative adjustments		
1. Reduction in income: reduction in assets	1.782.901.698,28	737.984.152,43
a. Initial costs	0,00	0,00
b. Intangible fixed assets	250.933,71	482.835,16
c. Tangible fixed assets	86.533.732,35	117.580.677,96
d. Financial fixed assets	947.758,00	166.576.698,00
e. Loans granted from the budget	26.112.431,46	217.328.181,41
f. Stocks	8.768.183,81	12.388.975,08
g. Collection of entitlements established in previous years	1.660.288.658,95	223.224.836,87
h. Correction, non-budget entitlements previously included with own capital	0,00	401.947,95
2. Depreciation	243.835.498,42	381.733.287,42
3. Value adjustments	141.838.419,56	403.432.909,74
4. Exceptional depreciation and value adjustments	17.667.655,42	4.535.977,28
5. Provisions	4.426.319.669,96	15.772.472.354,05
6. Expenditure to be regularised	-19.699.956,37	21.954.918,81
<i>Correction of result of adjustments for previous years</i>		
<i>Subtotal</i>	<i>6.592.862.985,27</i>	<i>17.322.113.599,73</i>
Result of adjustments for the year (A-B)	1.718.484.305,56	2.138.390.842,73

The result of borrowing and lending activities breaks down as follows:

(EUR)

Borrowing/lending instruments	Result 2002
Medium-term financial assistance (MTA)	54 155.46
Food aid to former USSR (FMA)	0
Balance of payments (BOP)	1 962.28
Euratom	107 372.69
New Community Instrument (NCI)	48 329.36
Total	211 819.79

The allocation of the result of borrowing/lending operations for 2002 was not known at the date of closure.

The result of borrowing/lending operations for 2001 was allocated as follows for the various instruments.

(EUR)

Allocation of the result for the previous year				Result 2002
Instrument	Result 2001 (a)=(b)+(c)-(d)	Transfer of result to budget (b)	Allocation to special reserve (c)	Transfer from special reserve (d)
Medium-term financial assistance (MTA)	109 541.88	0.00	109 541.88	0.00
Food aid to former USSR (FMA)	56 604.42	0.00	56 604.42	0.00
Balance of payments (BOP)	- 56 173.53	0.00	0.00	56 173.53
Euratom	- 85 788.12	0.00	0.00	85 788.12
New Community Instrument (NCI)	47 589.17	47 589.17	0.00	0.00
Total	71 773.82	47 589.17	166 146.30	141 961.65

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 the Commission's budget revenue.

The result of adjustments carried over from previous years has been changed in 2002 to take into account the valuation for the first time of the EIF shareholding by the equity method (EUR 40.9 million).

C. Reserves

1. The revaluation reserve comprises the durable revaluations of tangible and intangible fixed assets.
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/lending activities

(EUR)

Instrument	Balance at 31.12.2001 (a)	Allocation to special reserve (b)	Transfer from special reserve (c)	Transfer instruments (d)	Balance at 31.12.2002 a)+(b)- ((c)+(d))
Medium-term financial assistance (MTA)	855 373.97	109 541.88			964 915.85
Food aid to former USSR (FMA)	10 000.00	56 604.42		- 66 604.42	0.00
Balance of payments (BOP)	107 276.77		56 173.53	66 604.42	117 707.66
Euratom	1 150 000.00		85 788.12		1 064 211.88
New Community Instrument (NCI)	300 000.00	0.00			300 000.00
Total	2 422 650.74	166 146.30	141 961.65	0.00	2 446 835.39

II. Provisions for liabilities and charges

(EUR)

Description	Provision at 31.12.2001	Change over year	Provision at 31.12.2002
Guarantee Fund	1 401 963 951.63	- 19 739 579.92	1 382 224 371.71
Provision for decommissioning of nuclear facilities	564 029 937.00	- 5 505 139.49	558 524 797.51
Provision for pension scheme	15 300 000 000.00	4 200 000 000.00	19 500 000 000.00
Other provisions	334 400.00	11 739 363.50	12 073 763.50
Total provisions for liabilities and charges	17 266 328 288.63	4 186 494 644.09	21 452 822 932.72

Guarantee Fund

Since the 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 (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 2002. 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 263 million); and is entered under own capital.

⁽¹⁾ The target amount corresponds to 9 % of the amount outstanding.

Decommissioning of JRC
nuclear facilities

For the 2001 annual accounts, an estimate of the cost of decommissioning JRC nuclear facilities could be made. The provision was based on a specific detailed calculation at 31 December 2001 using the technological information and experience available. At 31 December 2001, the total cost of decommissioning the JRC nuclear facilities was estimated at EUR 570 million, broken down as follows: EUR 190 million for facilities still in operation and EUR 380 million for facilities which have closed (of which EUR 6 million has already been paid). In view of these amounts, the provision came to EUR 564 million at the end of 2001.

For the 2002 annual accounts, a new estimate is being produced by outside experts; it has not yet been validated by the JRC. It is therefore the old 31 December 2001 estimate that has been entered, minus the EUR 5.5 million paid in 2002. The value of the provision at 31 December 2002 is thus EUR 558.5 million.

In 2002, the JRC signed a contract with a consortium to revise the nuclear decommissioning and waste management programme. A draft report has been submitted to the JRC and the group of independent experts set up following Communication COM(1999)114 final. This group is to present a report before 15 June 2003. The result of the report and the opinion of the group of independent experts will be incorporated into a new draft Commission communication to Parliament and the Council which will cover the various aspects of nuclear decommissioning and which may be used to update the provision in future financial statements.

Pensions

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

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

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

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

For the first time in 2001 a provision was entered on the liabilities side of the balance sheet in respect of the estimated amount of pension rights.

The calculation of the estimate of total pensions liabilities (in line with the financing provided for in Article 83 of the Staff Regulations) is consistent with IAS 19. This standard requires the employer to determine his actuarial commitment on a going-concern basis, reflecting service-prorated benefits and taking into account foreseeable salary increases.

The actuarial valuation method used to calculate this liability is known as the projected unit credit method (or accumulated entitlements method).

The estimate of total pension liabilities is based on an actuarial study using the figures at 31 December 1997, but adjusted to 31 December 2002 in line with the additional entitlements acquired between 1998 and 2002. A new actuarial study is to be produced in 2003. The results will be compared with the estimates and the analysis of differences will make it possible to determine the frequency of the full actuarial study, taking into account the cost of a full actuarial study each year.

The liabilities cover the pension rights of the following persons:

1. staff in active employment at 31 December 2002 in all the institutions and agencies covered by the Community pensions scheme;
2. persons receiving a retirement pension;
3. persons receiving a survivor's pension;
4. orphans;

5. persons receiving an invalidity pension;
6. members and former members of the Commission.

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

1. updated mortality tables;
2. interest calculated in accordance with IAS 19: compound 2.28 % (for the calculation at 31 December 2001, a rate of 3.35 % was used);
3. closed-group model (participants at 31 December 2002);
4. application of the principle of married staff in active employment, without taking orphans' pensions into account;
5. marital situation of persons no longer at work, taking orphans' pensions into account;
6. elimination of the effect of the weighting, inflation or general revaluation of salaries/pensions;
7. average salary progression of around 2 %;
8. a pensionable age of 60;

9. the statistics on early retirement and invalidity are based on current data.

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

The actuarial commitment has been calculated on the basis of a real interest rate of 2.28 % (rate at 31 December 2002) and amounts to EUR 19.5 billion. With a rate of 3.35 % (used for 2001), the commitment would be around EUR 16.2 billion. In accordance with IAS 19, the full actuarial difference has been entered immediately. This method can be used provided that it is consistent from year to year and applies to profits and losses alike.

In 2001, the servicing cost comes to EUR 0.78 billion (real interest 2.5 %) and the nominal interest calculated on the actuarial commitment comes to EUR 0.84 billion (nominal interest 4.75 %).

Other provisions

The other provisions concern an estimate of the Community contribution to the Emergency Fund for foot-and-mouth disease (EUR 11.8 million) and a provision by the Council for legal expenses (EUR 0.2 million).

III. Long-term liabilities

This heading includes liabilities due in more than one year.

(EUR)

Description	31.12.2001	Changes during year	31.12.2002
1. Borrowing			
MTA	1 369 000 000.00	- 128 000 000.00	1 241 000 000.00
Euratom	40 000 000.00	40 000 000.00	80 000 000.00
NCI	18 898 931.80	- 1 220 223.11	17 678 708.69
<i>Subtotal</i>	<i>1 427 898 931.80</i>	<i>- 89 220 223.11</i>	<i>1 338 678 708.69</i>
2. Other long-term liabilities			
Staff funds	22 397 200.36	3 145 748.28	25 542 948.64
Deposits and guarantees received	3 175 934.42	-469 577.49	2 706 356.93
Financial instruments	15 000 000.00	- 10 000 000.00	5 000 000.00
Leasing	1 357 582 716.22	- 181 101 298.02	1 176 481 418.20
EBRD subscriptions	35 437 500.00	- 8 437 500.00	27 000 000.00
Other	115 652 792.00	- 17 026 899.00	98 625 893.00
<i>Subtotal</i>	<i>1 549 246 143.00</i>	<i>- 213 889 526.23</i>	<i>1 335 356 616.77</i>
Total	2 977 145 074.80	- 303 109 749.34	2 674 035 325.46

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.

Leasing: This item covers leasing liabilities due in over a year (see note III.E, Assets).

EBRD subscriptions: the part of the subscription called in (see note IV.A, Assets).

Other: As it has invoked its purchase option for a building, Parliament must repay the cost of investment (see note III.Assets).

The detailed movements in borrowing operations in 2002 are as follows.

(million EUR)

Description	Balance 31.12.2001	New borrowings	Repayments	Exchange differences	Balance at 31.12.2002
1. Borrowings					
MTA	1 599 000 000.00	12 000 000.00	-260 000 000.00	0.00	1 351 000 000.00
Euratom	40 000 000.00	40 000 000.00	0.00	0.00	80 000 000.00
NCI	18 898 931.80	0.00	0.00	-1 220 223.11	17 678 708.69
Total	1 657 898 931.80	52 000 000.00	-260 000 000.00	-1 220 223.11	1 448 678 708.69

NB: This table concerns only the European Commission.

The amounts outstanding on borrowings at 31 December 2002 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 Community budget.

(EUR)

Description	Amount > 1 year	Amount < 1 year	Total
1. Borrowings			
MTA	1.241.000.000,00	110.000.000,00	1.351.000.000,00
Euratom	80.000.000,00	0,00	80.000.000,00
NCI	17.678.708,69	0,00	17.678.708,69
<i>Subtotal</i>	<i>1.338.678.708,69</i>	<i>110.000.000,00</i>	<i>1.448.678.708,69</i>
2. Leasing			
<i>Subtotal</i>	<i>1.176.481.418,20</i>	<i>85.195.773,22</i>	<i>1.261.677.191,42</i>
3. Other			
<i>Subtotal</i>	<i>158.875.198,57</i>	<i>33.807.125,10</i>	<i>192.682.323,67</i>
Total	2.674.035.325,46	229.002.898,32	2.903.038.223,78

IV. Short-term liabilities

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

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

B. Other liabilities

This item covers payments booked to the budget in 2002 but only effected by the accounting officer between the closure of the accounts and 15 January 2003 (Article 6 of the financial regulation).

C. Current liabilities

C.1. Member States and EFTA countries

This item covers:

— amounts owed to EFTA countries belonging to the EEA, which include the budget out-turn figure (EUR 8.2 million);

— amounts owed to Member States, which concern judgments of the Court of Justice annulling a clearance of accounts correction of EUR 17.1 million.

C. 2. Community bodies

This item covers amounts owed by the institutions to certain Community bodies which do not come within the scope of consolidation.

C.3. Appropriations to be carried over

At 31 December 2002, the breakdown of appropriations to be carried over, taking all the institutions together, was as follows.

C.4. Sundry creditors

This item covers debts arising from the activities of the European Communities and non-budget recovery orders.

D. Other liabilities

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

(EUR)

Description	31 December 2002	31 December 2001
Approps to be carried over		
Non-differentiated appropriations carried over automatically	682 597 676.01	1 043 518 132.08
Appropriations carried over by Commission decision	3 473 257 116.75	394 192 359.00
Differentiated appropriations for the year from contributions by third parties	691 121 596.08	549 817 932.79
Non-differentiated appropriations carried over by the budgetary authority	0.00	102 159 535.67
Total	4 846 976 388.84	2 089 687 959.54

V. Transitional accounts

(EUR)

Description	31 December 2002	31 December 2001
Interest	18 085 056.12	19 819 920.38
Revenue to be booked	497 225 934.63	317 452 104.47
Amounts for re-use to be carried over	147 524 618.31	114 182 552.24
Amounts for re-use to be collected	0.00	63 660 703.71
Conversion differences	1 060 481.05	1 277 282.43
Other	51 003 899.56	62 181 105.35
Total	714 899 989.67	578 573 668.58

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

Under the new financial regulation, amounts for re-use to be collected will be recorded as assigned revenue from 2003 onwards. The

amount for re-use to be collected at 31 December 2002 has therefore been transferred to the adjustment result. The amount for re-use to be carried over is not transferred to the result of adjustments as it can still be used in 2003.

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

OFF-BALANCE-SHEET COMMITMENTS — CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities ⁽¹⁾

(EUR)

		31 December 2002	31 December 2001
1*	Commitments against differentiated appropriation not covered by carry-overs of payment appropriations	95 053 551 303	85 824 202 376
2*	Aid planned but not committed in respect of:	140 571 992 051	172 920 033 563
	2.1. Structural Funds (aid planned but not yet committed for the period 2000–06)	125 768 662 800	156 617 830 641
	2.2. Cohesion Fund	11 356 088 451	13 622 314 496
	2.3. ISPA	2 434 166 175	1 831 074 176
	2.4. Protocols with Mediterranean countries	193 400 000	159 100 000
	2.5. External relations	282 056 875	80 000 000
	— KEDO : 60 000 000		
	— UNRWA : 182 056 875		
	— Shelter Fund : 40 000 000		
	2.6 Fisheries agreements	537 617 750	609 714 250
3*	EAGGF-GUARANTEE	25 499 770 292	24 298 585 958
	3.1. Expenditure by Member States under the EAGGF-Guarantee Section between 16.10.2002 and 31.12.2002	24 691 023 000	23 439 550 000
	3.2. Contingent liabilities relating to the clearance of the EAGGF-Guarantee accounts pending judgment by the Court of Justice	771 604 236	859 035 958
	3.3. Contingent liabilities under the framework of a procedure of correction of advances pending the judgment of the Court of Justice	4 583 056	0
	3.4. Liabilities relating to the judgments of the Court of Justice pending execution	10 000 000	0
	3.5. Potential losses relating to the disposal of stocks	22 560 000	0
4*	Repayment guarantee	14 022 389 304	13 961 333 055
	4.1. On loans granted by the EIB from its own resources to non-member countries	13 750 000 000	13 770 000 000
	4.2. Signed by the EIF (EC holds 30 % of EIF authorised capital)	272 389 304	191 333 055
5*	Leasing and long-term rental commitments	850 853 824	833 921 217
	5.1. Buildings	849 492 497	831 711 706
	5.2. Computer equipment and transport	1 361 327	2 209 511
6	Exchange rate swaps to be delivered: Financial assistance	135 000 000	140 000 000
7	Correction of budgetary imbalances	PM	PM
8*	Contingent liabilities in respect of holdings in related organisations	922 500 000	922 500 000
9*	Other contingent liabilities	21 606 426	17 456 670
	9.1. Taxes of the Brussels Capital Region	20 006 426	17 456 670
	9.2. Dispute concerning Charlemagne building	1 600 000	0
10*	Renovation of the Berlaymont building	552 879 207	374 000 000
11*	Fines: appeals to the Court of Justice	3 342 039 326	2 212 079 326
15*	Contingent liabilities linked to the Emergency Veterinary Fund	1 171 000 000	0
	Total	282 143 581 733	301 504 112 165
(*) See explanatory notes			
(¹) All these contingent liabilities (with the exception of those entered under point 6) will have to be financed from future Community budgets if they fall due. The Community budget is financed by the Member States.			

Contingent assets (1)

(EUR)

		31 December 2002	31 December 2001
4*	Guarantees received from third-party guarantors in respect of loans granted by:	148 599 344	13 890 958 872
	4.1. The EIB and covered by a Community guarantee	—	13 770 000 000
	4.3. Commission: NCI and Euratom	148 599 344	120 958 872
6	Exchange rate swaps to be received: Financial assistance	125 000 000	125 000 000
11*	Commitments received (bank guarantees) in respect of fines (cases still pending at 31.12.2002)	1 249 779 500	731 625 500
12*	Contingent assets relating to cases of fraud and irregularities in the field of: Structural operations	560 917 000	441 348 000
13*	EAGGF-Guarantee — net potential gain on disposal of agricultural stocks	—	148 720 000
14*	Estimates of amounts receivable	344 448 681	288 755 798
	Total	2 428 744 525	15 626 408 170
<p>* See explanatory notes. Contingent assets linked to contingent liabilities have the same number in the explanatory notes.</p> <p>Once these contingent assets (with the exception of those entered under point 6) are certain with regard to amount and receipt, they will be added to budget revenue for the year in which they are collected. They will thus increase the budget out-turn earmarked for the Member States.</p>			

Contingent assets and liabilities are included in the annex to the financial statements as off-balance-sheet commitments. These include commitments made or received which 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.

Point 1

Outstanding commitments (RAL)

Commitments against differentiated appropriations still outstanding at 31 December 2002 totalled EUR 99.1 billion of which EUR 4.1 billion is covered by carry-overs of payment appropriations from 2002 to 2003. The latter already feature in the budget out-turn for the year as budget liabilities, so they are not included in the contingent liabilities. The outstanding commitment total of EUR 95 billion is the maximum potential commitment.

The overall amount of outstanding commitments has been tending to grow 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 Community budget.

In a joint declaration of 25 November 2002, the Commission, Parliament and the Council, all three very concerned about containing the amounts still to be cleared and eliminating 'abnormal outstanding commitments' in the medium term, stressed the fact that abnormal outstanding commitments could be reduced

not only by increasing the appropriations for payments, but also by making greater use of payments and/or decommitment. Potentially abnormal outstanding commitments were defined in this declaration, by common agreement, as consisting of dormant commitments for which no payment had been made over the past two years and old commitments entered in the budget for at least five years.

As a result of this declaration, the Commission has undertaken to present, along with the preliminary draft budget for 2004 at the latest, an action plan providing for the examination of all potentially abnormal cases entered at the start of the 2003 budget year. The plan will consist of the following elements for each of the lines contained in the annex to the declaration:

- the number of potentially abnormal cases at 31 December 2002, together with the corresponding amounts;
- an examination schedule for the following dates
 - 31 March 2003
 - 31 July 2003
 - 31 December 2003.

On each of these dates, the budgetary authority will be informed of the findings of this examination and the decisions taken in respect of these cases: payments, closure, decommitment and specific follow-up.

A working paper on changes in the level of both normal and abnormal commitments outstanding in each heading will then be sent to the budgetary authority together with the preliminary draft budget. The paper will also describe the measures taken by the Commission to avoid the recurrence of abnormal outstanding commitments.

The assessment of potentially abnormal outstanding commitments for the main areas concerned at 31 December 2002 was:

commitments in respect of amounts that were not covered by commitment appropriations in the budget.

(million EUR)

	Structural Fund	Internal policies	External action	Pre-accession aid	Total
Total RAL	66 731	11 205	12 759	8 416	99 111
Potentially abnormal RAL	13 250	1 225	2 585	226	17 286
— dormant RAL	13 003	1 066	897	127	15 093
— non-dormant old AL	247	159	1 688	99	2 193

This initial assessment shows that the abnormal component of outstanding commitments amounts to almost EUR 17.3 billion, but is still low compared with total outstanding commitments and is divided unevenly between the headings of the financial perspective. Two thirds of all outstanding commitments and of potentially abnormal outstanding commitments, are accounted for by the Structural Funds.

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, potential commitments are evaluated at a maximum (points 2.1 and 2.2).

A second more binding level of commitment arises once there is a legal decision for each programme or project (see table below).

Point 2

Legal commitments without a budget commitment

These contingent liabilities originated because the Commission decided to enter into legal

(million EUR)

Structural Funds ⁽¹⁾	Amount available under the financial perspective (current prices) (a)	Legal commitments concluded in 2002/02 (b)	Budget commitments 2000/02 ⁽²⁾ (c)	Maximum potential commitments (a-c)	Legal commitments with no budget commitment (b-c)(*)
Objective 1	147 098	138 731	59 334	87 764	79 397
Objective 2	24 242	23 229	10 158	14 084	13 071
Objective 3	26 054	24 970	10 726	15 328	14 244
FIFG (outside Obj. 1)	1 198	1 148	489	709	659
Community initiative	11 295	10 697	3 411	7 884	7 299
Total	209 887	198 775	84 118	125 769	114 670

(*) Budget commitments in respect of the networks are not included unless they take the form of a programme with annual tranches (EUR 16 million).

⁽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 and 2002.

— 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 2.3).

— Commitments entered into with specified third parties for certain operations outside Heading 4, relating to specific amounts over a fixed period (points 2.4 to 2.6).

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 114 670 million and correspond to the difference between the value of the programmes adopted by the Commission at 31 December 2002 and the amount of budget commitments entered into in respect of these programmes and implemented in 2000, 2001 and 2002.

Cohesion Fund			<i>(EUR million)</i>
Total allocation 2000-06 (*)	Budget commitments	Maximum potential commitments	
(a)	(b)	(a-b)	
19 519	8 163	11 356	

(*) Under the ceiling for the Cohesion Fund in the financial perspective in force at 31 December 2002.

ISPA			<i>(EUR million)</i>
ISPA contribution to projects adopted by the Commission in 2000, 2001 and 2002	Budget commitments	Maximum potential commitments	
(a)	(b)	(a-b)	
5 648	3 214	2 434	

Point 3

EAGGF-GUARANTEE

3.1. Expenditure between 16 October 2002 and 31 December 2002

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 2001 and 15 October 2002, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2002. Payments made by Member States between 16 October and 31 December 2002 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. Potential debt pending a judgment by the Court

Potential debt towards a Member State as part of a procedure lodged with the Court of Justice concerning correction of advances.

3.4. Debts in respect of judgments pending execution

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.

3.5. Net potential loss on disposal of agricultural stocks

The situation as regards stocks was carried forward to 30 September 2002 and the additional depreciation 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 2003 shows a potential gain of EUR 22.56 million compared with the end of 2002.

Changes in the price of dairy products account for slightly over 50 % of the total potential loss.

Agricultural stocks at 30 September 2002

Product (1)	Quantity (tonnes) (2)	Book value (EUR million) (a) (3)	Foreseeable sales value (EUR million) (b) (4)	Potential losses/gains (EUR million) (c + a - b) (5)
Common wheat, for bread	430.846	44.65	46.45	1.80
Durum wheat			0.00	0.00
Barley	2 382 132	246.77	242.98	- 3.79
Rye	5 054 522	360.94	356.85	- 4.09
Maize (corn)	2 739	0.34	0.28	- 0.06
Sorghum	3 874	0.26	0.40	0.14
<i>Cereals — Total</i>	<i>7 874 113</i>	<i>652.96</i>	<i>646.96</i>	<i>- 6.00</i>
Rice	582,015	92.54	83.05	- 9.49
Olive oil	0.00	0.00	0.00	
Public alcohol (a)	3 286 600	37.13	42.73	5.60
Mixed alcohol (a)	251 962	3.30	3.28	- 0.02
<i>Total alcohol</i>	<i>3 538 562</i>	<i>40.43</i>	<i>46.01</i>	<i>5.58</i>
Butter	171 778	211.71	198.58	- 13.13
Skimmed milk powder	146 516	214.30	214.79	0.49
<i>Milk products total</i>	<i>318 294</i>	<i>426.01</i>	<i>413.37</i>	<i>- 12.64</i>
Bone/carcasses	137 927	124.14	124.13	- 0.01
Boned (boneless) beef	57 313	83.86	83.86	0.00
Equivalent. carcasses	84 284			
Beef total	222 211	208.00	207.99	- 0.01
Grand total		1 419.94	1 397.38	- 22.56

(a) Real figures at 30 September 2002, after depreciation.

(b) Based on expected selling prices assumed in the situation update of February 2003 at the assumed budgetary rate of EUR 1 = USD 1.02.

(c) + = gain; / - = loss.

Point 4

Repayment guarantees

The Communities receive bank guarantees in conjunction with the implementation of Community programmes. The Commission is producing an exhaustive list of these guarantees for inclusion in future financial statements. Arrangements for entering these guarantees in the accounts and managing them form part of the accounting modernisation project.

The guarantees already included in the contingent assets in 2002 are set out below.

4.1. Loans granted by the European Investment Bank to third countries from its own resources

As formulated, the guarantee legally covers the loans signed by the EIB at 31 December 2002 (including loans granted to Member States before accession). However, the Community 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 Community guarantee covers the full amount.

At 31 December 2002 the amount paid out totalled EUR 13 750 million (EUR 13 729 million when the countries that have become Member States are excluded) and this, therefore, is the amount of the risk incurred by the Communities. The financial statements at 31 December 2001 show the total amount of contracts signed as a contingent liability; this practice is also applied by other financial bodies. In order to reflect the risk incurred, the Commission decided to adjust the valuation method for the guarantees granted. This means that only the amount paid out in respect of the loans is shown as a contingent liability. The 2001 figure has been recalculated using the same method.

The loans granted by the EIB from its own resources to third countries are covered by the Community budget guarantee as follows.

(EUR)

	In Incurred at 31.12.2002	Incurred at 31.12.2001	Total amounts of loans signed at 31.12.2001 (amount entered in the 2001 annual accounts)
65 % guarantee	2 501	1 433	3 560
70 % guarantee	4 672	4 579	5 088
75 % guarantee	3 274	3 791	5 441
100 % guarantee	3 303	3 967	5 274
Total	13 750	13 770	19 363

For the last 15 years, there has been no cost to the Community budget.

For loans covered by the Community budget guarantee, the EIB also obtains guarantees from third parties (States, public and private financial institutions); in these cases, the Commission is a secondary guarantor. In the financial statements at 31 December 2001, the amount of contingent liabilities was also entered under contingent assets. In the 2002 fi-

ancial statements, these guarantees have not been entered as contingent assets, since the information was not available by the date when the accounts were closed.

4.2. Guarantees signed by the European Investment Fund (EIF)

At 31 December 2002, the EIF had signed guarantees totalling EUR 3 063 million; this represents a maximum potential risk of EUR

918.9 million for the European Community, as the Community contributes 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 Communities' contribution to the EIF has been evaluated using the equity method. The calculation of the maximum commitment from the Community 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 166.5 million (see note IV, Assets). The capital not called up totals EUR 480 million. Given these figures, in the worst possible scenario the European Communities would have to repay EUR 272.4 million.

The proportion of the capital subscribed by the European Community which has not been called up (80 %) is also included in the off-balance-sheet commitments as a contingent liability (point 9).

4.3. Loans granted under borrowing and lending activities

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

	(EUR)
Guarantees by third countries Banks or long-term credit institutions	80 000 000
Loans to Member States	50 920 635
	17 678 709
Total	148 599 344

The Community has not received third-party guarantees for loans granted under the financial assistance scheme. However, these loans, totalling EUR 1 361 million, are guaranteed by the Guarantee Fund.

Point 5

Long-term leases

5.1. 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.

The total for rented buildings breaks down as follows.

	(EUR million)
Institution	Amount
Commission	700.3
Publications Office	74.1
Council	37.4
Parliament	32.8
Court of Justice	2.1
EESC	2.8
Total	849.5

The Commission figure includes property tax of EUR 5.9 million.

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 exten-

sion. 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 8

Contributions to related organisations

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

The Communities' contribution to the capital of the EBRD.

(EUR million)

EBRD	Total EBRD capital	Commission subscription
Capital	20 000	600
Paid-in	5 250	157.5
Callable	14 750	442.5

The Communities' contribution to the capital of the EIF:

(EUR million)

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

Point 9

Other potential commitments

9.1. 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 may therefore have to pay this tax.

9.2. 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.

Point 10

Renovation of the Berlaymont building

An agreement was signed 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 at 31 December 2002, since the finance leasing contract has not yet been signed and no payment was made in 2002.

Point 11

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 fines for which an appeal has been lodged (21) 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 which acquires the authority of a final decision has been made (see explanatory note to the balance sheet, Assets, VII b.4).

This table 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.

Option 1: Pending the final judgment by the Community Court, debtors can withhold payment of the fine, provided that they accept that the debt yields interest and provide a bank guarantee or financial guarantee covering both the principal and the interest.

Option 2: Debtors can provisionally pay the amount of the fine into a special interest-bearing bank account, managed by the Commission's accounting officer and selected by a tendering procedure.

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, part of the provisional payment together with the interest.

Cases where the appeal decision is not known by the date on which the accounts are closed have, nonetheless, been entered as contingent liabilities.

(EUR)

Year	Appeals lodged before 2002				Appeals lodged after 31.12.2002	Appeal decision not yet known	Total potential debts
	with bank guarantee	with provisional payment	without bank guarantee without prov. payment	Total			
Before 2002	1 181	930	170	2 261			2 261
2002	89	188	0	277	156	648	1 081
Total	1 250	1 118	170	2 538	156	648	3 342

Point 12

Fraud and irregularities

Structural operations

The table below is based on the formal reports submitted by the Member States in accordance with Regulation No 1681/94, with amounts broken down by Member State. The tables show the difference between amounts identified by the Member States as still to be recovered (calculated on the basis of established entitlements or estimates) and amounts already recovered or declared irrecoverable.

Potential assets linked to fraud and irregularities
Cases reported in accordance with Regulations (EC)
No 1681/94 and No 1831/94 (Structural operations)

(EUR thousand)

Member State	Balance to be recovered at 31 December 2002
Belgium	1 448
Danmark	3 984
Germany	170 722
Greece	20 498
Spain	63 673
France	28 351
Ireland	6 339
Italy	148 552
Luxembourg	0
Netherlands	20 128
Austria	650
Portugal	17 524
Finland	1 422
Sweden	366
United Kingdom	77 260
Total	560 917

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

- The Member States do not always report the results of their recovery operations (and certainly not promptly).
- Although Member States must inform the Commission of the likelihood of recovery,

it is impossible to determine exactly what proportion of the amounts still to be recovered will actually be recovered. National laws sometimes provide for a 30-year limitation period, which may well make the national authorities think twice about formally writing off 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 Regulation 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 revenue and expenditure account was drawn up, the annual report on the fight against fraud for 2002 had not yet been adopted.

Agriculture - EAGGF-Guarantee

As regards entitlements resulting from the establishment of fraud and irregularities involving EAGGF-Guarantee reported by the paying agencies in accordance with Regulation No 595/91, EUR 2 093.3 million has been entered as amounts receivable from Member States on the assets side of the balance sheet. The Member States must also report cases of fraud and irregularities to the Commission. However, the figures available when the accounts closed did not reveal any contingent assets apart from those already entered on the assets side of the balance sheet. Therefore, there is no contingent assets entry for this in the off-balance-sheet commitments.

Point 14

Estimates of amounts receivable

An estimate of the amount receivable is first to be made by the authorising officer respon-

sible in respect of any measure or situation which 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.

The table below shows the breakdown by Member State of the number of estimates of amounts receivable booked as memorandum items in respect of own resources.

(EUR)

	Agricultural duties	Sugar levies	Customs duties	VAT balances	GDP balance	Late-payment interest	Total
Belgium	0	0	10	4	1	24	39
Denmark	0	0	4	1	1	18	24
Germany	0	1	32	4	1	43	81
Greece	0	0	6	7	1	6	20
Spain	0	0	7	4	1	11	23
France	0	0	4	13	1	6	24
Ireland	0	0	0	5	1	8	14
Italy	0	0	8	12	1	12	33
Luxembourg	0	0	2	2	1	0	5
Netherlands	0	0	10	1	1	10	22
Austria	0	0	3	4	1	3	11
Portugal	0	0	5	8	1	9	23
Finland	0	0	6	5	1	5	17
Sweden	0	1	3	11	14	17	46
United Kingdom	0	0	16	4	1	23	44
EU-15	0	2	116	85	28	195	426

Point 15

Emergency veterinary fund

This item is for amounts for foot-and-mouth disease eradication costs to be borne by the Community budget. The amounts entered represent the maximum possible liability.

The foot-and-mouth crisis ran from February to September 2001. The slaughter compensation requests submitted by the United Kingdom add up to a total of EUR 1 043 million, comprising EUR 933 million for the period from February to June 2001 and EUR 110 million for the period running from June 2001. The UK authorities were paid an advance of EUR 355 million in 2002. On-the-spot financial checks have been carried out.

Discussions on the issue are under way between the Commission and the UK authorities; the final amount of the Community contribution will not be fixed until the adversarial proceedings are complete. The amount entered as a contingent liability in respect of compensation for slaughter is EUR 688 million.

On 27 February 2003, the Commission received a request from the United Kingdom for reimbursement of other costs in connection with the eradication of foot-and-mouth disease. The request is for EUR 805 million, of which 60 % — around EUR 483 million — is to be borne by the Community budget. Financial checks are being conducted and the final amount of the Community contribution will not be fixed until the adversarial proceedings are complete.

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European Maritime Safety Agency (EMSA)

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European Aviation Safety Agency (EASA)

Internet: http://europa.eu.int/agencies/easa/index_en.htm

- ABB** activity based budgeting
- ACP** African, Caribbean and Pacific States party to the Lomé Convention
- AGIS** framework programme on police and judicial cooperation in criminal matters
- Altener** Promotion of renewable energy resources
- BSE** bovine spongiform encephalopathy
- CAFE** clean air for Europe
- CAP** common agricultural policy
- CARDS** Community assistance for reconstruction, development and stabilisation
- Carnot** specific actions for clean and efficient use of solid fuels
- CFP** common fisheries policy
- CFSP** common foreign and security policy
- Comenius** European cooperation on school education
- Customs 2000** assistance for applicant countries to modernise their administrations, particularly as regards control of the external frontier
- EAGGF** European Agricultural Guidance and Guarantee Fund
- EAP** environmental action programme
- ECB** European Central Bank
- ECHO** European Community Humanitarian Office
- ECSC** European Coal and Steel Community
- EDF** European Development Fund
- EFSA** European Food Safety Authority
- EIB** European Investment Bank
- EQUAL** Community action programme on equal opportunities for men and women
- ERDF** European Regional Development Fund
- Erasmus** Community action scheme for the mobility of university students
- ESF** European Social Fund
- ETAP** analyses and forecasts on the energy sector
- Euratom** Euratom Atomic Energy Community
- EUSF** European Union Solidarity Fund
- Falcone** exchanges, training and cooperation for persons responsible for actions to combat organised crime
- FIFG** Financial Instrument for Fisheries Guidance
- Fiscalis** programme to reinforce the indirect taxation systems of the external frontier
- FMD** foot-and-mouth disease
- FRY** Federal Republic of Yugoslavia
- FRYOM** Former Yugoslav Republic of Macedonia
- FVO** Food and Veterinary Office
- GMO** genetically modified organisms
- GDP** gross domestic product
- GNI** gross national income
- GNP** gross national product
- Grotius** judicial cooperation Programme — incentives and exchanges for legal practitioners
- Hippocrates** programme for crime prevention
- IIA** interinstitutional agreement
- IMF** International Monetary Fund
- Interreg** Community initiative concerning border development, cross-border cooperation and transnational and interregional cooperation
- ISPA** Instrument for Structural Policies for Pre-accession

- JRC** Joint Research Centre
- Leader** Links between actions for the rural economy
- Leonardo** Action programme for the implementation of a European Community vocational training programme
- MEDA** measures to accompany the reforms to the economic and social structures in non-member countries of the Mediterranean basin
- MEDIA** action programme to promote the development of the European audiovisual industry
- Minerva** open and distance learning
- NCI** New Community Instrument
- NIS** new independent States (of the former Soviet Union)
- OISIN** programme for the exchange and training of, and cooperation between, law enforcement authorities
- OLAF** European Anti-Fraud Office
- Phare** Poland-Hungary aid for restructuring of the economy, now programme of Community aid to central and east European countries
- RAL** (FR 'reste à liquider') the overall volume of outstanding commitments
- Sapard** support for pre-accession measures for agriculture and rural development
- SAVE** promotion of energy efficiency
- SME** small and medium-sized enterprise
- Socrates** Community action programme in the field of education
- SURE** safe transport of radioactive materials
- SWIFT** Society for Worldwide Interbank Financial Transfers
- Synergy** promotion of international cooperation in the energy sector
- Tacis** technical assistance to the Commonwealth of Independent States
- TENS** trans-European networks
- TSE** transmissible spongiform encephalopathies
- URBAN** Community initiative for economic and social regeneration of cities and urban neighbourhoods
- WTO** World Trade Organisation (successor to GATT)
- YOUTH** programme to promote mobility, initiative, intercultural learning and solidarity among young people throughout Europe and beyond

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