
THE COMMUNITY BUDGET: THE FACTS IN FIGURES

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

Cataloguing data can be found at the end of this publication.

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Introduction

The Community's public finances are governed by two type of instruments:

- **Positive law** consists primarily of the financial provisions of the Treaties (Article 272 of the EC Treaty, Article 78 of the ECSC Treaty and Article 177 of the Euratom Treaty), which lay down the procedure for adopting and implementing each annual budget. The main aspects are listed on page. It also covers the Decision of 21 April 1970 setting up the own resources system (and subsequent amending Decisions), described in detail on page 9. Finally, the detailed rules for implementing these provisions are set out in the Financial; Regulation of 21 December 1977, as last amended on 17 December 1998.
- There is also a large corpus of **soft law** in this field, recently consolidated in the Interinstitutional Agreement of 6 May 1999, which incorporates and supplements all the Interinstitutional Agreements, joint declarations and other agreements between the institutions involved in the budgetary debate (Parliament, Council and the Commission) and contains the financial framework for expenditure over the period 2000 to 2006 (*see 'Agenda 2000', page 103*).

The Community also has several financial instruments which, for a variety of reasons, are not included in the general budget. Information on the ECSC operating budget and the EDF can be found on pages 19 and 20 and in the tables 35 and 36; borrowing and lending activities can be found in Table 5.

The history of the budget from its beginnings to the present day is contained in Part I which, in addition to general data on changes in revenue and expenditure (Tables 1 to 4), focuses on more specific data such as changes in the staffing levels of the institutions (Table 6) or the development of borrowing and lending activities (Table 5). The period 1988 to 1992, which is closely linked to the implementation of the Single Act, heralds the modern era of the Community's public finances marked by the emergence of a new concept - the "financial perspective". This is the subject of Part II which draws a comparison between the budget and the ceilings of the financial perspective. The intermediate period (1993 to 1998) is divided into two separate parts: Part III presents the financial framework 1993 to 1999 arising from the Interinstitutional Agreement of 29 October 1993 and Part IV gives a detailed description of the budget adopted for 1999. The last two parts deal with the most recent developments: Part V looks at Agenda 2000 and the financial framework for the period 2000-2006 and Part VI contains an exhaustive presentation of the preliminary draft budget for 2001.

A glossary at the end of the volume gives the meanings of the abbreviations and acronyms used and a bibliography proposes further publications for readers seeking more detailed information.

Some important concepts

THE COMMUNITY BUDGET — BASIC PRINCIPLES

The Community budget is governed by six major principles.

1. The principle of **unity**, laid down in Article 268 of the Treaty, means that all the Community's revenue and expenditure must be brought together in a single document. In the early years of the Community, because of the autonomy enjoyed by the institutions set up under the ECSC, the EEC and the EAEC, as many as five separate budgets had to be drawn up for some financial years. Since the Treaty of Luxembourg of 22 April 1970, the development of the Community's main financial activities has contributed to a unification of these budgets and there are now only two budgets — the general budget and the ECSC operating budget. However, borrowing and lending activities are not covered by this framework and the entry of the European Development Fund (EDF) in the budget is still largely symbolic: since 1993 it has been given a subsection in the budget with a token entry, reflecting Parliament's wish to see it integrated into the general budget (see 'The Community budget from its beginnings', page 25 and the 'European Development Fund', page 19).

2. The principle of **universality** is based on two rules: budgetary revenue may not be allocated to particular items of expenditure and all revenue and expenditure must be entered in full in the budget without any adjustment against each other.

3. **Annuality** means that budget operations relate to a given budget year in order to facilitate control of the work of the Community executive. The Community must, however, reconcile this principle with the need to engage in multiannual operations, which account for a growing proportion of the budget. The answer to this dual requirement is provided by the entry of differentiated appropriations, which consist of commitment appropriations and payment appropriations. The commitment appropriations cover the total cost in the financial year of the legal obligations entered into in respect of operations to be carried out over a period of more than one financial year. The payment appropriations cover expenditure, up to the amount entered in the budget, resulting from the commitments entered into during the financial year and/or earlier financial years. Unlike the differentiated appropriations, non-differentiated appropriations are to cover operations which should, in principle, be completed (both commitment and payment) in a single budget year. The terms 'appropriations for commitments' and 'appropriations for payments' are used for the totals of commitment appropriations and payment appropriations corresponding to both differentiated and non-differentiated appropriations. Since 1991 it has been decided that all appropriations apart from agricultural and administrative appropriations take the form of

differentiated appropriations. The present trend is towards the universal use of differentiated appropriations, which could be introduced fairly soon as part of the current review of financial regulations.

4. The principle of **equilibrium** requires that the estimated revenue for a financial year should be equal to the appropriations for payments of that year (see 'The revenue of the European Union', page 16). No funds may be borrowed to cover a budget deficit. A surplus is entered as revenue in the following year's budget and any unforeseen additional expenditure in the course of the year must be financed by a supplementary and/or amending budget which will redeploy appropriations within the budget adopted or call in additional resources (see 'The budgetary procedure', page 8).

5. **Specification** of expenditure means that each appropriation must have a given purpose and be assigned to a specific objective in order to prevent any confusion between appropriations, at both the authorization and the execution stage, and thus to ensure that the budget as established is quite unambiguous and that it is executed in accordance with the wishes of the budgetary authority. The principle of specification determines the horizontal structure (distinction between statement of revenue and statement of expenditure, subdivision of the statement of expenditure into six sections, one for each of the institutions) and the vertical structure of the budget (the budget nomenclature enables the type and purpose of appropriations to be identified by subdividing the sections, in particular Section III which contains all the Community's operating expenditure, into titles, chapters, articles and items) (see 'The general budget of the European Union', page 12). The possibility offered under certain conditions, of transferring appropriations to reallocate funds to headings other than those they were intended for when the budget was adopted, introduces flexibility into the principle of specification. These transfers are provided for in the Treaty so that budget appropriations can be used as effectively as possible.

6. Since 1 January 1999 the Union's monetary unit is the euro, which is linked to 11 of the 15 Community currencies by fixed and irrevocable exchange rates⁽¹⁾. The estimates of expenditure and revenue in the budget are drawn up in euros.

⁽¹⁾ Four Member States (Denmark, Greece, Sweden and the United Kingdom) remain outside the euro zone.

DEFINITIONS

Compulsory expenditure**Non-compulsory expenditure**

The distinction between compulsory expenditure and non-compulsory expenditure is essentially political in that it determines the division of power over the budget between Parliament and the Council (Parliament has the last word on non-compulsory expenditure and the Council on compulsory expenditure).

The rather vague definition of this concept contained in the Treaty was clarified in 1982 in a Joint Declaration by the three institutions stating that compulsory expenditure is expenditure which the budgetary authority is obliged to enter in the budget to enable the Community to meet its obligations, both internally and externally, under the Treaties and acts adopted in accordance therewith. All other expenditure is non-compulsory. However, the problem of classifying expenditure is still a source of recurrent conflict between the two arms of the budgetary authority.

Successive Interinstitutional Agreements have therefore tried to introduce procedures and agreements which might lessen the risk of conflict. In particular, the new Institutional Agreement of 6 May 1999 confirms the principle of conciliation to determine the level of compulsory expenditure, while extending the procedure introduced in 1993 to all budget expenditure (see 'Financial perspective 1993 to 1999', 3. Agenda 2000 and the financial perspective 2000-2006').

Maximum rate of increase for non-compulsory expenditure

Article 272 of the EC Treaty sets out the procedure for establishing the budget. Article 203(9) allows Parliament, in certain circumstances, to increase the amount of non-

compulsory expenditure by amending the Council's draft budget subject to a maximum rate of increase in relation to the previous financial year. This maximum rate of increase is calculated by the Commission on the basis of various macroeconomic data and may be exceeded only if the Council agrees. Application of these rules was a frequent source of conflict between the two arms of the budgetary authority before the Interinstitutional Agreements were concluded to mitigate this (see 'Some important concepts: The financial perspective', page 10).

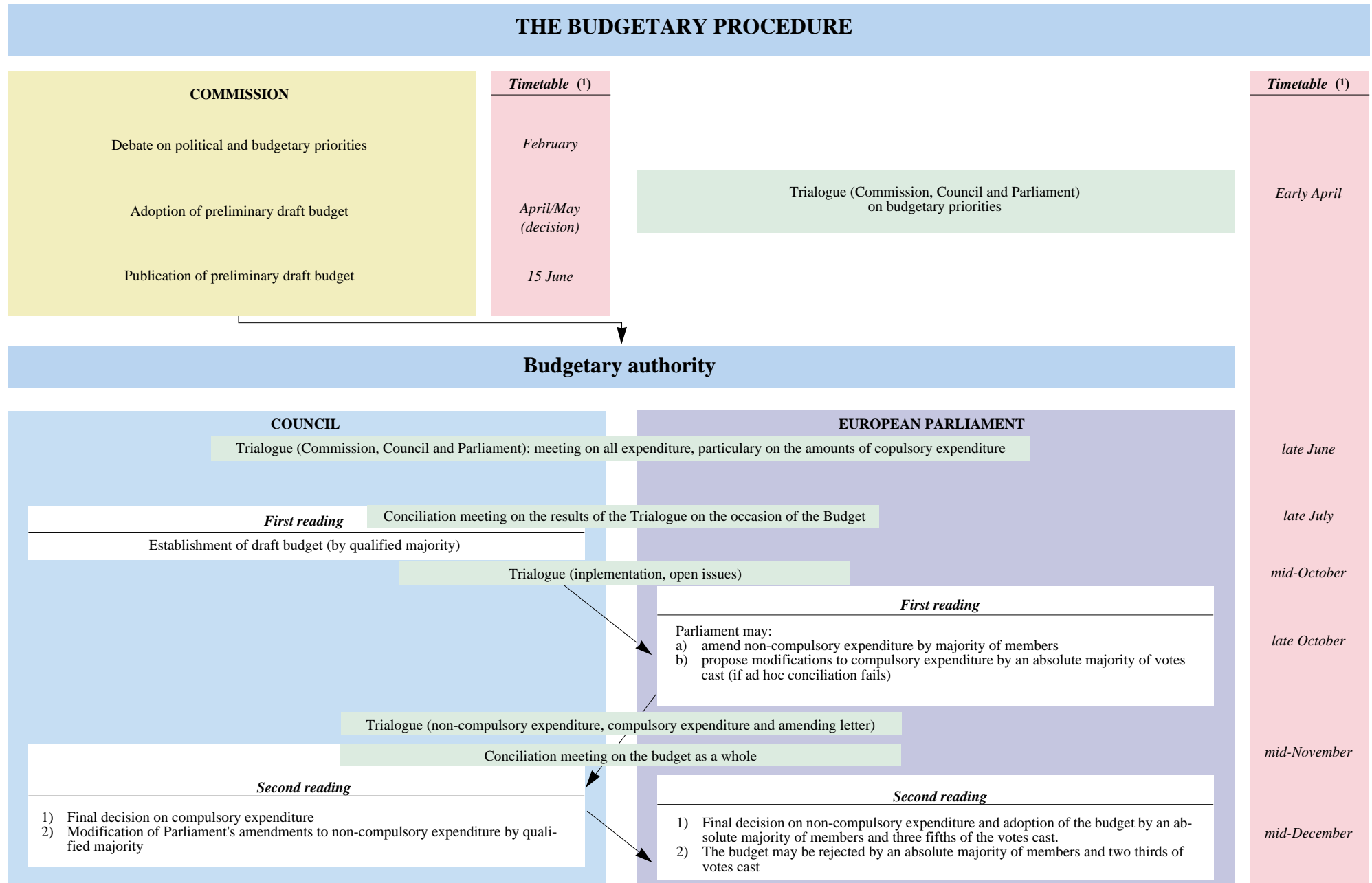
Token entries and dashes

Budget items carry one of three possible types of entry:

- A given amount is entered: this is the normal state of affairs.
- The item carries a token entry (p.m.). This situation arises when the legal basis determining the principle and the arrangements for the expenditure does not exist when the budget is adopted (in particular, this is the case with the appropriations entered in the reserve in Subsection B0) or when the budgetary authority wants implementation of a measure to be temporarily suspended. The token entry thus means that the budgetary authority accepts expenditure in principle under the heading concerned, subject to a number of conditions.
- A dash (—) is entered against a budget heading. This is used to indicate headings which have ceased to be operational but which have to be kept in the budget for historical or accounting reasons, for instance in order to complete the implementation of payment appropriations for previous financial years.

Budget execution

All the statistical series on the implementation of expenditure relate to annual appropriations which are actually committed or paid in the same financial year or, in the case of carryovers, in the following financial year.



(1) Pragmatic timetable..

THE BUDGETARY PROCEDURE

1. Main stages of the procedure

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. The budgetary procedure, as defined in the Treaty, extends from 1 September to 31 December of the year preceding the budget year in question.

In practice, however, a ‘pragmatic’ timetable has been applied by the three institutions since 1977. The different stages of the procedure are now as follows:

— *Establishment of the preliminary draft budget by the Commission and transmission to the budgetary authority by no later than 15 June*

After an internal policy debate to lay down the main political and budgetary priorities for the coming year, the Commission prepares its ‘statement of estimates’ by compiling the requests of all spending departments and arbitrating between conflicting claims. It also takes account of the conclusions of a triologue meeting between the three institutions to discuss budgetary priorities. In addition, it receives the estimates of the other institutions and puts them all together in a preliminary draft budget, which is the overall forecast of revenue and expenditure for a given year. This preliminary draft is adopted by the Commission early in May and sent to the budgetary authority in all Community languages by no later than 15 June.

Usually, the Commission presents a so-called ‘ad-hoc’ amending letter late October, to update the estimates of agricultural and international fisheries agreements expenditure.

The preliminary draft can subsequently be amended by the Commission by means of a letter of amendment to allow for new information which was not available when the preliminary draft was established.

— *Establishment of the draft budget by the Council*

The Council conducts its first reading of the preliminary draft and, on this basis and after a conciliation meeting with a delegation from Parliament, establishes, before 31 July, the draft budget, which it sends to Parliament in the first half of September. While this reading is going on, the ad hoc conciliation procedure is initiated on the compulsory expenditure to be

entered in the budget, leading to a second triologue meeting between the institutions in late June or early July.

— *First reading by Parliament*

After a new triologue meeting mid-October focused on the open issues of the future budget and the implementation of the current one, Parliament conducts its first reading in October on the basis of the Council’s draft; amendments to non-compulsory expenditure require the votes of a majority of members. Proposed modifications to compulsory expenditure require an absolute majority of votes cast.

— *Second reading by the Council*

The Council conducts this second reading during the third week of November, after a conciliation meeting with a delegation from Parliament which has been prepared by a fourth triologue meeting mid-November to discuss the amending letter of late October and all other open issues. The draft budget is amended in the light of Parliament’s amendments (non-compulsory expenditure) or proposed modifications (compulsory expenditure). As a rule the Council’s decisions on second reading relating to compulsory expenditure determine the final amount: unless the entire budget is subsequently rejected by Parliament, the Council has the ‘last word’ on this category of expenditure. The draft budget as amended is returned to Parliament around 22 November.

— *Second reading by Parliament and adoption of the budget*

As the Council has had the last word on compulsory expenditure, Parliament devotes most of its December part-session to reviewing non-compulsory expenditure, for which it can accept or refuse the Council’s proposals.

Acting by a majority of its members and three fifths of the votes cast, Parliament then adopts the budget. The President of Parliament declares the budget adopted and it can then be implemented.

For important reasons, the Parliament may also reject the draft budget by a majority and two thirds of votes cast.

2. Supplementary and amending budgets

In the event of unavoidable, exceptional or unforeseen circumstances, the Commission may propose during the year that the budget as adopted be amended; it does this by submitting preliminary draft supplementary and/or amending budgets. Amending budgets are also used to enter the balance from the previous year in the budget for the current year.

THE FINANCIAL PERSPECTIVE

1. Why is there a financial perspective?

The political and institutional balance of the Community's system of finance gradually deteriorated in the 1980s when increasing tension caused more and more difficulties in the annual budgetary procedure and resources were increasingly unable to meet requirements. The succession of budget crises prompted the Community institutions to agree on a method designed to ensure application of budgetary discipline and to improve the budgetary procedure. In concluding an interinstitutional agreement, Parliament, the Council and the Commission agree in advance on the main budgetary priorities for the following period and establish a framework for Community expenditure in the shape of a financial perspective. This financial perspective shows the maximum amount and the composition of foreseeable Community expenditure.

The first Interinstitutional Agreement was concluded in 1988 for the application of the 1988 to 1992 financial perspective (Delors I package) which was intended to provide the resources needed for the budgetary implementation of the Single Act. As the application of the Interinstitutional Agreement and the financial perspective proved a success, the institutions again adopted this approach and on 29 October 1993 concluded a new Interinstitutional Agreement including the 1993 to 1999 financial perspective agreed by the Edinburgh European Council of December 1992 (Delors II package).

2. What is the financial perspective?

The main categories of Community expenditure are divided into headings: each of these headings carries an annual expenditure ceiling in commitment appropriations. However, in the case of structural operations (Structural Funds and Cohesion Fund), the amount entered in the financial perspective also constitutes an expenditure target. The financial perspective also indicates the maximum amount of payable appropriations expressed in millions of ecus and as a percentage of Community GNP (based on forecast GNP growth) so that it may be compared with the ceiling on own resources which is also fixed as a percentage of Community GNP by the own resources Decision (see *'The revenue of the European Union', '1988 to 1992' and 'Agenda 2000 and the financial perspective 2000-2006'*).

Between the own resources ceiling and the ceiling of payment appropriations there is a margin for unforeseen expenditure. This margin has a dual role: it leaves a safety margin should the growth rate be lower than forecast thus reducing the resources available to the Community, and also allows the various ceilings of the financial perspective to be revised to cover any unforeseen expenditure which arises. This margin, which represented 0,03 % of GNP in the 1988 to 1992 financial perspective, was reduced in the next financial perspective for the period 1993-1999 and again for 2000-2006.

Under the Interinstitutional Agreement the three institutions undertake to respect the various ceilings set in the financial perspective. In return, the rule concerning the 'maximum rate of increase' (see *'Some important concepts: Definitions', page 7*) is no longer applicable: the two arms of the budgetary authority now agree to accept the rates of increase for non-compulsory expenditure resulting from budgets established within the limits of the financial perspective.

The financial perspective is drawn up at current prices — 1988 prices for the first financial perspective, 1992 prices for the financial perspective 1993-1999 and 1999 prices for the period 2000-2006. It therefore has to be updated each year by the Commission to allow for increases in Community GNP and in prices. It is then expressed at current prices for the year in question.

Under the Interinstitutional Agreement, the financial perspective can also be adjusted in line with outturn, where the amounts planned for structural operations cannot be used in full during a given year and therefore have to be re-entered in the budget for a later year. Similarly, the total amount of payment appropriations may be adjusted to guarantee an orderly development between commitments and payments.

Apart from these adjustments, the financial perspective may also be revised to raise (or lower) the ceiling for one or more headings in order to accommodate expenditure which could not be foreseen when the agreement was signed.

The call-in rate for own resources cannot be raised above the own resources ceiling as a result of these adjustments and revisions of the financial perspective.

3. What is the link between the financial perspective and the budget?

The classification of Community expenditure in the headings of the financial perspective reflects the various policy options. The breakdown of total expenditure

between the various headings must therefore revolve around the main political priorities adopted for the period. Since 1988, the summary budget tables have been systematically organized by heading of the financial perspective in order to make it easier to assess the funds provided for implementing these political priorities. Most of the comparative tables in Parts *III to VI of this publication adopt the same approach.*

The amounts entered in the financial perspective are expenditure ceilings, which means that the field of activities covered by each heading must be sufficiently large in order to preserve the flexibility needed for budgetary management.

The financial perspective differs from indicative financial programming in that the ceilings are binding on the parties to the Interinstitutional Agreement. However, the

financial perspective cannot be regarded as a multiannual budget, as the annual budgetary procedure is still essential for determining the actual level of expenditure under the ceilings and, above all, for dividing appropriations between the various budget headings. The budgetary nomenclature accordingly guarantees a transparent and accurate analysis of all Community operations contributing to the achievement of the main political priorities reflected in the financial perspective. The budgetary nomenclature was radically changed in 1991 so that the budget would be more transparent, easier to read and easier to compare with the financial perspective. Even if each budget heading comes under a specific heading of the financial perspective, there will be no complete match with the structure of the financial perspective because of the analytical breakdown of budgetary nomenclature which is required. The presentation of the budget in accordance with the budgetary nomenclature is therefore set out in detail in the tables and charts in *Part IV ('2000 budget')*.

THE GENERAL BUDGET OF THE EUROPEAN UNION

The expenditure of the Union

The expenditure of the European Union has considerably increased and diversified in the course of European integration (the main stages in this development are described on pages 25 and 26). These days the general budget of the Union takes the form of a document consisting of a statement of revenue and a statement of the expenditure of all the institutions. The statement of expenditure is divided into six sections: Parliament (Section I), the Council (Section II), the Commission (Section III), the Court of Justice (Section IV), the Court of Auditors (Section V) and the Economic and Social Committee and the Committee of the Regions (Section VI).

While the appropriations entered in Sections I, II, IV, V and VI are exclusively for administrative expenditure, the Commission section is in two parts — A and B.

Part A (administrative appropriations) covers:

- the institution's expenditure on staff, buildings and equipment, various activities (meetings, studies, etc.), the Official Journal, publications, data processing and the staff and operation of delegations;
- expenditure resulting from special functions carried out by the institution such as general subsidies, subsidies for various bodies (e.g. the European University Institute, Florence, and the College of Europe, Bruges) or participation in events of interest for the Union;
- certain expenditure of an interinstitutional nature such as pensions for officials and temporary staff of all the institutions, the subsidy for the European Schools, the operating expenditure of the Office for Official Publications (the appropriations are set out in detail in Annex II to Part A).

Tables 30 and 31 and Chart 17 contain a breakdown of the institutions' administrative expenditure.

Part B (operating appropriations) is divided into eight subsections:

Subsection B1 contains all the guarantee expenditure by the European Agricultural Guidance and Guarantee Fund Guarantee Section. This subsection gives budgetary shape to

the common agricultural policy (CAP), the objectives of which are laid down in the Treaty establishing the European Economic Community:

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

To achieve these objectives, the common agricultural market was based on three principles: a single market, Community preference and financial solidarity, the latter being a key factor in the common agricultural policy. In April 1962, the Member States decided to set up a Community fund — the European Agricultural Guidance and Guarantee Fund — to put this into effect. The EAGGF is included in the budget of the European Union and is thus subject to budgetary rules even though it is governed in some cases by its own, specific provisions.

In 1964, this Fund was divided into two sections — the Guarantee Section for Community expenditure arising from market and prices policy and the Guidance Section for Community expenditure resulting from the agricultural structures policy.

The objectives of the Treaty have been largely achieved but this has demanded constant adjustment, the latest being the reform of the common agricultural policy decided by the Council of Ministers in May 1992. On the basis of more competitive prices and direct aid to farmers who most need it, this reform is intended to cut surpluses, slow down the drift away from the land and preserve the environment by discouraging intensive production.

To deal with the problem of the exhaustion of own resources, caused in particular by the rise in agricultural spending as a result of imbalance on some markets, the June 1988 European Council laid down the principles for tighter budgetary discipline in order to produce a better balance between the various categories of expenditure and to control their growth. These principles were confirmed by the Edinburgh European Council in December 1992. One of the pillars of this budgetary discipline was the establishment of an agricultural guideline imposing a ceiling on EAGGF Guarantee Section expenditure.

The EAGGF Guarantee Section finances refunds on exports of agricultural products to non-member countries, the various types of intervention on the agricultural markets, rural development schemes and control and prevention.

From 1993 onwards, it has also covered the new compensatory aid and the measures to accompany the reform of the CAP (early retirement, environment, afforestation), expenditure on income aid and expenditure under the Guarantee Fund for fisheries.

Apart from the EAGGF Guarantee Section, **Subsection B1** contains a monetary reserve of EUR 500 million which can be drawn on, under the rules on budgetary discipline, to provide appropriations for agricultural sectors should there be a shortfall caused by a decline of the dollar against the EUR.

Finally, since 1997 the budget forecasts for agriculture, like those for other expenditure, have been produced against the background of the budgetary and financial stability demanded by economic and monetary union. In 1997 budget appropriations were thus set at EUR 40 800 million, virtually the same level as in 1996. In 1998 and 1999 this budgetary stringency continued as the appropriations were fixed at EUR 40 437 million and EUR 40 940 million, some EUR 400 million less than in 1997.

As Chart 10 shows, agricultural expenditure accounts for around 48 % of the Community's expenditure.

Table 21 provides a detailed breakdown of EAGGF Guarantee Section expenditure by sector and chapter.

Subsection B2 covers structural operations, including operations under the Structural Funds (European Regional Development Fund — ERDF, European Social Fund — ESF and the EAGGF Guidance Section), the Financial Instrument for Fisheries Guidance (FIFG) and, since 1993, the Cohesion Fund. It also includes some internal policies: other agricultural and regional operations, transport and fisheries.

With the appropriations for the Structural Funds and the FIFG, the Union supports the following seven objectives:

- Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind;

- Objective 2: converting the regions (including employment areas and urban communities) seriously affected by industrial decline;
- Objective 3: combating long-term unemployment and facilitating the integration into working life of young people and of persons exposed to exclusion from the labour market;
- Objective 4: facilitating the adaptation of workers of either sex to industrial changes and to changes in production systems;
- Objective 5a: speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy;
- Objective 5b: facilitating the development and structural adjustment of rural areas;
- Objective 6: development and structural adjustments of regions with an extremely low population density.

Each of the Community's four structural instruments supports two or more objectives through Community support frameworks and Community initiatives; each instrument also earmarks a small amount for innovation schemes and transitional measures. For the period 1994 to 1999 the Edinburgh European Council proposed commitment appropriations of EUR 141 471 million at 1992 prices (EUR 149 818 million at 1994 prices) for these four instruments, 68,1 % of which is for regions covered by Objective 1.

A further EUR 4 747 million at 1995 prices is earmarked for the Structural Funds in Austria, Finland and Sweden over the period 1995-99 — 3,9 % of this amount is for Objective 1 regions and 17 % for Objective 6 regions. Finally, the financing of the expenditure for the financial mechanism of the European Economic Area resulting from the accession of Austria, Finland and Sweden will in future be incorporated in the budget of the European Communities.

With the Cohesion Fund appropriations, the Union is making a financial contribution to environmental projects and trans-European transport infrastructure networks in those Member States with a per capita gross national product which is less than 90 % of the Community average, measured on the basis of purchasing power parities (Greece, Spain, Ireland and Portugal). The rate of Community aid amounts to between 80 % and 85 % of public or similar expenditure. The Edinburgh European Council proposes commitment appropriations of EUR 15 150 million at 1992 prices for the Cohesion Fund over the period 1993 to 1999, suggesting that between 52 % and 58 % of the total resources should go to Spain, between 16 % and 20 % to Greece, between 16 % and 20 % to Portugal and between 7 % and 10 % to Ireland.

The internal policies included in this subsection cover a wide range of Community operations in the agricultural, regional, transport and fisheries sectors such as disease eradication and monitoring programmes, controls of various sectors of agricultural production, the establishment and development of a common transport policy, the contribution to the International Fund for Ireland and to business and innovation centres and participation in inspection and surveillance operations in Community and international maritime waters.

This expenditure is the second major category of expenditure in the budget, accounting for 40,5 % of appropriations in 1999 (see Table 20). Table 22 and Charts 13 and 14 show how the appropriations are broken down within the subsection.

Subsection B3 covers expenditure on training, education, youth policy, culture, audiovisual media, various social operations which cannot be financed by the Structural Funds — in particular the ESF — and information and communication. This subsection finances programmes designed to promote education (Socrates), the young (Youth for Europe and European voluntary service) and training (Leonardo). The Socrates programme, which is based on the experience gained from implementation of previous programmes such as Erasmus and Lingua, seeks to enhance the quality of education and promote a barrier-free area in education by encouraging mobility (of students and teachers), the mutual recognition of qualifications, language teaching and open and distance learning. This approach is supplemented by the measures in favour of the young under the Youth for Europe programme which reflects the more informal side of education (outside the normal education and training structures). The aspects relating to vocational training and previously covered by programmes such as Comett, FORCE or PETRA are now combined in the Leonardo programme.

The Union also supports measures for the development of the audiovisual industry (MEDIA), the production, conversion and broadcasting of high-definition television programmes and measures to protect the cultural heritage (Raphael programme), support artistic and cultural activities (Kaleidoscope 2000) and promote books and reading (Ariane programme).

The Community's operations in the social sector mainly relate to development of the social dialogue and employment (measures to achieve equality between men and

women, EURES — European employment services), improved social protection for the most vulnerable sections of society (the elderly, disabled and socially excluded), freedom of movement, increased awareness of public health problems (measures to combat cancer, drugs and AIDS) and improvement of safety, hygiene and health at work.

Finally, this expenditure also finances information and communication activities both in the form of general public information and more specialized information for specific target groups and socio-economic sectors.

Subsection B4 covers expenditure on energy, nuclear safeguards and the environment. This expenditure has two goals: to manage energy resources and preserve the environment. Expenditure on the energy policy mainly relates to programmes and pilot projects promoting renewable sources of energy (Altener), the rational use of energy (SAVE) and energy technologies.

The purpose of the expenditure on nuclear safeguards is to ensure that nuclear materials are not used for any purpose other than that for which they are intended. In particular, it finances the purchase and installation of control equipment in large-scale plutonium processing and handling plants. Expenditure on environmental policy goes towards horizontal activities such as the internal part of the LIFE programme (for demonstration and technical assistance projects), the drafting and monitoring of environmental legislation and the financing of the European Environment Agency. Direct expenditure on environmental infrastructure projects in the less-prosperous Member States is financed by Subsection B2 while expenditure on environmental problems of a dimension which exceeds the territory of the Union is charged to Subsection B7 (External action).

Subsection B5 covers expenditure on consumer protection, the internal market, industry and modernization, statistical information and the trans-European networks. This expenditure reflects the Community's determination to consolidate the internal market and increase its effectiveness in the interests not only of businesses but of consumers too. In particular, appropriations are earmarked for monitoring the internal market and financing procedures for the publication and award of public supply and works contracts. Appropriations are also provided for the standardization of products and services and the evaluation of medicinal products. The European Union also

seeks to promote small and medium-sized enterprises in order to boost economic growth and to improve industrial competitiveness and modernize the textile industry in Portugal. The general budget also finances measures which will benefit the public, in particular through the promotion of the information society and the protection of consumer interests.

The establishment of the networks is considered to be a priority and should represent one of the main means of stimulating growth, competitiveness and employment in the European Union between now and the year 2000. The Community is promoting the interconnection and interoperability of national networks and access to these networks. The Community's contribution mainly takes the form of feasibility studies, loan guarantees and interest subsidies. Financial support is concentrated on the following sectors: transport infrastructure, energy infrastructure and data-transmission networks between administrations which are essential for the operation of the internal market.

Finally, this subsection covers the operational expenditure arising from the joint actions adopted as part of cooperation in the fields of justice and home affairs and charged to the Community budget under Articles K.3 and K.8 of the Treaty on European Union.

Expenditure on research and technological development is found in **Subsection B6**. In this sector, the Union has launched multiannual framework programmes allowing it to support several projects linking research teams from all the Member States by concentrating efforts on the socio-economic needs of European society: employment, competitiveness, quality of life and sustainable development. The allocation of EUR 14 690 million for the fifth framework programme (1999-2002) confirms the priority accorded to research policy in the new financial perspective (2000-2006). The main feature of the fifth framework programme is that the individual programmes focus on a limited number of key activities which are resolutely concerned with practical problems such as the control of infectious diseases, the ageing of the population, multimedia content and tools, intermodal transport, tomorrow's cities, water quality and climate change. The overall budget allocation for the framework programme will be topped up by contributions from

the countries of Central and Eastern Europe, Cyprus, Malta, Israel and Switzerland, which will be calculated as a proportion of their GNP.

The research appropriations are divided between direct action by the Commission via the Joint Research Centre and indirect (shared-cost) action. A wide range of sectors are covered and the indirect action appropriations are mainly allocated to the following fields: information and communications technology, industrial technologies, environment, life sciences and technologies, clean and efficient energy technologies, transport, targeted socio-economic research, cooperation with third countries and international organizations, dissemination and exploitation of results, training and mobility of researchers, nuclear safety and safeguards, and controlled thermonuclear fusion.

These are just the budgetary appropriations. Under the Agreement on the European Economic Area, some EFTA countries make a contribution to the non-nuclear parts of the framework programme.

Tables 23 to 26 and Chart 15 contain details of expenditure in Subsections B3 to B6.

Subsection B7 contains expenditure coming under heading 4 (External action) of the 1993 to 1999 financial perspective and the emergency aid reserve (part of heading 6).

This subsection covers a range of activities involving various types of assistance and financial instruments. A distinction may be made between financial, technical and economic cooperation, divided into geographical areas, and other cooperation measures which are often of a horizontal nature and normally apply to all non-member countries.

Financial, technical and economic cooperation measures are intended to help the development and economic restructuring of non-member countries (the countries of Central and Eastern Europe, the independent States of the former Soviet Union, Mediterranean countries and countries in Asia and Latin America).

Other cooperation measures include humanitarian and food aid, initiatives for democracy and the protection of human rights, rehabilitation and reconstruction measures for developing countries, environment and health in developing countries, international fisheries agreements and, if necessary, emergency aid.

Table 27 and Chart 16 show the breakdown of appropriations within Subsection B7.

Subsection B8 consists of only one chapter which covers operational expenditure on joint action decided under the common foreign and security policy, which is charged to the Community budget under Articles J.3 and J.11 of the Treaty on European Union. Half of the EUR 62 million in commitment appropriations provided for 1996 has already been allocated to the joint action of the European Union in Mostar.

Finally, **Subsection B0** is rather different, since it contains the guarantees and reserves. It is the budget headings in this subsection which will be used to record any expenditure which the Union might have to finance if a country defaults on a loan which the Union has guaranteed. In 1994, the Commission set up the Guarantee Fund for external action, so that the Community's creditors could be reimbursed in the event of any default by the beneficiaries of loans granted or guaranteed by the Community. The fund is endowed by:

- payments from the reserve for guarantees in the general budget over the period of the financial perspective;
- interest on Fund resources invested;
- amounts recovered from defaulting debtors where the Fund has already honoured the guarantee.

This subsection also contains the appropriations which cannot yet be used because no legal basis for the expenditure existed when the budget was adopted but which are expected to be used in the course of the year.

The revenue of the European Union

In order to finance its expenditure the European Union has its own resources, which may be defined as tax revenue allocated once and for all to the Union and accruing to it automatically without the need for any subsequent decision by the national authorities.

The ECSC had its own resources from the time the Treaty of Paris entered into force in 1952. The Rome Treaties, on the other hand, which were signed in 1957, provided for the two Communities (EEC and Euratom) to be financed by contributions from the Member States. However, provision was made for the Community to derive resources of its own from the establishment of the customs union. On this basis, the Decision

of 21 April 1970 replaced national contributions by a system of own resources comprising agricultural levies, customs duties and a budget-balancing resource calculated by applying a rate of 1 % — subsequently raised to 1,4 % in 1985 — to the VAT base.

When own resources ran out in 1984, the Commission, pending a solution in the form of a revision of the Decision on the system of the Communities' own resources, first proposed that the Member States provide the amounts required in the form of interest-bearing loans. It then amended its proposal to take account of the feedback from the Council and Parliament, replacing the idea of loans with the idea of interest-free advances on new own resources.

Finally, the Council agreed to an intergovernmental solution on 2 October 1984. The representatives of all the governments of the Member States undertook to make available to the Community, in the form of repayable advances, the amounts necessary to finance draft supplementary and amending budget No 1/1984. In April 1985, the representatives of the governments of the Member States undertook to pay advances to the Community to complete the financing of the 1985 budget; this time the amounts paid took the form of non-repayable advances. In the draft budget for 1985, Parliament upheld its position but explicitly increased the level of the intergovernmental advances.

The Community budget was therefore partly financed by advances from the Member States: EUR 1 003 million in 1984 and EUR 1 982 million in 1985; the VAT base was used as the scale for determining Member States' contributions. The advances from 1984 were repaid to the Member States in eight six-monthly instalments from 1986 onwards. With the revision of the own resources Decision on 7 May 1985, which entered into force on 1 January 1986, the problem of the inadequacy of the Communities' own resources was resolved.

The reform of the Community's finances in 1988 altered and broadened the composition of the Community's own resources. In order to contain the growth of the resources taken up by the Community, the Decision of 24 June 1988 set an overall ceiling rising to 1,20 % of total Community GNP in 1992. Pending a new Decision on own resources, the 1,20 % ceiling remained applicable in 1993 and 1994.

As agreed at the Edinburgh European Council, a new Decision on the system of own resources was adopted on 31 October 1994. This Decision raised the own resources ceiling to 1,21 % of GNP in 1995 and, in stages, up to 1,27 % of GNP in 1999. The uniform VAT rate will be gradually reduced from 1,4 % to 1 % in 1999 and the VAT base to be taken into account will be restricted, again being cut in stages, to 50 % of GNP instead of the current 55 %. The Member States eligible for assistance under the Cohesion Fund had their VAT base restricted to 50 % of GNP in 1995.

The new own resources Decision entered into force with effect from 1 January 1995 after it had been ratified by all the Member States in 1996.

The Community's own resources are now:

1. Agricultural duties and sugar and isoglucose levies:

Agricultural duties have replaced agricultural levies, the variable taxes charged up to 30 June 1995 on imports of agricultural products covered by a market organization and coming from a non-member country and designed to offset the difference between world prices and the price levels which it has been agreed to apply within the Community (principle of Community preference).

As a result of the GATT agreements, the agricultural levies have largely been replaced by customs duties. The new arrangements have applied since 1 July 1995.

Sugar levies are provided for in the sugar market arrangements and comprise:

- production levies, which ensure that producers contribute to market support expenditure;
- storage levies, which finance the storage cost equalization system to ensure a regular flow of sugar onto the market;
- an additional levy intended to offset in full the overall loss since the 1988/89 marketing year not covered by the yield of the production levies.

Isoglucose and inulin production levies are treated like sugar production levies.

2. **Customs duties** : These derive from the application of the Common Customs Tariff to the customs value of goods imported from non-member countries.

3. **VAT resources** : These derive from the application of a uniform rate to each Member State's VAT base, determined in a uniform manner in accordance with Community rules. Since the June 1988 reform, the uniform rate is found by applying a 1,4 % rate to the VAT base and deducting the gross compensation paid to the United Kingdom. A Member State's base may not exceed 55 % of its GNP. Under the new own resources Decision which has been ratified, the VAT rate will be gradually reduced to 1,0 % and the capping rate to 50 % in 1999. The resulting reduction in the relative share of VAT resources in the total own resources needed to finance the budget will be offset by an increase in the 'fourth resource'.

4. A new category of revenue known as the **fourth resource** was also created in 1988: This resource is based on GNP and is derived from the application of a rate to the sum of the GNPs of all the Member States.

It is a variable, budget-balancing resource for which the call-in rate is calculated during the budgetary procedure in such a way as to cover the amounts not yielded by the other budget revenue. For this reason it is known as the additional resource.

All this revenue, plus miscellaneous revenue such as deductions from the salaries of Community officials (tax and social security contributions), interest on late payments, fines and any surplus from earlier years, must cover the total payment appropriations required to finance the expenditure entered in the budget for a given year.

Table 4 records all Community revenue since the own resources system was introduced. The amounts shown under 'miscellaneous' include all types of miscellaneous revenue entered in the accounts since 1970; in the first 10 years, this item mainly consisted of contributions by Member States (VAT and GNP-based resources were not introduced until the 1980s). The surpluses carried over have accounted for a significant proportion of this item since 1988 only. Charts 5 and 6 show how revenue has developed.

Traditional own resources are paid to the Commission within two months of establishment of the entitlement, with 10 % deducted to cover Member States'

collection costs. VAT and GNP-based resources are paid every month when one twelfth of the amount contained in the annual budget is transferred; an adjustment is made during the next financial year in line with the actual bases determined for that year.

Tables 12 and 18 record the total contribution (all types of own resources) of each Member State between 1988 and 1999. For 2000 the data for each Member State are set out in the tables and charts showing each Member State's share of total financing (Chart 18, Tables 32 to 34).

EUROPEAN DEVELOPMENT FUND (EDF)

Development cooperation with the countries of Africa, the Caribbean and the Pacific is mainly financed by the European Development Fund set up under the Lomé Conventions, which now link the Community with some 70 ACP States ⁽¹⁾.

The EDF has been in operation since 1959 as the conventions governing it are periodically renewed. The first EDF covered the period 1959-64. This was followed by:

- the second EDF: 1964-70 (first Yaoundé Convention);
- the third EDF: 1970-75 (second Yaoundé Convention);
- the fourth EDF: 1975-80 (first Lomé Convention);
- the fifth EDF: 1980-85 (second Lomé Convention);
- the sixth EDF: 1985-90 (third Lomé Convention);
- the seventh EDF: 1990-95 (fourth Lomé Convention).

The eighth EDF covers the second five-year period (1995 to 2000) provided for in the financial protocol annexed to the fourth Lomé Convention, which was signed for a term of 10 years. It entered into force on 1 June 1998 after being ratified by the national parliaments of the Member States; it initially came to EUR 13 132 million (including EUR 165 million for the overseas countries and territories). For the purposes of comparison, the total operations earmarked under the EDF-ACP for 2000 (financing decisions) represent some 47 % of the total amount of commitment appropriations allocated to the Community's external action for the same year (i.e. the aggregate of appropriations in Subsection B7 (including the pre-accession strategy), Subsection B8 and the EDF).

⁽¹⁾ The first EDF was for colonies, referred to as overseas countries and territories (OCTs). They later became independent and formed the Associated African States and Madagascar which concluded Yaoundé I and II with the Community. With the accession of the United Kingdom in 1973, this was extended to the countries of the Commonwealth and other independent African States, leading to the association of the ACP States and the Lomé Conventions

The forms of financial aid available under the EDF cover a wide range. Apart from subsidies for national and regional programmes and the allocation of venture capital (i.e. repayable aid), the EDF uses five more specific instruments:

- Stabex, to offset income losses on exports of agricultural products by means of financial transfers;
- Sysmin, to help mining industries in difficulties;
- emergency aid, to provide special relief in the event of disaster;
- aid to refugees;
- interest subsidies on loans obtained from the EIB.

Finally, one important innovation of the seventh EDF is Community aid for structural adjustment programmes in countries implementing economic reforms.

Although a title has been reserved for it in Subsection B7 since 1993, the EDF is not entered in the general budget but is financed by contributions from the Member States and has its own financial rules: the level of the EDFs and the amount of direct contributions to the Funds by the Member States are decided by agreements within the Council on the financing and management of Union aid. The eighth EDF ⁽²⁾ totals EUR 13 132 million

⁽²⁾ It is financed according to the following scale: Belgium, 3.92 % — Denmark, 2.14 % — Germany, 23.36 % — Greece, 1.25 % — Spain, 5.84 % — France, 24.30 % — Ireland, 0.62 % — Italy, 12.54 % — Luxembourg, 0.29 % — Netherlands, 5.22 % — Portugal, 0.97 % — United Kingdom, 12.69 % — Austria, 2.65 % — Finland, 1.48 % — Sweden, 2.73 % (see Table 36, p. 98).

THE ECSC BUDGET

The operating budget for the ECSC for 2000, as outlined below, was adopted by the Commission on 8 December 1999.

ECSC budget expenditure

Traditional social aid

In 2000 EUR 61 million was committed for aid for the social redeployment of coal and steelworkers under Article 56(1)(c) and (2)(b) of the ECSC Treaty (traditional redeployment and social measures in the coal and steel industry).

This aid is an essential complement to the Community's policy in the ECSC sectors. When permanent closures, cutbacks or changes of activity lead to job losses, the Community attempts to mitigate the social repercussions for the workers concerned through redeployment measures. It provides grants to compensate for loss of earnings resulting from these measures. The granting of this aid is conditional upon the Member State paying a special contribution at least equal to the ECSC contribution. Social aid is granted under arrangements defined in bilateral agreements concluded with the Member States (early retirement, unemployment, transfer, retraining and vocational training). ECSC social assistance may be granted over and above other forms of aid or loans granted under the Community support frameworks.

Research aid

Under Article 55 of the ECSC Treaty, EUR 81 million was granted in aid for technical research in the coal and steel sector in 2000.

The main aims of the aid for steel industry research (EUR 56 million) are to reduce manufacturing costs, improve the quality and performance of products, promote and extend the uses of steel, and adapt production conditions to environmental demands. In the field of coal industry research (EUR 25 million) the main aims are to lower production costs, raise underground and pithead productivity, improve safety and working conditions, safeguard new markets and, above all, improve the use made of coal, with a view to better environmental protection.

Interest subsidies on ECSC loans

On 22 June 1994 ⁽¹⁾, the Commission approved new guidelines on the ECSC's future borrowing and lending activities up to the year 2002 (when the ECSC Treaty expires). 1997 therefore saw the end of interest subsidies on conversion loans granted under Article 56(2)(a) to encourage job-creating investments in regions affected by the decline in ECSC activities.

Additional social measures


The 2000 ECSC budget earmarks EUR 31 million for restructuring the coal industry.

The 2000 ECSC operating budget therefore totals EUR 178 million (including EUR 5 million in administrative expenditure).

ECSC budget revenue

The High Authority (Commission) is empowered to raise the funds it requires to carry out its tasks by imposing levies on the production of coal and steel.

⁽¹⁾ OJ C 175, 28.06.1994.



However, the Commission decided to set the levy rate at 0% from 1998, as the provisions entered in the ECSC balance sheet at 31 December 1997 were deemed sufficient to maintain the ECSC's budgetary activity at the appropriate level until the expiry of the Treaty.

Most of the resources therefore other than levies derive from the 'net balance' from annual financial operations, in particular, interest on loans against own resources, investments,

reserves and provisions entered in the ECSC balance sheet, cancelled commitments and miscellaneous revenue. In 2000, this revenue was estimated at EUR 55 million, EUR 37 million and EUR 4 million respectively. The grand total was EUR 95 million.

It is therefore necessary to draw ECU 83 million in 2000 from the provision for financing the operating budget which was set up as a precautionary measure in 1997.

Part I

The Community budget from its beginnings



*Signature of the treaty of Rome,
25 march 1957*

The Community budget from its beginnings

The Treaty of Paris of 18 April 1951 establishing the ECSC and the Treaty of Rome of 25 March 1957 establishing the EEC laid down the budgetary mechanisms which applied virtually unchanged until 1970.

During this period, the Council completely dominated the budgetary decision-making process. Under the EEC Treaty the Council established its draft budget after consulting the Commission on the changes it wished to make to the preliminary draft which the Commission had drawn up on the basis of the institutions' statements of estimates. It then declared the budget finally adopted after taking a decision on the modifications proposed by Parliament.

After expenditure on the common agricultural policy was entered in the Community budget in 1962, the Commission made a number of proposals to the Council in 1965 on the financing of the common agricultural policy, the introduction of own resources and the strengthening of Parliament's powers.

More than four years of negotiations were needed before the Luxembourg agreements were concluded in 1970. The Treaty of 22 April 1970 provided for a gradual increase in Parliament's powers. Initially, up to 1974, Parliament was able to alter the breakdown of expenditure without changing the total; the Council could reject this by a qualified majority. After 1975 the provisions of the Treaty were substantially amended: Parliament's powers of amendment were increased and depended on whether the expenditure was compulsory or non-compulsory. Parliament was given the 'final word' on non-compulsory expenditure provided that it did not exceed the maximum rate of increase (*see 'Some important concepts: Definitions', page 7*). Furthermore, it was the President of Parliament and no longer the President of the Council who was to declare the budget finally adopted.

The Luxembourg package also included the Decision of 21 April 1970 on the replacement of financial contributions from the Member States by the European Communities' own resources. This Decision was of key importance in the history of the Community budget. The Community was to be gradually given financial autonomy through the provision of own resources. It was granted fiscal revenue in the form of agricultural levies, customs duties and a percentage of the VAT receipts collected in the Member States. The Treaty of 22 July 1975 further developed and confirmed the approach adopted in 1970. In particular, Parliament's power to reject the budget, which had been implicitly assumed by Parliament and the Commission since the Treaty of Luxembourg, was now expressly laid down in

Article 203 (which has since become Article 272). In actual fact, the main innovation of the 1975 Treaty was the creation of the Court of Auditors.

These budgetary mechanisms continued to work — though less and less efficiently from 1979 onwards — until 1988, the next milestone in the history of the Community budget (*see '1988 to 1992', page 51*). In the meantime, however, the Fontainebleau agreements of June 1984 settled a number of questions of considerable financial importance, including the problem of budgetary imbalances and compensation for the United Kingdom, the third enlargement with the accession of Spain and Portugal, containment of agricultural expenditure, development of structural policies and the exhaustion of own resources (which had been provisionally resolved by raising the percentage of VAT receipts going to the Community).

It was during this period that European integration entered a new stage with the signature of the Single Act in February 1986, prompting the Commission to present the Delors I package which served as a basis for the 1988 Brussels agreements. The Interinstitutional Agreement of 1988 and the financial perspective which formed an integral part of this Agreement laid down the rules for balanced interinstitutional relations in the budgetary sector (*see '1988 to 1992',*). Since this Agreement was, on the whole, a success, it was followed in 1993 by a second Interinstitutional Agreement which set a financial framework for the period 1993 to 1999 for the expenditure required to implement the Treaty on European Union signed at Maastricht on 7 February 1992 (*see 'Financial perspective 1993 to 1999', page XX*). A new Interinstitutional Agreement was concluded on 6 May 1999 following the Amsterdam Treaty (*see 'Agenda 2000 and the financial perspective 2000-2006'*).

The main features of the development of the Community budget are as follows:

1. Unification of the budget instruments

The main stages are as follows:

- the 1951 ECSC Treaty provides for an administrative budget and an operating budget;
- in 1957 the EEC Treaty established a single budget; the Euratom Treaty, on the other hand, set up an administrative budget and a research and investment budget;
- the 1965 Merger Treaty incorporated the ECSC and Euratom administrative and operating budgets into the EEC budget (that is why Table 1 does not contain any figures for Euratom from 1968 onwards);

- finally, the 1970 Luxembourg Treaty incorporated the Euratom research and investment budget into the general budget; this left only two budget instruments: the general budget and the ECSC operating budget.

The financial operations of the European Development Fund (see foot of Table 1) have, since the very beginning (1959), been conducted outside all Community budgets and the only result of the attempts to have them included in the general budget has been the token entry since the 1993 budget. The EDF is financed by Member States' contributions, is governed by its own financial rules and is administered by a Steering Committee in accordance with specific procedures (*see the 'European Development Fund', page 12*).

While the Euratom Treaty expressly authorized borrowing and lending operations from the outset, it was not until 1975 that rules for such activities were entered in the EEC Treaty. These activities take the form of balance-of-payments support and the granting of loans both inside and outside the Community, in particular through the New Community Instrument (NCI) to promote investment. The development of this non-budget activity since 1980 is presented in Table 5.

2. The development of common policies

The main stages are as follows:

- establishment in 1962 of the European Agricultural Guidance and Guarantee Fund (EAGGF);
- research policy, initially founded on the Euratom Treaty (and therefore limited at the outset to nuclear matters), but gradually extended to many other areas;
- common fisheries policy, for which the first regulations date from 1970;
- strengthening in 1971 of the European Social Fund (ESF), set up by the Treaty of Rome;
- creation in 1975 of the European Regional Development Fund (ERDF);
- common environment policy, enshrined in the Single Act;
- reform of the Structural Funds (ERDF, ESF, EAGGF Guidance Section) in 1988;
- development of the common transport policy;
- second reform of the Structural Funds, establishment of the Financial Instrument for Fisheries Guidance and the Cohesion Fund in 1993;

- establishment, in the Treaty on European Union, of a policy of cooperation in the fields of justice and home affairs and of a common defence and security policy ('second and third pillars').
- recognition, in the Amsterdam Treaty, of a European social policy, and larger-scale cooperation in the field of justice and home affairs.

3. Successive enlargements

From six at the outset, the Community now has 15 members:

- the Paris (1951) and Rome (1957) Treaties were signed by France, Germany, Italy and the Benelux countries;
- the Acts of Accession of the United Kingdom, Ireland and Denmark, signed in 1972, entered into force on 1 January 1973;
- Greece became the 10th Member State on 1 January 1981;
- Spain and Portugal acceded on 1 January 1986;

Another point to note is the entry into force on 1 January 1994 of the Agreement on the European Economic Area (EEA). This Agreement provides for the participation of six of the seven members of the European Free Trade Association in various Community policies in return for a financial contribution calculated by reference to a proportionality factor based on GNP.

- Austria, Finland and Sweden acceded on 1 January 1995.

In addition, under the Agreement on the European Economic Area, three of the seven members of the European Free Trade Association (EFTA) ⁽¹⁾ participate in various Community policies in return for a financial contribution calculated according to a proportionality factor based on GNP.

Finally, since 1998, the Union has been pursuing a pre-accession strategy to prepare the ground for a new wave of enlargement, starting with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.

⁽¹⁾ Iceland and Norway, since the EEA entered into force on 1 January 1994, and Liechtenstein since May 1995.

Map 1

Enlargement of the European Union

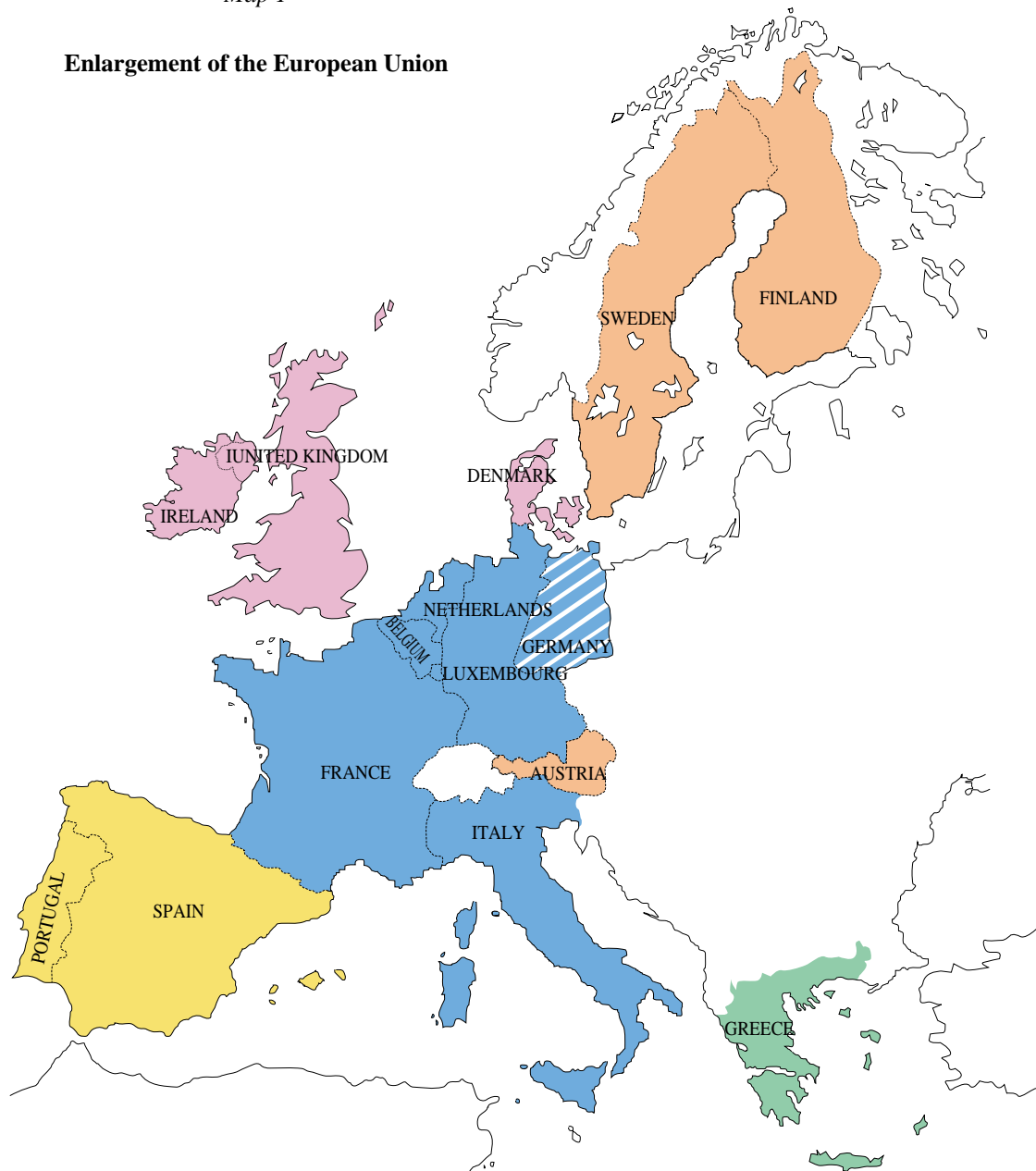
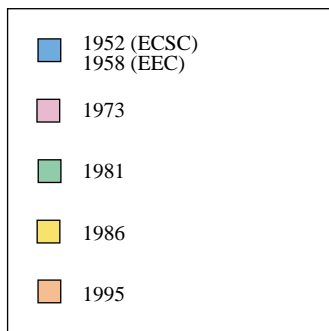


Table 1

Community expenditure from 1958 to 2001
(Outturn in payments)

(EUR million)

Heading	Financial year										
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
General budget											
EAGGF Guarantee Section								28,7	50,7	340,0	1 259,7
Structural Funds, of which:				8,6	11,3	4,6	7,2	4,6	22,1	81,1	58,5
— EAGGF Guidance Section											34,0
— ERDF											24,5
— EDF											73,4
Research											73,4
External action									0,9	0,8	1,0
Administration	7,3	18,1	21,2	25,4	30,2	35,2	39,6	43,3	50,9	53,7	94,7
Repayments and other									0,6	0,5	0,6
General budget –Total	7,3	18,1	21,2	34,0	41,5	39,8	46,8	76,6	125,2	476,1	1 487,9
EDF			3,4	15,8	53,3	65,3	83,4	106,7	108,3	104,6	106,5
ECSC	70,3	21,8	28,2	20,8	22,3	22,6	29,1	35,7	31,0	37,7	32,4
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	1 626,8

(1) The Euratom budget was incorporated in the general budget in 1969.

Table 1 (cont'd)

Community expenditure from 1958 to 2001
(Outturn in payments)

(EUR million)

Heading	Financial year										
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
General budget											
EAGGF Guarantee Section	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
Structural Funds, of which:	70,8	95,4	118,0	136,9	259,1	281,8	375,3	623,8	685,5	1 388,7	1 515,5
— EAGGF Guidance Section	51,3	58,4	61,5	53,2	10,8	37,8	76,7	112,1	113,0	325,6	286,5
— ERDF								150,0	300,0	525,0	699,0
— EDF	19,5	37,0	56,5	83,7	248,3	244,0	148,6	211,7	172,5	538,1	530,0
Research	59,2	63,4	64,9	76,3	70,1	110,3	115,9	127,2	180,8	266,9	267,6
External action	1,0	1,4	0,4	71,8	63,3	358,5	250,9	202,8	194,1	313,2	443,7
Administration	104,3	115,3	137,8	173,6	245,3	306,2	364,0	430,7	501,6	686,6	775,6
Repayments and other	0,9	1,6	130,4	178,1	253,0	309,8	383,1	541,6	586,8	707,1	831,2
General budget — Total	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
EDF	115,0	145,6	154,4	131,5	157,8	172,0	208,5	248,6	244,7	401,0	465,3
ECSC	45,7	45,6	49,8	51,0	40,5	58,0	76,0	84,2	95,5	67,3	87,5
Grand total	2 065,5	3 576,4	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

Table 1 (cont'd)

Community expenditure from 1958 to 2001
(Outturn in payments)

(EUR million)

Heading	Financial year										
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
General budget											
EAGGF Guarantee Section	11 291,9	11 063,7	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
Structural Funds, of which:	1 808,5	3 566,8	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
— EAGGF Guidance Section	314,6	539,9	650,8	575,3	595,6	685,5	771,2	789,5	1 140,9	1 349,0	1 825,3
— ERDF	793,4	2 406,5	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
— EDF	700,5	620,4	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
— Cohesion Fund											
Research	364,2	311,6	437,3	1 345,5	1 660,0	677,9	775,4	964,4	1 129,5	1 517,5	1 790,3
External action	603,9	738,4	891,2	901,3	996,5	963,8	1 057,3	809,2	768,1	1 044,3	1 430,6
Administration	829,9	941,8	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
Repayments and other	958,9	1 103,7	1 263,0	1 283,9	1 661,6	1 490,1	3 526,0	2 807,8	4 403,6	3 779,0	3 313,1
General budget — Total	15 857,3	17 726,0	20 469,6	24 506,0	27 081,4	27 867,3	34 675,4	35 088,0	41 021,7	40 757,1	44 062,9
EDF	481,9	663,7	647,2	718,8	703,0	698,0	846,7	837,9	1 196,3	1 297,1	1 256,5
ECSC	115,6	139,7	184,0	207,7	255,2	267,9	298,1	308,9	277,2	229,9	288,6
Grand total	16 454,8	18 529,4	21 300,8	25 432,5	28 039,6	28 833,2	35 820,2	36 234,8	42 495,2	42 284,1	45 608,0

Table 1 (cont'd)
Community expenditure from 1958 to 2001
 (Outturn in payments)

(EUR million)

Heading	Financial year											
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ⁽¹⁾	2001 ⁽²⁾	
General budget												
EAGGF Guarantee Section	31 103,2	31 254,5	34 935,8	32 952,8	34 490,4	39 324,2	40 423,0	39 068,0	39 468,6	41 493,9	44 600,2	
Structural Funds, of which: ⁽³⁾	13 971,0	18 378,3	20 478,5	15 872,1	19 223,3	24 624,1	26 285,1	28 624,1	30 377,4	31 957,0	32 110,5	
— EAGGF Guidance Section	2 085,4	2 857,9	2 914,2	2 476,5	2 530,6	3 360,3	3 580,0	3 521,5	3 774,0	3 510,4	3 035,1	
— ERDF	6 306,8	8 564,8	9 545,6	6 331,2	8 373,6	10 610,3	11 521,4	11 779,2	14 006,5	14 226,4	14 671,7	
— EDF	4 030,0	4 321,1	5 382,6	4 315,4	4 546,9	6 031,6	6 143,4	7 602,8	7 245,8	7 675,0	8 525,7	
— Cohesion Fund			795,0	851,6	1 699,3	1 872,2	2 323,0	2 336,0	2 731,7	2 800,0	2 500,0	
— FIFG				395,0	248,1	421,6	486,9	407,7	571,9	498,0	504,8	
Research	1 706,3	1 903,2	2 232,5	2 480,8	2 477,9	2 878,7	2 981,6	2 968,7	2 629,2	3 600,0	3 710,0	
External action	2 209,6	2 140,6	2 857,5	3 055,2	3 406,2	3 855,0	3 822,6	4 159,7	4 729,5	5 541,6	6 377,8	
Administration	2 618,7	2 877,6	3 319,1	3 541,7	3 870,3	4 011,1	4 195,5	4 171,3	4 111,4	4 725,3	4 927,3	
Repayments and other	1 901,8	1 935,9	960,1	1 370,5	3 079,3	2 339,0	2 111,3	1 886,4	2 175,6	2 122,8	2 214,7	
General budget — Total	53 510,6	58 490,2	64 783,4	59 273,1	66 547,4	77 032,2	79 819,1	80 878,1	83 491,6	89 440,6	93 940,4	
EDF ⁽⁴⁾	1 191,3	1 941,7	1 353,6	1 781,6	1 563,7	1 317,4	1 213,0	1 439,6	1 275,4	2 635,0	2 553,0	
ECSC	314,3	412,2	596,4	424,0	297,5	255,3	459,8	184,9	184,6	178,0	190,0	
Grand total	55 016,2	60 844,1	66 733,4	61 478,7	68 408,6	78 604,9	81 491,9	82 502,6	84 951,6	92 253,6	96 683,4	

(1) Budget 2000.

(2) Preliminary draft budget.

(3) PDB 2001 — Provisional breakdown.

(4) The figures for the EDF budget between 1999 and 2001 are provisional.

Chart 1

Community expenditure from 1958 to 2001 (at current prices and 2000 prices)

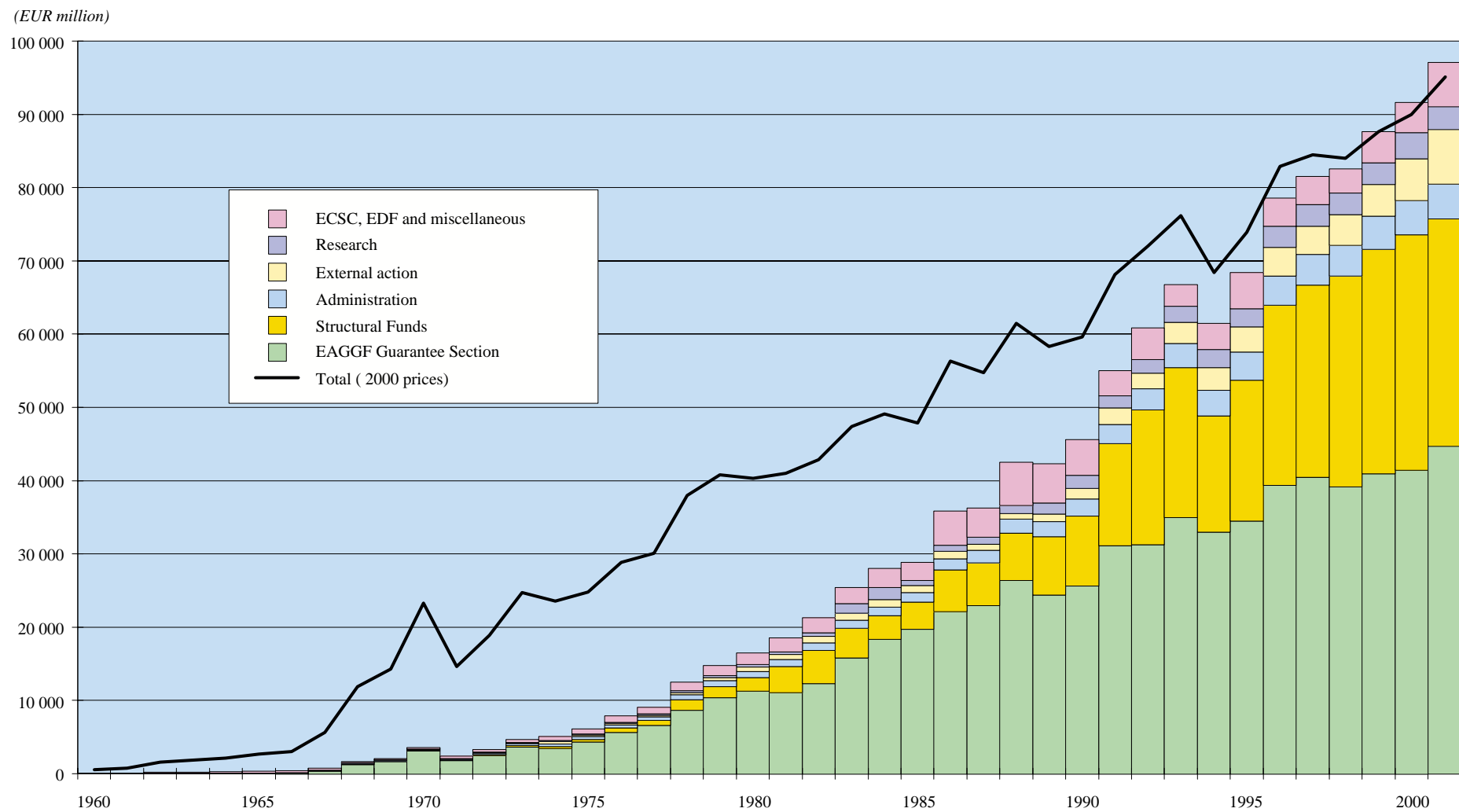


Table 2

Community expenditure from 1958 to 2001
(Outturn in payments)

(%)

Heading	Financial year										
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
General budget											
EAGGF Guarantee Section								8,5	12,9	45,5	77,4
Structural Funds, of which:				11,1	6,6	2,2	2,8	1,4	5,6	10,8	3,6
— EAGGF Guidance Section											2,1
— ERDF											1,5
— EDF											4,5
Research											0,1
External action									0,2	0,1	0,1
Administration	9,0	37,4	36,2	32,8	17,6	16,6	15,3	12,8	12,9	7,2	5,8
Repayments and other										0,1	0,0
General budget — Total	9,0	37,4	36,2	43,9	24,1	18,7	18,0	22,6	31,8	63,7	91,5
EDF			5,8	20,4	31,0	30,7	32,2	31,5	27,5	14,0	6,5
ECSC	86,5	45,0	48,1	26,8	13,0	10,6	11,2	10,5	7,9	5,0	2,0
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	100,0

⁽¹⁾ The Euratom budget was incorporated in the general budget in 1969.

Table 2 (cont'd)

Community expenditure from 1958 to 2001
(Outturn in payments)

(%)

ECSC, EDF and miscellaneous	Financial year											
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (1)	2001(2)	
General budget												
EAGGF Guarantee Section	56,5	51,4	52,4	53,6	50,4	50,0	49,6	47,3	46,5	45,0	46,1	
Structural Funds, of which: (3)	25,4	30,2	30,7	25,8	28,1	31,3	32,3	34,7	35,8	34,6	33,2	
— EAGGF Guidance Section	3,8	4,7	4,4	4,0	3,7	4,3	4,4	4,3	4,4	3,8	3,1	
— ERDF	11,5	14,1	14,3	10,3	12,2	13,5	14,1	14,3	16,5	15,4	15,2	
— EDF	7,3	7,1	8,1	7,0	6,6	7,7	7,5	9,2	8,5	8,3	8,8	
— Cohesion Fund			1,2	1,4	2,5	2,4	2,9	2,9	3,2	3,0	2,6	
— FIG				0,6	0,4	0,5	0,6	0,5	0,7	0,5	0,5	
Research	3,1	3,1	3,3	4,0	3,6	3,7	3,7	3,6	3,1	3,9	3,8	
External action	4,0	3,5	4,3	5,0	5,0	4,9	4,7	5,1	5,6	6,0	6,6	
Administration	4,8	4,7	5,0	5,8	5,7	5,1	5,1	5,1	4,8	5,1	5,1	
Repayments and other	3,5	3,2	1,4	2,2	4,5	3,0	2,6	2,3	2,6	2,3	2,3	
General budget — Total	97,3	96,1	97,1	96,4	97,3	98,0	97,9	98,0	98,3	97,0	97,2	
EDF	2,2	3,2	2,0	2,9	2,3	1,7	1,5	1,7	1,5	2,9	2,6	
ECSC	0,6	0,7	0,9	0,7	0,4	0,3	0,6	0,2	0,2	0,2	0,2	
Grand total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	

(1) Budget 2000.

(2) Preliminary draft budget.

(3) PDB 2001 — Provisional breakdown.

Chart 2

Community expenditure from 1958 to 2001

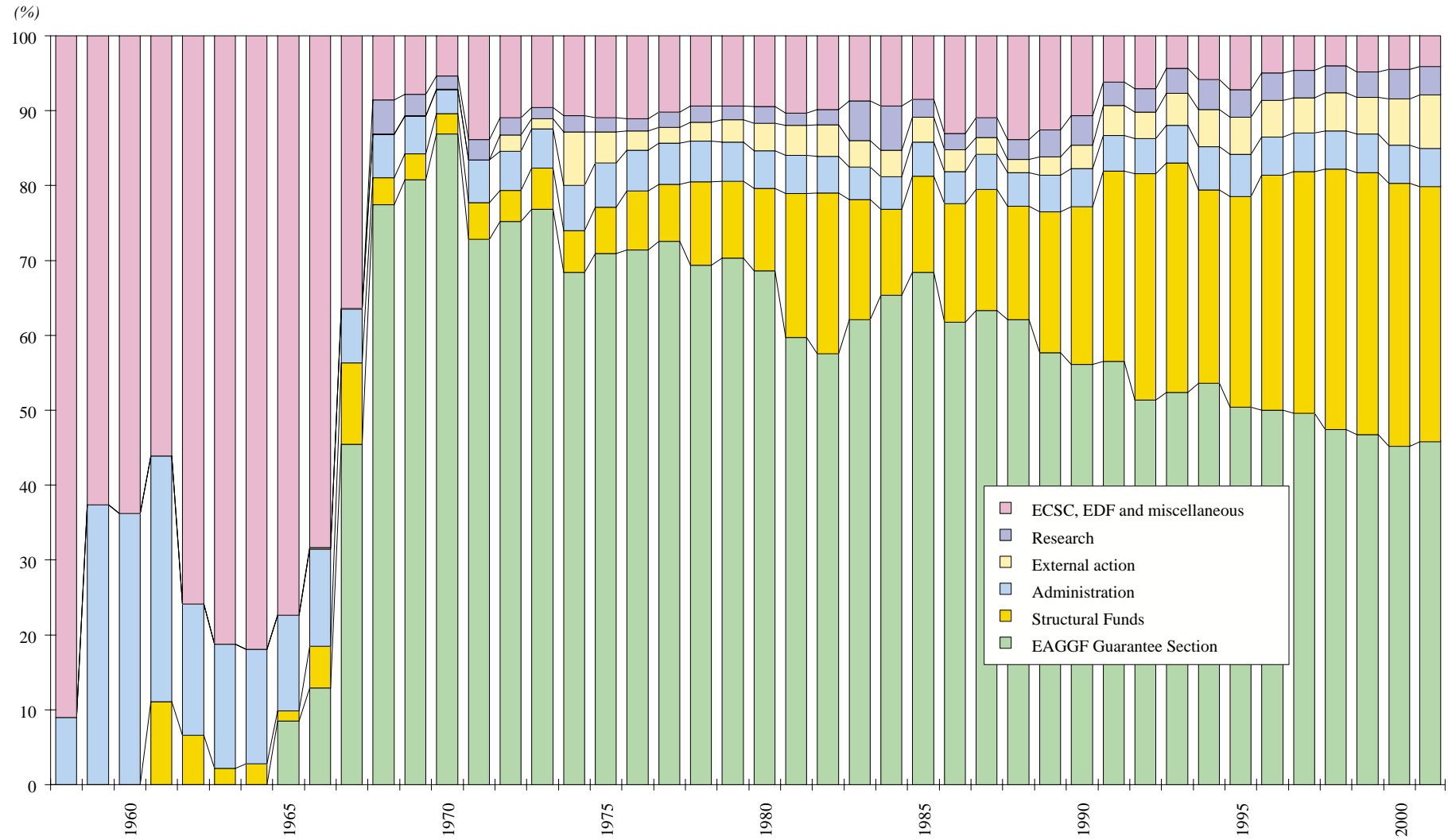


Table 3

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

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	81,3	48,4	58,6	77,5	171,9	212,4	259,4	339,0	393,7	747,9	1 626,8
Annual growth in nominal terms (%)		- 40,5	21,0	32,3	121,8	23,6	22,1	30,7	16,1	90,0	117,5
Total Community expenditure (2000 prices) (EUR million)			472,2	597,8	1 256,0	1 482,4	1 751,7	2 218,0	2 497,1	4 450,0	9 239,8
Annual growth in real terms (%)				26,6	110,1	18,0	18,2	26,6	12,6	78,2	107,6
Community expenditure as % of public expenditure in Member States			0,1	0,1	0,2	0,2	0,3	0,3	0,3	0,6	1,1
Expenditure as % of Community GDP			0,03	0,04	0,08	0,08	0,09	0,11	0,12	0,22	0,42
Expenditure per capita (EUR)			0,3	0,4	1,0	1,2	1,4	1,9	2,1	4,0	8,7
Expenditure per capita (2000 prices)			2,7	3,4	7,1	8,3	9,7	12,1	13,6	24,0	49,6

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	2 065,5	3 576,4	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
Annual growth in nominal terms (%)	27,0	73,1	- 32,6	37,1	42,3	7,5	20,7	29,4	15,0	37,8	18,1
Total Community expenditure (2000 prices) (EUR million)	10 936,4	17 663,4	11 036,5	14 045,8	17 918,3	16 984,4	18 732,0	22 321,1	23 825,5	370 177,4	31 993,2
Annual growth in real terms (%)	18,4	61,5	- 37,5	27,3	27,6	- 5,2	10,3	19,2	6,7	26,7	6,0
Community expenditure as % of public expenditure in Member States	1,3	2,0	1,2	1,4	1,3	1,2	1,2	1,3	1,4	1,7	1,8
Expenditure as % of Community GDP	0,48	0,73	0,44	0,54	0,52	0,50	0,53	0,60	0,62	0,77	0,81
Expenditure per capita (EUR)	11,1	18,9	12,6	17,2	18,2	19,5	23,5	30,4	34,9	48,0	56,5
Expenditure per capita (2000 prices)	58,2	93,2	57,8	73,0	69,5	65,6	72,2	85,9	91,5	115,7	122,4

Table 3 (cont'd)

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

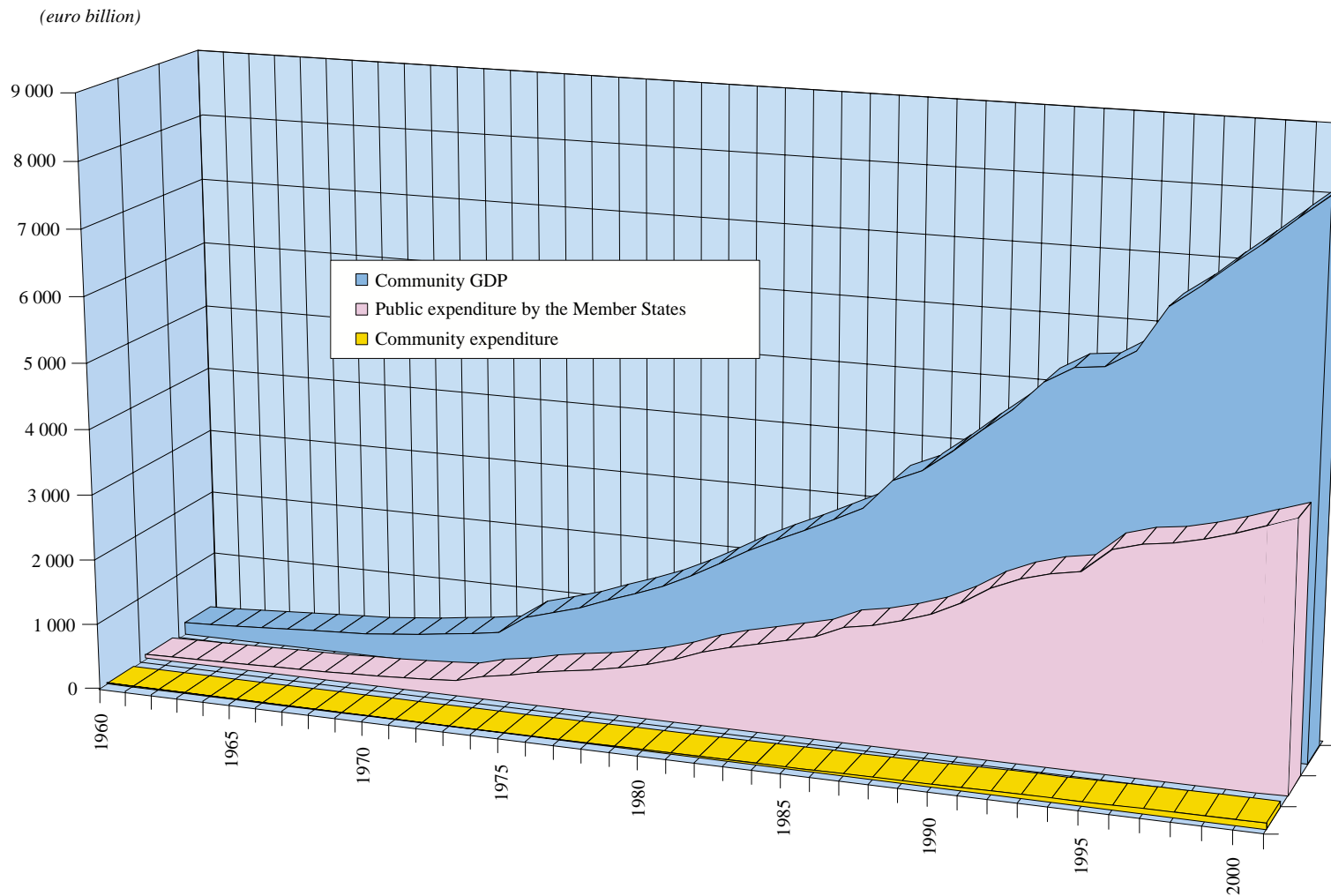
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	16 454,8	18 529,4	21 300,8	25 432,5	28 039,6	28 833,2	35 820,2	36 234,8	42 495,2	42 284,1	45 608,0
Annual growth in nominal terms (%)	11,4	12,6	15,0	19,4	10,3	2,8	24,2	1,2	17,3	- 0,5	7,9
Total Community expenditure (2000 prices) (EUR million)	32 533,2	33 849,8	36 762,8	41 759,5	44 071,3	45 035,4	54 527,9	52 919,4	58 918,3	55 974,8	57 416,5
Annual growth in real terms (%)	1,7	4,0	8,6	13,6	5,5	2,2	21,1	- 2,9	11,3	- 5,0	2,6
Community expenditure as % of public expenditure in Member States	1,7	1,7	1,7	1,9	1,9	1,9	2,1	2,0	2,2	2,0	2,0
Expenditure as % of Community GDP	0,80	0,80	0,85	0,94	0,96	0,92	0,99	0,96	1,03	0,94	0,94
Expenditure per capita (EUR)	62,7	67,9	78,0	93,0	102,4	105,2	110,8	111,8	130,7	129,5	138,8
Expenditure per capita (2000 prices)	124,0	124,1	134,6	152,7	161,0	164,2	168,6	163,3	181,2	171,4	174,8

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ⁽¹⁾	2001 ⁽²⁾
Total Community expenditure (EUR million) (including ECSC, Euratom and EDF)	55 016,2	60 844,1	66 733,4	61 478,7	68 408,6	78 604,9	81 491,9	82 502,6	84 951,6	92 253,6	96 683,4
Agricultural duties	20,6	10,6	9,7	- 7,9	11,3	14,9	3,7	1,2	3,0	8,6	4,8
Total Community expenditure (2000 prices) (EUR million)	66 983,2	73 159,0	78 736,3	71 929,7	77 446,5	86 576,3	88 212,6	87 133,9	87 303,5	92 253,6	95 130,3
Annual growth in real terms (%)	16,7	9,2	7,6	- 8,6	7,7	11,8	1,9	(1,2)	0,2	8,6	3,1
Community expenditure as % of public expenditure in Member States	2,2	2,2	2,3	2,1	2,1	2,3	2,3	2,3	2,3	2,4	2,4
Expenditure as % of Community GDP	1,03	1,09	1,18	1,04	1,04	1,14	1,12	1,09	1,07	1,09	1,09
Expenditure per capita (EUR)	158,9	175,0	191,1	175,5	183,2	209,9	217,1	219,3	225,3	244,0	255,2
Expenditure per capita (2000 prices)	193,5	210,4	225,4	205,3	207,4	231,2	235,0	231,6	231,5	244,0	251,1

(1) Budget 2000.

(2) Preliminary draft budget.

Chart 3

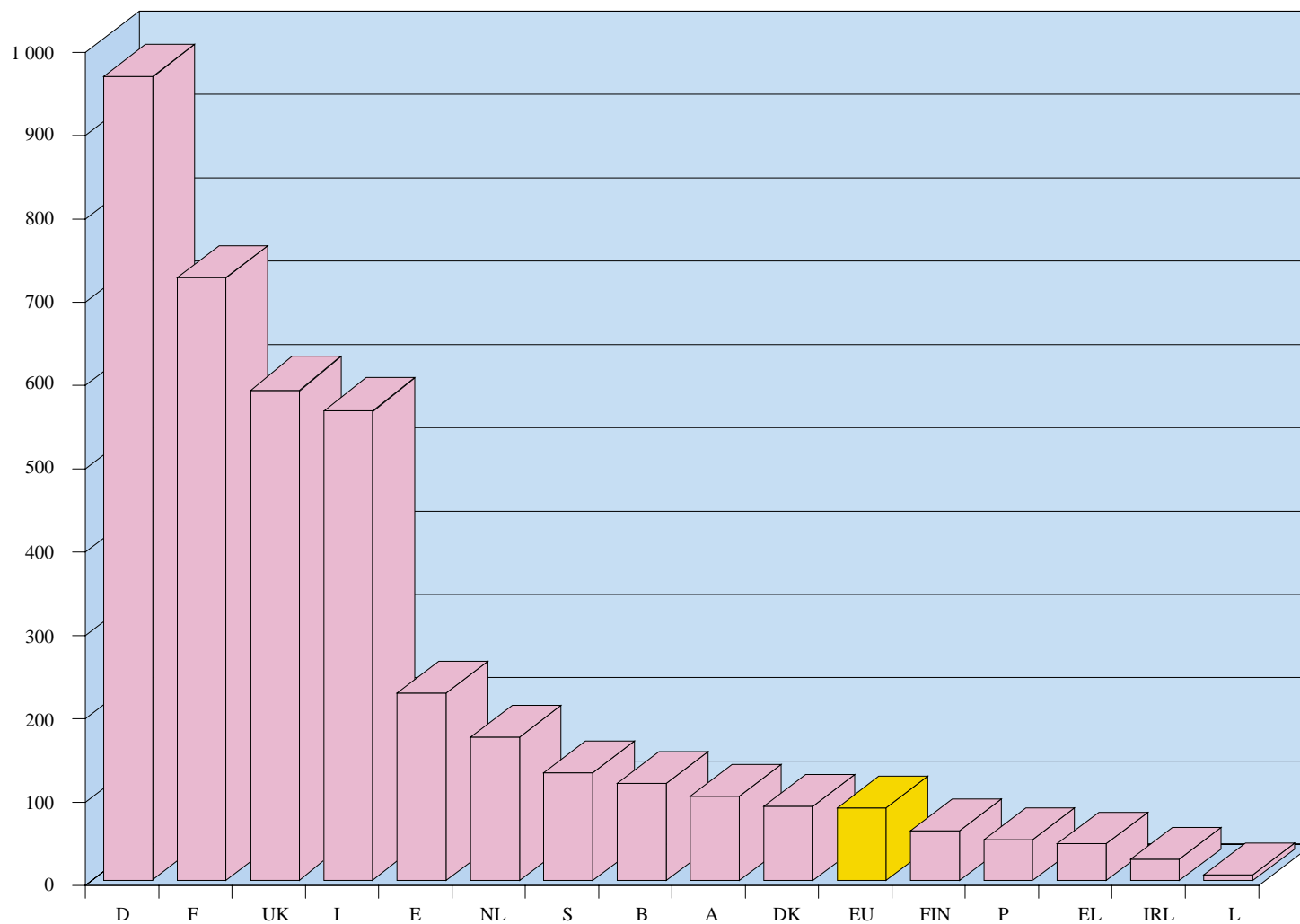
Community GDP, public expenditure by the Member States and Community expenditure from 1960 to 2001

Source: European Commission, DG ECFIN and DG BUDG.

Chart 4

Comparison between public expenditure by the Member States and Community expenditure in 2000
(Forecasts)

(euro billion)



Source: European Commission, DG ECFIN and DG BUDG.

Table 4

Community revenue from 1971 to 2001

(EUR million)

Type of revenue	1971		1972		1973		1974		1975		1976		1977		1978		1979	
	Amount	%	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	2 143,5	14,4
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	5 189,1	34,8
VAT																	4 737,7	31,8
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	2 821,2	18,9
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	14 891,5	100,0

(EUR million)

Type of revenue	1980		1981		1982		1983		1984		1985		1986		1987		1988	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	2 002,3	12,2	1 747,4	9,2	2 227,8	10,1	2 433,9	9,5	2 950,0	11,3	2 179,1	7,8	2 287,0	6,8	3 097,8	8,7	2 605,8	6,2
Customs duties	5 905,7	35,9	6 392,4	33,8	6 815,3	30,9	7 234,6	28,1	7 623,5	29,2	8 310,1	29,6	8 173,0	24,3	8 936,5	25,0	9 310,2	22,3
VAT	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	54,2	22 223,4	66,0	23 463,5	65,6	23 927,6	57,2
Fourth resource																	4 445,8	10,6
Miscellaneous	1 265,8	7,7	1 590,4	8,4	1 038,5	4,7	2 369,7	9,2	943,0	3,6	2 377,0	8,4	983,8	2,9	285,5	0,7	1 554,0	3,7
Total	16 432,3	100,0	18 918,0	100,0	22 082,1	100,0	25 729,2	100,0	26 082,4	100,0	28 085,1	100,0	33 667,2	100,0	35 783,3	100,0	41 843,4	100,0

Table 4 (cont'd)

Community revenue from 1971 to 2001

(EUR million)

Type of revenue	1989		1990		1991		1992		1993		1994		1995		1996		1997	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	2 397,7	5,2	1 875,7	4,0	2 486,6	4,4	1 987,8	3,3	1 929,9	2,9	2 074,1	3,1	1 944,6	2,6	1 821,5	2,2	1 925,3	2,4
Customs duties	10 312,9	22,5	10 285,1	22,1	11 475,4	20,4	11 292,4	18,9	11 055,6	16,8	11 178,0	16,9	12 508,6	16,7	11 762,2	14,5	12 247,0	15,2
VAT	26 293,4	57,3	27 440,1	59,1	31 406,2	55,8	34 659,3	58,0	34 489,9	52,5	33 254,5	50,4	39 183,2	52,2	33 962,9	41,8	34 222,5	42,5
Fourth resource	4 519,0	9,8	94,9	0,2	7 468,3	13,3	8 322,2	13,9	16 517,9	25,2	17 682,2	26,8	14 191,2	18,9	23 549,1	29,0	26 898,2	33,4
Miscellaneous	2 376,8	5,2	6 773,3	14,6	3 412,9	6,1	3 450,1	5,8	1 679,5	2,6	1 813,3	2,7	7 249,5	9,7	10 179,4	12,5	5 254,7	6,5
Total	45 899,8	100,0	46 469,1	100,0	56 249,4	100,0	59 711,8	100,0	65 672,7	100,0	66 002,1	100,0	75 077,1	100,0	81 275,1	100,0	80 547,7	100,0

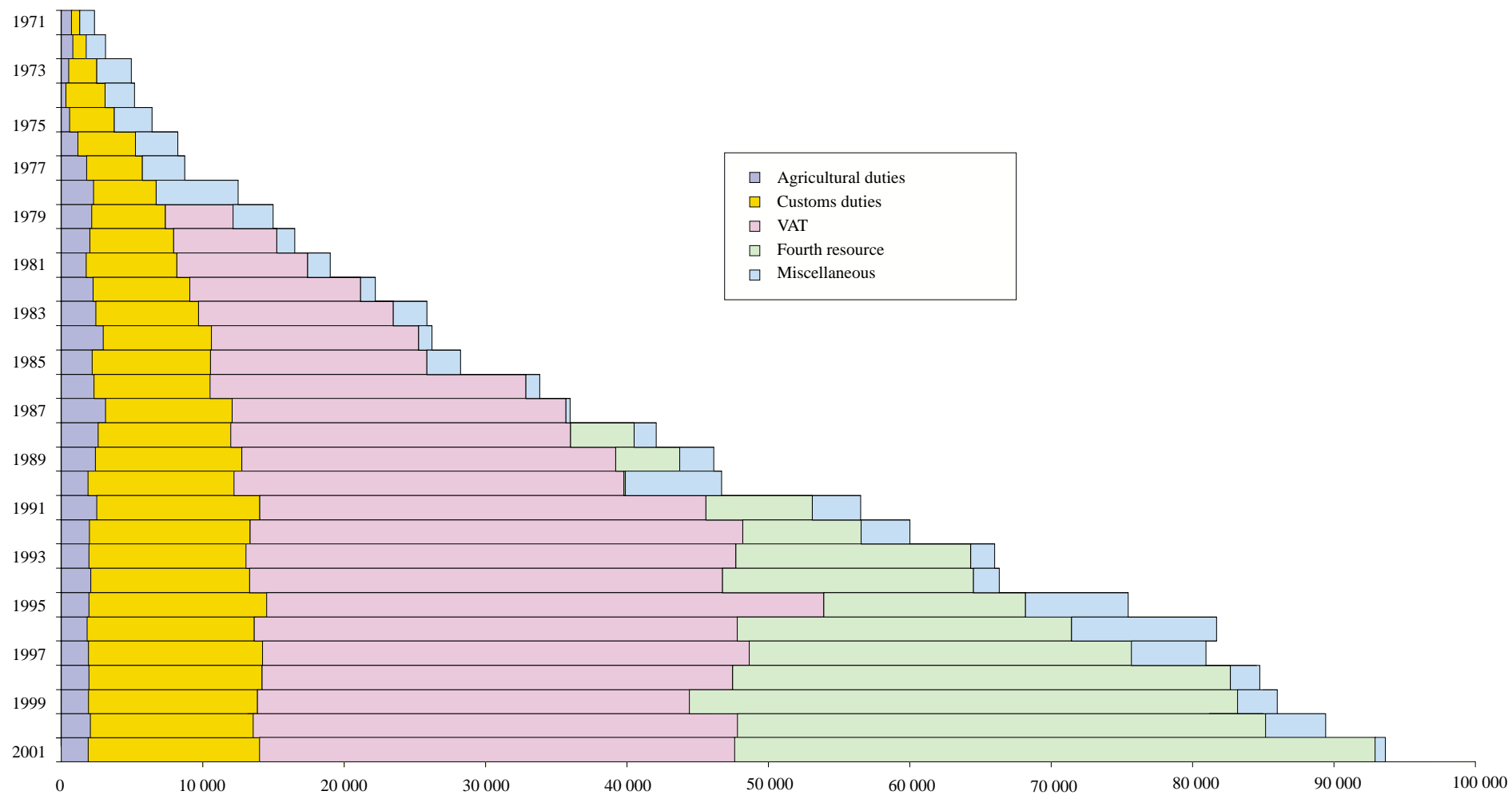
(EUR million)

Type of revenue	1998		1999		2000 ⁽¹⁾		2001 ⁽²⁾	
	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	1 955,1	2,3	2 151,7	2,5	2 038,4	2,3	1 913,6	2,1
Customs duties	12 155,6	14,4	11 705,9	13,5	11 665,3	13,0	12 291,8	13,0
VAT	33 118,0	39,2	31 163,4	35,9	34 048,6	38,1	33 467,2	35,6
Fourth resource	35 020,5	41,4	37 509,8	43,2	37 805,1	42,3	45 516,1	48,5
Miscellaneous	2 280,5	2,7	4 372,7	5,0	3 883,2	4,3	751,7	0,8
Total	84 529,7	100,0	86 903,5	100,0	89 440,6	100,0	93 940,4	100,0

⁽¹⁾ Budget 2000.⁽²⁾ Preliminary draft budget.

Chart 5

Community revenue from 1971 to 2001



(EUR million)

Chart 6

Community revenue from 1971 to 2001

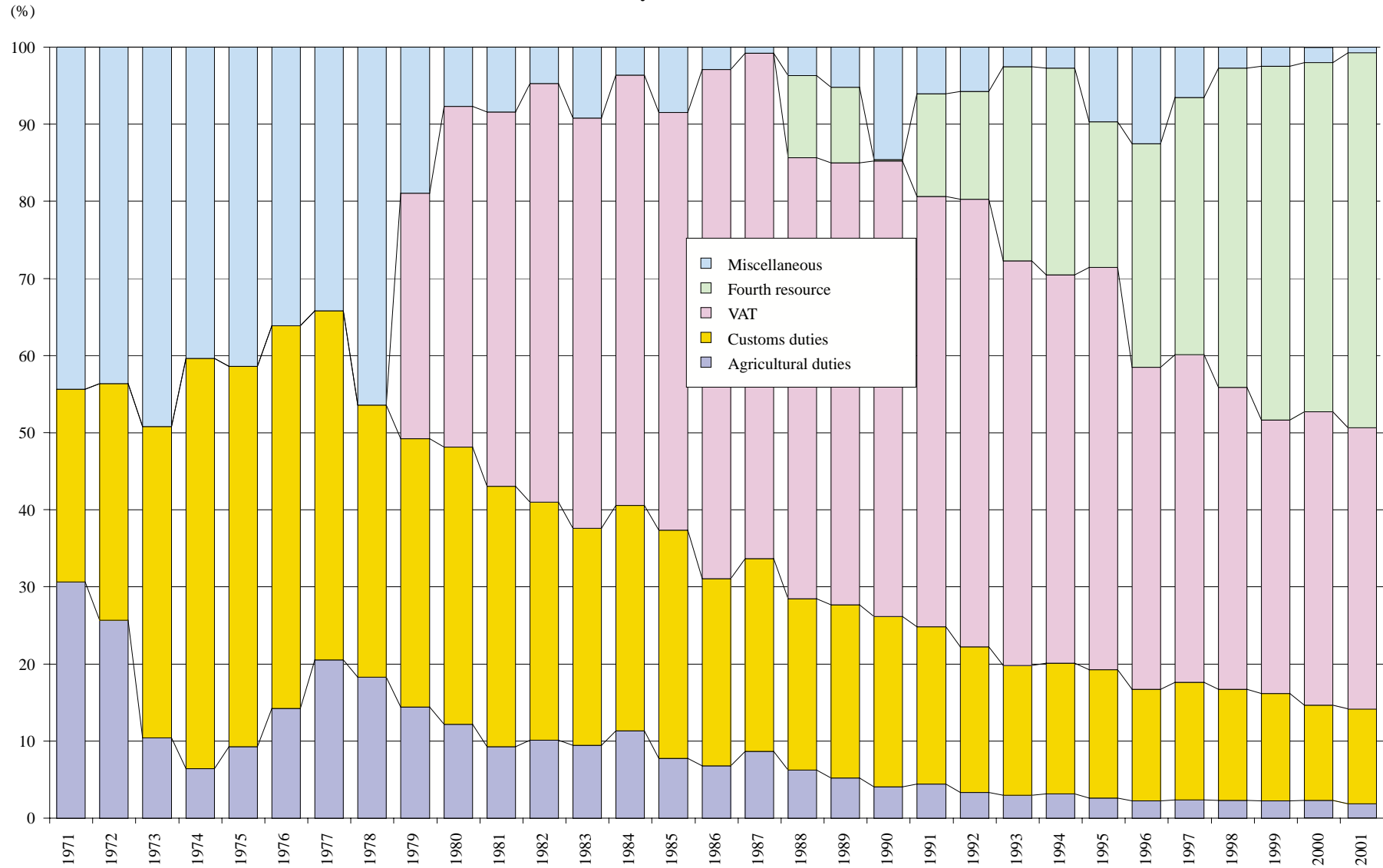


Table 5

Community borrowing and lending from 1980 to 1999

(EUR million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Loans raised																				
ECSC	1 004	325	712	750	822	1 265	1 517	1 487	880	913	1 086	1 446	1 474	908	644	386	298	474		
Balance of payments				4 247			862	860			350	1 695	1 209	4 969	402	409	156	195	403	108
Euratom	181	373	363	369	214	344	488	853	93						49					
NCI	305	339	773	1 617	967	860	541	611	945	522	76	49			70	66				
European Investment Bank (EIB)	2 384	2 243	3 146	3 508	4 339	5 699	6 786	5 593	7 666	9 034	10 996	13 672	12 974	14 224	14 148	12 395	17 553	23 025	30 098	28355
Community — Total	3 874	3 280	4 994	10 941	6 342	8 168	10 194	9 404	9 584	10 469	12 508	16 862	15 657	20 101	15 312	13 256	18 007	23 694	30 501	28463
Loans granted																				
ECSC	1 031	388	740	778	825	1 010	1 069	969	908	700	993	1 382	1 486	918	674	403	280	541		
Balance of payments				4 247			862	860			350	1 695	1 209	4 969	402	409	156	195	403	108
Euratom	181	357	362	366	186	211	443	314												
NCI	197	540	791	1 200	1 182	884	393	425	357	78	24	39	9	30						
European Investment Bank (EIB) ^(*)	2 724	2 524	3 446	4 146	5 007	5 641	6 678	6 967	8 844	11 507	12 605	14 438	16 140	17 724	17 682	18 603	20 945	26 148	29 526	31800
Community — Total	4 133	3 809	5 339	10 737	7 200	7 746	9 445	9 535	10 109	12 285	13 972	17 554	18 844	23 641	18 743	19 415	21 381	26 884	29 929	31908

(*) The figures for 1980 to 1996 correspond to loans in the Community

Table 6

Staff of the Community institutions from 1968 to 2000

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Parliament	514	529	532	589	787	1 096	1 172	1 206	1 404	1 537	1 709	2 112	2 573
Council	563	569	618	628	980	1 218	1 330	1 481	1 501	1 508	1 517	1 547	1 599
Commission	7 703	7 707	7 801	8 025	8 239	9 247	9 573	9 987	10 641	11 068	11 418	11 649	11 947
of which — Administrative budget	4 953	5 003	5 201	5 455	5 827	6 799	7 194	7 605	7 777	8 048	8 378	8 580	8 885
— Research budget	2 750	2 704	2 501	2 450	2 277	2 277	2 198	2 184	2 658	2 806	2 816	2 771	2 736
— Publications Office			99	120	135	171	181	198	206	214	224	237	265
— Other bodies *												61	61
Court of Justice	110	110	114	126	138	223	254	261	264	275	288	315	363
Court of Auditors	19	24	26	29	30	35	35	35	35	35	164	214	259
Economic and Social Committee ⁽¹⁾ and Committee of the Regions	117	129	144	156	192	252	284	292	302	305	315	325	339
Total	9 026	9 068	9 235	9 553	10 366	12 071	12 648	13 262	14 147	14 728	15 411	16 162	17 080

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Parliament	2 927	2 931	2 941	2 966	2 998	3 277	3 360	3 405	3 405	3 482	3 565	3 686	3 790
Council	1 700	1 755	1 798	1 792	1 888	2 016	2 066	2 130	2 165	2 184	2 205	2 225	2 256
Commission	12 283	12 675	12 998	13 280	13 703	14 262	15 161	15 905	16 309	16 720	17 175	17 946	18 576
of which — Administrative budget	9 173	9 565	9 852	10 037	10 369	10 881	11 622	12 328	12 611	12 887	13 157	13 975	14 540
— Research budget	2 753	2 747	2 779	2 851	2 922	2 939	3 053	3 073	3 176	3 285	3 462	3 409	3 430
— Publications Office	284	288	292	312	331	350	380	396	406	424	428	428	463
— Other bodies *	73	75	75	80	81	92	106	108	116	124	128	134	143
Court of Justice	452	474	478	480	480	571	646	672	733	752	794	800	825
Court of Auditors	284	294	303	303	307	345	366	375	377	379	384	394	402
Economic and Social Committee ⁽¹⁾ and Committee of the Regions	374	378	391	400	405	448	471	485	494	501	506	510	510
Total	18 020	18 507	18 909	19 221	19 781	20 919	22 070	22 972	23 483	24 018	24 629	25 561	26 359

⁽¹⁾ Until 1993, the staff of the Economic and Social Committee were included in Section II of the budget. From 1994, they have been included in the new Section VI together with the staff of the Committee of the Regions, which was set up in 1994.

Table 6 (cont'd)

Staff of the Community institutions from 1968 to 2000

	1994	1995	1996	1997	1998	1999	2000
Parliament	3 790	4 091	4 105	4 109	4 110	4 125	4 126
Council	2 304	2 464	2 529	2 529	2 534	2 621	2 648
Commission	19 027	20 383	21 464	22 006	22 509	21 633	21 703
of which — Administrative budget	14 918	15 836	16 449	16 789	17 094	17 082	17 087
— Research budget	3 497	3 497	3 694	3 712	3 712	3 712	3 704
— Publications Office	465	525	525	525	525	525	522
— Other bodies *	147	525	796	980	1 178	314	390
Court of Justice	837	950	953	953	953	961	1 006
Court of Auditors	427	503	503	528	553	552	552
Economic and Social Committee ⁽¹⁾ and Committee of the Regions	599	716	727	739	739	737	742
Total	26 984	29 107	30 281	30 864	31 398	30 629	30 777

⁽¹⁾ Until 1993, the staff of the Economic and Social Committee were included in Section II of the budget. From 1994, they have been included in the new Section VI together with the staff of the Committee of the Regions, which was set up in 1994.

Part II

1988 to 1992



*Brussels European Council,
12 February 1988*

1988 to 1992

1. The 1988 reform

The new political impetus which the Community received with the third enlargement to include Spain and Portugal in 1986 and then the conclusion of the Single Act opened up prospects for a thorough reform of the Community's financial system. The main objective was to provide the financial resources to launch a policy of 'economic and social cohesion' at Community level while ensuring that these new funds would not be absorbed by the common agricultural policy. The method employed is based on prior agreement on the main medium-term priorities between all the parties involved in the Community budget.

This reform was set out in a comprehensive proposal, the 'Delors package', presented by the Commission in February 1987. Acting on these proposals the Brussels European Council in February 1988 agreed on the broad political lines of the reform which centred on three main categories:

a) *Own resources*

In order to provide the Community with resources that would enable it to operate correctly, the total of own resources was no longer to be tied to a specific item of revenue (VAT) but an overall ceiling on own resources fixed each year expressed as a percentage of Community GNP (1,15 % in 1988, 1,20 % in 1992). Initially, this ceiling was based on the estimated requirements contained in the financial perspective (see '*Some important concepts: The financial perspective*', page 10).

The range of own resources was extended with the creation of a fourth 'balancing' resource based on the GNP of the Member States (see '*The revenue of the European Union*', page 16). This resource is in proportion to the wealth of the Member States and is intended to limit the regressive nature of the VAT resource and counteract the decline in traditional own resources due to reductions in customs duties and self-sufficiency in food.

b) *Budgetary discipline*

In order to ensure a better balance between the various categories of expenditure and controlled growth of this expenditure, emphasis was laid on stricter budgetary discipline: the Interinstitutional Agreement on budgetary discipline and improvement

of the budgetary procedure, which came into force on 1 July 1988, makes budgetary discipline the shared responsibility of Parliament, the Council and the Commission.

The financial perspective, which is an integral part of the Agreement, is the key to the new budgetary discipline arrangements. It is designed to produce a harmonious and controlled development of the broad sectors of budget expenditure and at the same time to establish a new balance in expenditure to the benefit, in particular, of the structural policies.

Budgetary discipline is designed first and foremost to contain agricultural expenditure, by setting a guideline (appearing in heading 1 of the financial perspective) which may not rise each year by more than 74 % of the annual growth rate of Community GNP. A monetary reserve is also entered in the budget to contend with the effects of fluctuations in the exchange rate between the dollar and the ecu on EAGGF Guarantee Section expenditure.

c) *Reform of the Structural Funds*

The Single Act provided for close coordination between the three Structural Funds financed from the Community budget with a view to clarifying their tasks and enhancing their effectiveness.

It was also decided to provide a guarantee that the allocations for the Funds would be twice as high in real terms in 1993 as in 1987 — reflected in the rise in the ceilings for heading 2 (Structural operations) of the financial perspective 1988 to 1992 — and also to target Community action through these Funds at five objectives (1. Development and structural adjustment of regions whose development is lagging behind; 2. Conversion of regions affected by industrial decline; 3. Combating long-term unemployment; 4. Occupational integration of young people; 5a and b. Adjustment of agricultural structures and development of rural areas).

2. Financial perspective 1988 to 1992

The financial perspective initially adopted in 1988 is shown in Table 7. It contained six headings:

- Heading 1: ‘EAGGF Guarantee Section’ covering agricultural guarantee expenditure and half the aid for set-aside.
- Heading 2: ‘Structural operations’, which mainly contains expenditure under the Structural Funds (European Regional Development Fund — ERDF, European Social Fund — ESF, and the EAGGF Guidance Section) as well as some structural expenditure connected with fisheries and structural programmes for geographical areas such as the specific programme for the development of Portuguese industry (PEDIP), the other half of the set-aside aid and the income aid for farmers.
- Heading 3: ‘Policies with multiannual allocations’, covering research and the integrated Mediterranean programmes (IMPs).
- Heading 4: ‘Other policies’, covering expenditure on all other operations in fields such as transport, environment, audiovisual media, internal market and all external action.
- Heading 5: ‘Repayments and administration’, consisting of the institutions’ administrative expenditure as well as expenditure on certain repayments to the Member States (to Spain and Portugal in the early years of membership or in connection with the depreciation of agricultural stocks).
- Heading 6: ‘Monetary reserve’, for which the necessary resources would be called in only if required.

In accordance with the Interinstitutional Agreement, the financial perspective, which was drawn up in 1988 prices, was updated each year by the Commission to allow for increases in prices. The financial perspective could also be adjusted in line with conditions of implementation.

Table 8 shows the effects of the technical adjustments and the adjustment in line with conditions of implementation between 1988 and 1992.

Finally, the financial perspective could also be revised to raise (or lower) the ceiling for one or more headings (*see ‘Some important concepts: The financial perspective’, page 10*).

There were seven revisions between 1988 and 1992, resulting mainly from the upheavals on the international scene between 1990 and 1992 and their effect on Community regional aid policies (German unification) or on the Community’s foreign aid programmes such as assistance for the countries of Central and Eastern Europe and the republics of the CIS, humanitarian aid following the fighting in the States of former Yugoslavia, the Gulf War, aid to Kurdish refugees and measures to combat famine in Africa.

Apart from these adjustments in response to unforeseen circumstances, the financial perspective was revised halfway through its term to boost internal policies and assistance to a number of developing countries.

Experience has shown that these revisions have been too frequent, in particular because the financial framework was too inflexible to respond to international crises. Furthermore, the revisions were often complicated to negotiate and tended to merge with the budgetary procedure, thus reducing their function as a medium-term framework.

The various revisions and amendments are set out in *Table 8*. *Table 9* summarizes all the changes since 1988. *Table 10* shows the budgets adopted during the period covered by this financial perspective.

3. Outcome of the 1988 reform

The reform has been broadly positive as regards the three main objectives pursued: orderly growth in expenditure, improvement of the budgetary procedure and budget management, and an adequate level of own resources.

It is true that the favourable economic situation contributed to this success, but the Community has also had to contend with exceptional events which forced it to assume new budgetary responsibilities as a result of the upheavals in Eastern Europe.

a) *Growth in expenditure*

The desired growth in expenditure has been achieved, and the results have proved even better than expected:

- The allocations for the Structural Funds doubled between 1987 and 1993.
- Agricultural expenditure remained within the agricultural guideline and the additional costs arising from German unification were covered without this guideline having to be raised. However, this was the result not so much of a fundamental improvement in Community agriculture as of the favourable market situation. The reform of the CAP undertaken in 1992 was therefore still necessary.
- The various revisions of the financial perspective boosted the trend towards a rebalancing of expenditure in favour of external action in particular.

b) *Improvement of the budgetary procedure and budget management*

There has been a distinct improvement here: each year the budget was adopted within the required deadlines without any major clash between the institutions and the basic principles of the financial framework were respected.

Table 11 shows the trend in budget outturn. The savings which were often made under the CAP in the course of the financial year must not be allowed to conceal the

improved utilization rate for most of the other headings in relation to the situation before 1988.

c) *Adequate financial resource*

Although the expenditure ceilings were raised a number of times, the overall ceiling of the financial perspective and thus the actual amount of budget spending remained below the own resources ceiling. The combination of two favourable factors — moderate rise in agricultural expenditure and more rapid economic growth than expected — did, admittedly, contribute to this outcome.

Table 11 also shows that the own resources ceilings were complied with throughout the period and that a substantial margin was often available.

As for the structure of own resources, the success hoped for from the 1988 reform has not yet been forthcoming. While traditional own resources have continued to decline, the VAT resource still yields by far the largest proportion of revenue and the GNP-based resource still accounts for no more than a modest proportion (*see 'The revenue of the European Union', page 16, and Table 4 and Charts 5 and 6*).

Table 7

Initial financial perspective (1988 to 1992) ⁽¹⁾

(EUR million)

	1988	1989	1990	1991	1992
Appropriations for commitments					
1. EAGGF Guarantee Section	27 500	27 700	28 400	29 000	29 600
2. Structural Funds	7 790	9 200	10 600	12 100	13 450
3. Policies with multiannual allocations	1 210	1 650	1 900	2 150	2 400
4. Other policies	2 103	2 385	2 500	2 700	2 800
of which: non-compulsory expenditure	1 646	1 801	1 860	1 910	1 970
5. Repayments and administration	5 700	4 950	4 500	4 000	3 550
of which: stock disposal	1 240	1 400	1 400	1 400	1 400
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	46 885	48 900	50 950	52 800
of which					
— compulsory expenditure	33 698	32 607	32 810	32 980	33 400
— non-compulsory expenditure	11 605	14 278	16 090	17 970	19 400
Appropriations for payments					
Appropriations for payments required	43 779	45 300	46 900	48 600	50 100
of which					
— compulsory expenditure	33 640	32 604	32 740	32 910	33 110
— non-compulsory expenditure	10 139	12 696	14 160	15 690	16 990
Appropriations for payments as % of GNP	1,12	1,14	1,15	1,16	1,17
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

⁽¹⁾ Interinstitutional Agreement (OJ L 185, 15.7.1998).

Table 8

Changes made to the initial financial perspective (1988 to 1992)

1. Ceilings in initial financial perspective after technical adjustments in line with prices and GNP ⁽¹⁾

(EUR million, Current prices)

	1988	1989	1990	1991	1992
Ceiling (commitments)	45 303	48 464	52 948	57 939	63 209
Ceiling (payments)	43 779	46 885	50 772	55 259	59 915

⁽¹⁾ Paragraph 9 of the Interinstitutional Agreement.2. Adjustments in line with conditions of implementation ⁽¹⁾

(EUR million)

Year of decision	Heading	1990	1991	1992
1989	Heading 2	24		
	Heading 3	4		
	Heading 4	9		
	Total	37		
1990	Heading 2		157	250
	Heading 3		63	80
	Heading 4			
	Total		220	330
1991	Heading 2			350
	Heading 3			115
	Heading 4			
	Total			465
	Commitments — Total	37	220	795
	Payments — Total	19	466	758

⁽¹⁾ Paragraph 10 of the Interinstitutional Agreement.

Table 8 (cont'd)

Changes made to the initial financial perspective (1988 to 1992)

3. Revisions and amendments

(EUR million)

Date of revision	Heading	1990	1991	1992	
June 1990	Heading 2 : Correction for inflation: Structural Funds		90		
	Heading 4 :	500	1 175	1 628	
	NCE : Central and Eastern Europe	500	820	970	
	NCE : Other external and internal policies		355	658	
	Heading 5 :		- 40	- 150	
	stock disposal			- 450	
	Administration		- 40	300	
	Commitments — Total	500	1 225	1 478	
	Payments — Total	500	1 225	1 478	
December 1990	Heading 2 : German unification		750	1 000	
	Heading 3 : Unused margin		- 50		
	Heading 4 :		665	110	
	CE : German unification		10	10	
	NCE : German unification		90	100	
	NCE : Internal policies		35		
	NCE : Gulf crisis		530		
	Heading 5 :		0	0	
	stock disposal		- 220	- 40	
	Repayments Spain/Portugal		180		
	Administration German unification		40	40	
	Commitments — Total		1 365	1 110	
	Payments — Total		1 085	910	
May 1991	Heading 4 :		728		
	NCE : Technical assistance USSR		400		
	NCE : Israel and Occupied Territories		88		
	NCE : Kurdish refugees		100		
	NCE : Famine in Africa		140		
	Heading 5 :		0		
	stock disposal		- 3		
	Repayments Spain/Portugal		3		
		Commitments — Total		728	
		Payments — Total		423	180

3. Revisions and amendments (cont'd)

(EUR million)

Date of revision	Heading	1990	1991	1992
February 1992	Heading 2 : Correction for inflation: Structural Funds			100
	Heading 3 : Carryovers from 1991			- 200
	Heading 4 :			412
	CE : Available margin			- 88
	NCE : IS technical assistance			450
	NCE : Tropical forests			50
	Heading 5:			- 312
	stock disposal			- 381
	Repayments Spain/Portugal			30
	Administration			40
	Commitments — Total			0
	Payments — Total			0
May 1992	Heading 3 : Redeployment			- 10
	Heading 4 : Other policies			200
	CE : Redeployment			- 5
	NCE : Food aid – Africa			205
		Commitments — Total		
	Payments — Total			190
September 1992	NCE : New Länder and certain research programmes			550
				0
				550
September 1992	Heading 4 : Humanitarian and to former Yugoslavia			100
	CE			- 20
	NCE			120
		Commitments — Total		
	Payments — Total			100

Table 9

Updated financial perspective (1988 to 1992)

(EUR million, Current prices)

Description	1988	1989	1990	1991	1992
Appropriations for commitments					
1. EAGGF Guarantee Section	27 500	28 613	30 700	33 000	35 039
2. Structural Funds	7 790	9 522	11 555	14 804	18 109
3. Policies with multiannual allocations	1 210	1 708	2 071	2 466	2 905
4. Other policies	2 103	2 468	3 229	5 648	5 936
of which : non-compulsory expenditure	1 646	1 864	2 523	4 738	5 029
5. Repayments and administration	5 700	5 153	4 930	4 559	3 893
of which : stock disposal	1 240	1 449	1 523	1 375	810
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	48 464	53 485	61 477	66 882
of which :					
— compulsory expenditure	33 698	33 764	35 454	37 199	38 503
— non-compulsory expenditure	11 605	14 700	18 031	24 278	28 379
Appropriations for payments					
Appropriations for payments required	43 779	46 885	51 291	58 458	64 081
of which :					
— compulsory expenditure	33 640	33 745	35 372	37 195	38 435
— non-compulsory expenditure	10 139	13 140	15 919	21 263	25 646
Appropriations for payments as % of GNP	1,08	1,06	1,08	1,13	1,19
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

Table 10

Budgets 1988 to 1992 by heading of the financial perspective

(EUR million, Current prices)

Description	1988	1989	1990	1991	1992
Appropriations for commitments					
1. EAGGF Guarantee Section	27 500	26 761	26 522	31 516	32 095
2. Structural Funds	7 790	9 488	11 533	14 804	18 109
3. Policies with multiannual allocations	1 210	1 695	2 071	2 466	2 905
4. Other policies	2 103	2 415	3 220	5 602	5 936
of which : non-compulsory expenditure	1 646	1 863	2 523	4 738	5 029
5. Repayments and administration	5 700	5 066	4 862	3 982	3 863
of which : stock disposal	1 240	1 449	1 470	810	810
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	46 425	49 208	59 370	63 907
of which :					
— compulsory expenditure	33 698	31 740	31 390	35 306	35 530
— non-compulsory expenditure	11 605	14 685	17 818	24 064	28 377
Appropriations for payments					
Appropriations for payments required	43 779	44 841	46 928	56 085	61 097
of which :					
— compulsory expenditure	33 640	31 792	31 364	35 268	35 457
— non-compulsory expenditure	10 139	13 049	15 564	20 817	25 640
Appropriations for payments as % of GNP	1,08	1,02	0,99	1,09	1,13
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

Chart 7

General budget — Payments 1988 to 1992 as % of Community GNP

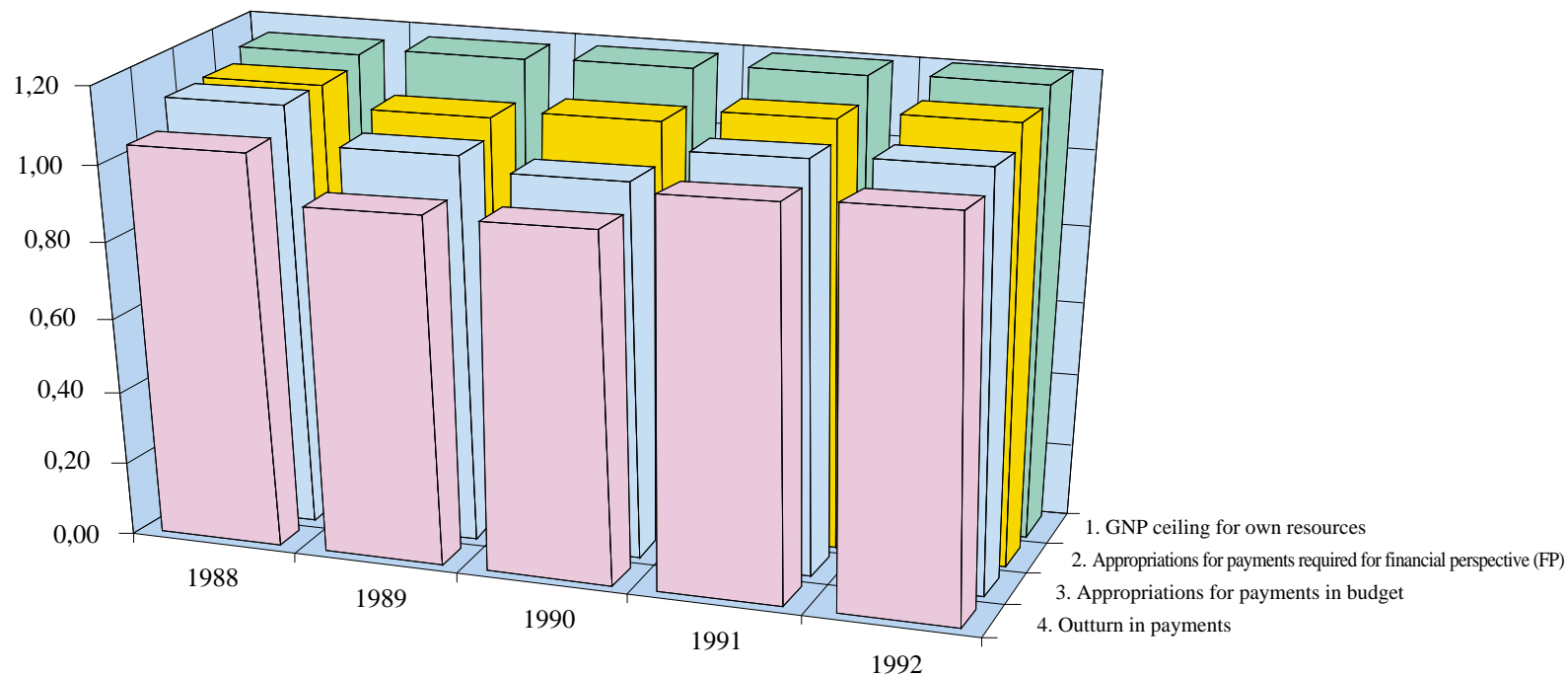


Table 11

Appropriations for payments (1988 to 1992)

(EUR million)

	1988		1989		1990		1991		1992	
	% GNP	Amount	% GNP	Amount	% GNP	Amount	% GNP	Amount	% GNP	Amount
1. GNP ceiling for own resources	1,15	44 954	1,17	51 152	1,18	55 590	1,19	61 440	1,20	66 432
2. Appropriations for payments required for financial perspective (FP)	1,08	43 779	1,06	46 885	1,08	51 291	1,13	58 458	1,19	64 081
3. Appropriations for payments in budget	1,08	43 779	1,02	44 841	0,99	46 928	1,09	56 085	1,13	61 097
4. Outturn in payments	1,01	41 022	0,92	40 757	0,93	44 063	1,04	53 511	1,07	58 490

Table 12

Summary of own resources by Member State from 1988 to 1992

(EUR million)

	1988		1989		1990		1991		1992	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Belgium	1 833,5	4,5	1 807,2	4,1	1 763,7	4,3	2 217,4	4,2	2 239,1	4,0
Denmark	955,6	2,3	871,0	2,0	775,1	1,9	1 033,5	2,0	1 034,8	1,8
Germany	11 534,9	28,2	11 110,4	25,1	10 357,5	25,0	15 394,2	29,1	16 997,5	30,2
Greece	429,9	1,1	566,3	1,3	563,6	1,4	762,1	1,4	728,6	1,3
Spain	2 678,1	6,6	3 575,1	8,1	3 671,4	8,9	4 580,2	8,7	4 828,0	8,6
France	9 095,4	22,2	8 622,8	19,5	8 089,1	19,5	10 602,0	20,1	10 493,4	18,7
Ireland	328,2	0,8	370,9	0,8	368,5	0,9	452,4	0,9	462,3	0,8
Italy	5 426,7	13,3	7 605,9	17,2	6 097,7	14,7	8 699,8	16,5	8 279,9	14,7
Luxembourg	81,6	0,2	72,8	0,2	74,5	0,2	108,8	0,2	123,5	0,2
Netherlands	2 795,6	6,8	2 700,5	6,1	2 615,2	6,3	3 537,7	6,7	3 534,0	6,3
Portugal	399,9	1,0	458,3	1,0	502,4	1,2	712,0	1,3	838,1	1,5
United Kingdom	5 323,9	13,0	6 568,1	14,8	6 534,3	15,8	4 736,4	9,0	6 702,4	11,9
Total ⁽¹⁾	40 883,3	100	44 329,3	100	41 413,0	100	52 836,5	100	56 261,7	100

⁽¹⁾ The total revenue figure also includes surpluses and miscellaneous revenue (see Table 4).

Part III

Financial perspective 1993 to 1999



Edinburgh Castle

Financial perspective 1993 to 1999

1. Negotiation of the financial perspective for a 12-nation Community

In early 1992 the Commission proposed a new financial perspective (the Delors II package) which also took account of the objectives of the Treaty on European Union even if the direct budgetary implications of the new Treaty are relatively limited. To allow for the strict constraints on Member States' budgets at a time when the economy was more depressed than expected, the Commission felt that it ought to adjust its proposal by extending the period for achieving the objectives from five to seven years, ending in 1999. This overall proposal was very much a continuation of the 1988 reform as regards the Structural Funds, budgetary discipline and own resources even though certain adjustments were made.

After changes had been negotiated to various aspects of the Commission's proposal, the European Council agreed on a financial perspective for 1993 to 1999 at its meeting in Edinburgh in December 1992. As proposed by the Commission, the Edinburgh European Council gave top priority to structural operations in the Community's most underprivileged regions. Particular attention was also paid to external action. The Edinburgh conclusions called for an increase in the resources provided for internal policies even though this increase was not as high as the Commission had hoped when it set the objective of establishing an environment favourable to the competitiveness of European industry.

Compared with the previous period, the objective of greater proportionality as regards resources was reinforced with a gradual reduction in the call-in rate for VAT which automatically increased the proportion of budget financing accounted for by the GNP-based resource (*see 'The revenue of the European Union', page 16*).

The financial perspective comprises the following six headings, which have been slightly changed in comparison with the previous period:

- Heading 1: Common agricultural policy, which now includes the accompanying measures, all aid for set-aside and income aid for farmers and the Guarantee Fund for fishery products.
- Heading 2: Economic and social cohesion measures, which, in addition to Structural Fund operations and the Financial Instrument for Fisheries Guidance, covers the Cohesion Fund established by the Treaty on European Union.

- Heading 3: Internal policies of a horizontal nature, including research and technological development and the trans-European networks.
- Heading 4: External action — operations in specific geographical areas, expenditure on food aid, humanitarian aid and emergency aid and the external aspects of certain Community policies (fisheries, environment).
- Heading 5: Administrative expenditure of the institutions.
- Heading 6: Reserves.

For the sake of continuity, the proposed breakdown is largely the same as in the financial perspective 1988 to 1992. Apart from various adjustments in the content of certain headings, the main changes concern the splitting of the old heading 4 'Other policies' into two separate headings — 'Internal policies' (new heading 3) and 'External action' (new heading 4) — the disappearance of the old heading 3 'Policies with multiannual allocations', research being included in the internal policies, and the extension of heading 6 'Reserves' to include two new reserves for external policies (emergency aid and guarantee of loans granted to non-member countries) alongside the agricultural monetary reserve.

The introduction of these new reserves will ensure that budget funds are available and can be drawn on quickly throughout the year to meet unforeseen expenditure. They were also set up in view of past experience, since they should reduce the number of revisions of the financial perspective which were needed quite frequently in the previous period (*see '1988 to 1992: 3. Outcome of the 1988 reform', page 52*).

2. The broad outlines of the financial framework agreed in Edinburgh

The financial perspective (1992 prices) drawn up for the 12-nation Community is set out in Table 13.

a) *Common agricultural policy*

The increase in expenditure under the reformed agricultural policy will still be governed by the agricultural guideline set in 1988. Under this budgetary discipline measure, the annual growth in the ceiling for agricultural expenditure must not exceed 74 % of the real rate of growth of Community GNP.

b) *Economic and social cohesion*

Following on from the doubling of the Structural Fund appropriations between 1988 and 1993, the Community will continue its regional and social development effort over the next period. Map 2 shows the regions which will be eligible for assistance from the Structural Funds for Objectives 1, 2 and 5b in the period 1993 to 1999. Even more budgetary resources will be concentrated on the most underprivileged regions where per capita GNP is less than 75 % of the Community average (Objective 1 regions). The new Länder have counted as Objective 1 regions from 1994 onwards.

The purpose of the Cohesion Fund for countries with a per capita GNP of less than 90 % of the Community average — Greece, Spain, Ireland and Portugal — is to finance environmental or transport infrastructure projects to help the recipient countries comply with Community legislation or guidelines, subject to the establishment of an economic convergence programme by these countries. With the combined assistance of the Cohesion Fund and Objective 1 of the Structural Funds, the four Member States eligible for the Cohesion Fund will, together, receive in 1999 twice what they obtained under Objective 1 in 1992.

c) *Internal policies*

According to the conclusions of the European Council, expenditure on internal policies should increase by around 30 % during this period. Research and trans-European networks were specially mentioned in the Edinburgh conclusions.

Contrary to the Commission's proposals, which attached special importance to research, expenditure in this sector will grow in line with the rest of heading 3. As agreed at Edinburgh, it should still account for between a half and two thirds of the total amount for this heading, thus remaining by far the most important item of expenditure classified under the internal policies. The adoption of the fourth framework programme (1994 to 1998) with an allocation of ECU 12,3 billion (current prices) and a reserve of ECU 700 million confirms the renewed importance attached to Community research, placing it in the upper part of the bracket agreed at Edinburgh.

The highest growth rate under internal policies is for financing the trans-European networks. The Community will contribute to the development of networks in the transport, telecommunications and energy sectors in order to promote cross-frontier links between the national networks. As Community finance will remain modest

compared with the level of investment required in this sector, the Community's activities will be limited to making a financial contribution to certain projects of common interest in a bid to attract funding from other sources.

d) *External action*

The funds provided for the Community's external action will increase by more than 40 % over the period, a trend which is considerably reinforced by the establishment of two new reserves: the reserve for emergency aid and the reserve for loan guarantees.

Although there is no predetermined breakdown of the new funds available for external action, special attention should be paid to the countries closest to the Community, i.e. the countries of Eastern Europe and the Mediterranean countries.

3. **Negotiation of the new Interinstitutional Agreement**

The conclusions of the Edinburgh European Council could not be put into effect until Parliament agreed to respect the various annual ceilings when exercising its powers. This was the purpose of the negotiations between Parliament, the Council and the Commission which ultimately led to the adoption of the new Interinstitutional Agreement.

The new Agreement signed on 29 October 1993 adopts the same basic principles as the previous Agreement as regards management of the financial perspective (see 'Some important concepts: The financial perspective', page 10). However, a number of improvements were made to improve interinstitutional cooperation and strengthen budgetary discipline.

A new collaboration procedure was introduced between the institutions at two different stages of the budgetary procedure:

- A triologue meeting has to be held to discuss possible priorities for the following financial year after the technical adjustment of the financial perspective and before the Commission's decision on the preliminary draft budget.
- An ad hoc conciliation procedure is introduced for compulsory expenditure in order to secure an agreement between the two arms of the budgetary authority.

The procedure consists of a trialogue meeting followed by a conciliation meeting which must be held, at the latest, on the day on which the Council adopts the draft budget. Parliament can thus inform the Council directly of its guidelines for compulsory expenditure, but the respective powers of the two arms of the budgetary authority are not affected by this procedure.

In addition, the principle of 'negative co-decision' will apply to the three reserves. This means that the Commission proposal will be considered adopted if the Council and Parliament fail to amend it or to reject it by common agreement.

The Agreement also lays down a number of principles to tighten budgetary discipline:

- The principles laid down in the 1982 Declaration — no budget appropriations to be implemented before adoption of a legal base and no maximum amounts to be entered in basic texts — must be respected and application of these principles improved.
- The possibility of reallocating appropriations, at least within the heading concerned, should be considered whenever the financial perspective is revised or the reserve for emergency aid is drawn on.
- When the budget is adopted, margins should be left, where possible, under the ceilings for each heading of the financial perspective so that additional appropriations may be entered if necessary without the need for any revision.
- As far as possible, headings containing insignificant amounts should not be entered in the budget.

4. Adjustment of the financial perspective with a view to enlargement of the European Union

At a trialogue meeting on 29 November 1994 Parliament, the Council and the Commission agreed on a financial perspective for the enlarged European Union following accession of Austria, Finland and Sweden in accordance with paragraph 24 of the Interinstitutional Agreement of 29 October 1993. The new financial framework was approved by the Council on 5 December 1994 and by Parliament on 13 December 1994. As a result, it was possible

not only to retain the Interinstitutional Agreement itself but also to adopt on time the 1995 budget for a 15-nation Union.

The ceilings for headings 1 to 5 were raised for the whole of the period to cover the requirements resulting from enlargement of the Union:

- common agricultural policy: the agricultural guideline was increased by 74 % of the relative GNP of the three acceding countries;
- structural operations: the Structural Fund allocations were increased in line with the Act of Accession. A new Objective 6 was created for the regions with a population density not exceeding eight inhabitants per km². The European Union budget will also cover the acceding countries' contribution to the EEA financial mechanism (grant of structural aid by the EFTA countries taking part in the Agreement on the European Economic Area).

A new subheading has therefore been entered in the financial perspective for this purpose;

- internal policies: the ceiling for heading 3 was raised by 7 % in line with the relative size of the acceding countries' GNP;
- external action: the ceiling for this heading was raised by 6,3 % in proportion to the relative population of the acceding countries;
- administrative expenditure: the ceiling for this heading rises by an average 4,66 % over the period 1995 to 1999; however, there is a provision that expenditure under this heading will be reviewed in 1996 to take account of the financing requirements for the buildings of the European institutions and the staff requirements for the new Member States.

A new heading 7 was also added to cover the compensation which Austria, Finland and Sweden would receive over the period 1995 to 1998 as part of the agricultural budget package. This compensation was being granted because Austria, Finland and Sweden were not being paid any direct per hectare aid for arable crops and beef and veal in 1995 and because of their outlay on agricultural support as they bring their prices into line with Community prices.

The institutions also took advantage of this adjustment of the financial perspective to adapt it in line with specific requirements which are not directly linked to enlargement.

- Heading 2 (Structural operations) was increased by EUR 200 million (at 1995 prices) in three equal instalments between 1995 and 1997 to finance the Northern Ireland peace programme under the Community initiatives.
- Heading 3 (Internal policies) was increased by EUR 400 million (1994 prices), spread evenly over the next five years, to finance the programme for the modernization of the textile industry in Portugal.

Table 14 sets out the new financial framework (1992 prices) negotiated for the enlarged European Union in November 1994. From 1 January 1995, this replaced the financial perspective adopted by the Edinburgh European Council in December 1992. The figures are updated in Table 15 (see 'Some important concepts: The financial perspective', page 10). The updated financial perspective (Table 16) forecasts that the margin for unforeseen expenditure between the ceiling for appropriations for payments and the own resources ceiling will be far greater than the previous figure and will now come to 0,03 % of GNP at the end of the period.

Table 13

Initial financial perspective (1993 to 1999) (EUR 12) ⁽¹⁾*(EUR million, 1992 prices)*

	1993	1994	1995	1996	1997	1998	1999
Appropriations for commitments							
1. Common agricultural policy	35 230	35 095	35 722	36 364	37 023	37 697	38 389
2. Structural Funds	21 277	21 885	23 480	24 990	26 526	28 240	30 000
2.1. Structural Funds	19 777	20 135	21 480	22 740	24 026	25 690	27 400
2.2. Cohesion Fund	1 500	1 750	2 000	2 250	2 500	2 550	2 600
3. Internal policies	3 940	4 084	4 323	4 520	4 710	4 910	5 100
4. External action	3 950	4 000	4 280	4 560	4 830	5 180	5 600
5. Administrative expenditure	3 280	3 380	3 580	3 690	3 800	3 850	3 900
6. Reserves	1 500	1 500	1 100	1 100	1 100	1 100	1 100
Monetary reserve	1 000	1 000	500	500	500	500	500
External action:							
— loan guarantees	300	300	300	300	300	300	300
— emergency aid	200	200	300	300	300	300	300
Commitment appropriations – Total	69 177	69 944	72 485	75 224	77 989	80 977	84 089
Payment appropriations – Total	65 908	67 036	69 150	71 290	74 491	77 249	80 114
Total payment appropriations (% of GNP)	1,20	1,19	1,20	1,21	1,23	1,25	1,26
Margin (% of GNP)	0,00	0,01	0,01	0,01	0,01	0,01	0,01
Own resources ceiling (% of GNP)	1,20	1,20	1,21	1,22	1,24	1,26	1,27

⁽¹⁾ Interinstitutional Agreement (OJ C 331, 7.12.1993).

Table 14

Initial financial perspective for the enlarged Union (EUR 15) (1995 to 1999) ⁽¹⁾*(EUR million, 1992 prices)*

	1995	1996	1997	1998	1999
Appropriations for commitments					
1. Common agricultural policy	35 354	37 245	37 922	38 616	39 327
2. Structural Funds	24 477	26 026	27 588	29 268	30 945
2.1. Structural Funds	22 369	23 668	24 980	26 610	28 345
2.2. Cohesion Fund	2 000	2 250	2 500	2 550	2 600
2.3. EEA financial mechanism	108	108	108	108	0
3. Internal policies	4 702	4 914	5 117	5 331	5 534
4. External action	4 549	4 847	5 134	5 507	5 953
5. Administration	3 738	3 859	3 974	4 033	4 093
6. Reserves	1 100	1 100	1 100	1 100	1 100
Monetary reserve	500	500	500	500	500
Guarantee reserve	300	300	300	300	300
Emergency aid reserve	300	300	300	300	300
7. Compensation	1 547	701	212	99	0
Commitment appropriations – Total	75 467	78 692	81 047	83 954	86 952
Payments appropriations – Total	72 020	74 605	77 372	80 037	82 778
Appropriations for payments as % of GNP	1,21	1,21	1,22	1,22	1,24
Margin as % of GNP	0,00	0,01	0,02	0,03	0,03
Own resources ceiling as % of GNP	1,21	1,22	1,24	1,26	1,27

⁽¹⁾ OJ C 395, 31.12.1994, p. 1.

Table 15

Changes made to the initial financial perspective (1993 to 1999)1. Ceilings in initial financial perspective after technical adjustments in line with prices and GNP ⁽¹⁾*(EUR million, Current prices)*

	EUR 12		EUR 15				
	1993	1994	1995	1996	1997	1998	1999
Ceiling (commitments)	72 021	73 311	80 943	86 604	90 229	94 744	100 112
Ceiling (payments)	68 611	70 232	77 229	82 223	85 807	90 581	95 275

2. Adjustments in line with conditions of implementation ⁽²⁾*(EUR million, Current prices)*

Year of decision	Heading	EUR 12		EUR 15				
		1993	1994	1995	1996	1997	1998	1999
April 1995	Heading 2: Structural Funds transfer (CA) Adjustment payments (PA)				869 935	869 696	434	173
April 1996	Heading 2: — Structural Funds transfer (CA) — Cohesion Fund transfer (CA) Ceiling (payments)					380 11 186	1 000 633	693 632
April 1997	Heading 2: — Structural Funds transfer (CA) — Cohesion Fund transfer (CA) Ceiling (payments)						– 500 – 300	1 045 17 300
April 1998	Heading 2: — Structural Funds transfer (CA) — Cohesion Fund transfer (CA) Ceiling (payments)							1 433 101 300a
	Commitments — Total				869	1 260	500	3 289
	Payments — Total				935	882	767	1 405

3. Revisions and amendments ⁽³⁾*(EUR million, Current prices)*

Date of revision	Heading	EUR 12		EUR 15				
		1993	1994	1995	1996	1997	1998	1999
March 1994	Heading 3: Restimulate economic activity Heading 4: Middle East peace process Heading 5: Depreciation of ecu against Belgian franc		45 75 55					
	Commitments — Total		175					
	Payments — Total		120					

⁽¹⁾ Paragraph 9 of the Interinstitutional Agreement.⁽²⁾ Paragraph 10 of the Interinstitutional Agreement.⁽³⁾ Paragraphs 11 to 13 of the Interinstitutional Agreement.

Table 16

Updated financial perspective (1993 to 1999)

(EUR million, Current prices)

	EUR 12		EUR 15				
	Current prices		Current prices				
	1993	1994	1995	1996	1997	1998	1999
Appropriations for commitments							
1. Common agricultural policy	36 657	36 465	37 944	40 828	41 805	43 263	45 205
2. Structural Funds	22 192	23 176	26 329	29 131	31 477	33 461	39 025
2.1. Structural Funds	20 627	21 323	24 069	26 579	28 620	30 482	35 902
2.2. Cohesion Fund	1 565	1 853	2 152	2 444	2 749	2 871	3 118
2.3. EEA financial mechanism			108	108	108	108	5
3. Internal policies	4 109	4 370	5 060	5 337	5 603	6 003	6 386
4. External action	4 120	4 311	4 895	5 264	5 622	6 201	6 870
5. Administrative expenditure	3 421	3 634	4 022	4 191	4 352	4 541	4 723
6. Reserves	1 522	1 530	1 146	1 152	1 158	1 176	1 192
Monetary reserve	1 000	1 000	500	500	500	500	500
Guarantee reserve	313	318	323	326	329	338	346
Emergency aid reserve	209	212	323	326	329	338	346
7. Compensation			1 547	701	212	99	0
Commitment appropriations – Total	72 021	73 486	80 943	86 604	90 229	94 744	103 401
Payments appropriations – Total	68 611	70 352	77 229	82 223	85 807	90 581	96 680
Margin as % of GNP	1,20	1,20	1,20	1,20	1,22	1,23	1,24
Margin as % of GNP	0,00	0,00	0,01	0,02	0,02	0,03	0,03
Own resources ceiling as % of GNP	1,20	1,20	1,21	1,22	1,24	1,26	1,27

Chart 8

Updated financial perspective (1993 to 1999)

(EUR million)

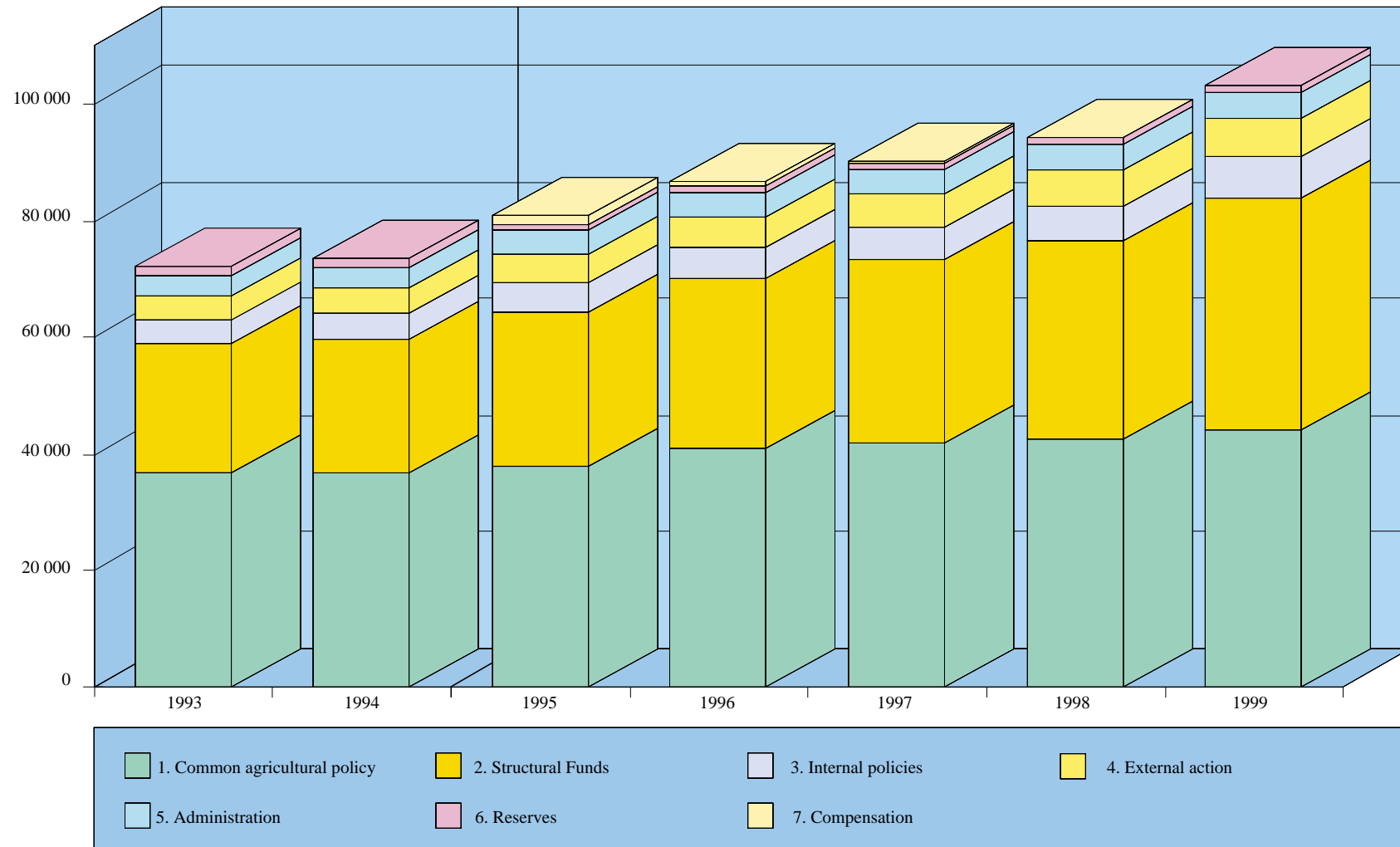


Table 17

Comparison between financial perspective, budget and outturn from 1993 to 1999

(EUR million)

	1993			1994			1995			1996		
	FP	Budget	Outturn	FP	Budget	Outturn	FP	Budget	Outturn	FP	Budget	Outturn
Appropriations for commitments												
1. Common agricultural policy	36 657	35 352	35 032	36 465	34 787	32 970	37 944	36 894	34 503	40 828	40 828	39 360
2. Structural Funds	22 192	22 192	22 178	23 176	23 176	21 430	26 329	26 329	24 243	29 131	29 131	28 614
2.1. Structural Funds	20 627	20 627	20 614	21 323	21 323	19 577	24 069	24 069	22 001	26 579	26 579	26 083
2.2. Cohesion Fund	1 565	1 565	1 565	1 853	1 853	1 853	2 152	2 152	2 152	2 444	2 444	2 444
2.3. EEA financial mechanism							108	108	90	108	108	87
3. Internal policies	4 109	4 108	4 066	4 370	4 365	4 339	5 060	5 055	5 018	5 337	5 321	5 218
4. External action ⁽¹⁾	4 120	4 115	4 294	4 311	4 297	4 483	4 895	4 873	5 061	5 264	5 264	5 524
5. Administrative expenditure	3 421	3 417	3 365	3 634	3 634	3 581	4 022	3 999	3 924	4 191	4 184	4 108
6. Reserves	1 522	1 224	14	1 530	1 530	294	1 146	1 146	251	1 152	1 152	235
Monetary reserve	1 000	1 000	0	1 000	1 000	0	500	500	0	500	500	0
Guarantee reserve	313	15	14	318	318	294	323	323	251	326	326	235
Emergency aid reserve	209	209	0	212	212	0	323	323	0	326	326	0
7. Compensation							1 547	1 547	1 547	701	701	701
Commitment appropriations – Total	72 021	70 408	68 950	73 486	71 789	67 098	80 943	79 843	74 546	86 604	86 580	83 760
Payments appropriations – Total	68 611	66 858	64 783	70 352	68 355	59 273	77 229	75 438	66 547	82 223	81 943	77 032

⁽¹⁾ The outturn includes EUR 209 million transferred from the emergency aid reserve in 1993, EUR 212 million transferred in 1994, EUR 235,5 million transferred in 1995 and EUR 326 million transferred in 1996.

Table 17 (cont'd)

Comparison between financial perspective, budget and outturn from 1993 to 1999

(EUR million)

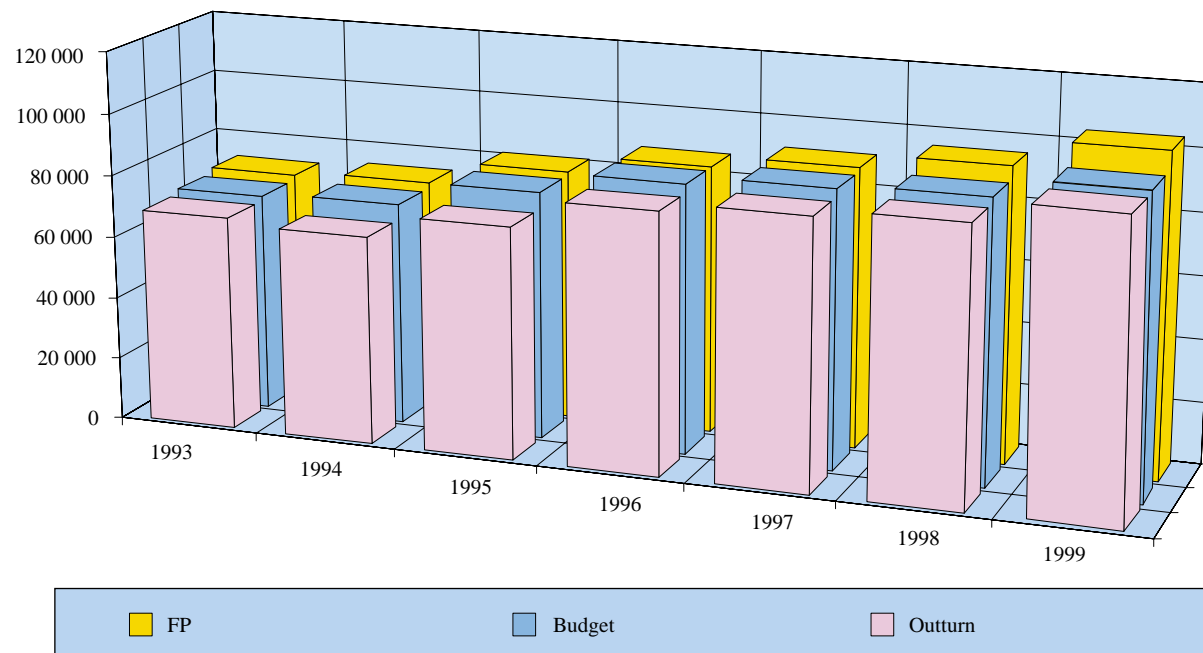
	1997			1998			1999		
	FP	Budget	Outturn	FP	Budget	Outturn	FP	Budget	Outturn
Appropriations for commitments									
1. Common agricultural policy	41 805	40 805	40 423	43 263	39 937	39 084	45 205	40 060	39 574
2. Structural Funds	31 477	31 477	30 215	33 461	33 461	33 375	39 025	39 001	38 881
2.1. Structural Funds	28 620	28 620	27 363	30 482	30 482	30 387	35 902	35 878	35 761
2.2. Cohesion Fund	2 749	2 749	2 749	2 871	2 871	2 882	3 118	3 118	3 119
2.3. EEA financial mechanism	108	108	103	108	108	106	5	5	0
3. Internal policies	5 603	5 601	5 576	6 003	5 756	5 699	6 386	5 864	5 701
4. External action ⁽¹⁾	5 622	5 601	5 525	6 201	5 731	5 633	6 870	6 044	6 319
5. Administrative expenditure	4 352	4 284	4 206	4 541	4 503	4 403	4 723	4 504	4 347
6. Reserves	1 158	1 158	291	1 176	1 176	272	1 192	1 192	300
Monetary reserve	500	500	0	500	500	0	500	500	0
Guarantee reserve	329	329	286	338	338	272	346	346	300
Emergency aid reserve	329	329	5	338	338	0	346	346	0
7. Compensation	212	212	212	99	99	99			
Commitment appropriations – Total	90 229	89 137	86 448	94 744	90 663	88 566	103 401	96 665	95 122
Payments appropriations – Total	85 807	82 366	79 819	90 581	83 529	80 878	96 680	85 584	83 492

⁽¹⁾ The outturn includes EUR 209 million transferred from the emergency aid reserve in 1993, EUR 212 million transferred in 1994, EUR 235,5 million transferred in 1995 and EUR 326 million transferred in 1996.

Chart 9

Comparison between financial perspective, budget and outturn (1993 to 1999)
(Commitments)

(EUR million)



(EUR million)

EUR 12		EUR 15											
1993	1994	1995	1996	1997	1998	1999							
FP	72 021	FP	73 486	FP	80 943	FP	86 604	FP	90 229	FP	94 744	FP	103 401
Budget	70 408	Budget	71 789	Budget	79 843	Budget	86 580	Budget	89 137	Budget	90 663	Budget	96 665
Outturn	68 950	Outturn	67 098	Outturn	74 546	Outturn	83 760	Outturn	86 448	Outturn	88 566	Outturn	95 122

Table 18

Summary of own resources by Member State from 1993 to 1999 ⁽¹⁾

(EUR million)

	Outturn 1993		Outturn 1994		Outturn 1995		Outturn 1996		Outturn 1997		Outturn 1998		Outturn 1999	
	Amount	%	Amount	%	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	3 130,9	3,8	3 196,2	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	1 694,7	2,1	1 656,2	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	20 633,0	25,1	21 069,0	25,5
Greece	1 011,2	1,6	992,3	1,5	985,2	1,5	1 105,9	1,6	1 178,4	1,6	1 310,3	1,6	1 348,8	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	5 752,4	7,0	6 231,3	7,6
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	13 584,3	16,5	13 993,8	17,0
Ireland	567,4	0,9	638,9	1,0	664,8	1,0	681,6	1,0	687,0	0,9	984,7	1,2	1 059,7	1,3
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	1 0581,4	12,9	10 765,8	13,0
Luxembourg	167,0	0,3	165,4	0,3	167,6	0,2	160,7	0,2	170,7	0,2	216,7	0,3	194,2	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	5 104,5	6,2	5 091,4	6,2
Austria					1 762,9	2,6	1 874,0	2,6	2 110,4	2,8	2 085,8	2,5	2 053,7	2,5
Portugal	909,4	1,4	1 215,6	1,9	864,9	1,3	851,9	1,2	1 077,8	1,4	1 104,6	1,3	1 227,6	1,5
Finland					887,4	1,3	964,0	1,4	1 061,9	1,4	1 145,8	1,4	1 210,7	1,5
Sweden					1 658,3	2,4	1 968,2	2,8	2 326,0	3,1	2 382,7	2,9	2 348,8	2,8
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	12 537,2	15,2	11 083,5	13,4
Total ⁽¹⁾	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	82 249,2	100,0	82 530,8	100,0

⁽¹⁾ The total revenue figure also includes surpluses and miscellaneous revenue (see Table 4).

Part IV
2000 budget



*European Parliament plenary session,
Strasbourg*

2000 budget

The 2000 budget was declared adopted after Parliament's second reading on 16 December 1999

It is the first budget established under the financial perspective for 2000-06 contained in the Interinstitutional Agreement of 6 May 1999 and totals EUR 93 323 million in appropriations for commitments, 3.5 % down on 1999, and EUR 89 441 million in appropriations for payments, a 4.5% increase. The total appropriations for payments are equivalent to 1.11% of GNP.

This budget manages to comply with the tight spending targets set by the Commission in its original proposals and by the two arms of the budgetary authority throughout the budgetary procedure, while at the same time covering the Union's priorities for 2000, in particular reconstruction in Kosovo.

Agricultural expenditure totals EUR 40 994 million. The bulk is for market organisation measures (EUR 36 889 million). An across-the-board cut kept the appropriations well below the sub-ceiling (EUR 41 738 million). The other EUR 4 105 million is for the "second agricultural pillar", expenditure on rural development and accompanying measures, including EUR 50 million for improving the processing and marketing of agricultural products (in connection with the dioxin crisis). The margin remaining beneath the ceiling for the heading is EUR 744 million

As this will be the first year of a new programming period, the commitment appropriations for structural measures (EUR 32 678 million) are down on the exceptionally large amounts in 1999 (EUR 39 billion), while payment appropriations (EUR 31 801 million) continue to increase (+4.5 %) to clear outstanding commitments. Of these amounts EUR 2 659 million for commitments and EUR 2 800 million for payments are for the Cohesion Fund.

The internal policies have a total allocation of EUR 6 028 million in appropriations for commitments, 2.8% up on the 1999 budget, and EUR 5 674 million in appropriations for payments (+13%).

The resources are concentrated on a number of top priorities because of the leverage they exert on growth and employment, and on the development and distribu-

tion of new technologies. Research is allocated EUR 3 630 million in commitment appropriations and EUR 3 600 million in payment appropriations, a sharp increase (of around 20%) warranted by the large volume of outstanding commitments. The second major spending area is the Trans-European networks (EUR 688 million in commitment appropriations, up by 17.6 %). Measures on education, vocational training and youth policy receive a substantial 9% increase at EUR 481.5 million in commitment appropriations. The budgetary impact of the ratification of the Treaty of Amsterdam is also accommodated, in particular as it affects justice and home affairs, with the insertion of a new title covering all the operations for setting up an area for freedom, security and justice and an allocation totalling EUR 97 million (including EUR 26 million for the European Refugee Fund alone).

The allocations for external action come to a total of EUR 4 825 million for commitments, an increase of 3,3 % over 1999, and EUR 3 612 million for payments. The 2000 budget will cover the immediate needs for reconstruction in Kosovo. After the entire EUR 200 has been drawn under the flexibility instrument, a total of EUR 360 million will be available for Kosovo in 2000. The appropriations will also cover new needs for aid to East Timor (EUR 20 million), Turkish earthquake victims (EUR 30 million) and the fisheries agreement with Morocco (EUR 125 million).

In accordance with the new financial perspective the pre-accession strategy is identified in a new heading 7 with an allocation of EUR 3 167 million for commitments and EUR 1 696 million for payments, with a new instrument for agriculture (SAPARD, EUR 529 million for commitments and EUR 200 million for payments) and one for infrastructure (ISPA, EUR 1 058 million for commitments and EUR 245 million for payments) in addition to the Phare programme, whose allocation is raised to EUR 1 580 million for commitments and EUR 1 251 million for payments.

The EUR 4 725 million for administrative expenditure is divided into EUR 3 069 million for the Commission and EUR 1 656 million for the other institutions, a balanced increase of around 4,9 %, while expenditure on pensions for all the institutions increases by 14.9%. A feature of the 2000 budget is that all the technical and administrative assistance expenditure borne by the operational items is identified.

Between the beginning of 2000 and the drafting of "The Community budget: the facts in figures", the 2000 budget was amended by two supplementary and amending budgets. These changes are taken into account in the figures given in the tables of this report

The first proposal for a supplementary and amending budget was dealt with in a single reading by the Council and then Parliament and was adopted on 7 July 2000. It incorporates under the revenue section the balance from 1999, the new estimates of own resources made in April 2000, the final calculation of the UK compensation for 1996 and the provisional calculation for 1999. Under expenditure, it covers the extra €1 million for the European Medicines Evaluation Agency for orphans medicines, the entry of €11 million for provisional civil

administrations (offset by an equivalent decrease in the appropriations set aside for an instrument to promote investment in developing countries for which the legal base is unlikely to be adopted) and €20 million for macro-financial aid for Montenegro. Finally, lines with a token entry have been created for the future rapid reaction instrument pending adoption of the legal base.

In the second supplementary and budget, €15 million has been added to Section I — Parliament — in respect of its building policy, and €6.6 million to Section II — Council — for the European common foreign and security policy, particularly with a view to reinforcing the staff of its General Secretariat with military experts seconded from the Member States.

Table 19

Comparison between 1999 budget, 2000 financial perspective and 2000 budget

(EUR million)

	Budget 1999	FP 2000	Budget 2000	4 = 3/1 %	Margin (5 = 2 - 3)
	(1)	(2)	(3)		
Appropriations for commitments					
1. Common agricultural policy	40 060	41 738	40 994	2,3	744
2. Structural Funds	39 001	32 678	32 678	- 16,2	0
Structural Funds	35 878	30 019	30 019	- 16,3	0
Cohesion Fund	3 118	2 659	2 659	- 14,7	0
EEA financial mechanism	5	0			0
3. Internal policies	5 864	6 031	6 028	2,8	3
4. External action	4 672	4 627	4 825 (*)	3,3	- 198
5. Administrative expenditure	4 504	4 798	4 725	4,9	73
6. Reserves	1 192	906	906	- 24,0	0
Monetary reserve	500	500	500	0,0	0
Guarantee reserve	346	203	203	- 41,3	0
Emergency aid reserve	346	203	203	- 41,3	0
7. Pre-accession aid	1 372	3 174	3 167	130,7	7
Commitment appropriations – Total	96 665	93 952	93 323	- 3,5	629
Payments appropriations – Total	85 584	91 482	89 441	4,5	2 041
Total payment appropriations (% of GNP)	1,06	1,13	1,11		
Margin (% of GNP)	0,20	0,14	0,16		
Own resources ceiling (% of GNP)	1,26	1,27	1,27		

(*) Including the use of EUR 200 million from the flexibility instrument

Table 20

The 2000 budget by subsection

(EUR million)

	Budget 2000				Change on 1999 budget (%)		Change on 1999 budget (Amount)	
	Commitments		Payments		Commitments	Payments	Commitments	Payments
	Amount	%	Amount	%				
Commission (Section III)								
B1 — EAGGF Guarantee Section	41 493,9	44,5	41 493,9	46,4	2,4	2,4	955,9	955,9
B2 — Structural operations, structural and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries.	32 811,6	35,2	31 957,0	35,7	(16,4)	4,2	(6 447,4)	1 299,7
B3 — Training, youth, culture, audiovisual media, information, the social dimension and employment	841,6	0,9	718,5	0,8	4,2	(2,6)	33,6	(19,5)
B4 — Energy, Euratom nuclear safeguards and environment	211,2	0,2	188,2	0,2	(10,3)	(5,2)	(24,2)	(10,2)
B5 — Consumer protection, internal market, industry and trans-European networks	1 211,7	1,3	1 013,1	1,1	6,8	14,2	77,5	125,8
B6 — Research and technological development	3 630,0	3,9	3 600,0	4,0	5,2	20,4	180,0	609,8
B7 — External action	8 147,8	8,7	5 511,6	6,2	28,0	17,2	1 783,9	806,9
B8 — Common foreign and security policy	47,0	0,1	30,0	0,0	74,1	46,0	20,0	9,5
B0 — Guarantees, reserves and compensation	203,0	0,2	203,0	0,2	(41,3)	(41,3)	(143,0)	(143,0)
Operating appropriations — Total (Section III/B)	88 597,7	94,9	84 715,3	94,7	(3,9)	4,5	(3 563,6)	3 634,8
Administrative appropriations — Total (Section III/A)	3 069,3	3,3	3 069,3	3,4	5,0	5,0	146,3	146,3
Commission — Total (Section III)	91 667,0	98,2	87 784,6	98,1	(3,6)	4,5	(3 417,3)	3 781,1
Other institutions (Sections I, II, IV, V et VI)	1 656,0	1,8	1 656,0	1,9	4,7	4,7	74,9	74,9
Grand total	93 323,0	100,0	89 440,6	100,0	(3,5)	4,5	(3 342,4)	3 856,0

Chart 10

**The 2000 budget by subsection
(Commitments)**

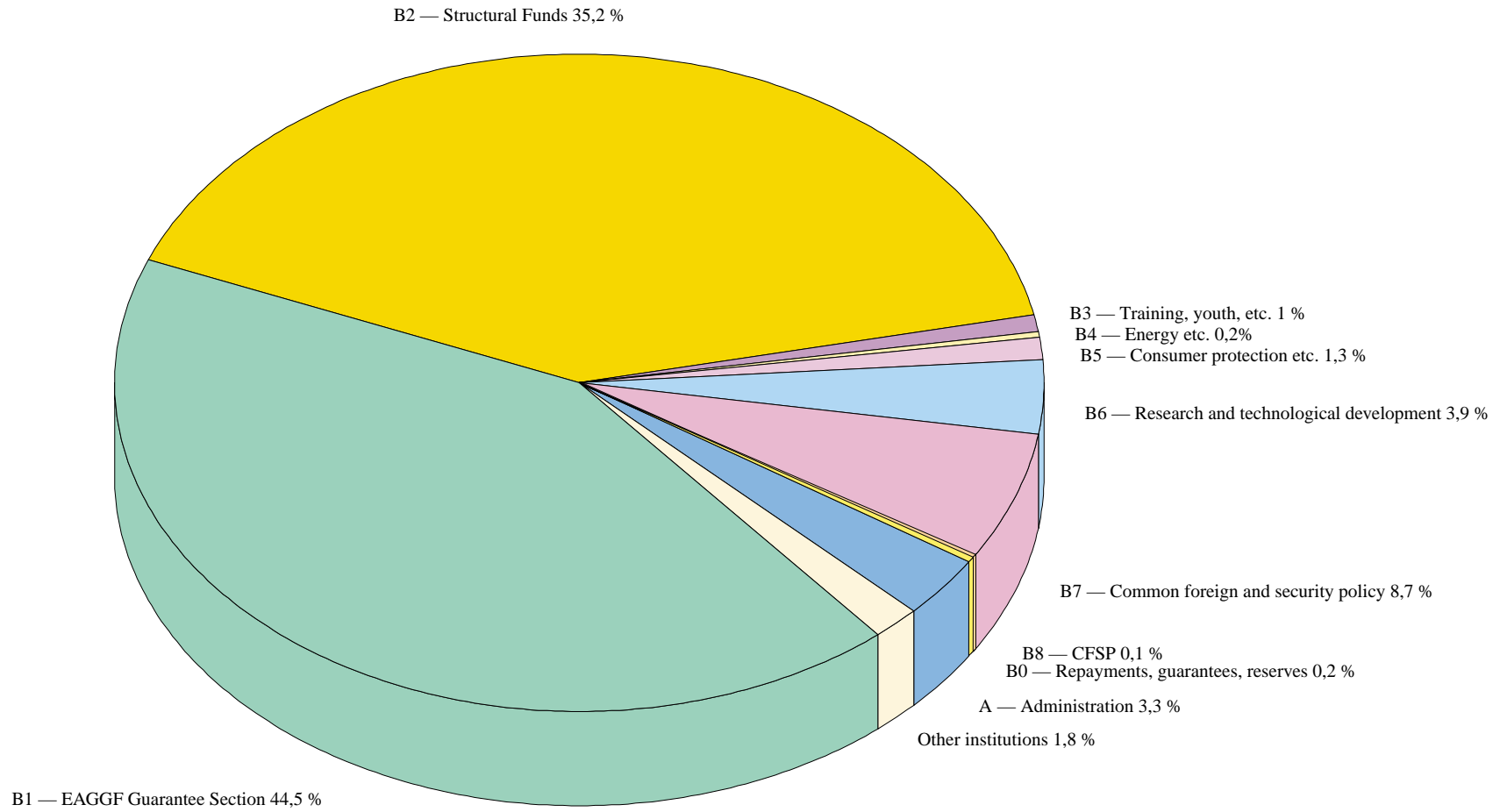


Chart 11

Change in the 2000 budget over the 1999 budget by subsection
(Appropriations for commitments)

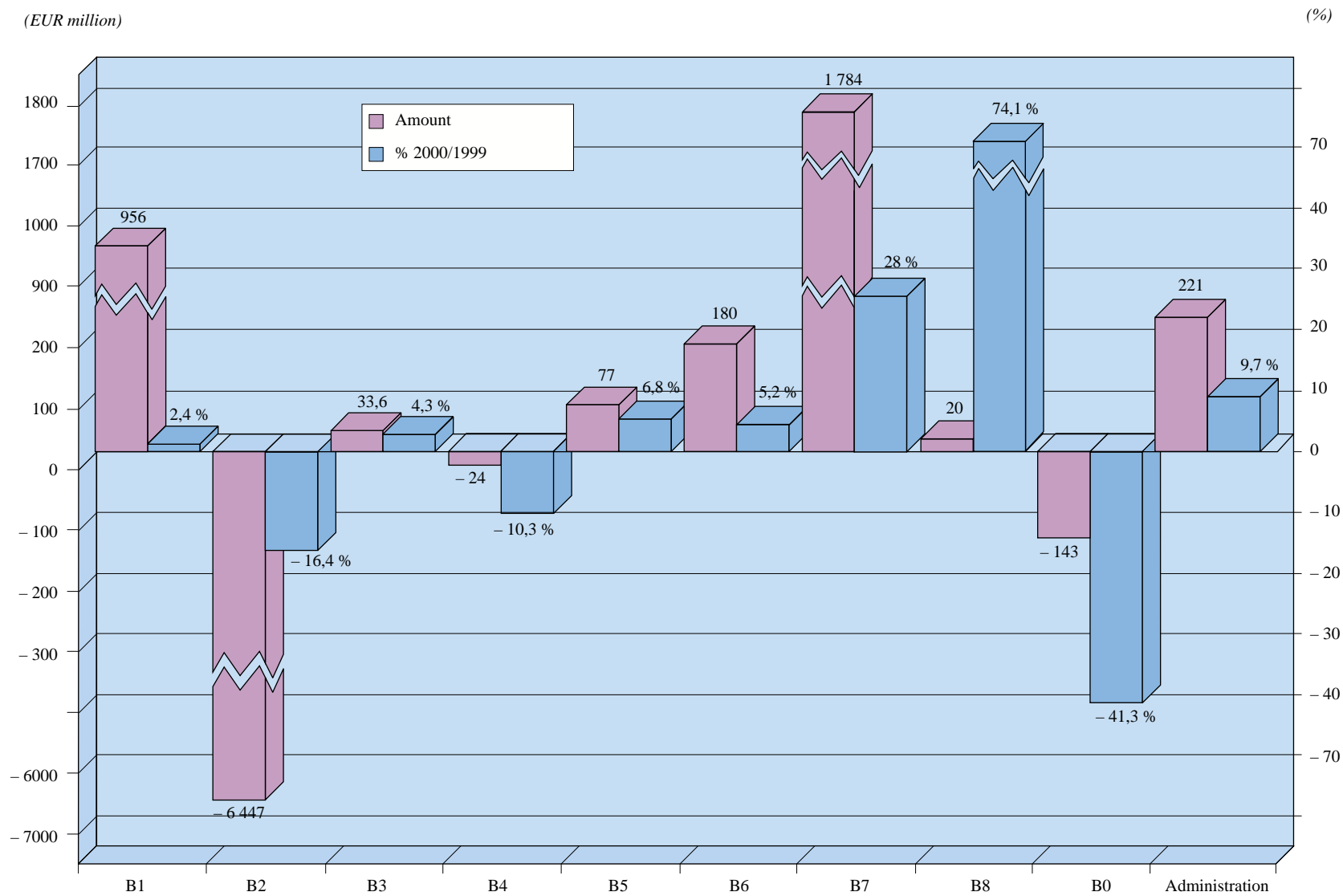


Table 21

The 2000 budget — EAGGF Guarantee Section (Subsection B1)

(EUR million)

	Budget 2000		Change on 1999 budget (%)
	Amount	%	
B1-1 — Dried fodder and grain legumes	25 867,0	62,3	(3,8)
— Arable crops	16 641,0	40,1	(6,7)
— Sugar	1 996,0	4,8	3,0
— Olive oil	2 190,0	5,3	(0,6)
— Dried fodder and dried vegetables	380,0	0,9	(2,1)
— Fibre plants and silkworms	1 024,0	2,5	5,8
— Fruit and vegetables	1 654,0	4,0	1,4
— Products of the vine-growing sector	695,0	1,7	5,1
— Tobacco	975,0	2,3	(0,5)
— Other	312,0	0,8	7,6
B1-2 — Animal products	9 521,0	22,9	(1,1)
— Milk and milk products	2 735,0	6,6	6,0
— Beef/veal	4 465,0	10,8	(8,4)
— Sheepmeat and goatmeat	1 832,0	4,4	4,4
— Pigeat, eggs and poultrymeat	465,0	1,1	27,4
— Other animal products aid measures	10,0	0,0	(65,5)
— European Fisheries Guarantee Fund	14,0	0,0	(30,0)
B1-3 — Ancillary expenditure	1 501,0	3,6	61,7
B1-4 — Rural development	4 084,0	9,8	57,3
B1-5 — Accompanying measures	20,9	0,1	—
B1-6 — Monetary reserve	500,0	1,2	0,0
Subsection B1 — Total	41 493,9	100,0	2,4

Chart 12

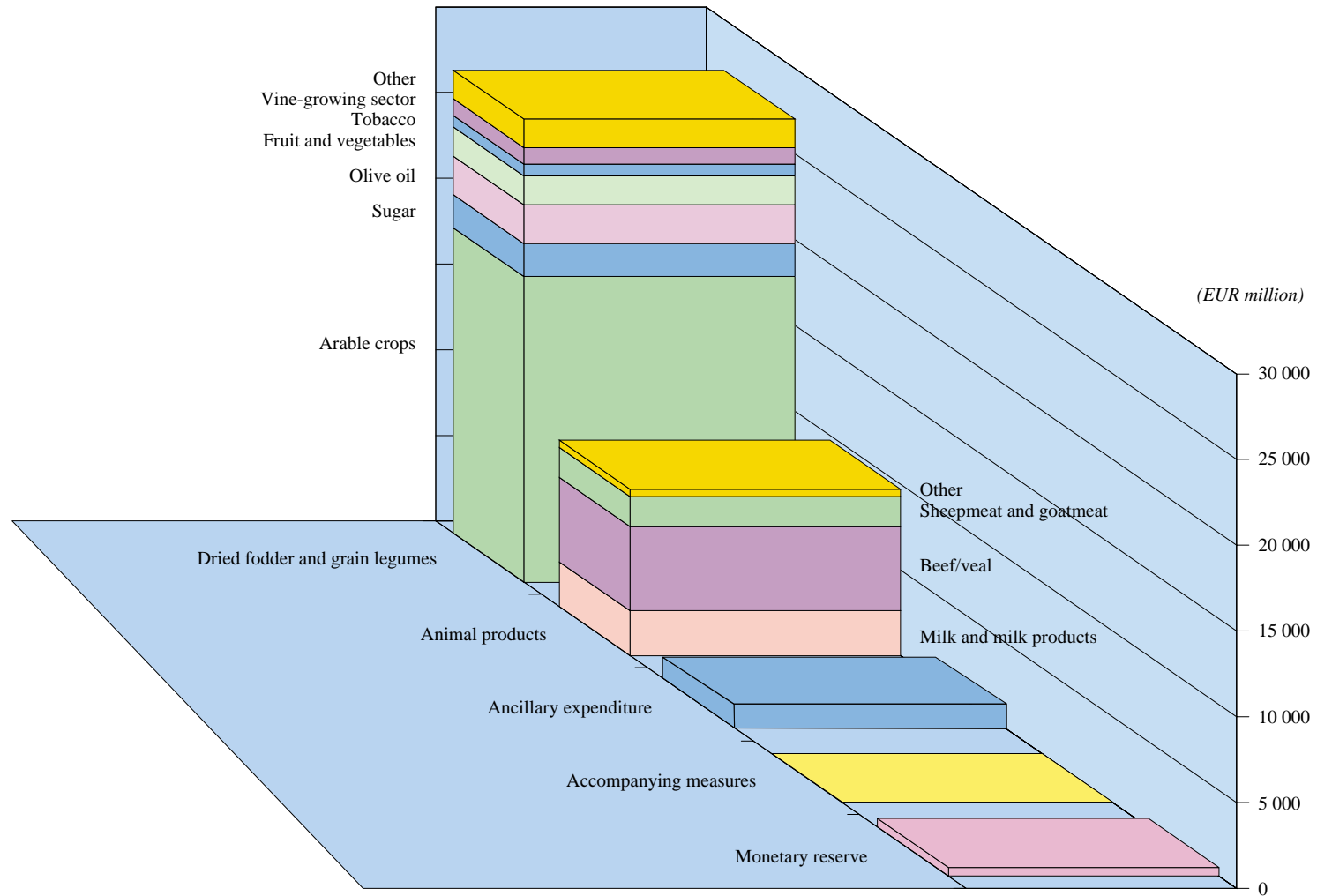
Breakdown of Subsection B1: EAGGF Guarantee Section 2000

Table 22

**The 2000 budget — Structural operations, structural and cohesion expenditure, financial mechanism,
other agricultural and regional operations, transport and fisheries (Subsection B2)**

(EUR million)

				Budget 2000		Change on 1999 budget (%)	
				Commitments	Payments	Commitments	Payments
B2-1 — Structural Funds				30 019,0	29 001,6	(16,3)	5,3
<i>Community support frameworks</i>	<i>Obj. 1</i>	<i>Obj. 2</i>	<i>Obj. 3</i>				
— EAGGF Guidance Section	2 618,5			2 618,5	3 510,4	(49,3)	(7,0)
— FIFG	403,2			403,2	4 98,0	(50,1)	3,3
— ERDF	12 761,2	3 004,1		15 765,3	14 226,4	0,8	12,0
— European Social Fund	4 998,1	663,9	3 505,0	9 167,1	7 675,0	(4,6)	5,9
<i>Subtotal — CSF (commitments)</i>	<i>20 781,0</i>	<i>3 668,0</i>	<i>3 505,0</i>	<i>27 954,0</i>	<i>25 909,9</i>	<i>(10,5)</i>	<i>7,0</i>
— Community initiatives				1 743,0	3 091,7	(59,0)	1,5
— Other				322,0		(22,8)	(100,0)
B2-3 — Cohesion Fund				2 659,0	2 800,0	(14,7)	(2,7)
B2-4 — Structural and cohesion expenditure and expenditure for the financial mechanism relating to the accession of new Member States				p.m.	p.m.	(100,0)	(100,0)
B2-5 — Other agricultural operations				52,5	82,0	(64,5)	(37,7)
B2-6 — Other regional operations				15,0	19,5	(11,8)	(11,5)
B2-7 — Transport				20,5	18,7	(3,3)	(2,6)
B2-9 — Other measures concerning fisheries and the sea				45,6	35,3	(36,7)	(43,0)
Subsection B2 — Total				32 811,6	31 957,0	(16,4)	4,2

Chart 13

Breakdown of Subsection B2: Structural operations, structural and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries 2000

(Appropriations for commitments)

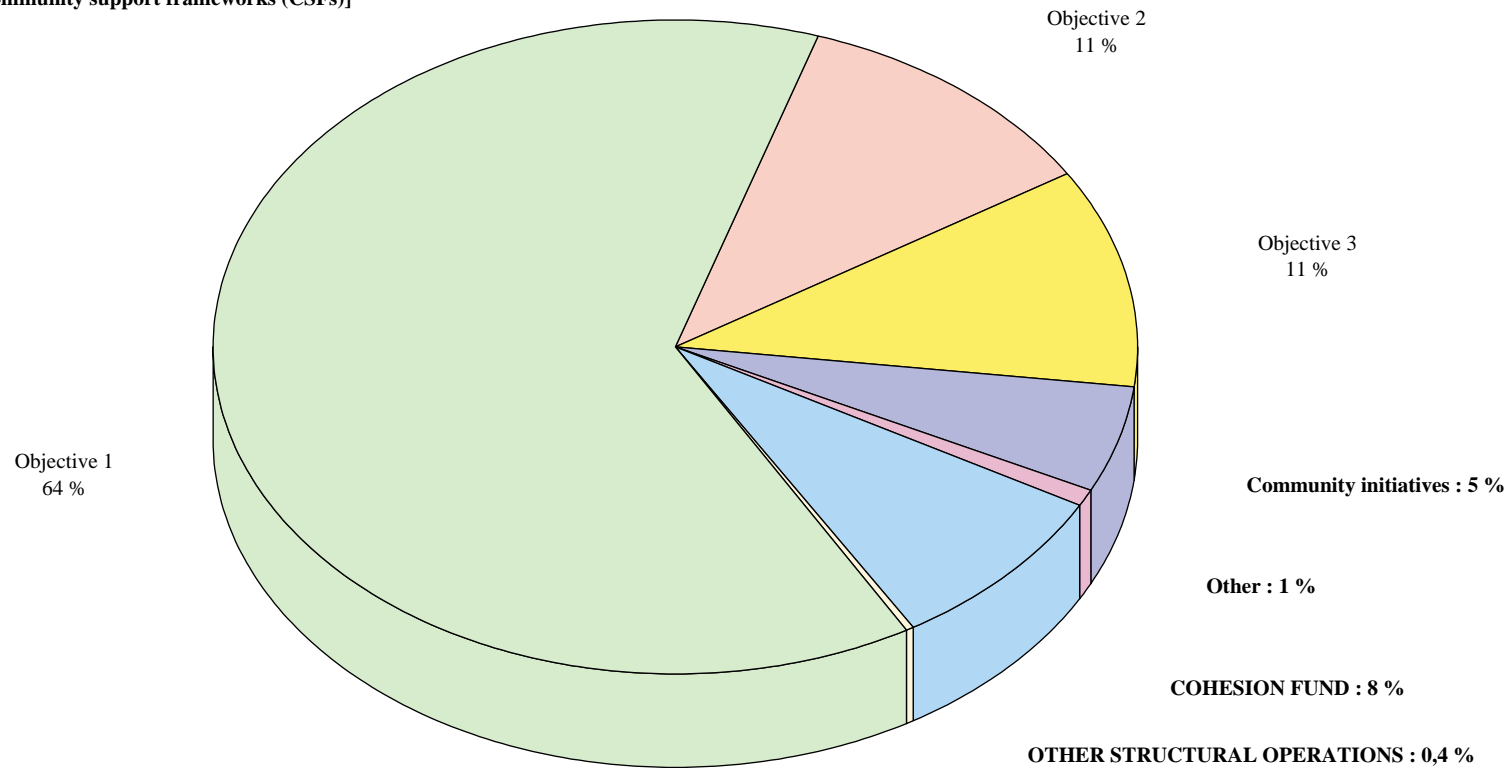
STRUCTURAL FUNDS : 91,6 %
[Community support frameworks (CSFs)]

Chart 14

Breakdown of Subsection B2 : Structural operations, structural and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries 2000
 (Appropriations for commitments)

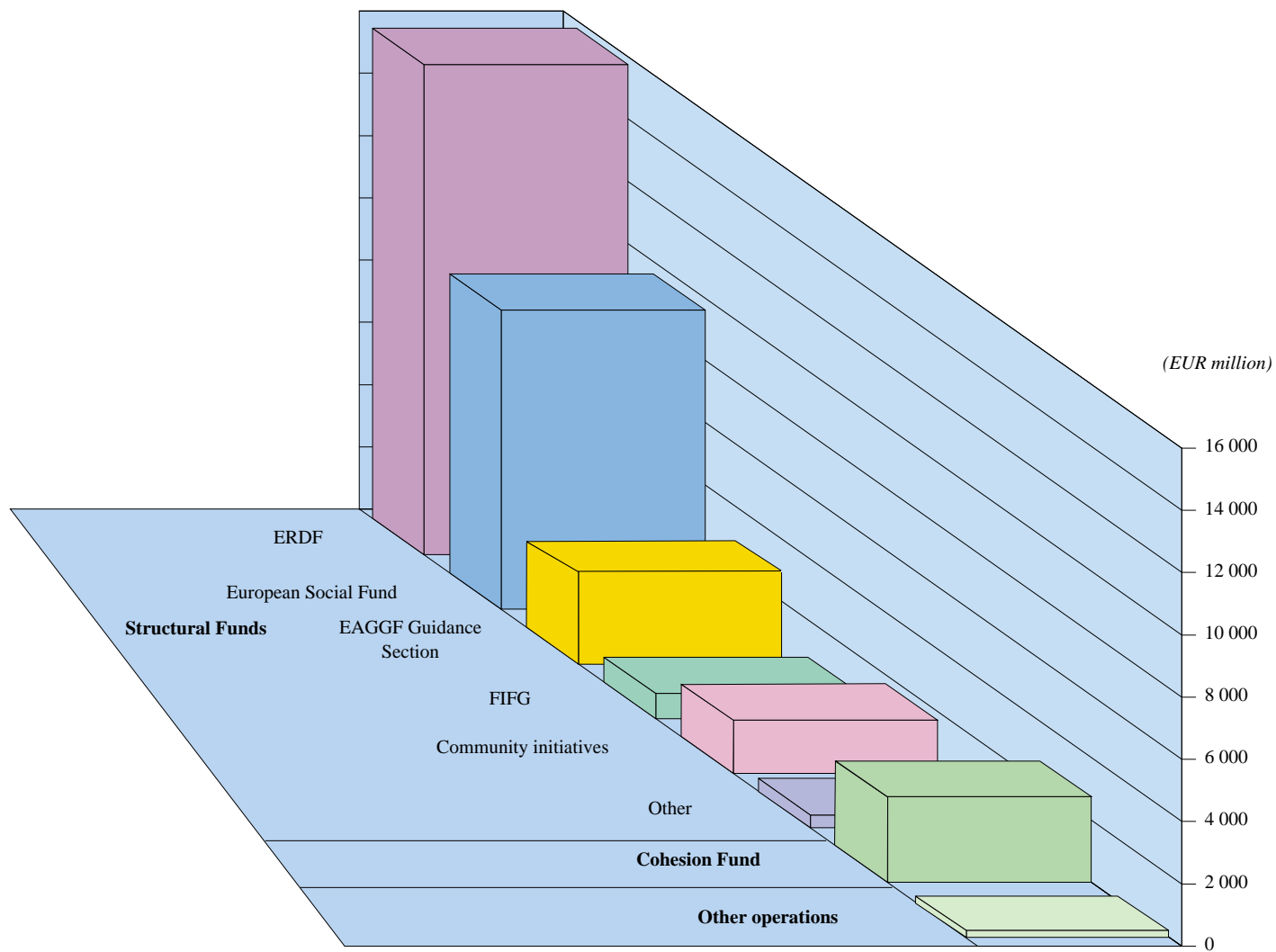


Table 23

The 2000 budget — Training, youth, culture, audiovisual media, information and other social operations (Subsection B3)*(EUR million)*

	Budget 2000		Change on 1999 budget (%)	
	Commitments	Payments	Commitments	Payments
B3-1 — Education, vocational training and youth policy	481,5	392,7	9,0	0,4
B3-2 — Culture and audiovisual media	111,5	102,8	16,5	16,2
B3-3 — Information and communication	104,0	97,4	- 3,3	- 15,3
B3-4 — Social dimension and employment	144,6	125,6	- 11,3	- 12,3
Subsection B3 — Total	841,6	718,5	4,2	- 2,6

Table 24

The 2000 budget — Energy, Euratom nuclear safeguards and environment (Subsection B4)*(EUR million)*

	Budget 2000		Change on 1999 budget (%)	
	Commitments	Payments	Commitments	Payments
B4-1 — Energy	36,8	35,1	- 9,3	- 2,2
B4-2 — Euratom nuclear safeguards	16,7	15,4	1,8	- 1,9
B4-3 — Environment	157,7	137,7	- 11,6	- 6,2
Subsection B4 — Total	211,2	188,2	- 10,3	- 5,2

Table 25

The 2000 budget — Consumer protection, internal market, industry and trans-European networks (Subsection B5)*(EUR million)*

	Budget 2000		Change on 1999 budget (%)		Budget 1999	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
B5-1 — Consumer policy and consumer health protection	22,5	20,0	(5,7)	2,8	23,9	19,5
B5-2 — Aid for reconstruction	3,7	3,7	65,5	65,5	2,2	2,2
B5-3 — Internal market	146,4	152,4	(6,3)	14,1	156,2	133,5
B5-4 — Industry	2,0	88,6	(97,8)	(5,6)	92,0	94,0
B5-5 — Labour market and technological innovation	214,5	107,6	2,5	(20,3)	209,3	135,0
B5-6 — Statistical information	31,4	30,1	2,2	10,0	30,7	27,4
B5-7 — Trans-European networks	688,0	536,5	17,6	18,6	585,2	452,2
B5-8 — Cooperation in the fields of justice and home affairs	97,5	68,7	261,1	329,4	27	16,0
B5-9 — Measures to combat fraud and support expenditure for internal policies	5,7	5,4	(26,1)	(28,2)	7,7	7,5
Subsection B5 — Total	1 211,7	1 013,1	6,8	14,2	1 134,2	887,3

Table 26

**The 2000 budget — Research and technological development
(Subsection B6)**

(EUR million)

	Budget 2000		Change on 1999 budget (%)	
	Commitments	Payments	Commitments	Payments
B6-1 — Joint Research Centre — staff and resources	206,9	207,9	(1,8)	(2,8)
B6-2 — Joint Research Centre — direct operating appropriations — scientific and technical support for Community policies — EC framework programme 1998 to 2002	38,6	35,0	(0,6)	140,9
B6-3 — Joint Research Centre — direct operating appropriations — EAEC framework programme (1998 to 2002)	14,6	10,9	29,2	118,7
B6-4 — Joint Research Centre — direct action — completion of the former joint and supplementary programmes and other Joint Research Centre activities	p.m.	7,2		(75,2)
B6-5 — Indirect action (shared-cost projects) and concerted action — completion of earlier projects and other activities	p.m.	1215,0		(39,3)
B6-6 — Indirect action – (shared-cost projects) and concerted action — fifth framework programme (1999 to 2002)	3370,0	2124,0	5,7	191,8
Subsection B6 — Total	3630,0	3600,0	5,2	20,4

Chart 15

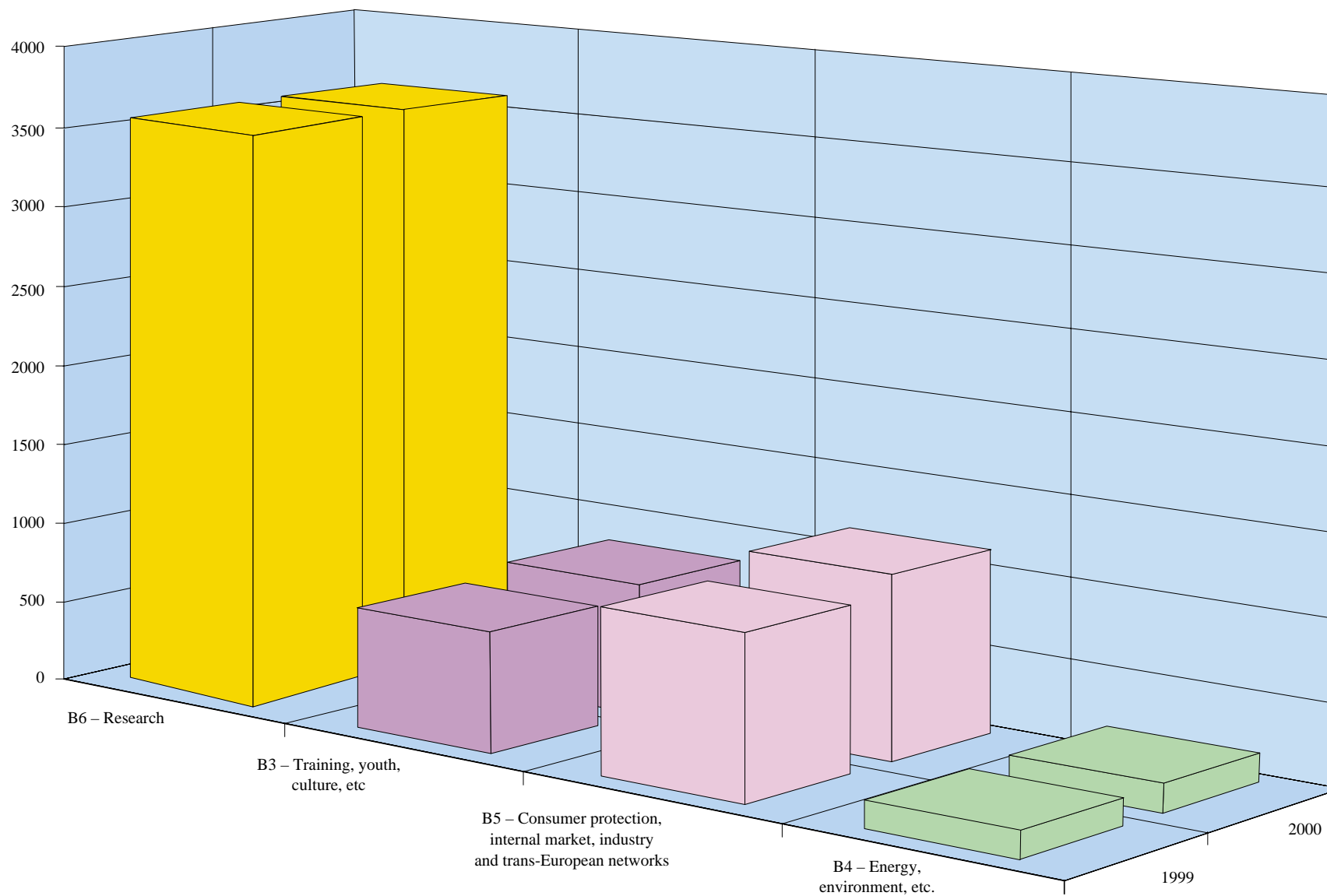
Subsections B3 to B6 — Comparison between 1999 and 2000 budgets
(Appropriations for commitments)

Table 27

**The 2000 budget — External action
(Subsection B7)**

(EUR million)

	Budget 2000		Change on 1999 budget (%)	
	Commitments	Payments	Commitments	Payments
B7-0 — Pre-accession strategy	3166,7	1696,0	130,8	61,0
B7-1 — European Development Fund	p.m.	p.m.		
B7-2 — Humanitarian and food aid	936,0	832,3	8,1	17,1
B7-3 — Cooperation with developing countries in Asia, Latin America and southern Africa, including South Africa	905,7	634,9	2,9	16,5
B7-4 — Cooperation with Mediterranean countries and the Middle East	1142,9	547,9	4,5	0,0
B7-5 — Cooperation with countries of Central and Eastern Europe and the new independent States and Mongolia	972,8	779,0	4,2	5,7
B7-6 — Other cooperation measures	356,9	361,6	- 5,1	17,0
B7-7 — European initiative for democracy and human rights	95,4	82,5	- 5,6	3,8
B7-8 — External aspects of certain Community policies	368,4	374,3	- 6,8	- 0,4
B7-9 — Reserves	203	203	- 41,3	- 41,3
Subsection B7 — Total	8147,8	5511,6	28,0	17,2

Table 28

**The 2000 budget — Common foreign and security policy
(Subsection B8)**

(EUR million)

	Budget 2000		Change on 1999 budget (%)	
	Commitments	Payments	Commitments	Payments
B8-0 — Common foreign and security policy	47,0	30,0	74,1	46,0
Subsection B8 — Total	47,0	30,0	74,1	46,0

Table 29

**The 2000 budget — Guarantees, reserves
(Subsection B0)**

(EUR million)

	Budget 2000		Change on 1999 budget (%)	
	Commitments	Payments	Commitments	Payments
B0-2 — Guarantees for borrowing and lending operations	203,0	203,0	- 41,3	- 41,3
B0-3 — Deficit carried over from previous year	p.m.	p.m.		
B0-4 — Reserves and provisions	p.m.	p.m.		
B0-5 — Budgetary compensation for Austria, Finland and Sweden				
Subsection B8 — Total	203,0	203,0	- 41,3	- 41,3

Chart 16

Budget 2000 : External action
(Appropriations for commitments)

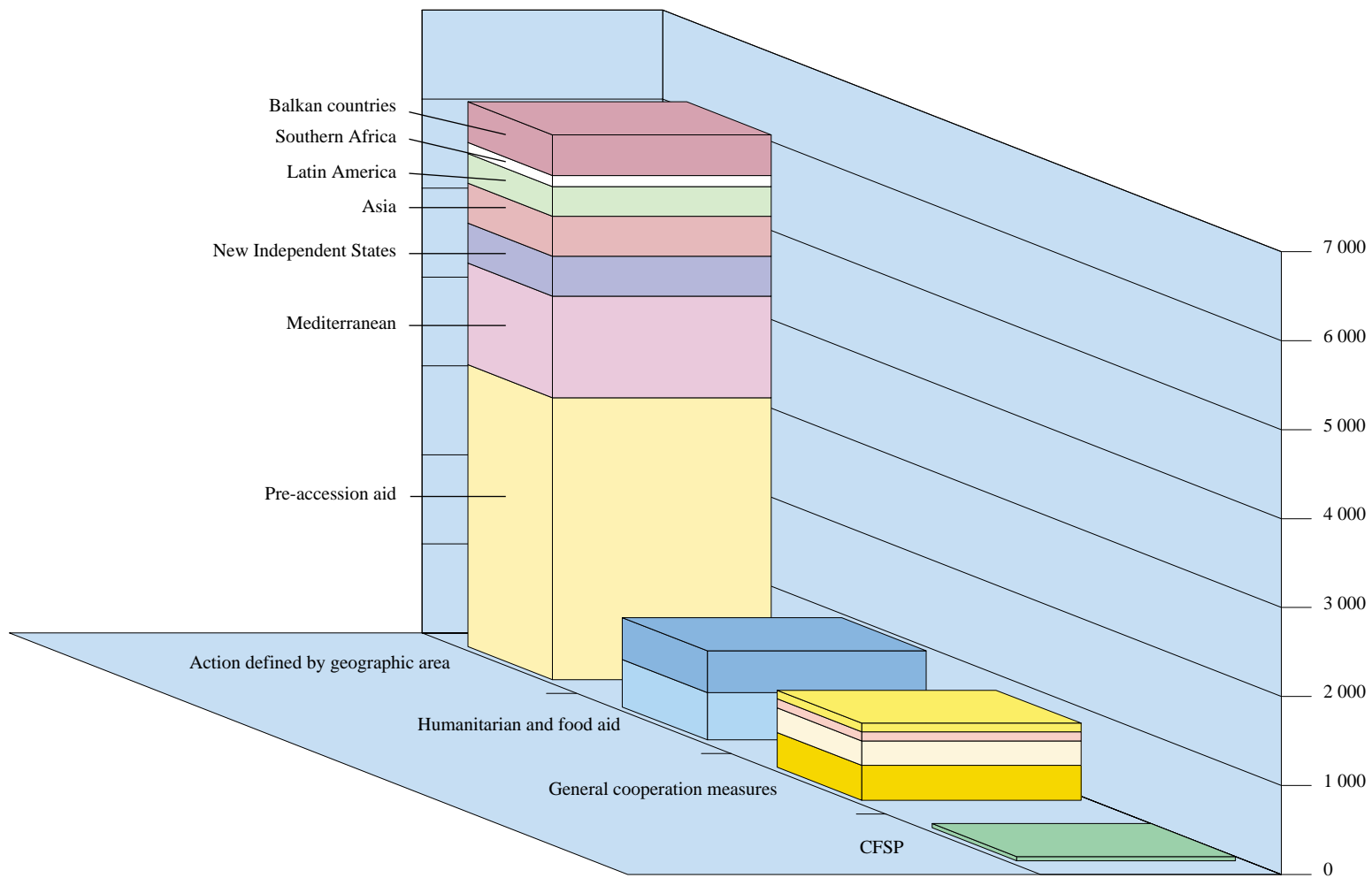


Table 30

The 2000 budget — Commission administrative expenditure (Section III/A)
(EUR million)

	Budget 2000	Change on 1999 budget (%)
A-1 — Expenditure relating to persons working with the institution	1 860,2	6,2
A-2 — Buildings, equipment and miscellaneous operating expenditure	312,0	- 0,3
A-3 — Expenditure resulting from special functions carried out by the institution	296,5	10,1
A-4 — Interinstitutional cooperation, interinstitutional departments and activities	73,2	- 2,4
A-5 — Data processing	91,8	2,6
A-6 — Staff and administrative expenditure of European Community delegations	227,8	6,5
A-7 — Decentralised expenditure on support staff and administration	207,8	- 1,6
A-10 — Other expenditure	p.m.	
Part A — Total	3 069,3	5,0

Table 31

The 2000 budget — Administrative expenditure of all the institutions
(EUR million)

	Budget 2000 Commitments = Payments		Change on 1999 budget (%)
	Amount	%	
Parliament	979,9	20,7	5,7
Council	354,5	7,5	5,3
Commission, of which	2 326,3	49,2	2,6
Common expenditure	743,0	15,7	13,2
Pensions (A-19)	564,3	11,9	13,4
European Schools (A-3 2 7)	122,1	2,6	18,0
Publications Office (A-3 4 2)	56,6	1,2	2,4
Court of Justice	131,3	2,8	6,4
Court of Auditors	70,3	1,5	6,5
Economic and Social Committee and Committee of the Regions	116,1	2,5	175,4
European Ombudsman	3,9	0,1	
Total	4 725,3	100,0	0,1

Chart 17

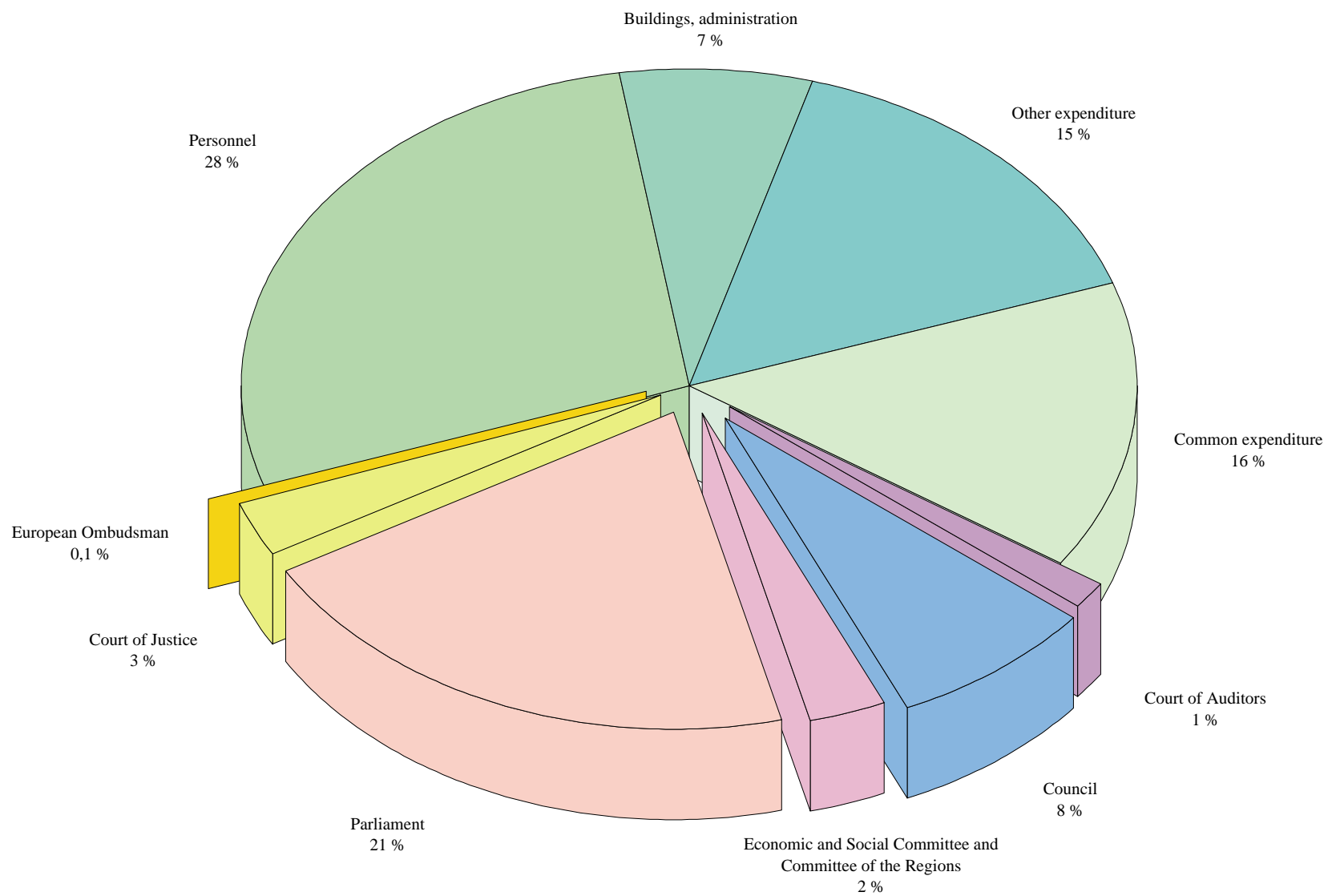
Administrative expenditure of all the institutions — 2000

Table 32

Summary of the financing of expenditure from the 2000 general budget

(EUR million)

	Agricultural duties	Customs duties	VAT	Fourth resource	Total		Agricultural duties	Customs duties	VAT	Fourth resource	Total
Belgium	99,2	1 000,2	1 030,1	1 114,4	3 243,8	Luxembourg	0,6	19,7	90,6	83,7	194,6
Denmark	44,0	250,1	657,2	731,1	1682,4	Netherlands	228,8	1 373,0	1 891,1	1 755,3	5 248,2
Germany	444,4	2 714,5	9 263,7	9 176,4	21 599,0	Austria	42,8	200,6	958,4	906,0	2 107,8
Greece	19,9	166,7	611,4	564,5	1362,5	Portugal	42,9	142,3	526,8	486,4	1 198,5
Spain	72,7	722,1	2 845,9	2 627,8	6 268,6	Finland	16,1	113,8	529,4	559,2	1 218,5
France	348,2	1 126,5	6 494,7	6 286,3	14 255,8	Sweden	42,1	316,5	1 042,0	1 075,8	2 476,4
Ireland	11,4	161,6	421,3	389,0	983,3	United Kingdom	451,0	2 269,9	3 247,3	6 945,3	12 913,5
Italy	174,2	1 087,9	4 438,8	5 103,8	10 804,6	Miscellaneous					3 883,2
						Total	2 038,4	11 665,3	34 048,6	37 805,1	89 440,6

Table 33

Summary of the financing of expenditure from the 2000 general budget

(%)

	Agricultural duties	Customs duties	VAT	Fourth resource	Total
Belgium	4,9	8,6	3,0	2,9	3,6
Denmark	2,2	2,1	1,9	1,9	1,9
Germany	21,8	23,3	27,2	24,3	24,1
Greece	1,0	1,4	1,8	1,5	1,5
Spain	3,6	6,2	8,4	7,0	7,0
France	17,1	9,7	19,1	16,6	15,9
Ireland	0,6	1,4	1,2	1,0	1,1
Italy	8,5	9,3	13,0	13,5	12,1
Luxembourg	0,0	0,2	0,3	0,2	0,2
Netherlands	11,2	11,8	5,6	4,6	5,9
Austria	2,1	1,7	2,8	2,4	2,4
Portugal	2,1	1,2	1,5	1,3	1,3
Finland	0,8	1,0	1,6	1,5	1,4
Sweden	2,1	2,7	3,1	2,8	2,8
United Kingdom	22,1	19,5	9,5	18,4	14,4
Miscellaneous					4,3
Total	100,0	100,0	100,0	100,0	100,0

Table 34

Summary of the financing of expenditure from the 2000 general budget

(%)

	Agricultural duties	Customs duties	VAT	Fourth resource	Miscellaneous	Total
Belgium	3,1	30,8	31,8	34,4		100,0
Denmark	2,6	14,9	39,1	43,5		100,0
Germany	2,1	12,6	42,9	42,5		100,0
Greece	1,5	12,2	44,9	41,4		100,0
Spain	1,2	11,5	45,4	41,9		100,0
France	2,4	7,9	45,6	44,1		100,0
Ireland	1,2	16,4	42,8	39,6		100,0
Italy	1,6	10,1	41,1	47,2		100,0
Luxembourg	0,3	10,1	46,6	43,0		100,0
Netherlands	4,4	26,2	36,0	33,4		100,0
Austria	2,0	9,5	45,5	43,0		100,0
Portugal	3,6	11,9	44,0	40,6		100,0
Finland	1,3	9,3	43,4	45,9		100,0
Sweden	1,7	12,8	42,1	43,4		100,0
United Kingdom	3,5	17,6	25,1	53,8		100,0
Total	2,3	13,0	38,1	42,3	4,3	100,0

Chart 18

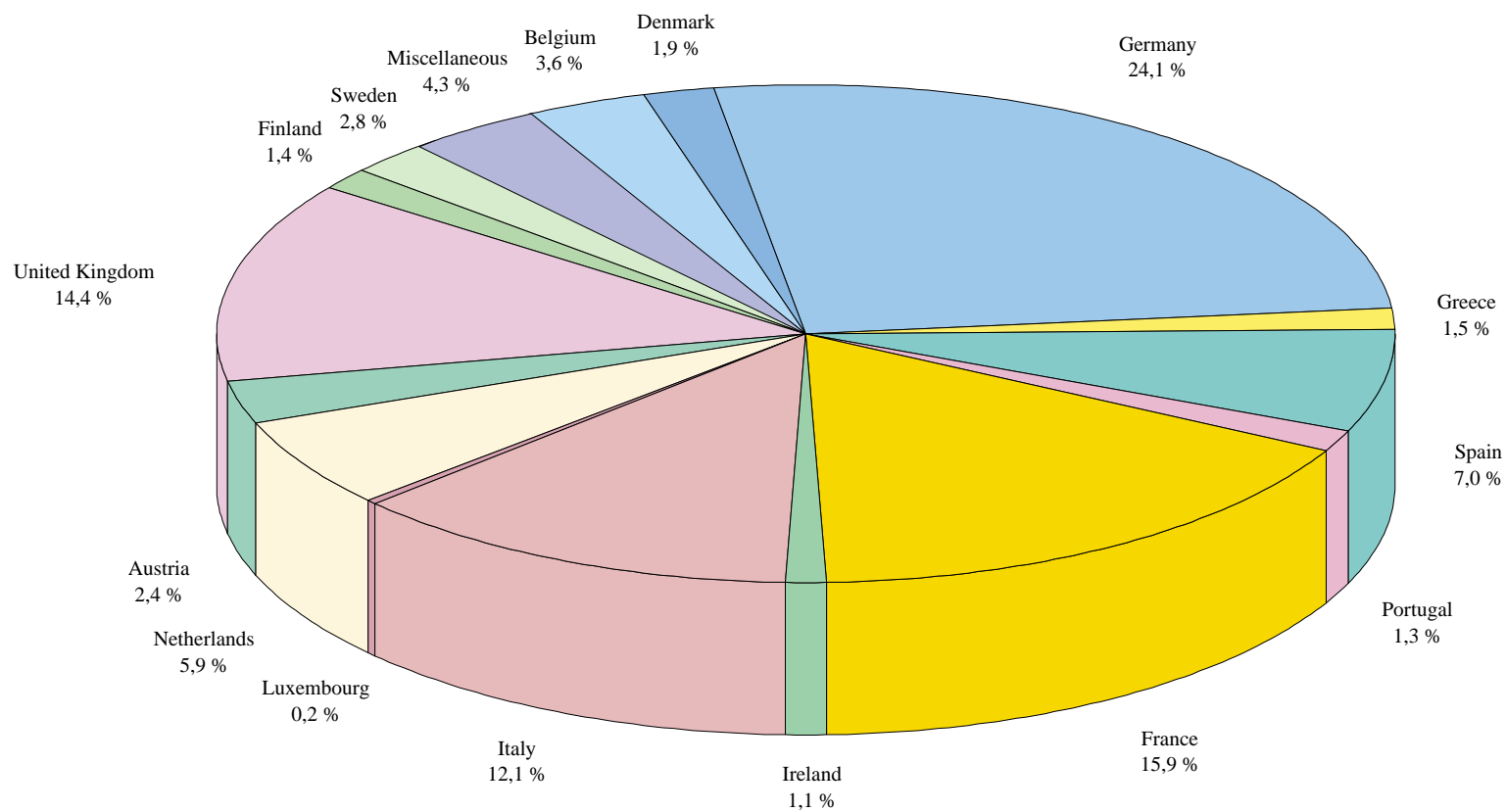
Financing of expenditure from the 2000 general budget by Member State

Table 35

ECSC operating budget 2000

(EUR million)

Requirements	Forecast	Change on 1999 budget	Resources	Forecast
1. Administrative expenditure	5,0		1. Current resources	
2. Aid for redeployment	61,0	- 18,7 %	1.1. Yield from levy at 0,00%	p.m.
3. Aid for research	81,0	- 3,6 %	1.2. Net balance	54,0
3.1 Steel	56,0		1.3. Fines and surcharges for late payments	p.m.
3.2 Coal	25,0	- 10,7 %	1.4. Miscellaneous	4,0
3.3 Social			2. Cancellation of commitments not likely to be implemented	37,0
4. Conversion aid			3. Drawings on contingency reserve	83,0
5. Social measures connected with restructuring of steel industry				
6. Social measures connected with restructuring of coal industry	31,0	- 3,1 %		
Total	178,0	- 9,2 %	Total	178,0

Table 36

**European Development Fund
1999**

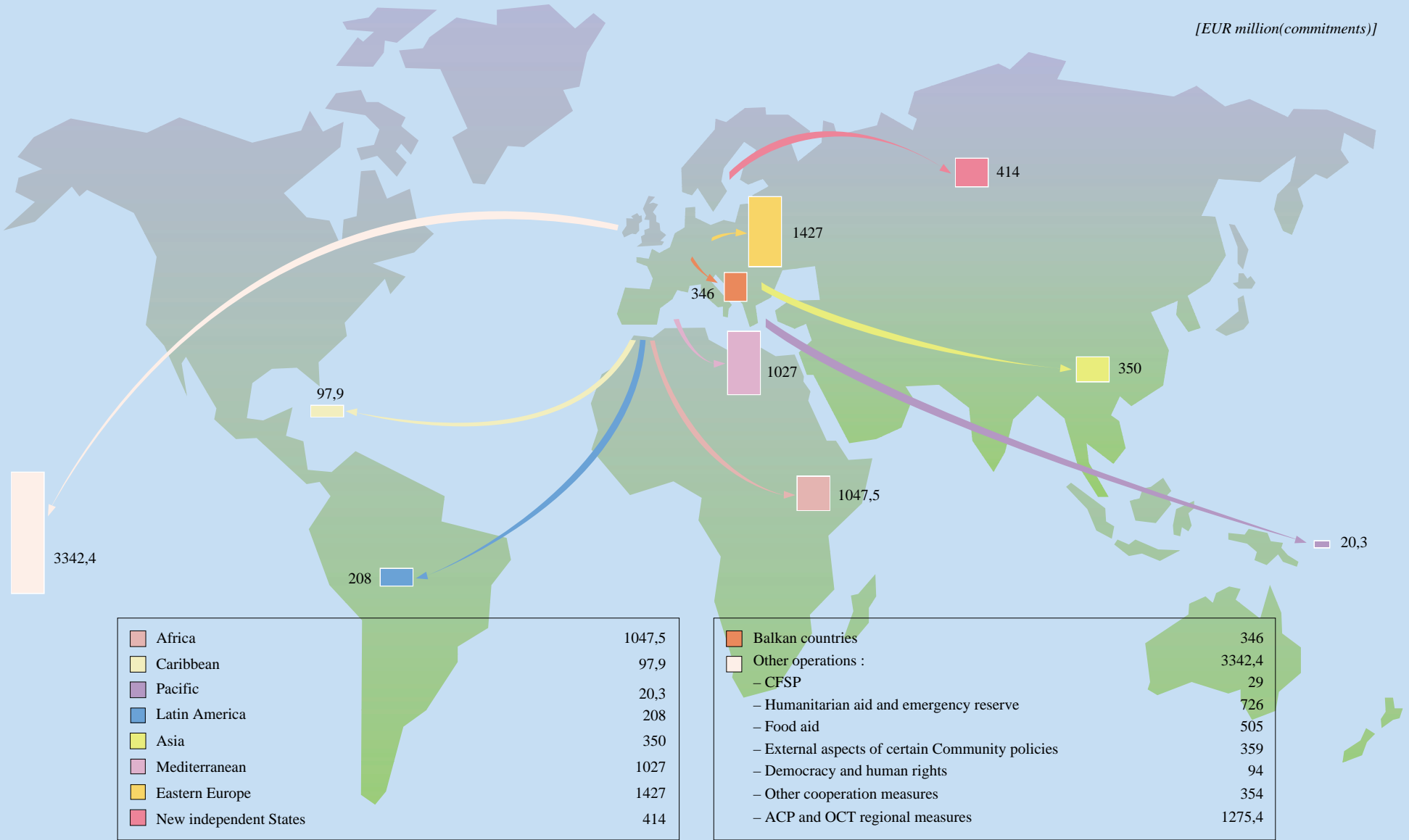
(EUR million)

Expenditure			Revenue		
	1999 appropriations			Amount	%
	Commitments	Payments			
Programmable aid of which:	2 294,0	988,0	Belgium	67,3	3,96
— National and regional indicative programme	1 979,0	700,0	Denmark	35,2	2,07
— Structural adjustment	314,0	262,0	Germany	441,3	25,96
— Outstanding commitments		26,0			
System for stabilizing export earnings (Stabex)	75,0	20,0	Greece	20,7	1,22
Stabilization system for mining products (Sysmin)	28,0	53,0	Spain	100,3	5,90
Risk capital	195,0	129,0	France	414,3	24,37
Interest subsidies	4,0	31,0	Ireland	9,4	0,55
Emergency aid	82,0	48,0	Italy	220,3	12,96
Aid for refugees		2,0	Luxembourg	3,2	0,19
Total ACP	2 677,0	1 271,0	Netherlands	94,7	5,57
French Overseas Departments	15,0	4,0	Portugal	15	0,88
			United Kingdom	278,3	16,37
Total	2 692,0	1 275,0	Total	1 700,0	100,00

Map 3

Breakdown of Community aid in the world
(General budget and European Development Fund — 1999 figures)

[EUR million(commitments)]



Part V

Financial perspective 2000-2006

Financial perspective 2000-2006

1. Agenda 2000

In July 1997 the Commission issued a communication entitled 'Agenda 2000: For a Stronger and Wider Union' (COM(97) 2000 final), which dealt with the reform of the common agricultural policy, the future of economic and social cohesion policy, the establishment of a pre-accession strategy, the consequences of future enlargement and the financing of the Community.

In March 1998 the Commission presented, alongside a set of legislative proposals on the reform of the common agricultural policy and new guidelines on structural operations and pre-accession aid, a proposal for a new financial perspective for the period 2000-2006 and a report on the implementation and renewal of the Interinstitutional Agreement of 29 October 1993.

In October 1998 the Commission completed the series of Agenda 2000 documents by presenting a report on the operation of the own resources system.

The main components of the Agenda 2000 package were agreed by the Berlin European Council on 24 and 25 March 1999. On 6 May 1999, after a final round of negotiations, Parliament adopted the new Interinstitutional Agreement, which incorporates the financial perspective for 2000-2006.

2. Structure of the new financial perspective

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

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

- As regards enlargement-related expenditure:

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

- The financial perspective is set at constant 1999 prices. As before, a technical adjustment will be made each year to take account of price increases. However, it has been agreed that a deflator of 2% will be used for heading 1. In accordance with the Structural Funds regulations, the annual deflator applied to programming and to the corresponding ceiling in the financial perspective is also fixed at a flat rate of 2%.
- The new Interinstitutional Agreement keeps the possibility of revising the financial perspective, by means of a joint decision by the two arms of the budgetary authority on a proposal from the Commission, to deal with situations which had not been foreseen originally.
- A new "flexibility instrument" has also been introduced. This instrument, which is subject to an annual ceiling of 200 million, is intended to cover the financing for a given financial year of clearly identified expenditure which cannot be met within the ceilings available under one or more headings. The decision to mobilise the instrument is taken jointly by the two arms of the budgetary authority on a Commission proposal.

3. Ceilings on expenditure 2000-2006

- Even allowing for the amounts placed in reserve for future waves of enlargement over this period, the financial framework leaves a substantial margin under the own resources ceiling of between 0.09% and 0.14% of GNP, depending on the year. Discipline is tighter for the total volume of appropriations for commitments

than for total payments, as the latter must cover commitments outstanding from previous years.

- The heading 1 ceiling has been set in such a way that, as an annual average at constant prices and excluding the rural development measures previously financed by the Structural Funds, the amount in question is still close to the level of expenditure entered in the 1999 budget. Accordingly, some components of the CAP reform have been scaled down or will be introduced in stages.
- The overall allocation for structural operations will enable aid per capita under the Structural Funds in eligible regions to be maintained at 1999 levels. Assistance for regions no longer eligible for Objective 1 or the new Objective 2 will be reduced gradually. As regards the Cohesion Fund, account has been taken of the progress made by the recipient countries towards genuine convergence over the last reference period.
- The ceilings for headings 3 (internal policies), 4 (external action, excluding pre-accession aid) and 5 (administration) have been set on the basis of actual expenditure entered in the 1999 budget rather than the ceilings for that year in the previous financial perspective, which were considerably higher. Moreover, the rates of increase are lower than those initially proposed by the Commission.

Figure 19 shows, for the various headings, how the fixed ceilings for commitment appropriations have changed in the financial perspective for 2000-2006 (1999 prices).

4. Application of the financial perspective

In accordance with the relevant provisions of the Interinstitutional Agreement, technical adjustments were made to the financial perspective for 2000 and 2001 to take account of price increases and the Union's GNP. Table 37 shows the financial perspective in force following these adjustments.

When adopting the 2000 budget, the budgetary authority decided to employ the flexibility instrument to finance the Kosovo reconstruction programme under heading 4 of the financial perspective.

On 3 May 2000 the Commission tabled a proposal for the revision of the financial perspective. The aim of this proposal is to provide medium-term financing for a programme of assistance for the whole of the Western Balkans by raising the heading 4 ceiling "External actions" for the period 2001-2006, offset for 2001 and 2002 by an equivalent lowering of subheading 1a "CAP (not including rural development)". The Commission also proposed the reclassification of aid to Cyprus and Malta from heading 4, where it is at the moment, to heading 7 "Preaccession". This reclassification would be neutral in its impact on the budget. The Commission presented its preliminary draft budget for 2001 taking into account these proposed changes to the financial perspective. However, when this guide was being prepared the budgetary authority had still not taken a formal decision.

Table 37

Financial perspective 2000-2006

(EUR million; 2000 prices)

	2000	2001	2002	2003	2004	2005	2006
Appropriations for commitments							
1. Agriculture	41 738	44 530	45 379	45 538	44 488	43 624	43 344
CAP (not including rural development)	37 352	40 035	40 874	41 023	39 962	39 088	38 797
Rural development and accompanying measures	4 386	4 495	4 505	4 515	4 526	4 536	4 547
2. Structural Funds	32 678	32 720	32 106	31 503	30 785	30 785	30 343
Structural Funds	30 019	30 005	29 391	28 788	28 174	28 174	27 737
Cohesion Fund	2 659	2 715	2 715	2 715	2 611	2 611	2 606
3. Internal policies ⁽¹⁾	6 031	6 272	6 386	6 500	6 614	6 729	6 853
4. External action	4 627	4 755	5 019	5 025	5 029	5 035	5 040
5. Administration ⁽²⁾	4 798	4 939 ⁽³⁾	4 880	4 984	5 088	5 192	5 296
6. Reserves	906	916	666	416	416	416	416
Monetary reserve	500	500	250				
Emergency aid reserve	203	208	208	208	208	208	208
Guarantee reserve	203	208	208	208	208	208	208
7. Pre-accession aid	3 174	3 240	3 260	3 260	3 260	3 259	3 259
Agriculture	529	540	540	540	540	540	540
Pre-accession structural instrument	1 058	1 080	1 080	1 080	1 080	1 080	1 080
Phare (applicant countries)	1 587	1 620	1 620	1 620	1 620	1 620	1 620
Mediterranean pre-accession strategy			20	20	20	19	19
Commitment appropriations – Total	93 952	97 372	97 696	97 226	95 680	95 040	94 551
Payments appropriations – Total	91 482	94 893	97 975	98 671	95 581	93 759	93 197
Appropriations for payments as % of GNP	1,13 %	1,11 %	1,12 %	1,10 %	1,04 %	1,00%	0,97%
Available for accession (appropriations for payments)			4 306	6 979	9 247	11 899	14 792
Agriculture			1 665	2 112	2 549	3048	3 537
Other expenditure			2 641	4 867	6 698	8 851	11 255
ceiling, appropriations for payments	91 482	94 893	102 281	105 650	104 828	105 658	107 989
Ceiling, payments as % of GNP	1,13%	1,11%	1,17%	1,18%	1,14%	1,12%	1,12%
Margin for unforeseen expenditure	0,14%	0,16%	0,10%	0,09%	0,13%	0,15%	0,15%
Own resources ceiling	1,27%	1,27%	1,27%	1,27%	1,27%	1,27%	1,27%

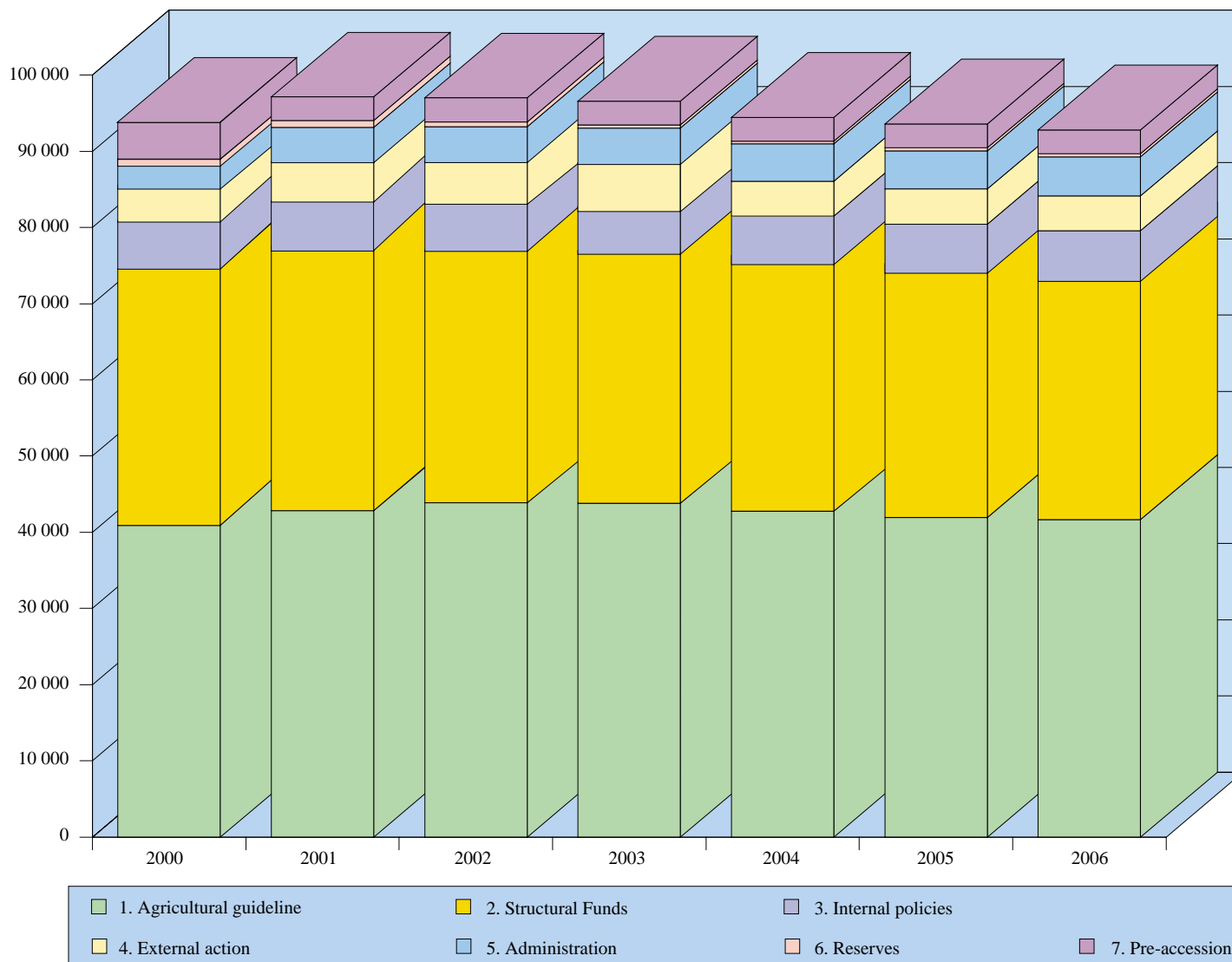
⁽¹⁾ In accordance with Article 2 of Decision No 182/1999/EC of the European Parliament and of the Council and Article 2 of Council Decision 1999/64/Euratom (OJ L 26, 1.2.1999, p. 1 and p. 34, € 11 510 million at current prices is available for research over the period 2000-02

⁽²⁾ The expenditure on pensions included under the ceiling for this heading is calculated net of staff contributions to the relevant scheme, up to a maximum of €1 100 million at 1999 prices for the period 2000-2006

⁽³⁾ Including €163 million in staff contributions to the pension scheme.

Chart 19

Financial perspective 2000-2006



Part VI
Preliminary draft budget 2001



preliminary draft budget for 2001

On the basis of several discussions with Parliament and the Council of Ministers, the Commission has drawn up the preliminary draft budget (PDB) for 2001.

As with any national budget, most of the EU budget is determined by contracts, precedents and legal bases from previous years. This is particularly the case with the organisation of agricultural markets - the largest expenditure heading in the 2001 budget - and the Structural Funds, but also for multiannual programmes in research, the promotion of young people and foreign policy. Despite the legacy from previous years, however, the 2001 budget also sets clear policy priorities.

First, there is the priority of the second pillar of agricultural policy. Promotion of rural development has the highest rate of increase in the Commission's preliminary draft. The Commission believes that this second pillar should constitute a priority in the 2001 budget. A second priority is in the economic policy field, namely the development and promotion of Europe as a knowledge-based society. Accordingly, the Commission's preliminary draft includes a marked increase in research expenditure and a revised version of the programme for promoting small and medium-sized enterprises. It is also proposed that the latter should be combined with the promotion of technology, which was a particular concern of Parliament. The PDB establishes two other priorities: the first is in foreign policy, namely aid for the Balkans, and the second is budgetary discipline, an objective which the Commission's preliminary draft fulfils.

In the PDB (agricultural expenditure apart), provision is made for commitment appropriations, i.e. the financial commitments which can be entered into, to rise by 1 % compared with the previous year. This shows that the PDB accords with the general political tendency for budgetary discipline. For payments (excluding agricultural expenditure), there is a 3 % rate of increase. The average rate of growth forecast for Member States' budgets is 3.1 %.

One qualification must be added, however: the PDB provides for considerable growth in overall agricultural expenditure - 7.6 % or, in absolute figures, EUR3.12billion. This is basically the result of the decisions which the Heads of State and Government took last year at the Berlin Summit, and the financial

perspective is part of the Interinstitutional Agreement between Parliament, the Council and the Commission which was concluded last year. Nevertheless, the appropriation for agricultural policy remains below the ceiling set in Berlin for agricultural policy in the draft budget.

To sum up, as far as the full figures are concerned, the preliminary draft provides for an overall increase of 3.9 % in commitment appropriations and 5 % in payments. The increase for payments is higher, because the Commission wants to reduce payment obligations further still, not let them grow. Thus the proportion of total Community GNP absorbed by the European Union's budget is expected to decline from 1.11 % in 2000 to 1.07 % in 2001.

The Kosovo crisis and the decisions concerning the stability pact in the Balkans have confronted the European Union with a new task, the importance of which was again underlined by the Lisbon Council. As financial back-up, the Commission is proposing EUR815million in aid for the western Balkans in 2001, on top of EUR 540 million this year. This aid is intended for the reconstruction of civil society and does not therefore include the Member States' expenditure on KFOR. The proposal provides for a fixed sum of EUR40million for Serbia in 2001. The Commission has proposed that, if political conditions in Serbia change, extra resources can be made available from the flexibility reserve. In addition, it has provided for substantial resources for Serbia in its proposal for the amendment of the financial perspective (2001-2006) as a signal to the political opposition in that country that the European Union is ready to inject substantial financial aid, should democracy emerge there.

This is the first time that the Commission has presented an activity based budget, i.e. where all expenditure is allocated to policy areas. It is a first, important step towards a structure which will make discussion of policy, including by the public, easier. The preliminary draft budget provides Parliament and the Council with a good basis for drawing up the 2001 budget, so that resources can be used efficiently for the benefit of the European Union and in support of its objectives.

The Commission has undertaken an exercise aimed at achieving a better match between human resources and the activities pursued. In line with the budgetary authority's wish to dismantle the TAOs and replace them by decentralised management structures, the Commission therefore presented a letter of amendment to its preliminary draft budget.

The main aspects of the proposal relate to the request for 400 new posts and the possibility of recruiting external staff financed by the appropriations allocated for technical and administrative assistance for a limited number of programmes.

Table 38

Comparison between 1999 budget, 2000 financial perspective and 2000 PDB

(EUR million)

	Budget 2000	FP 2001	PDB 2001	4 = 3 : 1 %	5 = 3 - 1	6 = 2 - 3
	1	2	3			
Appropriations for commitments						
1. Common agricultural policy	40 973	44 530	44 100	7,6	3 127	430 ⁽¹⁾
2. Structural Funds	32 678	32 720	32 270	0,1	42	
2.1. Structural Funds	30 019	30 005	30 005	0,0	- 14	
2.2. Cohesion Fund	2 659	2 715	2 715	2,1	56	
3. Internal policies	6 051	6 272	6 136	1,4	85	136
4. External action	4 825	4 755	4 952	2,6	127	- 197 ⁽¹⁾
5. Administrative expenditure	4 724	4 939	4 927	4,3	204	12
6. Reserves	906	916	916	1,1	10	
Monetary reserve	500	500	500			
Guarantee reserve	203	208	208	2,5	5	
Emergency aid reserve	203	208	208	2,5	5	
7. Pre-accession aid	3 167	3 240	3 240	2,3	73	
Agriculture	529	540	540	2,1	11	
ISPA	1058	1 080	1 080	2,1	22	
Phare (applicant countries)	1 580	1 620	1 620	2,6	40	
Commitment appropriations — Total	93 323	97 372	96 991	3,9	3 668	381
Payments appropriations — Total	89 441	94 893	93 940	5,0	4 500	953

(1) Based on the Commission's proposal for the revision of the financial perspective.

Table 39

Preliminary draft budget 2001

(EUR million)

	Appropriations for commitments		Appropriations for payments		Change on 1999 budget			
	Amount	%	Amount	%	Amount		%	
					C	P	C	P
Commission (Section III/B)								
B1 — EAGGF Guarantee Section	44 600,0	46,0	44 600,2	47,5	3 106,3	3 106,3	7,5	7,5
B2 — Structural operations, structural and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries	32 872,1	33,9	32 110,5	34,2	60,5	153,5	0,2	0,5
B3 — Training, youth, culture, audiovisual media, information, the social dimension and employment	849,6	0,9	780,4	0,8	8,0	61,9	0,9	8,6
B4 — Energy, Euratom nuclear safeguards and environment	164,7	0,2	191,1	0,2	- 46,5	2,9	- 22,0	1,5
B5 — Consumer protection, internal market, industry and trans-European networks	1 049,3	1,1	1 035,2	1,1	- 162,4	22,1	- 13,4	2,2
B6 — Research and technological development	3 920,0	4,0	3 710,0	3,9	290,0	110,0	8,0	3,1
B7 — External action	8 363,8	8,6	6 342,8	6,8	216,0	831,2	2,7	15,1
B8 — Common foreign and security policy	36,0	0,0	35,0	0,0	- 11,0	5,0	- 23,4	16,7
B0 — Guarantees, reserves	208,0	0,2	208,0	0,2	5,0	5,0	2,5	2,5
Operating appropriations — Total (Section III/B)	92 063,7	94,9	89 013,1	94,8	3 466,0	4 297,9	3,9	5,1
Administrative appropriations (Section III/A)	3 229,8	3,3	3 229,8	3,4	160,5	160,5	5,2	5,2
Commission — Total	95 293,5	98,2	92 242,9	98,2	3 626,4	4 458,3	4,0	5,1
Other institutions (Sections I,II,IV, V et VI)	1 697,6	1,8	1 697,6	1,8	41,6	41,6	2,5	2,5
Grand total	96 991,0	100,0	93 940,4	100,0	3 668,0	4 499,9	3,9	5,0

Chart 20

Change in the 2001 PDB over the 2000 budget by subsection

(Appropriations for commitments)

(EUR million)

(%)

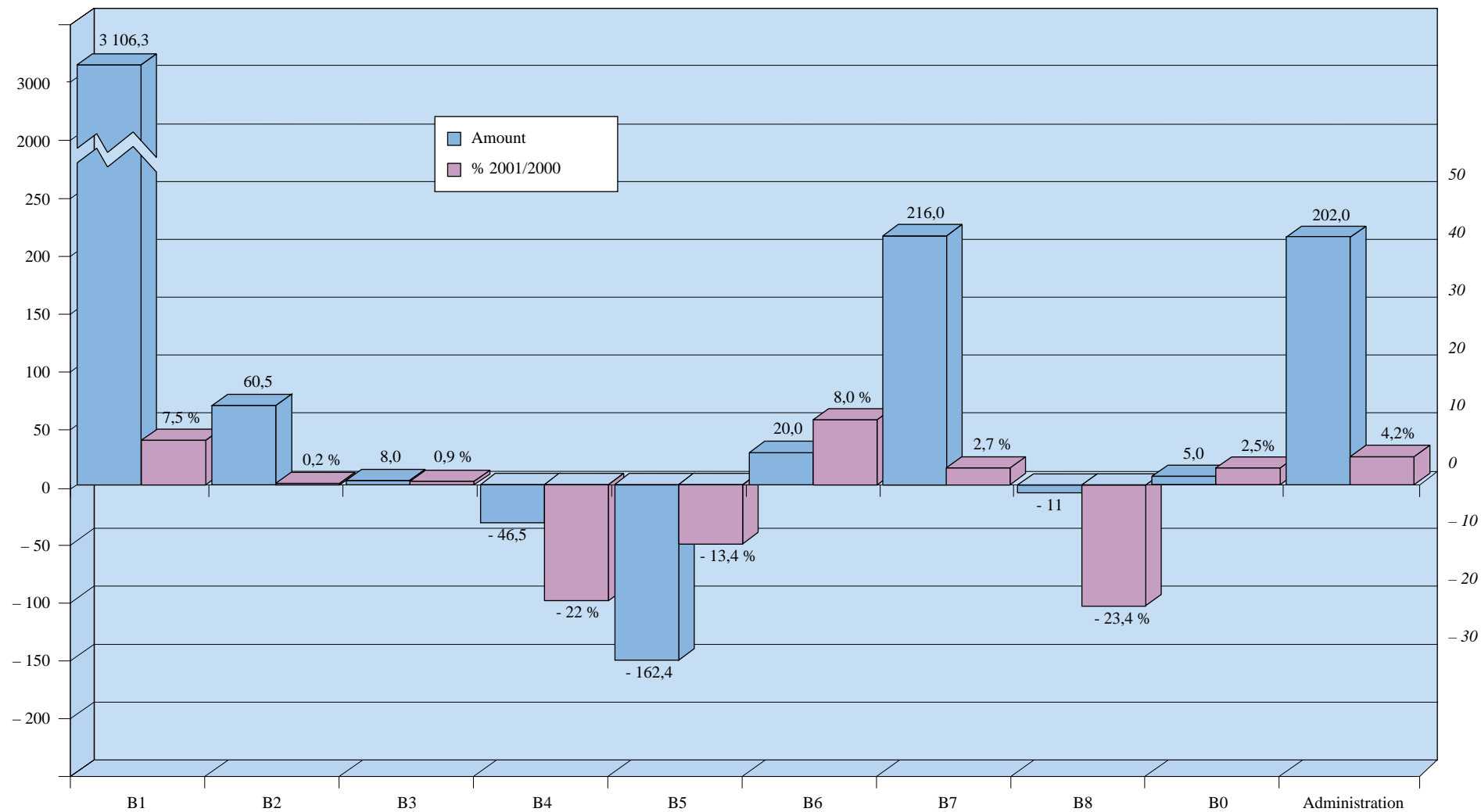


Table 40

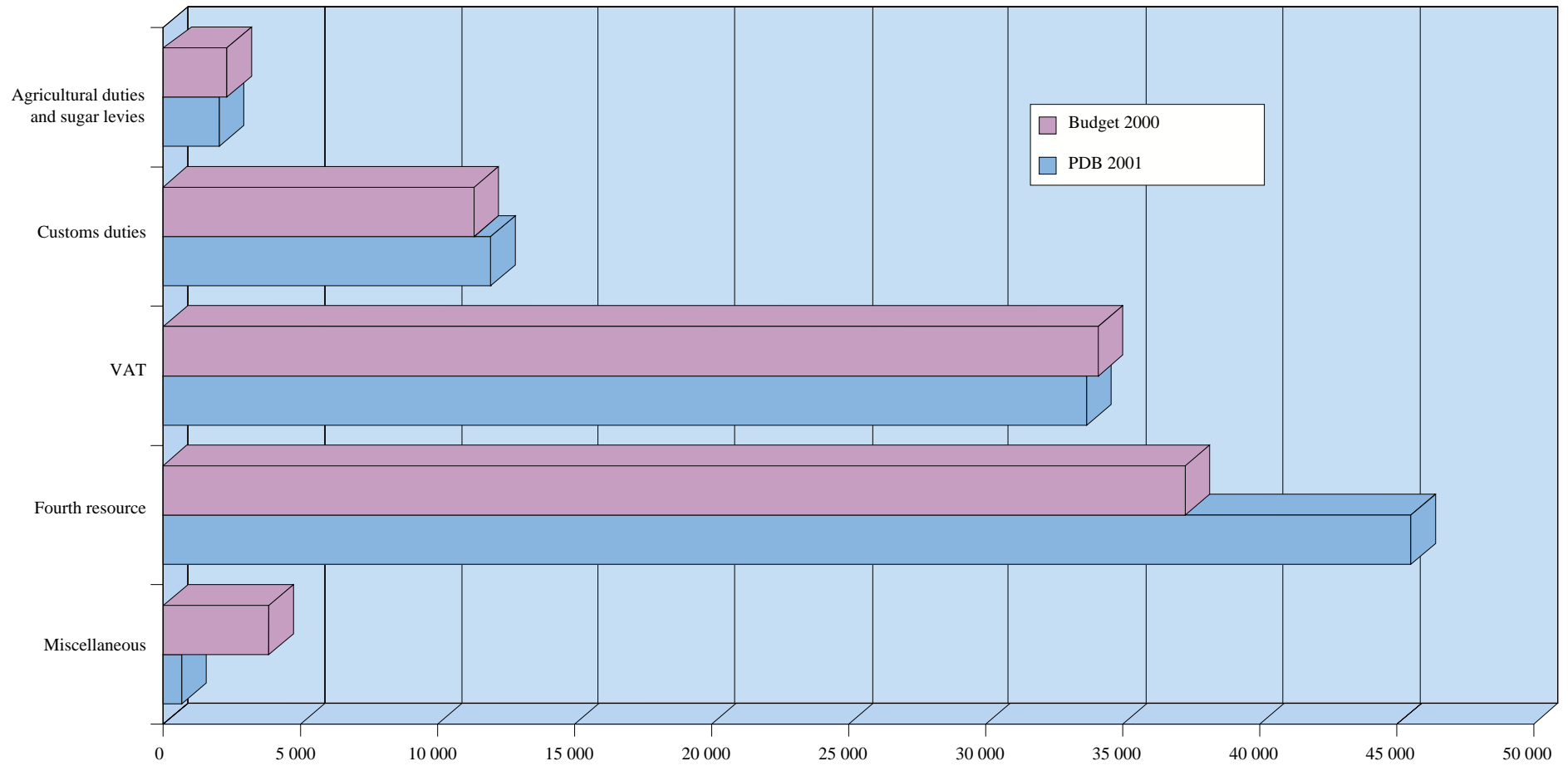
Financing the general budget 2000 and 2001

(EUR million)

Type of revenue	Budget 2000		PDB 2001	
	Amount	%	Amount	%
Agricultural duties	2 038,4	2,3	1 913,6	2,0
Customs duties	11 665,3	13,0	12 291,8	13,1
VAT	34 048,6	38,1	33 467,2	35,6
Fourth resource	37 805,1	42,3	45 516,1	48,5
Miscellaneous	3 883,2	4,3	751,7	0,8
Total	89 440,6	100,0	93 940,4	100,0

Chart 21

Community revenue — Comparison between 2000 budget and preliminary draft budget for 2001



Activity Based Budgeting Approach

Activity Based Budgeting Approach

The Preliminary Draft Budget for 2001 has been presented for the first time using the Activity Based Budgeting (ABB) approach, i.e. where all expenditure is allocated to policy areas. It is a first important step towards a structure, which will make discussion of policy by the budget authority easier and presentation to the public more comprehensible. The preliminary draft budget provides Parliament and the Council with a good basis for drawing up the 2001 budget, so that resources can be used efficiently for the benefit of the European Union and in support of its objectives.

ABB provides a view of the full resource utilization for each of the Commission's policies, including financial appropriations for operational and administrative expenditure, as well as human resources. The presentation of this document accompanies the traditional analysis based on titles and chapters of the budget, where the entire expenditure side of the budget is divided into a Part A for administrative appropriations and a Part B for operating appropriations.

As part of the Activity Based Budgeting approach, the Commission's undertakings have been broken-down into some 200 Activities. These Activities have subsequently been grouped into 29 Policy Areas, which form the basis for an aggregate analysis of the PDB 2001.

Although the full potential of this new budgeting approach will be achieved only when the wider Activity-based Management, as presented in the Commission's white book on the reform, is in place, two important innovations can be underlined regarding the preparation of the 2001 PDB:

- Firstly, a stronger element of top-down budgeting has been introduced. The Commission's orientation debate has become the prime occasion for determining budgetary policy, with quantitative guidelines being given for each and every one of the Commission's 29 policy areas. This level of quantitative guidance is unprecedented at such an early stage of the budgetary process and has provided departments with very clear pointers for the preparation of the PDB.
- Secondly, the introduction of ABB has provided a complete overview of all the various resources allocated to the Commission's policy areas. Information has therefore been available for each policy area on financial intervention resources, management and support resources and human resources both at the Commission's orientation debate and for the internal budgetary hearings with all its services. Resources have thus been

allocated in the Commission's PDB proposal in full knowledge of the total cost of policy areas.

Despite the introduction of the ABB approach, the 2001 PDB is officially transmitted to the budgetary authority in the traditional form, as this will still be the basis for the decision-making process this year. Compliance with the financial perspective ceilings and the size of the various margins continue to be the main points of reference for the political and budgetary debate, both for commitments and for payments.

First table PDB 2001 – Presentation following the ABB approach shows the Budget 2000, the PDB 2001 and the difference in % by 29 Policy Areas. The table presents the total of financial appropriations in million Euro and the human resources allocated to each Policy Area expressed in man/years.

New terminology

In order to distinguish between operational and administrative expenditure, the total appropriations have been separated into two different categories: Financial Interventions and Management and Support.

- Financial Interventions include most of traditional Part B operational appropriations, but also appropriations found in Part A, such as subsidies, which are aimed at having an impact for beneficiaries outside the EU institutions. These resources are allocated to Activities;
- Management and Support appropriations include most of traditional administrative Part A resources (salaries, building costs per capita, etc), and these are allocated globally by Policy Area. Management and Support also include appropriations in Part B which are of administrative nature, such as Technical administrative offices and administrative support expenditure, and these resources are allocated by Activities;
- Human resources, which include statutory and support staff. Support includes staff financed under expenditure managed directly by the DG's level, staff financed from the research budget, as well as staff financed from the structural funds. These are all allocated by Policy Area. Following the Commission orientations for the PDB 2001 of February 23, the statutory posts for the Commission were frozen at the level presented in the Budget 2000, except for OLAF for which a decision had already been taken for 2001. It was furthermore agreed that any proposals for additional staff would only be presented in an Amending Letter in September 2000.

Correspondence between ABB and the Financial Perspective

The overall limitations for the budget are the ceilings for each heading of the Financial Perspective. Thus, despite having applied the ABB approach in the preparation of the PDB 2001, the ceilings of the different headings continue to be the main point of reference. Therefore it is important to have a clear view of how the ABB nomenclature translates into the headings.

Second table PDB 2001 – Correspondence between the ABB and the Financial Perspectives provides a presentation of the 2001 PDB by Policy Area and Headings. On the vertical axes can be found the list of Policy Areas into which the Commission's activities have been grouped. On the horizontal axis are presented the already familiar headings of the

Financial Perspective. This table shows for each Policy Area the resources that fall under each of the headings of the Financial Perspectives. As the Commission's resource allocation process takes place following the ABB approach, this table is necessary in order to properly manage the resource attribution by Policy Area while checking that such attributions are in compliance with the ceilings.

The amounts found in the second table correspond to all financial resources, including Financial Interventions and Management and Support appropriations. From a first examination of this table it becomes obvious that the relationship between both classifications of the budget is difficult. Namely, a majority of Policy Areas include resources that correspond to more than one heading.

Table 41
Financing the general budget 2000 and 2001

(commitment appropriations, million EUR, posts and man/years)

Policy area	Budget 2000 ⁽⁵⁾		PDB 2001 ⁽⁶⁾		Difference 2001-2000 (%)	
	Total appropriations ⁽¹⁾	Human resources ⁽²⁾	Total appropriations ⁽¹⁾	Human resources ⁽²⁾	Total appropriations ⁽¹⁾	Human resources ⁽²⁾
Economic and financial affairs	203,1	472	157,0	471	-22,7	-0,3
Enterprise	343,4	878	335,9	850	-2,2	-3,2
Competition	64,0	509	65,6	509	2,4	0,1
Employment and social affairs	9 987,7	680	9 978,1	669	-0,1	-1,5
Agriculture and rural development	44 947,1	855	48 137,0	856	7,1	0,1
Transport	723,2	304	737,8	300	2,0	-1,3
Energy	232,7	599	263,5	595	13,2	-0,7
Environment	231,2	510	180,9	510	-21,8	0,0
Research ⁽³⁾	2 499,5	3 624	2 664,4	3 624	6,6	0,0
Information society	986,1	1 025	1 052,8	1 024	6,8	-0,1
Fisheries	998,0	270	1 004,1	270	0,6	0,1
Internal market	59,5	395	64,9	397	9,0	0,5
Regional policy	20 541,2	441	20 544,5	441	0,0	0,0
Taxation and customs union	88,4	382	87,3	382	-1,2	0,0
Education and culture	807,1	733	812,1	733	0,6	0,0
Media and communication	84,4	535	88,6	543	4,9	1,6
Health and consumer protection	253,5	610	254,9	638	0,5	4,6
Justice and home affairs	89,9	165	101,2	165	12,5	0,0
External relations	3 268,1	2 465	3 395,9	2 466	3,9	0,1
Trade	60,5	473	62,3	473	3,0	0,0
Development and relations with ACP countries	1 059,3	1 369	1 018,7	1 369	-3,8	0,0
Enlargement	1 694,9	556	1 733,5	556	2,3	0,0
Humanitarian aid	689,5	137	695,3	137	0,8	0,0
Fight against fraud	31,6	259	40,2	335	27,2	29,3
Commission's policy coordination and legal advice	225,3	1 177	218,0	1 147	-3,3	-2,6
Commission's administration	485,0	5 416	497,8	5 400	2,6	-0,3
Budget and audit	269,6	595	281,8	635	4,5	6,8
Statistics	113,3	652	117,0	652	3,3	-0,1
Pensions	579,0	56	635,3	56	9,7	0,0
Not attributed ⁽⁴⁾	29,9	21	22,9	49	-23,6	133,3
Total	91 646,0	26 162	95 249,2	26 252	3,9	0,3

⁽¹⁾ Includes financial interventions and management and support appropriations.

⁽²⁾ Includes statutory and support staff (staff financed from title A-7, the research budget, and estimates for staff financed from structural funds mini-budgets as well as support staff for OLAF)

⁽³⁾ Out of the total human resources in Research, 2080 are employed at the JRC.

⁽⁴⁾ Reserve for decentralised expenditure.

⁽⁵⁾ SAB Excluding 1 and 2

⁽⁶⁾ Excluding Letter of amendment 1

Table 42

PDB 2001 – Correspondence between the ABB and the Financial Perspectives

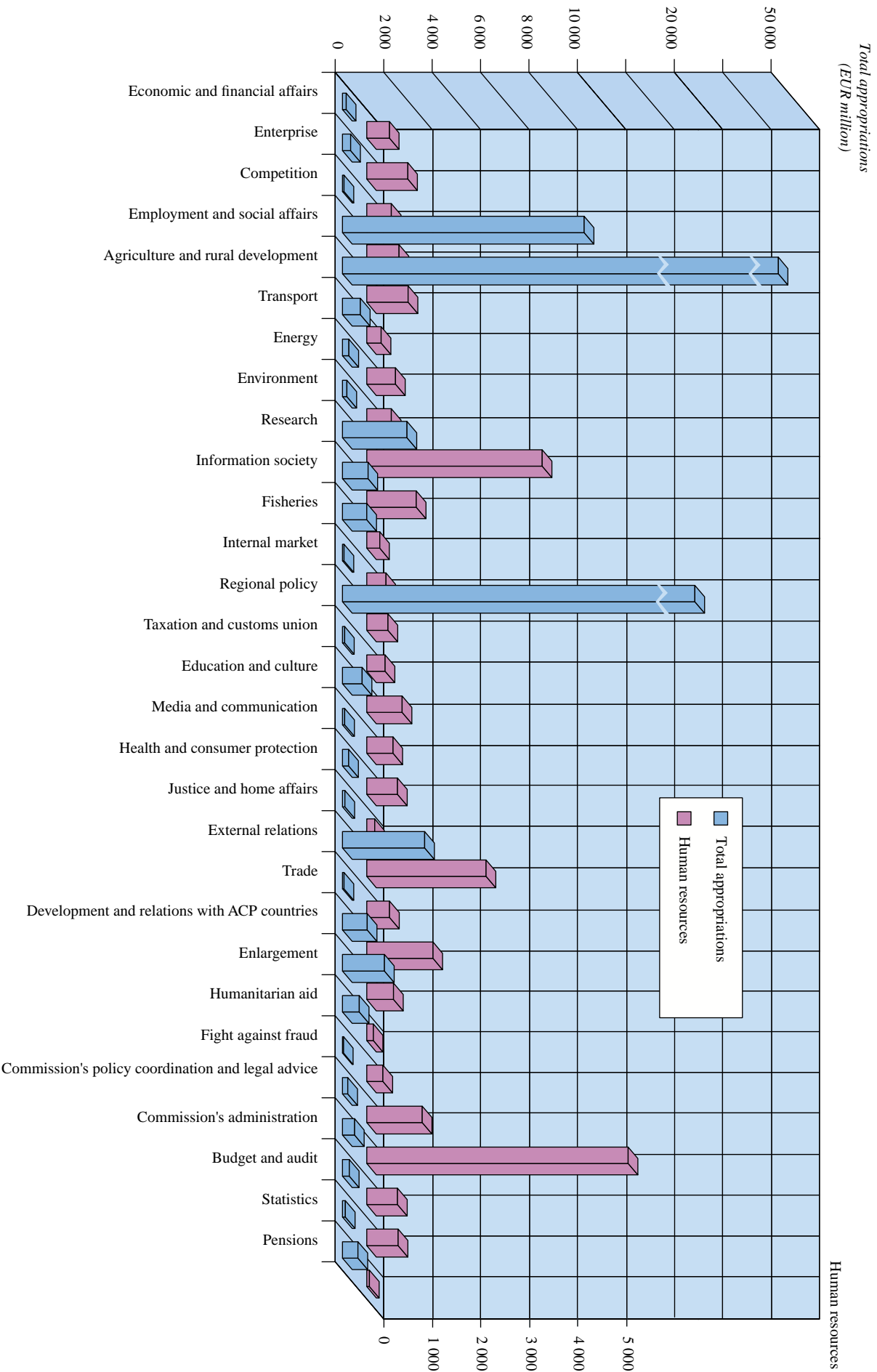
(PDB 2001, commitment appropriations, million EUR)

Policy area	1a.	1b.	2a.	2b.	3.	4.	5.	6.	7.	Total	Financial intervention Total	Management and support Total
	CAP	Rural development	Structural Funds	Cohesion Fund	Internal policies	External action	Administration	Reserves	Pre-accession aid			
Economic and financial affairs					1,3	99,0	56,7			157,0	105,3	51,7
Enterprise					240,7	0,8	94,4			335,9	224,5	111,3
Competition							65,6			65,6		65,6
Employment and social affairs			9 770,5		123,8		83,8			9 978,1	9 869,0	109,1
Agriculture and rural development	39 462,5	4 495,0	2 961,0		52,6	5,4	120,5	500,0	540,0	48 137,0	48 001,9	135,0
Transport					706,9		30,9			737,8	697,1	40,7
Energy					201,6	1,3	59,7		0,9	263,5	195,2	68,3
Environment					106,1	11,0	61,2		2,6	180,9	106,1	74,8
Research ⁽²⁾					2 611,2		53,2			2 664,4	2 241,7	422,7
Information society					1 004,5		48,3			1 052,8	934,5	118,3
Fisheries	32,7		571,4		93,4	276,1	30,5			1 004,1	969,3	34,8
Internal market					14,5		50,4			64,9	12,0	52,9
Regional policy			16 702,1	2 715,0			47,4		1 080,0	20 544,5	20 428,5	116,0
Taxation and customs union					33,7	1,5	52,1			87,3	34,3	53,0
Education and culture					686,2	12,1	106,3		7,6	812,1	702,6	109,5
Media and communication					20,5		68,1			88,6	18,9	69,7
Health and consumer protection	110,0				69,0		75,9			254,9	174,7	80,2
Justice and home affairs					78,0	5,0	18,2			101,2	82,4	18,8
External relations					5,0	3 102,4	288,5			3 395,9	2 978,4	417,6
Trade						6,4	55,9			62,3	5,9	56,4
Development and relations with ACP countries							888,8	130,0		1 018,7	868,7	150,1
Enlargement							50,0		1 627,9	1 733,5	1 598,4	135,1
Humanitarian aid							473,0	14,3	208,0	695,3	671,0	24,3
Fight against fraud					5,0		35,2			40,2	5,0	35,2
Commission's policy coordination and legal advice					39,2		178,8			218,0	85,4	132,6
Commission's administration							497,8			497,8	129,5	368,2
Budget and audit							73,8	208,0		281,8	208,4	73,4
Statistics					42,6		74,4			117,0	37,6	79,4
Pensions							635,3			635,3		635,3
Not attributed ⁽⁴⁾							22,9			22,9		22,9
Sub-total (Section III)	39 605,2	4 495,0	30 005,0	2 715,0	6 135,7	4 932,8	3 185,5	916,0	3 259,0	95 249,2	91 386,1	3 863,1
Other institutions							1 675,0			1 675,0		
Total Budget	39 605,2	4 495,0	30 005,0	2 715,0	6 135,7	4 932,8	4 860,5	916,0	3 259,0	96 924,2		
Heading ceilings ⁽¹⁾	39 735,0	4 495,0	30 005,0	2 715,0	6 272,0	5 015,0	4 939,0	916,0	3 260,0	97 352,0		
<i>Margin</i>	<i>129,8</i>		<i>0,0</i>		<i>136,3</i>	<i>82,2</i>	<i>78,5</i>		<i>1,0</i>	<i>427,8</i>		

(1) Including staff contributions to the pension scheme for EUR 163 Millions. Based on the Commission's proposal for the revision of the financial perspective.

Chart 22

Financing the general budget 2000 and 2001



Total appropriations
(EUR million)

Human resources

Glossary

Abbreviation or acronym	Meaning		
ACP	African, Caribbean and Pacific States	EEC	European Economic Community
Altener	Programme for the promotion of renewable energy sources in the Community	EFTA	European Free Trade Association
Ariane	Programme of support for books and reading	EIB	European Investment Bank
Bridge	Biotechnology research for innovation, development and growth in Europe	Erasmus	European Community action scheme for the mobility of university students
CAP	Common agricultural policy	ERDF	European Regional Development Fund
CE	Compulsory expenditure	ESF	European Social Fund
CFSP	Common foreign and security policy	Esprit	European strategic programme for research and development in information technology
CIS	Commonwealth of Independent States	EU	European Union
COM	Reference to official Commission publications	Euratom	See EAEC
CONNECT	Innovation and connection of Community programmes - preparatory measures	EURES	European employment services
CSF	Community support framework	FIFG	Financial Instrument for Fisheries Guidance
EAEC	European Atomic Energy Community (Euratom)	FORCE	Community action programme for the development of continuing vocational training
EAGGF-Guarantee	European Agricultural Guidance and Guarantee Fund, Guarantee Section	FP	Financial perspective
EAGGF-Guidance	European Agricultural Guidance and Guarantee Fund, Guidance Section	GATT	General Agreement on Tariffs and Trade
ECSC	European Coal and Steel Community	GDP	Gross domestic product
ECU	European currency unit	GNP	Gross national product
EDF	European Development Fund	IMPs	Integrated Mediterranean programmes
EEA	European Economic Area	Impact	Information market policy actions
		JET	Joint European Torus
		JHA	Justice and home affairs ('third pillar')

Kaleidoscope 2000	Programme of support for artistic and cultural activities of a European dimension	PHARE	Poland-Hungary: aid for restructuring of the economy p.m. Pour mémoire (token entry)
Leonardo	Action programme for the implementation of a European Community vocational training policy	RACE	Research and development in advanced communication technologies for Europe
LIFE	Financial instrument for the environment	Raphael	Community action programme concerning the cultural heritage
Lingua	Promotion of the teaching and learning of foreign languages	R&TD	Research and technological development
MEDA	Measures to accompany the reforms to the economic and social structures in non-member countries of the Mediterranean basin	SAB	Supplementary and amending budget
NCE	Non-compulsory expenditure	SAVE	Specific actions for vigorous energy efficiency
NCI	New Community Instrument	Socrates	Community action programme in the field of education
OCTs	Overseas countries and territories	SPD	Single programming document
PDB	Preliminary draft budget	Stabex	System of stabilization of export earnings for agricultural products
PDSAB	Preliminary draft supplementary and amending budget	Sysmin	System of stabilization of export earnings for mineral products
PEACE	Community initiative to support the peace process in Northern Ireland	TACIS	Technical assistance to the Commonwealth of Independent States
PETRA	Action programme for the training and preparation of young people for adult and working life	TENs	Trans-European networks
		VAT	Value-added tax

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