

**PRELIMINARY DRAFT
GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1999**



Overview



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I. FOREWORD

The preliminary draft 1999 budget is the first to be expressed in euros.

Proposed expenditure totals EUR 96 902 million for commitments and EUR 86 350 million for payments. The Commission has thus met the strict targets it set itself in January 1998's debate on budget policy guidelines.

Community expenditure increases in the same proportion as public expenditure in the Member States. The Commission wishes to support the efforts being made by Member States by matching its proposals for 1999 to the budgetary and financial stability targets for economic and monetary union.

The rates of increase over the 1998 budget are 3,38 % for payments and 6,47 % for commitments. These increases are accounted for essentially by the substantial financing for structural operations. The appropriations allocated for structural operations to make up the balance of the amounts pledged at Edinburgh in December 1992 represent increases of 16,6 % for commitments and 9 % for payments. To offset this, for all the other headings (agriculture, internal policies, external action and administration) the rates of increase are only + 0,56 % for commitments and + 0,49 % for payments.

Resources have been concentrated on certain major priorities which can particularly help employment and growth, such as the 'employment' initiative, trans-European networks, and research and technological development. The focus in external action is on the cooperation policies decided at the Cannes European Council to assist the countries of central and eastern Europe and non-member Mediterranean countries. This does, of course, involve major redeployment for other areas of operations.

Overall the preliminary draft budget is well below the expenditure ceilings authorised by the financial perspective. Similarly, the own resources required to finance the 1999 budget, which represent 1,11 % of Member States' total GNP, are well below the own resources ceiling of 1,27 %.

This preliminary draft budget strikes a fair balance between the tight budget approach which is already bearing fruit, with 11 Member States proposed to form the first wave for the single currency, and the determination to continue the policy of deepening the Union.

As 1999 is the final year covered by the financial perspective adopted in Edinburgh, this budget will see the completion of the Delors II package and will also mark the transition to the political priorities identified in Agenda 2000.



Erkki LIIKANEN

Member of the Commission with responsibility for budgets

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II. GENERAL FRAMEWORK

The 1999 budget will be the last one to be covered by the financial perspective agreed in Edinburgh in 1992. It should therefore pave the way for the transition to the new programming period covered by the proposals contained in the Commission's communication Agenda 2000 ⁽¹⁾. Moreover, as monetary union enters its third and final stage the political climate in the Union will continue to be influenced by the need for Member States to meet the convergence criteria for EMU. As in previous budgets, this will be reflected in a budget characterised by austerity, particularly as regards the Member States' contributions to the Union budget.

In this context the work on preparing the preliminary draft budget for 1999 began with the Commission debate on 28 January 1998 on policy priorities, on the basis of a memorandum from Mr Liikanen. The Commission decided to continue pursuing the approach adopted for the 1998 budget: instead of relating its proposals to the financial perspective ceilings, it chose to set a moderate rate of growth in advance, particularly as regards payment appropriations,

thereby enabling it to reconcile the objective of budgetary rigour with the privileged status of structural operations in line with the pledges made in Edinburgh. It also emphasised the importance of the integrated approach, linking the allocation of human and financial resources to the work programmes of departments. The initial target that the Commission set itself (before adjustment in line with implementation) was a limited but not insignificant overall growth rate for Community expenditure (+ 3 % for payments and + 5 % for commitments).

A triologue meeting was then held on 31 March to enable the institutions to debate budget priorities for the coming year. A degree of consensus was reached on the guidelines identified by the Commission. As the institutions agreed to raise the heading 2 ceiling by EUR 1 534 million, the increase over the 1999 budget is 6,47 % for commitments and 3,38 % for payments. If the re-entry of the heading 2 appropriations in the budget is ignored, the rates are 4,8 % and 3,1 % respectively.

III. THE BROAD LINES OF THE 1999 PRELIMINARY DRAFT BUDGET

The expenditure proposals contained in the preliminary draft budget total EUR 96 902 million in appropriations for commitments and EUR 86 350 million in appropriations for payments. The increase over the 1998 budget has been kept at levels very close to what the Commission set as targets in its policy debate.

The revenue required to finance the preliminary draft budget, calculated on the basis of the new own resources decision, represents 1,11 % of GNP. The uniform call-in rate for the VAT resource is 0,8442 % and the rate for the GNP resource is 0,53388 %. Traditional own resources represent 16 % of budget financing for 1999, the VAT resources 35,2 % and the fourth (GNP)-based resource 48,1 % (compared with 15,3 %, 40,09 % and 43 % respectively for the 1998 budget).

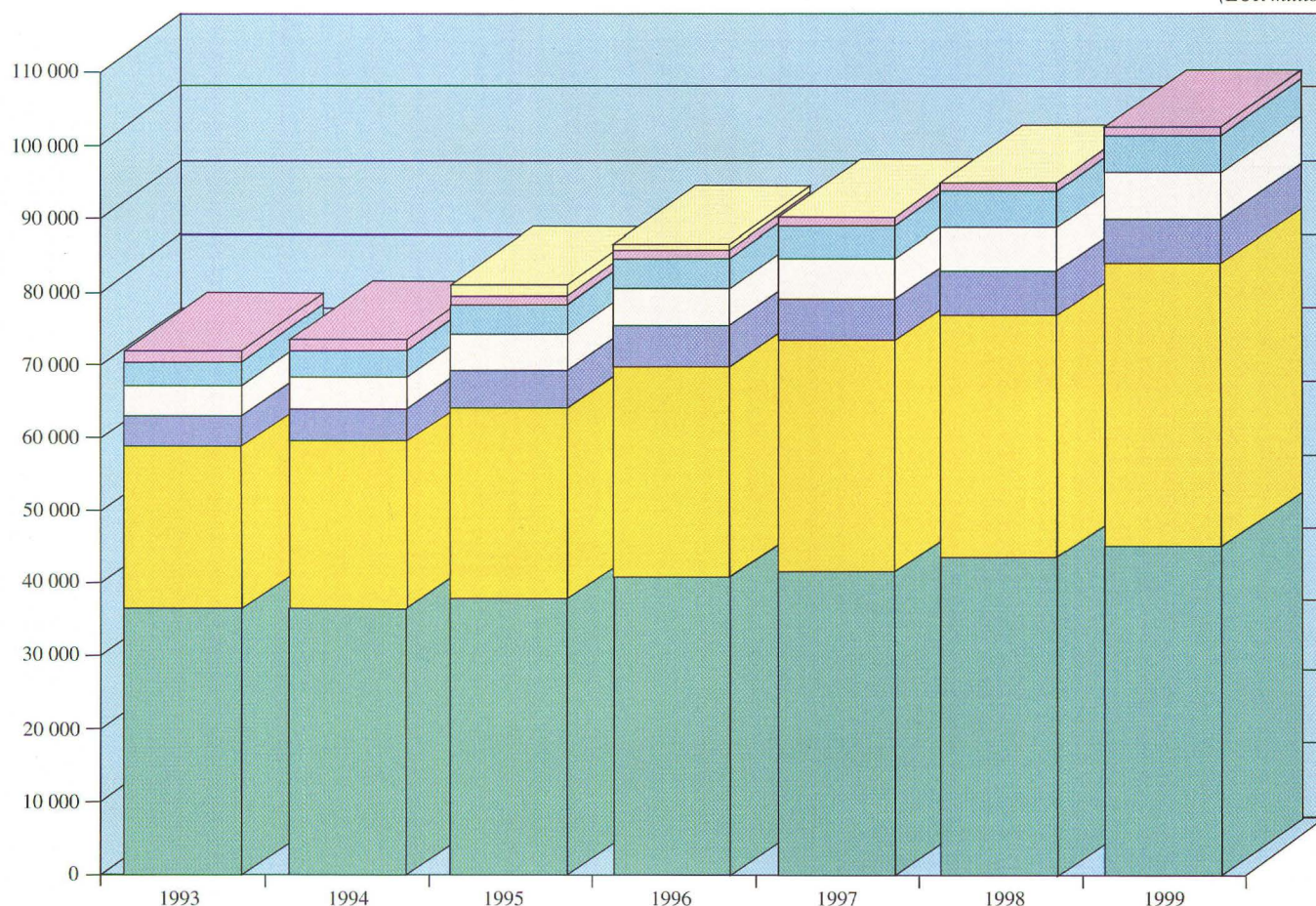
The expenditure proposals contained in the preliminary draft were determined in the light of the political priorities identified during the policy debate and by reference to other criteria, such as the pattern or level of utilisation of appropriations in 1997, the existence of a legal basis or a proposal for a legal basis and information provided by the evaluation of operations in terms of cost-effectiveness.

The following tables compare the 1998 and 1999 allocations in accordance with the budget nomenclature and in accordance with the headings of the financial perspective. Figure 2 gives a breakdown, by subsection, of the expenditure proposed in the preliminary draft budget for 1999.

⁽¹⁾ COM(98) 164, 18. 3. 1998.

Figure 1
Financial perspective 1993 to 1999

(EUR million)



	EU-12		EU-15				
	Current prices		Current prices				
	1993	1994	1995	1996	1997	1998	1999
<i>Appropriations for commitments</i>							
1. Common agricultural policy	36 657	36 465	37 944	40 828	41 805	43 263	45 188
2. Structural operations	22 192	23 176	26 329	29 131	31 477	33 461	39 025
Structural Funds	20 627	21 323	24 069	26 579	28 620	30 482	35 902
Cohesion Fund	1 565	1 853	2 152	2 444	2 749	2 871	3 118
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	3466
Emergency aid reserve	209	212	323	326	329	338	346
7. Compensation			1 547	701	212	99	0
Total appropriations for commitments	72 021	73 486	80 943	86 604	90 229	94 744	103 384
Total appropriations for payments	68 611	70 352	77 229	82 223	85 807	90 581	96 663
Appropriations for payments (% GNP)	1,20	1,20	1,20	1,20	1,22	1,23	1,27
Margin (% GNP)	0,00	0,00	0,01	0,02	0,02	0,03	0,02
Own resources ceiling (% GNP)	1,20	1,20	1,21	1,22	1,24	1,26	1,27

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Breakdown by heading in the financial perspective

Heading	Budget 1998	Financial perspective 1999	Preliminary draft budget 1999	Difference	
				in %	Amount
				3 : 1	3 - 1
Appropriations for commitments					
1. Common agricultural policy	40 437 000 000	45 188 000 000	40 440 000 000	0,01	3 000 000
<i>Margin</i>	2 826 000 000		4 748 000 000		
2. Structural operations:					
— Structural Funds	30 482 000 000	35 902 000 000	35 902 000 000	17,78	5 420 000 000
— Cohesion Fund	2 871 000 000	3 118 000 000	3 118 000 000	8,60	247 000 000
— European Economic Area financial mechanism	108 000 000	5 000 000	5 000 000	-95,37	-103 000 000
<i>Total</i>	33 461 000 000	39 025 000 000	39 025 000 000	16,63	5 564 000 000
<i>Margin</i>					
3. Internal policies	5 755 746 000	6 386 000 000	5 926 471 000	2,97	170 725 000
<i>Margin</i>	247 254 000		459 529 000		
4. External action	5 730 830 000	6 870 000 000	5 883 785 000	2,67	152 955 000
<i>Margin</i>	470 170 000		986 215 000		
5. Administrative expenditure	4 353 411 786	4 723 000 000	4 435 147 000	1,88	81 735 214
<i>Margin</i>	187 588 214		287 853 000		
6. Reserves:					
— monetary reserve	500 000 000	500 000 000	500 000 000	0,00	0
— guarantee reserve	338 000 000	346 000 000	346 000 000	2,37	8 000 000
— emergency aid reserve	338 000 000	346 000 000	346 000 000	2,37	8 000 000
<i>Total</i>	1 176 000 000	1 192 000 000	1 192 000 000	1,36	16 000 000
<i>Margin</i>					
7. Compensation	99 000 000	0	0	-100,00	-99 000 000
<i>Margin</i>					
Total appropriations for commitments	91 012 987 786	103 384 000 000	96 902 403 000	6,47	5 889 415 214
<i>Margin</i>	3 731 012 214		6 481 597 000		
Appropriations for payments					
Total appropriations for payments	83 529 167 286	96 663 000 000	86 350 402 000	3,38	2 821 234 714
<i>Margin</i>	7 051 832 714		10 312 598 000		
Appropriations for payments (% GNP)	1,14	1,27	1,11		

**Breakdown by heading in the financial perspective
(with subdivisions)**

Heading	Budget 1998	Financial perspective 1999	Preliminary draft budget 1999	Difference	
				in %	Amount
				3 : 1	3 - 1
Appropriations for commitments					
1. Common agricultural policy					
— Markets', expenditure (Titles B1-1 to B1-3)	38 157 000 000		37 843 000 000	-0,82	- 314 000 000
— Accompanying measures (Titles B1-4 and B1-5)	2 280 000 000		2 597 000 000	13,90	317 000 000
Total 1	40 437 000 000	45 188 000 000	40 440 000 000	0,01	3 000 000
<i>Margin</i>	<i>2 826 000 000</i>		<i>4 748 000 000</i>		
2. Structural operations					
— EAGGF-Guidance (Chapter B2-1 0)	4 183 100 000		5 164 000 000	23,45	980 900 000
— Financial Instrument for Fisheries Guidance (FIFG) (Chapter B2-1 1)	464 200 000		808 000 000	74,06	343 800 000
— ERDF (Chapter B2-1 2)	14 000 400 000		15 646 000 000	11,75	1 645 600 000
— ESF (Chapter B2-1 3)	8 628 050 000		9 611 000 000	11,39	982 950 000
— Community initiatives (Chapter B2-1 4)	2 856 100 000		4 256 000 000	49,01	1 399 900 000
— Transitional measures, innovatory schemes and measures to combat fraud (Chapters B2-1 5, B2-1 8 and B2-1 9)	350 150 000		417 000 000	19,09	66 850 000
Structural Funds — Sub-total	30 842 000 000	35 902 000 000	35 902 000 000	17,78	5 420 000
— Cohesion Fund (Title B2-3)	2 871 000 000		3 118 000 000	8,60	247 000 000
— EEA financial mechanism (Title B2-4)	108 000 000		5 000 000		- 103 000 000
Total 2	33 461 000 000	39 025 000 000	39 025 000 000	16,63	5 564 000 000
<i>Margin</i>	<i>0</i>		<i>0</i>		
3. Internal policies					
— Research and technological development (Subsection B6)	3 491 000 000		3 570 000 000	2,26	79 000 000
— Other agricultural operations (Title B2-5)	145 900 000		145 400 000	-0,34	- 500 000
— Other regional operations (Title B2-6)	17 000 000		17 000 000	0,00	
— Transport (Title B2-7)	19 050 000		18 000 000	-5,51	- 1 050 000
— Other measures concerning fisheries and the sea (Title B2-9)	48 100 000		45 500 000	-5,41	- 2 600 000
— Education, vocational training and youth (Title B3-1)	411 050 000		425 950 000	3,62	14 900 000
— Culture and audiovisual (Title B3-2)	99 150 000		86 900 000	-12,36	- 12 250 000
— Information and communication (Title B3-3)	102 530 000		111 500 000	8,75	8 970 000
— Other social operations (Title B3-4)	165 370 000		152 870 000	-7,56	- 12 500 000
— Energy (Title B4-1)	33 000 000		38 000 000	15,15	5 000 000
— Euratom nuclear safeguards (Title B4-2)	16 000 000		16 400 000	2,50	400 000

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Breakdown by heading in the financial perspective
(with subdivisions) (cont'd)

Heading	Budget 1998	Financial perspective 1999	Preliminary draft budget 1999	Difference	
				in %	Amount
				3 : 1	3 - 1
— Environment (Title B4-3)	140 500 000		141 300 000	0,57	800 000
— Consumer protection (Title B5-1)	20 870 000		22 000 000	5,41	1 130 000
— Aid for reconstruction (Title B5-2)	2 976 000		2 234 000	-24,93	-742 000
— Internal market (Title B5-3)	157 300 000		161 000 000	2,35	3 700 000
— Industry (Title B5-4)	84 100 000		92 017 000	9,41	7 917 000
— Employment market and technological innovation (Title B5-5)	191 000 000		211 000 000	10,47	20 000 000
— Statistical information (Title B5-6)	29 800 000		30 800 000	3,36	1 000 000
— Trans-European networks (Title B5-7)	559 900 000		617 000 000	10,20	57 100 000
— Cooperation policy in the fields of justice and home affairs (Title B5-8)	15 750 000		17 000 000	7,94	1 250 000
— Measures to combat fraud and support expenditure (Chapters B5-9 1 and B5-9 5)	5 400 000		4 600 000	-14,81	-800 000
Research — Subtotal	3 491 000 000		3 570 000 000	2,26	79 000 000
Networks — Subtotal	559 900 000		617 000 000	10,20	57 100 000
Other — Subtotal	1 704 846 000		1 739 471 000	2,03	34 625 000
Total 3	5 755 746 000	6 386 000 000	5 926 471 000	2,97	170 725 000
<i>Margin</i>	<i>247 254 000</i>		<i>459 529 000</i>		
4. External action					
— European Development Fund (Title B7-1)	p.m.		p.m.		
— Food aid (Chapter B7-2 0)	530 000 000		505 000 000	-4,72	-25 000 000
— Humanitarian aid (Chapter B7-2 1)	325 100 000		330 100 000	1,54	5 000 000
— Cooperation with Asian developing countries (Chapter B7-3 0)	440 816 000		434 150 000	-1,51	-6 666 000
— Cooperation with Latin American developing countries (Chapter B7-3 1)	299 183 000		295 750 000	-1,15	-3 433 000
— Cooperation with countries in southern Africa and South Africa (Chapter B7-3 2)	127 500 000		125 000 000	-1,96	-2 500 000
— Cooperation with the Mediterranean countries and the Middle East (Title B7-4)	1 149 667 000		1 143 000 000	-0,58	-6 667 000
— Cooperation with countries of central and eastern Europe (Chapter B7-5 0)	1 124 785 000		1 450 100 000	28,92	325 315 000
— European Bank for Reconstruction and Development (Chapter B7-5 1)	33 750 000		33 750 000	0,00	
— Cooperation with the new independent States and Mongolia (Chapter B7-5 2)	501 916 000		442 550 000	-11,83	-59 366 000
— Exceptional aid for Armenia, Georgia and Tajikistan (Chapter B7-5 3)	45 115 000		47 400 000	5,06	2 285 000
— Cooperation with the Republics formerly part of Yugoslavia (Chapter B7-5 4)	259 000 000		251 000 000	-3,09	-8 000 000
— Other cooperation measures (Title B7-6)	383 768 000		283 200 000	-26,21	-100 568 000
— European initiative for democracy and the protection of human rights (Title B7-7)	97 400 000		90 400 000	-7,19	-7 000 000

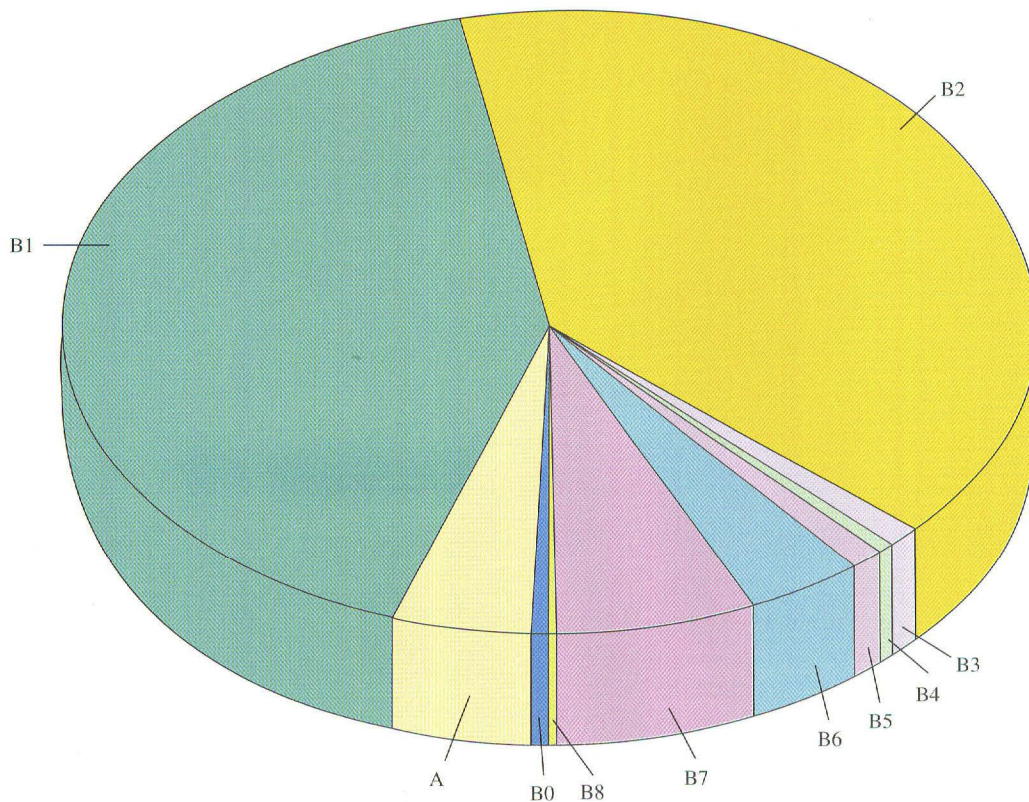
Breakdown by heading in the financial perspective
(with subdivisions) (cont'd)

Heading	Budget 1998	Financial perspective 1999	Preliminary draft budget 1999	Difference	
				in %	Amount
				3 : 1	3 - 1
— International fisheries agreements (Chapter B7-8 0)	295 700 000		295 700 000	0,00	
— External aspects of certain Community policies (Chapters B7-8 1 to B7-8 7)	87 130 000		126 685 000	45,40	39 555 000
— Support expenditure for external policies (Chapter B7-9 5)	—		—	—	
— Common foreign and security policy (Title B8-0)	30 000 000		30 000 000	0,00	
Total 4	5 730 830 000	6 870 000 000	5 883 785 000	2,67	152 955 000
<i>Margin</i>	<i>470 170 000</i>		<i>986 215 000</i>		
5. Administrative expenditure					
— Part A (not including pensions)	2 376 286 180		2 407 167 000	1,30	30 880 820
— Other institutions (including pensions)	1 510 313 606		1 529 948 000	1,30	19 634 394
— Pensions (all institutions)	466 812 000		498 032 000	6,69	31 220 000
Total 5	4 353 411 786	4 723 000 000	4 435 147 000	1,88	81 735 214
<i>Margin</i>	<i>187 588 214</i>		<i>287 853 000</i>		
6. Reserves					
— Monetary reserve (Title B1-6)	500 000 000		500 000 000	0,00	
— Guarantee reserve (Chapter B0-2 3)	338 000 000		346 000 000	2,37	8 000 000
— Emergency aid reserve (Chapter B7-9 1)	338 000 000		346 000 000	2,37	8 000 000
Total 6	1 176 000 000	1 192 000 000	1 192 000 000	1,36	16 000 000
<i>Margin</i>	<i>0</i>		<i>0</i>		
7. Compensation					
	99 000 000		—	-100,00	-99 000 000
Total 7	99 000 000	0	0	-100,00	-99 000 000
<i>Margin</i>	<i>0</i>				
Appropriations for commitments					
Grand Total	91 012 987 786	103 384 000 000	96 902 403 000	6,47	5 889 415 214
<i>Margin</i>	<i>3 731 012 214</i>		<i>6 481 597 000</i>		
Of which compulsory expenditure	42 424 333 000		42 331 514 000	-0,22	- 92 819 000
Of which non-compulsory expenditure	48 588 654 786		54 570 889 000	12,31	5 982 234 214
Appropriations for payments					
Appropriations for payments					
Grand Total	83 529 167 286	96 663 000 000	86 350 402 000	3,38	2 821 234 714
<i>Margin</i>	<i>7 051 832 714</i>		<i>10 312 598 000</i>		
Of which compulsory expenditure	42 488 470 500		42 415 664 000	-0,17	-72 806 500
Of which non-compulsory expenditure	41 040 696 786		43 934 738 000	7,05	2 894 041 214

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Figure 2

Preliminary draft budget 1999
Breakdown of expenditure by subsection
(appropriations for commitments)



(EUR million)

Subsection	Amount	%
B1: EAGGF Guarantee Section	40 940,0	42,2
B2: Structural operations, structural expenditure and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries	39 250,9	40,5
B3: Training, youth, culture, audio-visual media, information, social dimension and employment	777,2	0,8
B4: Energy, Euratom nuclear safeguards and environment	195,7	0,2
B5: Consumer protection, internal market, industry and trans-European networks	1 157,7	1,2
B6: Research and technological development	3 570,0	3,7
B7: External action	6 199,8	6,4
B8: Common foreign and security policy	30,0	0,0
B0: Compensation, guarantees, reserves	346,0	0,4
A: Administrative expenditure (of all the institutions)	4 435,1	4,6
Total	96 902,4	100,0

General summary of appropriations for 1998 and 1999

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1998		Appropriations 1999		Difference 1999-1998	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
		PART A						
5	A-1	Expenditure relating to persons working with the institution	1 712 065 000	1 712 065 000	1 763 129 000	1 763 129 000	51 064 000	51 064 000
5	A-2	Buildings, equipment and miscellaneous operating expenditure	319 222 000	319 222 000	312 794 000	312 794 000	- 6 428 000	- 6 428 000
5	A-3	Expenditure resulting from special functions carried out by the institution	248 215 180	248 215 180	252 337 000	252 337 000	4 121 820	4 121 820
5	A-4	Interinstitutional cooperation, interinstitutional services and activities	74 548 000	74 548 000	74 194 000	74 194 000	- 354 000	- 354 000
5	A-5	Data-processing	93 900 000	93 900 000	95 041 000	94 041 000	1 141 000	1 141 000
5	A-6	Staff and administrative expenditure of European Community delegations	202 630 000	202 630 000	213 525 000	213 525 000	10 895 000	10 895 000
5	A-7	Support staff and decentralisation	192 518 000	192 518 000	194 179 000	194 179 000	1 661 000	1 661 000
5	A-10	Other expenditure	p.m.	p.m.	p.m.	p.m.	0	0
		Part A — Total	2 843 098 180	2 843 098 180	2 905 199 000	2 905 199 000	62 100 820	62 100 820
		PART B						
	B1	European Agricultural Guidance and Guarantee Fund, Guarantee Section						
1	B1-1	Plant products	26 404 000 000	26 404 000 000	26 460 000 000	26 460 000 000	56 000 000	56 000 000
1	B1-2	Animal products	10 632 500 000	10 632 500 000	10 320 000 000	10 320 000 000	- 312 500 000	- 312 500 000
1	B1-3	Ancillary expenditure	1 120 500 000	1 120 500 000	1 063 000 000	1 063 000 000	- 57 500 000	- 57 500 000
1	B1-5	Accompanying measures	2 280 000 000	2 280 000 000	2 597 000 000	2 597 000 000	317 000 000	317 000 000
6	B1-6	Monetary reserve	500 000 000	500 000 000	500 000 000	500 000 000	0	0
		B1 — Sub-total	40 937 000 000	40 937 000 000	40 940 000 000	40 940 000 000	3 000 000	3 000 000

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General summary of appropriations for 1998 and 1999 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1998		Appropriations 1999		Difference 1999-1998	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
	B2	Structural operations, Structural and Cohesion Funds, other agricultural and regional operations, transport and fisheries						
2	B2-1	Structural Funds	30 842 000 000	25 643 200 000	35 902 000 000	28 068 000 000	5 420 000 000	2 424 800 000
2	B2-3	Cohesion Fund	2 871 000 000	2 648 800 000	3 118 000 000	2 877 000 000	247 000 000	228 200 000
2	B2-4	Expenditure for the financial mechanism relating to the accession of new Member States	108 000 000	108 000 000	5 000 000	5 000 000	-103 000 000	-103 000 000
3	B2-5	Other agricultural operations	145 900 000	121 300 000	145 400 000	131 200 000	-500 000	9 900 000
3	B2-6	Other regional operations	17 000 000	22 000 000	17 000 000	22 000 000	0	0
3	B2-7	Transport	19 050 000	20 790 000	18 000 000	17 000 000	-1 050 000	-3 790 000
3	B2-9	Other measures concerning fisheries and the sea	48 100 000	30 600 000	45 500 000	33 600 000	-2 600 000	3 000 000
		B2 — Sub-total	33 691 050 000	28 594 690 000	39 250 900 000	31 153 800 000	5 559 850 000	2 559 110 000
	B3	Training, youth, culture, audiovisual media, information and other social operations						
3	B3-1	Education, vocational training and youth	411 050 000	369 350 000	425 950 000	370 800 000	14 900 000	1 450 000
3	B3-2	Culture and audio-visual media	99 150 000	107 700 000	86 900 000	100 800 000	-12 250 000	-6 900 000
3	B3-3	Information and communication	102 530 000	84 330 000	111 500 000	118 200 000	8 970 000	33 870 000
3	B3-4	Social dimension and employment	165 370 000	150 800 000	152 870 000	138 620 000	-12 500 000	-12 180 000
		B3 — Sub-total	778 100 000	712 180 000	777 220 000	728 420 000	-880 000	16 240 000
	B4	Energy, Euratom nuclear safeguards and environment						
3	B4-1	Energy	33 000 000	36 800 000	38 000 000	35 000 000	5 000 000	-1 800 000
3	B4-2	Euratom nuclear safeguards	16 000 000	17 000 000	16 400 000	15 700 000	400 000	-1 300 000
3	B4-3	Environment	140 500 000	128 440 000	141 300 000	129 000 000	800 000	560 000
		B4 — Sub-total	189 500 000	182 240 000	195 700 000	179 700 000	6 200 000	-2 540 000

General summary of appropriations for 1998 and 1999 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1998		Appropriations 1999		Difference 1999-1998	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
	B5	Consumer protection, internal market, industry and trans-European networks						
3	B5-1	Consumer protection and consumer health protection	20 870 000	21 170 000	22 000 000	19 800 000	1 130 000	- 1 370 000
3	B5-2	Aid for reconstruction	2 976 000	2 976 000	2 234 000	2 234 000	- 742 000	- 742 000
3	B5-3	Internal market	157 300 000	146 735 000	161 000 000	133 850 000	3 700 000	- 12 885 000
3	B5-4	Industry	84 100 000	77 000 000	92 017 000	93 950 000	7 917 000	16 950 000
3	B5-5	Employment market and technological innovation	191 000 000	100 000 000	211 000 000	136 700 000	20 000 000	36 700 000
3	B5-6	Statistical information	29 800 000	29 000 000	30 800 000	27 466 000	1 000 000	- 1 534 000
3	B5-7	Trans-European networks	559 900 000	388 800 000	617 000 000	471 000 000	57 100 000	82 200 000
3	B5-8	Cooperation policy in the fields of justice and home affairs	15 750 000	13 750 000	17 000 000	8 500 000	1 250 000	- 5 250 000
3	B5-9	Measures to combat fraud and support expenditure for internal policies	5 400 000	5 400 000	4 600 000	4 400 000	- 800 000	- 1 000 000
		B5 — Sub-total	1 067 096 000	784 831 000	1 157 651 000	897 900 000	70 555 000	76 369 000
	B6	Research and technological development						
3	B6-1	Joint Research Centre — Staff and resources	207 494 000	203 557 000	218 212 000	220 937 000	10 718 000	17 380 000
3	B6-2	Joint Research Centre — Direct operating appropriations — EC framework programme (1994 to 1998)			46 493 000	18 413 000	46 493 000	18 413 000
3	B6-3	Joint Research Centre — Direct operating appropriations — EAEC framework programme (1994 to 1998)			17 595 000	6 801 000	17 595 000	6 801 000
3	B6-4	Joint Research Centre — Direct action — completion of former joint and supplementary programmes and other Joint Research Centre activities	52 506 000	45 443 000	p.m.	28 849 000	- 52 506 000	- 16 594 000

OVERVIEW

General summary of appropriations for 1998 and 1999 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1998		Appropriations 1999		Difference 1999-1998	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
3	B6-5	Indirect action (shared-cost projects) and concerted action — Completion of earlier projects and other activities	3 231 000 000	2 750 267 000	p.m.	2 023 850 000	-3 231 000 000	-726 417 000
3	B6-6	Indirect action (shared-cost projects). Concerted action — Fifth Framework Programme (1999 to 2002)			3 287 700 000	757 100 000	3 287 700 000	757 100 000
		B6 — Sub-total	3 491 000 000	2 999 267 000	3 570 000 000	3 055 950 000	79 000 000	56 683 000
	B7	External action						
4	B7-1	European Development Fund	p.m.	p.m.	—	—	0	0
4	B7-2	Food and humanitarian aid	855 100 000	695 600 000	835 100 000	710 100 000	-20 000 000	14 500 000
4	B7-3	Cooperation with developing countries in Asia, Latin America and southern Africa, including South Africa	867 499 000	514 650 000	854 900 000	552 750 000	-12 599 000	38 100 000
4	B7-4	Cooperation with Mediterranean third countries and the Middle East	1 149 667 000	622 668 000	1 143 000 000	633 500 000	-6 667 000	10 832 000
4	B7-5	Cooperation with countries of central and eastern Europe and the New Independent States and Mongolia	1 964 566 000	1 560 270 500	2 224 800 000	1 604 500 000	260 234 000	44 229 500
4	B7-6	Other cooperation measures	383 768 000	295 004 000	283 200 000	277 550 000	-100 568 000	-17 454 000

General summary of appropriations for 1997 and 1998 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1998		Appropriations 1999		Difference 1999-1998	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
4	B7-7	European initiative for democracy and the protection of human rights	97 400 000	75 800 000	90 400 000	73 000 000	- 7 000 000	- 2800 000
4	B7-8	External aspects of certain Community policies	382 300 000	406 305 000	422 385 000	393 135 000	39 555 000	- 13 170 000
6	B7-9	Reserve	338 000 000	338 000 000	346 000 000	346 000 000	8 000 000	8 000 000
		B7 — Sub-total	6 038 830 000	4 508 297 500	6 199 785 000	4 590 535 000	160 955 000	82 237 500
		B8 Common foreign and security policy						
	B8-0	Common foreign and security policy	30 000 000	20 250 000	30 000 000	22 950 000	0	2 700 000
		B8 — Sub-total	30 000 000	20 250 000	30 000 000	22 950 000	0	2 700 000
		B0 Guarantees, reserves, compensation						
6	B0-2	Guarantees for borrowing and lending operations	338 000 000	338 000 000	346 000 000	346 000 000	8 000 000	8 000 000
6	B0-3	Deficit carried over from previous year	p.m.	p.m.	p.m.	p.m.	0	0
	B0-4	Reserves and provisions ⁽¹⁾	p.m.	p.m.	p.m.	p.m.	0	0
7	B0-5	Budgetary compensation for the new Member States	99 000 000	99 000 000	—	—	- 99 000 000	- 99 000 000
		B0 — Sub-total	437 000 000	437 000 000	346 000 000	346 000 000	- 91 000 000	- 91 000 000
		Part B — Total	86 695 576 000	79 175 755 500	92 467 256 000	81 915 255 000	5 807 680 000	2 739 499 500
5		Other institutions	1,510 313 606	1 510 313 606	1 529 948 000	1 529 948 000	19 634 394	19 634 394
		Grand Total	91 012 987 786	83 529 167 286	96 902 403 000	86 350 402 000	5 889 415 214	2 821 234 714

⁽¹⁾ The appropriations entered in Chapter B0-4 0 are included in the titles concerned.

IV. EXPENDITURE

The following remarks on the expenditure proposals are set out by financial perspective heading:

1. Agricultural expenditure (heading 1)

The draft reform of the common agricultural policy (CAP), which was put forward by the Commission as part of Agenda 2000, is due to enter into force in the year 2000. This means that 1999 will be the last year to use the current system, which was most recently reformed in 1992, and will involve:

- the CAP arrangements as reformed six years ago operating fully and normally, including the accompanying measures,
- a return to normal on the animal product markets,
- and the extension of the CAP regulatory framework, except for the olive oil sector.

For various reasons — maintenance of the framework for the agricultural policy, significant improvements in the situation in certain agricultural markets and the favourable monetary situation — agricultural appropriations can remain at their 1998 level of EUR 40 440 million. This means that the appropriations stand EUR 4,7 billion beneath the agricultural guideline of EUR 45,2 billion.

Although the Commission had estimated that 1998 requirements would exceed the amounts entered in the budget by EUR 900 million, the most recent information suggests that expenditure is likely to remain within the budget.

In terms of legislation, the legislative proposals taken into account in the preliminary draft budget have very little net impact. First, the 'agricultural prices package' for the 1998/99 marketing year involves additional costs of EUR 29 million, largely owing to the extension of the grubbing-up scheme for vineyards. Second, the Commission has

recently proposed a transitional scheme for the olive oil sector, which should cut expenditure in 1999 by EUR 107 million. Lastly, if the Council approves the introduction of a maximum guaranteed area for fibre flax, as proposed by the Commission in 1996, this should involve a reduction in expenditure in the region of EUR 40 million.

On the monetary front within the Union, as most of the national currencies move towards their central rate thereby narrowing the gap between green rates and market rates, expenditure will be lower than in previous years. The underlying 'dual rate' effect for the 1999 preliminary draft budget is reckoned to be EUR 0,6 billion, whereas it was EUR 1 billion for the 1998 budget and even higher, at EUR 1,1 billion, for the 1997 budget. The introduction of the euro on 1 January 1999 will have only limited budgetary impact: in many cases payments will already have been made and in others the triggering factors (the green rates) will pre-date the euro.

On the monetary front outside the Union, the agriculture budget will benefit from a relatively strong dollar at EUR 0,92 (EUR 1 = USD 1,087), bringing EU prices closer to those of its principal trading partners. The 1998 and 1997 budgets were based on a euro that was stronger against the dollar by 8 % and 18 % respectively. The change in the parity against the dollar produces savings over the 1998 budget which can be put at some EUR 0,4 billion. The savings over 1997 are virtually twice that amount.

While, overall, appropriations for 1999 remain at the 1998 level, the situation varies enormously between sectors:

- virtually no change in plant product sectors overall,
- a large decrease in animal product sectors, except for sheepmeat, and in agri-monetary aid,
- a large increase in the cost of agri-environmental measures,
- likely decrease in 'revenue' from clearance of accounts.

OVERVIEW

Expenditure for the beef sector (– EUR 662 million) has been dropping continuously over the last three years since the beginning of the BSE crisis in 1996 (EUR 6,7 billion). Provided that the market situation continues to improve, as it started to in 1997, appropriations of EUR 5,1 billion are considered adequate for 1999. The Commission thinks that it is realistic to envisage an initial reduction in public stocks of 175 000 tonnes in 1999 (– EUR 345 million), which would leave 464 000 tonnes of meat still in storage at the end of the year. Reducing export refunds should also produce considerable savings (– EUR 224 million).

The upturn in the beef sector is accompanied by an increase in expenditure for the sheepmeat sector (+ EUR 597 million) linked to the considerable drop in sheepmeat prices. This drop, which started in 1998, is largely due to the resumption of beef consumption, but also to there being more sheepmeat on the market, mainly in the United Kingdom.

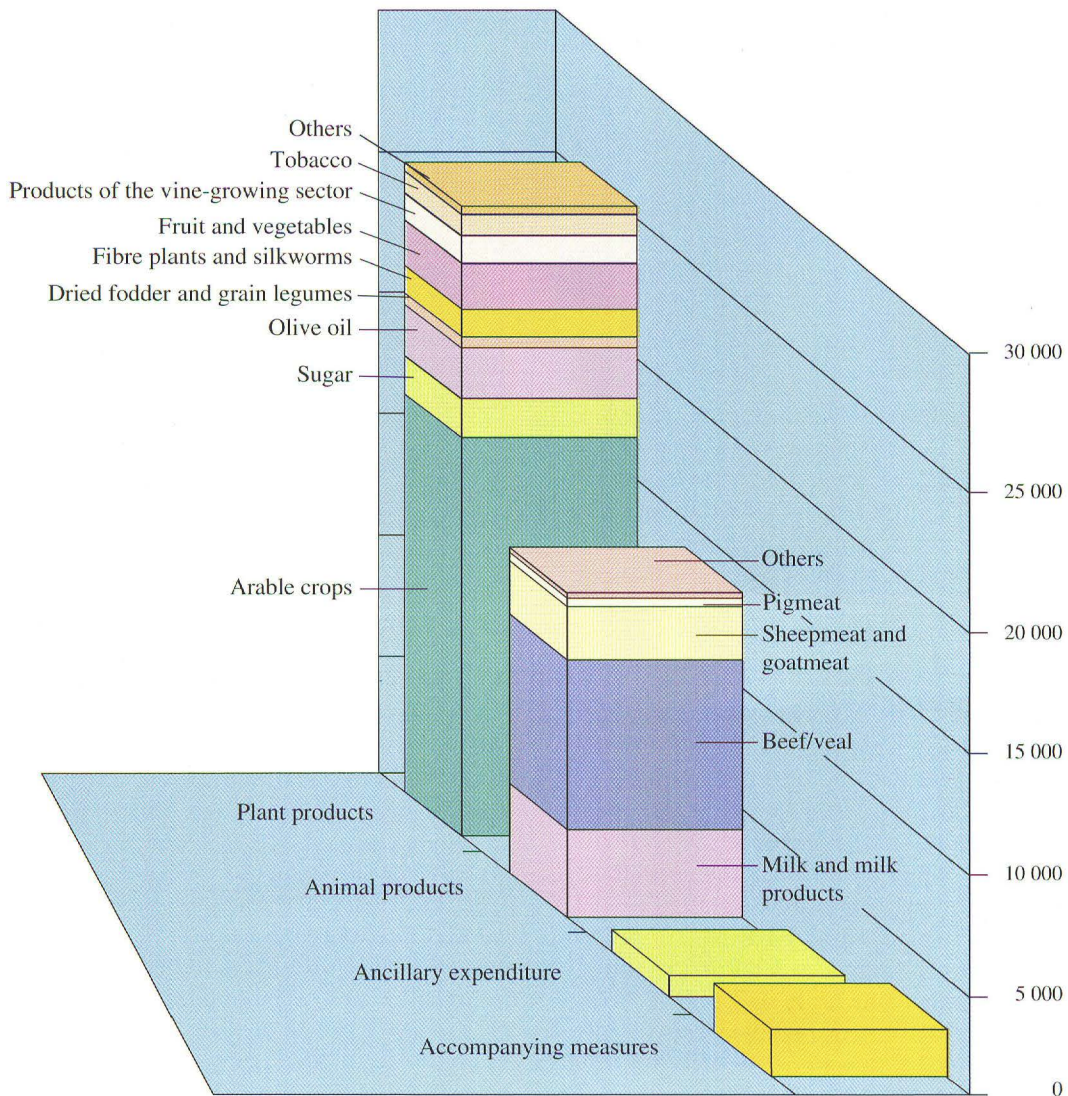
Following two years of heavy expenditure due to the swine fever outbreak, which cost EAGGF-Guarantee alone EUR 0,5 billion, expenditure for the pigmeat sector should return to a normal level (– EUR 127 million).

Expenditure for accompanying measures, estimated at EUR 2,6 billion in line with the budget framework laid down by the Commission, is also appreciably higher (+ EUR 0,3 billion). Community support for agri-environmental measures is estimated at EUR 1 850 million, while for afforestation and early retirement the amounts are EUR 450 million and EUR 300 million respectively.

The Commission is also expecting lower expenditure on the aid which certain Member States are entitled to as part of the current agri-monetary scheme, to offset lower CAP prices and aid in national currency (– EUR 324 million) and lower receipts from clearance of accounts (– EUR 310 million).

This year the Commission will once again be presenting a letter of amendment in the autumn with more accurate estimates of the budget requirements for agriculture. By that time the Commission will have more up-to-date information on market situations. The letter of amendment will also provide an opportunity to adjust appropriations for the requirements of three chapters whose budget efficiency is to be assessed. They are B1-3 0 — Refunds on certain goods obtained by processing agricultural products (non-Annex II), B1-3 1 — Food aid and B1-3 8 — Promotion measures.

Figure 3
Preliminary draft budget 1999
Heading 1: Common agricultural policy



(EUR million)

EAGGF Guarantee Section	Amount	%	EAGGF Guarantee Section	Amount	%
Plant products (Title 1)	26 460,0	65,4	Animal products (Title 2)	10 320,0	25,5
Arable crops	17 356,0	42,9	Milk and milk products	2 858,0	7,1
Sugar	1 701,0	4,2	Beef/veal	5 124,0	12,7
Olive oil	2 187,0	5,4	Sheepmeat and goatmeat	2 010,0	5,0
Dried fodder and grain legumes	389,0	1,0	Pigmeat	288,0	0,7
Fibre plants and silkworms	856,0	2,1	Others	40,0	0,1
Fruit and vegetables	1 867,0	4,6	Ancillary expenditure (Title 3)	1 063,0	2,6
Products of the vine-growing sector	796,0	2,0	Accompanying measures (Title 5)	2 597,0	6,4
Tobacco	1 000,0	2,5			
Other plant sectors or products	308,0	0,8			
			Total	40 440,0	100,0

OVERVIEW

2. Structural operations (heading 2)

Heading 2 of the financial perspective encompasses expenditure under the Structural Funds (EAGGF-Guidance, ERDF, ESF and FIFG) and the Cohesion Fund, and coverage by the Community budget of the financial contributions of the new Member States to the financial mechanism of the European Economic Area.

The commitment appropriations proposed for 1999 under this heading total EUR 39 025 million (up 16,6 % on 1998), including the re-entry of EUR 1 534 not used in 1997.

Payment appropriations total EUR 30 950 million (up 8,9 % on 1998). In addition to the amount laid down in the policy debate, this includes EUR 250 million to reflect the re-entry of EUR 1 433 million in Structural Fund appropriations, as decided by the budgetary authority; the figure is arrived at by applying half the average payments-to-commitments ratio for 1997 (given that the commitments will not be made until the end of the year).

For the Structural Funds 1999 is the last year of the financial perspective adopted in 1992. This means that the total commitment appropriations for the whole period from 1994 to 1999 correspond exactly to the overall amount laid down at Edinburgh and in the accession treaties for the three new Member States. Within this predetermined framework, the Structural Fund commitment appropriations for 1999 total EUR 35 902 million. This is made up of EUR 31 229 million for Community support frameworks, EUR 4 256 million for Community initiatives and EUR 417 million for transitional measures, innovative measures and anti-fraud

operations. These amounts are exactly in line with the expenditure targets for the Structural Funds for the current programming period.

Payment appropriations total EUR 28 068 million. This is the minimum considered necessary for the implementation of the Structural Fund programming. The Commission departments have only asked for the bare minimum so as to contribute to the overall rigour of the preliminary draft budget.

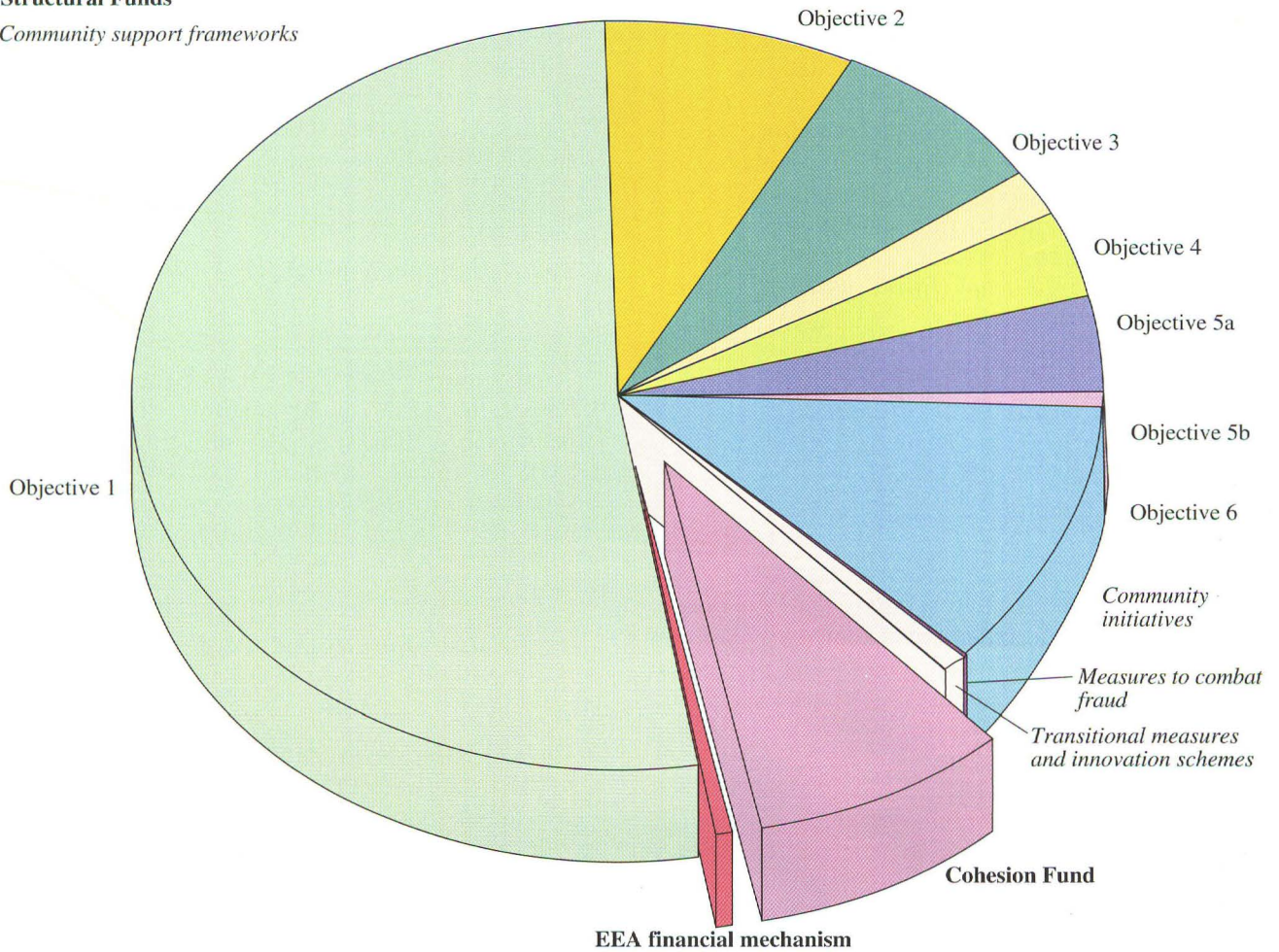
The relatively high level of under-implementation of Community initiatives in past years, varying from one initiative to another, calls for major reprogramming. The extension of the PEACE Community initiative can be accommodated with the entry of an additional EUR 100 million in the preliminary draft budget. The necessary appropriations can be found in the general reprogramming of Community initiatives which is to be presented during the budgetary procedure. Pending the completion of this exercise, the extra EUR 100 million provided will be offset by a pro rata reduction in the other Community initiatives.

The 1999 preliminary draft budget proposes commitment appropriations of EUR 3 118 million for the Cohesion Fund. This is in line with the conclusions of the Edinburgh European Council, which allow for expenditure within the heading 2 ceiling to be fixed independently.

The appropriations in the 1999 preliminary draft budget to cover the financial contributions of Austria, Finland and Sweden to expenditure on the EEA financial mechanism represent the current estimate of the final contribution needed to complete the overall funding for the period from 1995 to 1998 as laid down in the EEA Agreement.

Figure 4

Preliminary draft budget 1999
Heading 2: Structural operations
(appropriations for commitments)

Structural Funds*Community support frameworks*

(EUR million)

					Amount	%
Structural Funds (by objective) <i>Community support frameworks</i>					35 902,0	92,0
		EAGGF Guidance	FIFG	ERDF	ESF	
Objective 1		2 573,0	473,0	11 580,0	5 378,0	20 004,0 51,3
Objective 2				2 942,0	673,0	3 615,0 9,3
Objective 3					2 190,0	2 190,0 5,6
Objective 4					914,0	914,0 2,3
Objective 5a		746,0	333,0			1 863,0 4,8
Objective 5b		1 008,0		1 013,0	388,0	2 409,0 6,2
Objective 6		53,0	2,0	111,0	68,0	234,0 0,6
	<i>CSF sub-total</i>	<i>4 380,0</i>	<i>808,0</i>	<i>15 646,0</i>	<i>9 611,0</i>	<i>31 229,0</i> <i>80,0</i>
Community initiatives						4 256,0 10,9
Measures to combat fraud						0,8 0,0
Implementation, monitoring and evaluation of programmes and projects						416,3 1,1
Cohesion Fund						3 118,0 8,0
EEA financial mechanism						5,0 0,0
Total					39 025,0	100,0

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3. Internal policies (heading 3)

Total expenditure for heading 3 amounts to EUR 5 926 million in commitments, in line with the Commission's objective of 3 % growth, and EUR 5 065 million in payments (+ 3,95 %). In accordance with the special European Council on employment held in Luxembourg, the proposals are designed to boost measures which have been shown to have a multiplier effect on growth, competitiveness and employment. The priorities for the 1999 budget will be the employment initiative, research and the trans-European networks.

(a) Main budget priorities for the heading*The 'employment' initiative*

In line with Parliament's initiative during the 1998 budget procedure and the conclusions of the Luxembourg European Council in November 1997, a legal basis was adopted on 21 April on the basis of a Commission proposal for a financial assistance programme for innovative small and medium-sized firms which create new jobs. A total of EUR 420 million has been earmarked for the programme for 1998 to 2000, including EUR 150 million in 1999 (against EUR 120 million in 1998). Financial engineering (technology facility for small businesses) will receive EUR 118 million, while Joint European Ventures will be allocated EUR 32 million.

Research and technological development (RTD)

The fifth RTD framework programme begins in 1999 (and ends in 2002). Its main feature is that resources are focused on precise socio-economic objectives: growth, employment and quality of life. Accordingly, there are fewer specific programmes (10, against 20 in the fourth programme), which makes for a simpler structure for subsection B6 of the budget.

The legislative procedure for adoption of the fifth framework programme and the specific programmes should be complete some time during the second half of 1998. These forecasts are based on the Commission proposals; the planned allocation for commitments for 1999 (EUR 3 570 million) forms part of a total for 1999 to 2002 of EUR 16,3 billion. The 1999 figure is 2,26 % up on 1998 and accounts for 55,9 % of the ceiling for heading 3 (internal

policies) in the financial perspective. This is in line with the conclusions of the Edinburgh European Council of December 1992, which stipulated that appropriations for RTD should account for one half to two thirds of heading 3. In view of the prevailing mood of budget austerity and the fact that the programme is only just beginning, the forecasts for payments have been kept particularly low at EUR 3 060 million — only 2 % more than in 1998.

Trans-European networks

Trans-European networks have been given one of the biggest increases under heading 3 (10 %). The prime beneficiary will be transport infrastructure, with an extra EUR 50 million compared with 1998. There are also significant increases for the telecommunications and energy networks (7 % and 11,5 % respectively).

(b) Relative priorities and redeployment

The education and youth programmes finishing at the end of 1999 (Socrates and Youth for Europe) will have the same allocations as in 1998. The allocation for the European Voluntary Service is EUR 35 million, out of the EUR 60 million earmarked for 1998 and 1999 in the Commission's proposal for the programme.

The other relative priorities with regard to the single market are the Fiscalis Programme (no change on 1998), consumer-protection measures (up 5 %) and Customs 2000 (up 9 %).

Energy-related measures merit a special mention. In view of the concerns expressed by the Union at Kyoto on climate change, this preliminary draft gives a sizeable increase to renewable energy (40 % for Altener), with a 15 % increase in the allocation for the chapter as a whole.

As far as measures for refugees are concerned, a proposal is being drafted for a general legal basis covering the various aspects of refugee policy, which the Amsterdam Treaty has assigned to the first pillar. On the basis of this, significant amounts can be earmarked for 'integration' (EUR 9 million), 'reception' (EUR 5 million) and 'repatriation' (EUR 10 million under heading 4).

Lastly, with regard to information and communication measures, the continuation of the Prince campaign on the single currency and a boost for general measures mean that this year's allocation has to be more or less the same as 1998's, i.e. EUR 102 million. In addition, EUR 10 million has been earmarked for the Hanover World Expo in the year 2000.

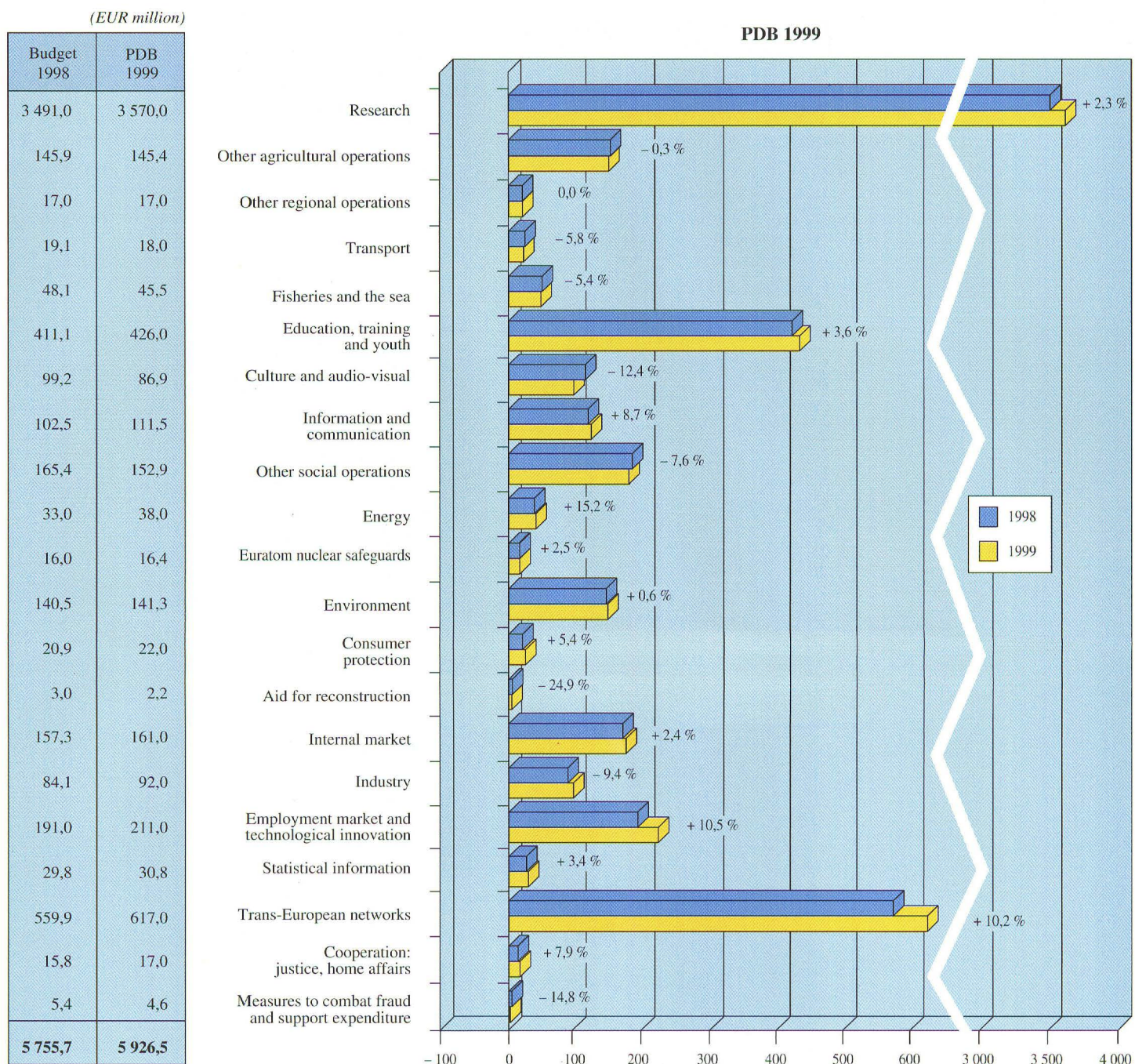
In order to keep the increase in the total for the heading down to 3 %, appropriations have to be redeployed from all the other policies under the heading, which suffer a 3 % cut. One of the considerations in deciding how to redeploy has been the existence or lack of a legal basis.

With regard to culture, the implementation of experimental measures, pending the drafting of a proposal for a general programme, has led to a significant cut in appropriations (44 %) compared with the 1998 budget.

Lastly, the budgetary authority has given a clear political signal with the sharp cut it made to the heading for the S series of the Official Journal during the 1998 budget procedure. The discontinuation of the paper version and the growing use of new data technologies such as CD-ROM and the Internet make it possible to keep to the reduced 1998 budget.

OVERVIEW

Figure 5
Preliminary draft budget 1999
Heading 3: Internal policies
(appropriations for commitments)



4. External action (heading 4)

With an overall allocation of EUR 5 884 million in commitment appropriations, heading 4 expenditure is 2,67 % higher than in 1998 while the target set in January was to remain below 3%. The total allocation proposed for payment appropriations for this heading is EUR 4 267,5 million, a very small increase (1,84 %) on the 1998 budget.

The first priority for 1999 is to focus efforts on cooperation with the countries of central and eastern Europe as part of the new guidelines for the pre-accession strategy and on cooperation with Mediterranean third countries in order to develop a Euro-Mediterranean partnership. The amounts proposed in this preliminary draft for 1999 result from the financial programming for 1995 to 1999 adopted for these two regions at the Cannes European Council on 26 and 27 June 1995: EUR 1 634 million (27,8 % of total appropriations for this heading) for aid for the economic restructuring of the countries of central and eastern Europe, most of which (EUR 1 450,1 million) is entered in Chapter B7-5 0, and EUR 1 143 million (19,4 % of the total for this heading) for cooperation with Mediterranean countries and the Middle East. To comply in full with the financial allocation for Phare decided at Cannes, the Commission is at the same time proposing EUR 150 million in commitment appropriations and EUR 30 million in payment appropriations in preliminary draft supplementary and amending budget 1/98.

In view of the new priority given to compensation for ACP banana products (EUR 45 million in 1999), the increases agreed for the programmes set out above will have to be accompanied by considerable redeployment within the heading in order to cover requirements. Some sectors are considered as relative priorities and will continue to benefit from the current level of financing. However, there are selective and substantial cuts in the allocations for some other sectors.

It is proposed that expenditure on humanitarian aid be increased by EUR 5 million over 1998 to a total of EUR 330,1 million. The eighth European Development Fund,

which should be ratified in 1998, provides EUR 260 million for emergency aid and for refugees in ACP States.

The allocation proposed for international fisheries agreements is EUR 295,7 million, the same as in the 1998 budget. This will cover the financing of existing agreements and those up for renewal, where negotiations are expected to be completed in 1998, agreements with international organisations and agreements to be renegotiated or renewed in 1999. It is also proposed that the 1998 allocations be rolled over for financial, technical and economic cooperation with the developing countries of Asia and Latin America (EUR 396 million and EUR 274 million respectively) and that expenditure on the CFSP also be maintained at the same level as in 1998 (EUR 30 million).

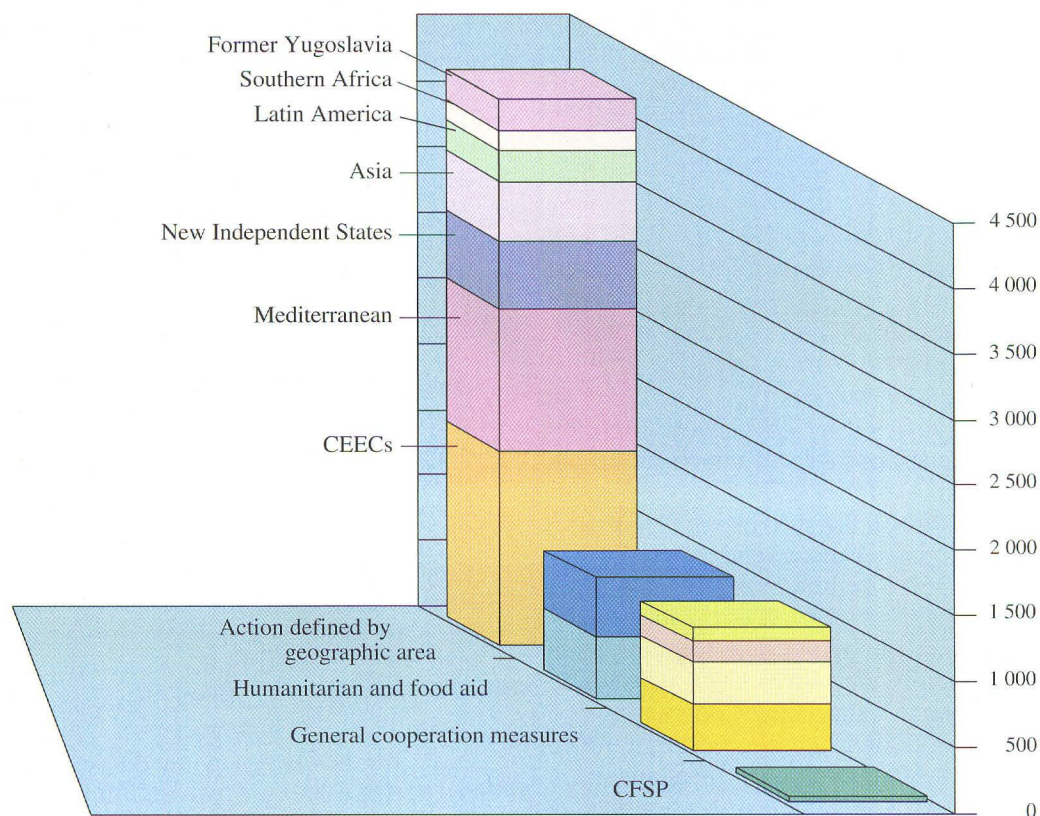
Redeployment will affect food aid, for which the proposed allocation (EUR 505 million, 4,7 % down on 1998), calculated on the basis of the reference prices set by the Interinstitutional Agreement, will still provide the same quantities as were proposed last year. In spite of the small drop of 3,1 % on 1998, a significant amount (EUR 251 million) is still earmarked for the programmes for the reconstruction and economic rehabilitation of former Yugoslavia. In view of the actual absorption capacity of the programmes of assistance to the New Independent States (former Soviet Union) and Mongolia, the proposed allocation for 1999 is 11,8 % lower than in 1998, while the appropriations for the European initiative for democracy and human rights have been cut by EUR 7 million (- 7,2 %), with three headings within the title being merged.

Account has also been taken of overlap between geographical programmes and the EDF and a number of other operations, concerning in particular the environment, tropical forests, reconstruction and rehabilitation in developing countries and cooperation action involving non-governmental organisations. Some headings have been cut, transferred or merged. Although certain across-the-board programmes are being maintained, the recommendations in the Commission communication on the new financial framework for 2000 to 2006 make it clear that such operations have to be incorporated into the regionally based cooperation programmes wherever that is deemed feasible, as a more effective way of ensuring that operations being run in a particular geographical area are consistent with and complement each other.

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Figure 6

Preliminary draft budget 1999
Heading 4: External action and negative reserve
(appropriations for commitments)



(EUR million)

External action	Amount	%
Action defined by geographic area		
Cooperation with countries of central and eastern Europe (CEECs) (B7-5 0)	1 450,1	24,6
Cooperation with Mediterranean countries (B7-4)	1 143,0	19,4
Cooperation with the New Independent States (B7-5 2)	442,6	7,5
Cooperation with Asia (B7-3 0)	434,2	7,4
Cooperation with Latin America (B7-3 1)	295,8	5,0
Cooperation with southern Africa (B7-3 2)	125,0	2,1
Cooperation with former Yugoslavia (B7-5 4)	251,0	4,3
Humanitarian and food aid		
Food aid (B7-2 0)	505,0	8,6
Humanitarian aid (B7-2 1)	330,1	5,6
General cooperation measures		
Other cooperation measures (B7-6, B7-5 1, B7-5 3)	364,4	6,2
International fisheries agreements (B7-8 0)	295,7	5,0
Other external aspects of Community policies (B7-8 1 to B7-8 7) and support expenditure (B7-9 5)	126,7	2,2
Human rights and democracy (B7-7)	90,4	1,5
CFSP (B8-0)		
Common foreign and security policy (CFSP) (B8-0)	30,0	0,5
Total	5 883,8	100,0

5. Administrative expenditure (heading 5) and human resources

(a) Allocation of human resources

In accordance with the approach adopted in 1997 and confirmed by the policy debate on 28 January last, the Commission, in preparing the preliminary draft budget, has synchronised the procedures for allocating human resources and operational appropriations with a view to strengthening the link between Community policies and the resources required to implement them.

As regards human resources, the Commission's request is for no more than the final instalment of 110 regular in-house posts connected with the last enlargement. In order to increase its margin of manoeuvre for allocating human resources the Commission has repeated last year's exercise of forming a pool of human resources made up of 1% of all posts in each department/DG; this has released 143 posts for redeployment to whatever may be considered priority areas. At the same time the Commission has taken a series of measures to reduce the number of vacant posts and to make better use of available human resources.

In this tight framework, an extremely rigorous approach has had to be applied in the allocation of human resources based this year on a request to all departments/DGs to conduct a very careful analysis of their activities and the resources used for each of them. Choices have been made on the basis of criteria and indicators which are worth mentioning: the degree of political priority of activities for which an increase in staff is requested, justification in terms of workload and transparency in the description of the use made of existing resources for each activity, efforts made by way of internal redeployment, the proportion of posts vacant, posts allocated in recent years and the level of dependence on outside resources.

The main priorities for the allocation of 1999 resources are the impact of the accession negotiations, consolidation of the internal market, reorganisation of the DGs concerned with external relations, reinforcing Commission action in dispute settlement within the World Trade Organisation, completion of the operation for strengthening DG XXIV and development of 'third-pillar' activities following the

entry into force of the Amsterdam Treaty, which gives the Commission new powers in the field of judicial cooperation and home affairs (right of asylum, immigration, controls at Union borders).

(b) Administrative appropriations

The Commission's administrative appropriations, excluding pensions, total EUR 2 407 million, an increase of 1,3 % over 1998. This amount represents 61 % of the estimated administrative appropriations for all the institutions together (on the assumption, which underlies this statement of estimates, that the other institutions will apply a similar strict approach and likewise confine themselves to a 1,3 % increase). The pensions for all institutions, which are covered by Part A of the Commission section, increase by 6,7 %.

It has been possible to hold the increase in expenditure on persons working with the institutions to 3 %, despite the sharp increase in pensions, mainly because of the appreciation of the ecu against the Belgian/Luxembourg franc. Other administrative expenditure has been cut by 2 % mainly because of lower expenditure on buildings as a result of the renegotiation of leases and savings resulting from investments in 1997, and also of the drop in basic charges for voice telephony.

The very moderate (+ 1,2 %) growth in expenditure on data-processing will cover the increase in needs for information systems and electronic document management by holding stabilisation of infrastructure costs at the same level and reducing support costs.

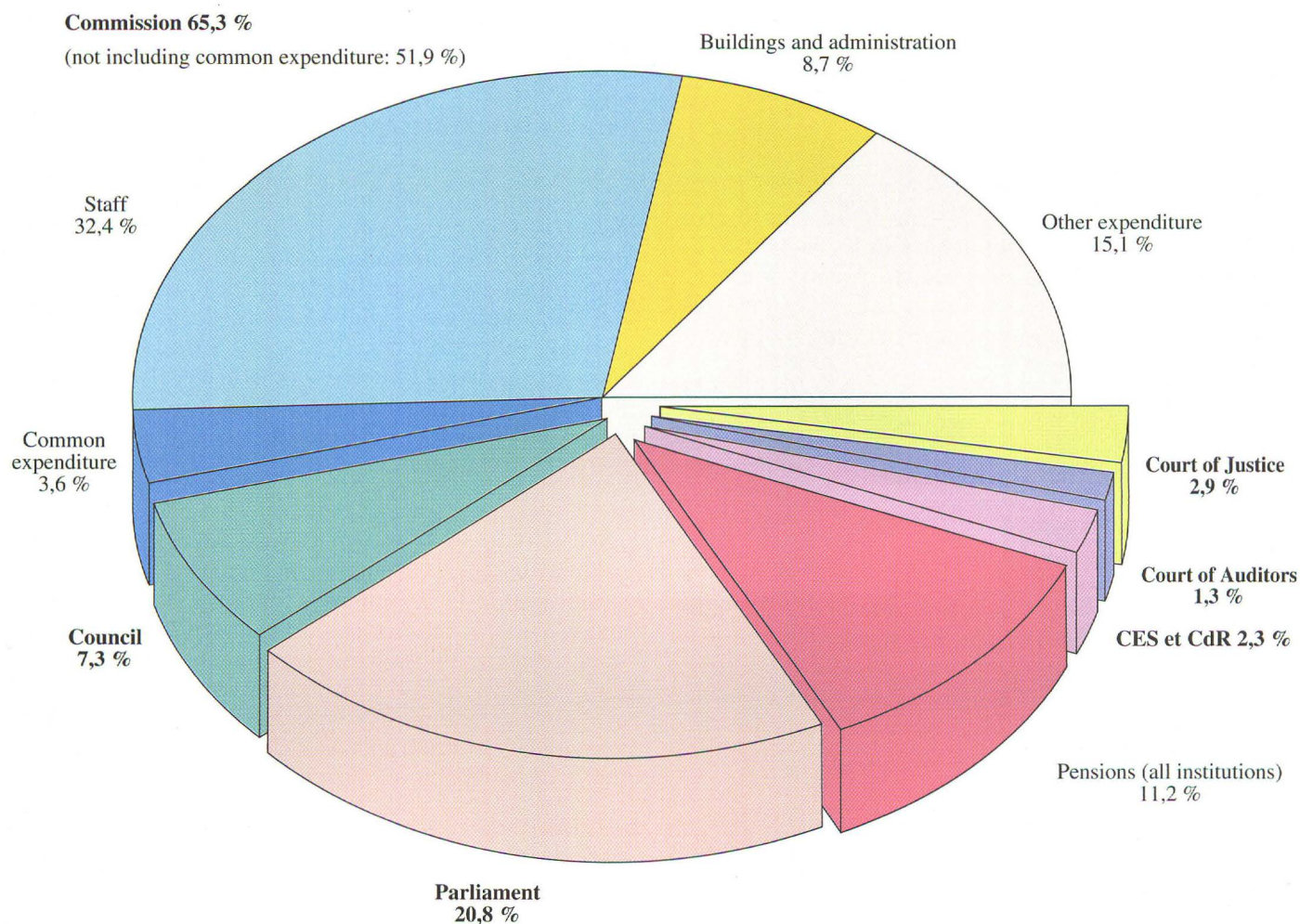
Expenditure on the External Service should grow by 5,1 % to cover the costs involved in redeployment of posts from headquarters to the delegations, the opening of a new delegation and the increase in rents and charges for buildings.

Expenditure on support staff and certain decentralised administrative expenditure, which, since the 1998 budget, have been grouped together in an 'overall allocation' in Title A-7, rise overall by 0,9 %. This includes a sharp 8,5 % cut in appropriations for outside staff and the same level of decentralised administrative expenditure (missions, meetings, studies), but also a significant increase in appropriations for staff training and the necessary adjustment of mission allowances, which have been unchanged since 1991.

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Figure 7

Preliminary draft budget 1999
Heading 5: Administrative expenditure
of the institutions



(EUR million)

Administrative expenditure	1999 budget Commitments = payments	
	Amount	%
Parliament	922,8	20,8
Council	324,4	7,3
Commission, of which:	2 407,2	54,3
Common expenditure		0,0
– European Schools (A-3 2 7)	103,5	2,3
– Publications Office (A-3 4 2)	55,3	1,2
Expenditure relating to persons working with the institution (A-1 0 to A-1 7)	1 265,1	28,5
Buildings, equipment and miscellaneous operating expenditure (A-2)	312,8	7,1
Other expenditure	670,5	15,1
Court of Justice	121,7	2,7
Court of Auditors	59,9	1,3
Economic and Social Committee, Committee of the Regions and Joint Organisational Structure	101,2	2,3
Pensions (all institutions)	498,0	11,2
Total	4 435,2	100,0

6. Reserves (heading 6)

Heading 6 comprises three reserves for which resources will be called in only if the need arises during the year. They are:

- the monetary reserve for EAGGF Guarantee expenditure, allocated EUR 500 million,
- the emergency aid reserve, allocated EUR 346 million,
- the guarantee reserve, also allocated EUR 346 million.

OVERVIEW

V. REVENUE

The own resources forecasts for 1999 are based on the estimates adopted after the meeting of the Advisory Committee on Own Resources on 7 April 1998, on the basis of the new parameters set out in the 'Own Resources' Decision of 31 October 1994.

Revenue totals EUR 86 350 million and breaks down as follows:

Agricultural duties and sugar and isoglucose levies

The forecasts for 1999, calculated on the basis of the Commission's proposals for prices and related measures for the 1998/99 and 1999/2000 marketing years, total EUR 1 054,5 million and EUR 1 080 million respectively before deduction of the 10 % collection costs incurred by Member States. Agricultural duties in 1999 should be higher than the previous year while sugar levies should be lower; they represent 2,22 % of financing needs.

Customs duties

The forecasts for customs duties take account of an increase in the value of imports from outside the Community arising from the recovery of economic activity. The estimated figure is EUR 13 215,4 million, before the 10 % deduction for collection costs incurred by the Member States. This is slightly down on the figure proposed in the preliminary draft supplementary and amending budget 1/98, this being the result of an increase in imports combined with the impact of the GATT and the ITA Agreement. Customs duties account for 13,77 % of budget financing.

The 'value-added tax' resource

The Community VAT base for 1999 is EUR 3 597 978 million. The uniform call-in rate is 0,84420 %. Revenue from the VAT resource totals EUR 30 374,2 million, representing 35,17 % of financing requirements.

The 'fourth' resource

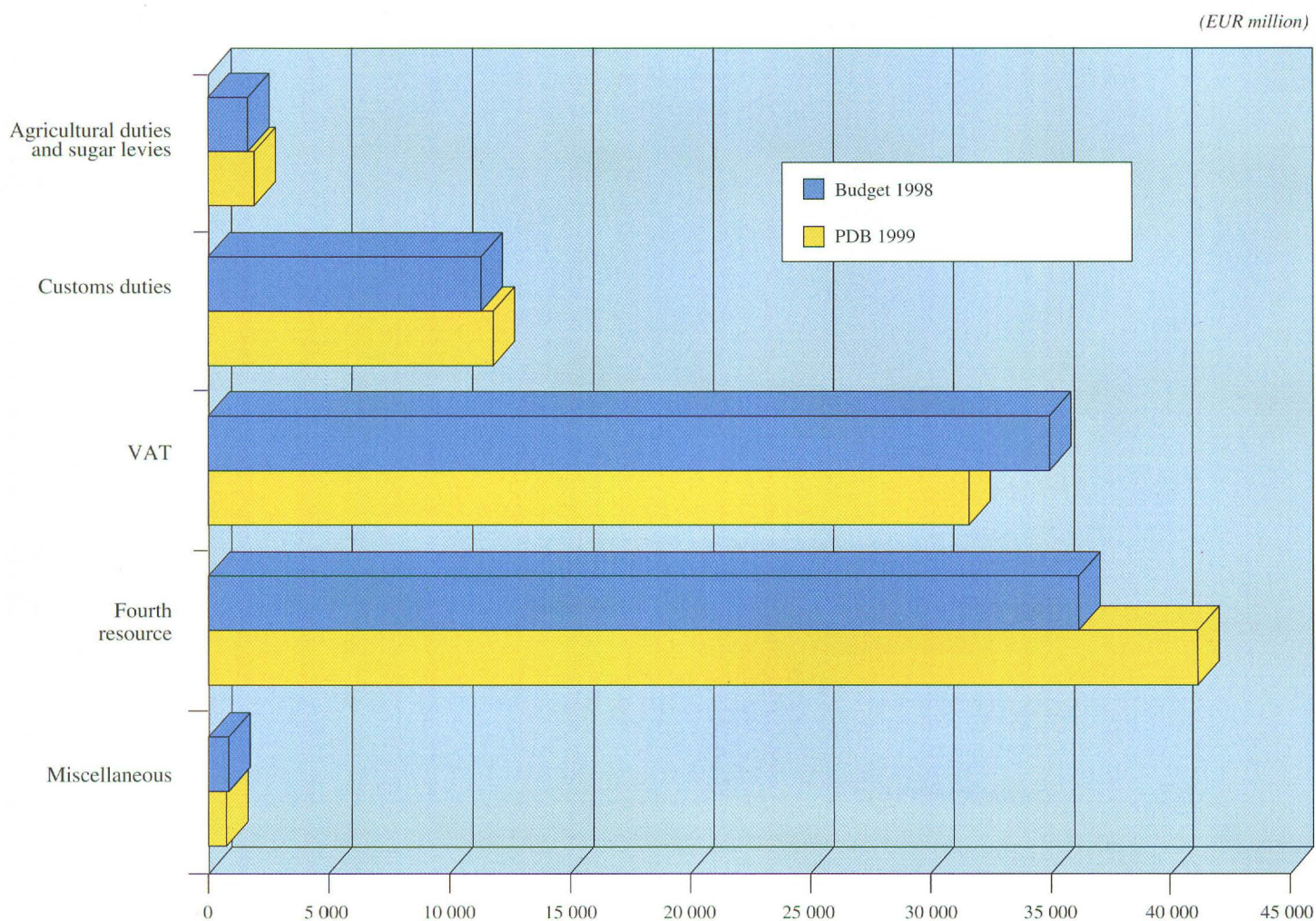
The additional resource is based on the sum of Member States' GNP at market prices. The GNP base is EUR 7 777 200 million, up by 5,76 % on 1998 in nominal terms (figures taken from the most recent economic forecasts, adjusted in April 1998). The percentage to be applied to it to finance in full the part of the budget not covered by the other resources, including the three reserves, is estimated at 0,53388 %.

The GNP resource thus totals EUR 41 521,3 million, or 48,08 % of financing needs.

Miscellaneous revenue

Miscellaneous revenue estimated at EUR 640 million (0,74 % of financing needs) comes from deductions from staff remunerations, bank interest, contributions to additional programmes and repayment of certain expenditure.

Figure 8
1998 budget and preliminary draft budget for 1999
Breakdown by type of revenue



Type of revenue	1998 budget		PDB 1999	
	EUR million	%	EUR million	%
Agricultural duties and sugar levies	1 671,0	2,0	1 921,0	2,2
Customs duties	11 144,3	13,3	11 893,9	13,8
VAT	34 134,5	40,9	30 374,2	35,2
Fourth resource	35 911,3	43,0	41 521,3	48,1
Miscellaneous	668,1	0,8	640,0	0,7
Total	83 529,2	100,0	86 350,4	100,0