

**PRELIMINARY DRAFT
GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 2000**



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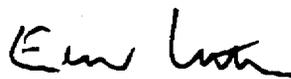
I. FOREWORD

The preliminary draft budget for 2000 covers the first year of the new financial perspective. The Commission has endeavoured to take into account the Agenda 2000 priorities and the need to conduct a tight budgetary policy. Pending the conclusion of a new Interinstitutional Agreement it has decided to restrict its proposals to the limits agreed in Berlin. It will be for the new Commission to propose a letter of amendment, either to modify the guidelines of the preliminary draft or to take account of the conclusion of the new Interinstitutional Agreement.

Compared with the 1999 budget, the Commission's proposals represent a 4,4% reduction in commitments, while the increase in appropriations for payments has been confined to 4,7%, which is needed to cover the large volume of outstanding commitments which has built up for the Structural Funds, research and external action. Payments represent 1,11 % of the GNP of the 15 Member States, and is still around EUR 1 800 beneath the ceiling for payment appropriations agreed in Berlin for 2000.

On agricultural expenditure budgetary discipline has been tightened and the proposals in the preliminary draft comply with the subceilings for the heading, which now covers rural development as well as the traditional market measures. As 2000 is the first year of a new programming period, the commitment appropriations for structural operations are down on the exceptionally large amounts in 1999, whereas payment appropriations continue to increase in order to clear past commitments. Resources for *internal policies* have been concentrated on a number of top priorities, in view of their multiplier effect on growth and employment and on the development and dissemination of new technologies. The Commission's preliminary draft also allows for the budgetary implications of the ratification of the Treaty of Amsterdam, in particular in the field of justice and home affairs. On the external action stage the pre-accession strategy is in the limelight, with the creation of two specific instruments for agriculture and infrastructure and the beefing-up of the PHARE programme. These operations are all covered by a separate new heading. Given the limited margin of manoeuvre available for administrative expenditure under the ceilings agreed in Berlin, the Commission has decided not to ask for any new posts. It will be for the new Commission to make any additional requests if the negotiations finally result in a more generous financial framework in this area.

All in all this preliminary draft strikes a fair balance between the desire for tight budgeting shown by the budgetary authority, the need to consolidate the Union's achievements, and preparation of the forthcoming enlargement.



Erkki LIIKANEN

Member of the Commission with responsibility for budgets

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II. GENERAL FRAMEWORK

The preparations for the preliminary draft budget for 2000 began with the Commission's debate on policy priorities on 3 February 1999. The conclusions reached on that occasion served as the basis for drawing up the preliminary draft budget, which relates to the first year covered by the new financial perspective. The Commission has endeavoured to take account of the priorities laid down in Agenda 2000, the need for budgetary rigour and the conclusions reached at Berlin.

The negotiations on the new Interinstitutional Agreement were continuing when the preliminary draft budget was adopted, so

the Commission decided to keep its proposals within the Berlin limits (set out in Figure 1). It will be for the new Commission to propose a letter of amendment, either to modify the guidelines adopted by the Commission on 3 February or to take account of the situation created by the new Interinstitutional Agreement or by the absence of such Agreement. In this event the budgetary procedure would be subject to Article 203 of the Treaty, and in particular the maximum rate of increase for non-compulsory expenditure (set at 3 %) and any overstepping of that rate.

III. THE BROAD LINES OF THE PRELIMINARY DRAFT BUDGET FOR 2000

The expenditure proposals contained in the preliminary draft budget total EUR 92 706 million for commitments and EUR 89 584 million for payments. These figures represent a **drop in commitments of - 4,4 %**, while the **rise in payment appropriations** has been kept to **4,7 %**. This is lower than the level set by the Commission in its policy debate of 3 February, reflecting the impact of the Berlin conclusions on the Structural Funds. However, it makes for a healthier ratio of commitment appropriations to payment appropriations than in 1999 and should also help in absorbing outstanding commitments, especially under headings 3 and 4. A number of factors, such as the concentration of commitments at the end of the programming period (Edinburgh in the case of the Structural Funds and the 4th Framework Programme in the case of research), internal and external management difficulties in the case of external action and the systematic cutbacks in payment appropriations which have been made in the name of budgetary discipline over the past three years have led to an accumulation of a large volume of payments due which will have to be honoured in 2000 and subsequent years.

The revenue required to finance the preliminary draft budget represents 1,11 % of GNP. The uniform call-in rate for the VAT

resource is 0,86440 % and the rate for the GNP resource is 0,56312 %. Traditional own resources represent 14,63 % of budget financing for 2000, the VAT resource 36,34 % and the fourth (GNP-based) resource 48,28 % (compared with 15,99 %, 35,18 % and 48,08 % respectively for the 1999 budget).

The expenditure proposals contained in the preliminary draft were determined in the light of the Agenda 2000 political priorities and the constraints imposed by the Berlin financial framework and by reference to other criteria connected with the use of appropriations in 1998, the situation of individual items in relation to the Interinstitutional Agreement of 13 October 1998 on legal bases and the evaluation of operations in terms of cost/effectiveness.

The following tables compare the 1999 and 2000 allocations by title in the budget nomenclature and by heading in the financial perspective for 2000 as resulting from the Berlin European Council conclusions. Figure 2 gives a breakdown, by subsection, of the expenditure proposed in the preliminary draft budget for 2000.

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Figures by financial perspective heading

Heading	Budget 1999	Financial perspective 2000	Preliminary draft budget 2000	Difference	
				in %	amount
				03 : 01	03-1
Appropriations for commitments					
1. Agriculture					
— Agricultural expenditure (except rural development)	37 823 000 000	37 352 000 000	37 314 000 000	- 1,3	- 509 000 000
— Rural development and accompanying measures	2 617 000 000	4 386 000 000	3 587 000 000	37,1	970 000 000
Total	40 440 000 000	41 738 000 000	40 901 000 000	+ 1,1	461 000 000
<i>Margin</i>			<i>837 000 000</i>		
2. Structural operations					
— Structural Funds	35 878 225 000	30 019 000 000	30 019 000 000	- 16,3	- 5 859 225 000
— Cohesion Fund	3 117 700 000	2 659 000 000	2 659 000 000	- 14,7	- 458 700 000
— Financial mechanism	5 000 000	0	p.m.	- 100	- 5 000 000
Total	39 000 925 000	32 678 000 000	32 678 000 000	- 16,2	- 6 322 925 000
<i>Margin</i>			<i>0</i>		
3. Internal policies	5 885 636 000	6 000 000 000	5 937 153 000	0,9	51 517 000
Total	5 885 636 000	6 000 000 000	5 937 153 000	0,9	51 517 000
<i>Margin</i>			<i>62 847 000</i>		
4. External action	4 535 490 000	4 627 000 000	4 479 487 000	- 1,2	- 56 003 000
Total	4 535 490 000	4 627 000 000	4 479 487 000	- 1,2	- 56 003 000
<i>Margin</i>			<i>147 513 000</i>		
5. Administration	4 502 337 703	4 638 000 000	4 637 902 000	+ 3,0	135 564 297
Total	4 502 337 703	4 638 000 000	4 637 902 000	+ 3,0	135 564 297
<i>Margin</i>			<i>98 000</i>		
6. Reserves					
— Monetary reserve	500 000 000	500 000 000	500 000 000		0
— Emergency aid reserve	346 000 000	203 000 000	203 000 000	- 41,3	- 143 000 000
— Guarantee reserve	346 000 000	203 000 000	203 000 000	- 41,3	- 143 000 000
Total	1 192 000 000	906 000 000	906 000 000	- 24	- 286 000 000
<i>Margin</i>			<i>0</i>		
7. Pre-accession aid					
— Agriculture		529 000 000	529 000 000		
— Pre-accession structural instrument		1 058 000 000	1 058 000 000		
— PHARE (applicant countries)	1 372 350 000	1 587 000 000	1 579 710 000	15,1	207 360 000
Total	1 372 350 000	3 174 000 000	3 166 710 000	131	1 794 360 000
<i>Margin</i>			<i>7 290 000</i>		
Appropriations for commitments - Total	96 928 738 703	93 761 000 000	92 706 252 000	- 4,4	- 4 222 486 703
<i>Margin</i>	<i>6 455 261 297</i>		<i>1 054 748 000</i>		
Appropriations for payments					
Appropriations for payments - Total	85 557 738 703	91 312 000 000	89 584 689 000	4,7	4 026 950 297
<i>Margin</i>	<i>11 105 261 297</i>		<i>1 727 311 000</i>		
Appropriations for payments as % of GNP	1,10	1,13	1,11		

**Figures by financial perspective heading
(with subdivisions)**

Heading	Budget 1999	Financial perspective 2000	Preliminary draft budget 2000	Difference	
				in %	amount
				3 : 1	3-1
Appropriations for commitments					
1. Agriculture					
— Agricultural expenditure (except rural development) (Titles B1-1 to B1-3)	37 823 000 000		37 314 000 000	- 1,3	- 509 000 000
— Rural development and accompanying measures (Titles B1-4)	2 617 000 000		3 587 000 000	37,1	970 000 000
Total	40 440 000 000	41 738 000 000	40 901 000 000	1,1	461 000 000
<i>Margin</i>			<i>837 000 000</i>		
2. Structural operations					
— Objective 1 (Chapter B2-1 0)	20 238 000 000		20 781 000 000	2,7	543 000 000
— Objective 2 (Chapter B2-1 1)	6 024 000 000		3 668 000 000	- 39,1	- 2 356 000 000
— Objective 3 (Chapter B2-1 2)	3 104 000 000		3 505 000 000	12,9	401 000 000
— Other structural operations (outside Objective 1 regions) (Chapter B2-1 3)	1 860 975 000		161 000 000	- 91,3	- 1 699 975 000
— Community initiatives (Chapter B2-1 4)	4 256 000 000		1 641 000 000	- 61,4	- 2 615 000 000
— Innovation schemes and technical assistance (Chapters B2-1 6)	395 250 000		263 000 000	- 33,5	- 132 250 000
— Cohesion Fund (Title B2-3)	3 117 700 000		2 659 000 000	- 14,7	- 458 700 000
— EEA Financial mechanism (Title B2-4)	5 000 000		p.m.	- 100	- 5 000 000
Total	39 000 925 000	32 678 000 000	32 678 000 000	- 16,2	- 6 322 925 000
<i>Margin</i>			<i>0</i>		
3. Internal policies					
— Research and technological development (Subsection B6)	3 450 000 000		3 630 000 000	5,2	180 000 000
— Other agricultural operations (Title B2-5)	147 800 000		50 500 000	- 65,8	- 97 300 000
— Other regional operations (Title B2-6)	17 000 000		15 000 000	- 11,8	- 2 000 000
— Transport (Title B2-7)	21 200 000		20 000 000	- 5,7	- 1 200 000
— Other measures concerning fisheries and the sea (Title B2-9)	71 975 000		66 450 000	- 7,7	- 5 525 000
— Education, vocational training and youth (Title B3-1)	441 700 000		462 600 000	4,7	20 900 000
— Culture and audiovisual sector (Title B3-2)	95 700 000		102 100 000	6,7	6 400 000
— Information and communication (Title B3-3)	107 600 000		103 000 000	- 4,3	- 4 600 000
— Social dimension and employment (Title B3-4)	163 040 000		174 040 000	6,7	11 000 000
— Energy (Title B4-1)	40 580 000		36 800 000	- 9,3	- 3 780 000
— Euratom nuclear safety (Title B4-2)	16 400 000		18 200 000	11	1 800 000

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**Figures by financial perspective heading
(with subdivisions) (cont'd)**

Heading	Budget 1999	Financial perspective 2000	Preliminary draft budget 2000	Difference	
				in %	amount
	1	2	3	3-1	3-1
— Environment (Title B4-3)	178 450 000		150 000 000	- 15,9	- 28 450 000
— Consumer policy and consumer health protection (Title B5-1)	23 850 000		22 500 000	- 5,7	- 1 350 000
— Aid for reconstruction (Title B5-2)	2 234 000		1 698 000	- 24	- 536 000
— Internal market (Title B5-3)	156 245 000		150 515 000	- 3,7	- 5 730 000
— Industry (Title B5-4)	92 017 000		2 000 000	- 97,8	- 90 017 000
— Labour market and technological innovation (Title B5-5)	209 280 000		202 000 000	- 3,5	- 7 280 000
— Statistical information (Title B5-6)	30 725 000		31 400 000	2,2	675 000
— Trans-European networks (Title B5-7)	585 190 000		656 000 000	12,1	70 810 000
— Cooperation in the fields of justice and home affairs (Title B5-8)	27 000 000		36 700 000	35,9	9 700 000
— Combating fraud and support expenditure for internal policies (Title B5-9)	7 650 000		5 650 000	- 26,1	- 2 000 000
Total	5 885 636 000	6 000 000 000	5 937 153 000	0,9	51 517 000
<i>Margin</i>			<i>62 847 000</i>		
4. External action					
— European Development Fund (Title B7-1)	p.m.		—		0
— Food aid and support operations (Chapter B7-2 0)	505 000 000		495 000 000	- 2	- 10 000 000
— Humanitarian aid (Chapter B7-2 1)	330 850 000		473 000 000	43	142 150 000
— Cooperation - Asia (Chapter B7-3 0)	438 500 000		447 500 000	2,1	9 000 000
— Cooperation - Latin America (Chapter B7-3 1)	314 050 000		317 500 000	1,1	3 450 000
— Cooperation - Southern Africa and South Africa (Chapter B7-3 2)	127 500 000		125 000 000	- 2	- 2 500 000
— Cooperation - Mediterranean non-member countries and Middle East (Chapter B7-4)	1 094 000 000		1 146 240 000	4,8	52 240 000
— European Bank for Reconstruction and Development (Chapter B7-5 1)	33 750 000		p.m.	- 100	- 33 750 000
— Cooperation - New independent States and Mongolia (Chapter B7-5 2)	440 210 000		490 520 000	11,4	50 310 000
— Other measures in favour of central and eastern Europe, the new independent States, Mongolia and the western Balkan countries (Chapter B7-5 3)	38 000 000		38 000 000		0
— Cooperation - Balkan countries (Chapter B7-5 4)	314 500 000		279 190 000	- 11,2	- 35 310 000
— Other cooperation measures (Title B7-6)	375 900 000		266 850 000	- 29	- 109 050 000

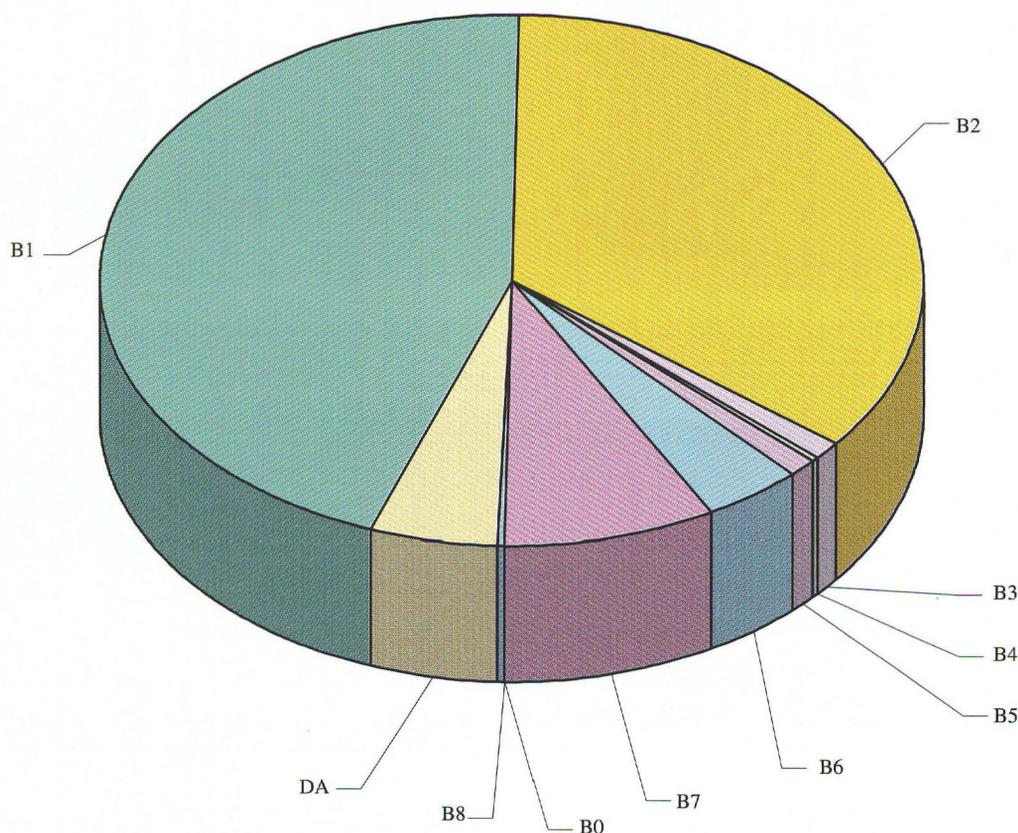
Figures by financial perspective heading
(with subdivisions) (cont'd)

Heading	Budget 1999	Financial perspective 2000	Preliminary draft budget 2000	Difference	
				in %	amount
				3 : 1	3-1
— European initiative for democracy and the protection of human rights (Title 7-7)	101 000 000		94 000 000	- 6,9	- 7 000 000
— International fisheries agreements (Chapter B7-8 0)	283 700 000		157 450 000	- 44,5	- 126 250 000
— External aspects of certain Community policies (Chapters B7-8 1 to B7-8 7)	111 530 000		109 237 000	- 2,1	- 2 293 000
— Common foreign and security policy (Title B8-0)	27 000 000		40 000 000	48,1	13 000 000
Total	4 535 490 000	4 627 000 000	4 479 487 000	- 1,2	- 56 003 000
<i>Margin</i>			<i>147 513 000</i>		
5. Administration					
— Part A (excluding pensions)	2 425 442 354		2 491 101 000	2,7	65 658 646
— Other institutions (excluding pensions)	1 579 339 349		1 582 490 000	0,2	3 150 651
— Pensions (all institutions)	497 556 000		564 311 000	13,4	66 755 000
Total	4 502 337 703	4 638 000 000	4 637 902 000	+ 3,0	135 564 297
<i>Margin</i>			<i>98 000</i>		
6. Reserves					
— Monetary reserve (Title B1-6)	500 000 000		500 000 000		0
— Guarantee reserve (Chapter B0-2 3)	346 000 000		203 000 000	- 41,3	- 143 000 000
— Emergency aid reserve (Chapter B7-9 1)	346 000 000		203 000 000	- 41,3	- 143 000 000
Total	1 192 000 000	906 000 000	906 000 000	- 24	- 286 000 000
<i>Margin</i>			<i>0</i>		
7. Pre-accession aid					
— Agriculture (Chapter B7-0 1)			529 000 000		
— Pre-accession structural instrument (Chapter B7-0 2)			1 058 000 000		
— PHARE (applicant countries) (Chapter B7-0 3)	1 372 350 000		1 579 710 000	15,1	207 360 000
Total	1 372 350 000	3 174 000 000	3 166 710 000	130,8	1 794 360 000
<i>Margin</i>			<i>7 290 000</i>		
Appropriations for commitments - Total	96 928 738 703	93 761 000 000	92 706 252 000	- 4,4	- 4 222 486 703
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Appropriations for payments as % of GNP	1,10	1,13	1,11		

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Figure 2

Preliminary draft budget 2000
Breakdown of expenditure by subsection
(appropriations for commitments)



(EUR million)

Subsection	Amount	%
B1: EAGGF Guarantee Section	41 401,0	44,8
B2: Structural operations, structural expenditure and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries	32 829,9	35,4
B3: Training, youth, culture, audio-visual media, information, social dimension and employment	841,7	0,9
B4: Energy, Euratom nuclear safeguards and environment	205,0	0,2
B5: Consumer protection, internal market, industry and trans-European networks	1 108,4	1,2
B6: Research and technological development	3 630,0	3,9
B7: External action	7 809,1	8,4
B8: Common foreign and security policy	40,0	0,0
B0: Compensation, guarantees, reserves	203,0	0,2
DA: Administrative expenditure (of all the institutions)	4 637,9	5,0
Total	92 706,0	100,0

Heading in the financial perspective (1999 and 2000)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1999		Appropriations 2000		Variation 2000/1999	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
		PART A						
5	A-1	Expenditure relating to persons working with the institution	1 760 637 000	1 760 637 000	1 869 900 000	1 869 900 000	6,2	6,2
5	A-2	Buildings, equipment and miscellaneous operating expenditure	314 112 000	314 112 000	314 686 000	314 686 000	0,2	0,2
5	A-3	Expenditure resulting from special functions carried out by the institution	256 559 354	256 559 354	266 879 000	266 879 000	4	4
5	A-4	Interinstitutional cooperation, interinstitutional services and activities	75 185 000	75 185 000	73 780 000	73 780 000	- 1,9	- 1,9
5	A-5	Data-processing	89 659 000	89 659 000	91 745 000	91 745 000	2,3	2,3
5	A-6	Staff and administrative expenditure of European Community delegations	213 900 000	213 900 000	228 832 000	228 832 000	7	7
5	A-7	Support staff and decentralisation	212 946 000	212 946 000	209 590 000	209 590 000	- 1,6	- 1,6
5	A-10	Other expenditure	0	0	0	0		
		Part A - Total	2 922 998 354	2 922 998 354	3 055 412 000	3 055 412 000	4,5	4,5
		PART B						
		B1 European Agricultural Guidance and Guarantee Fund, Guarantee Section						
1	B1-1	Plant products	26 989 000 000	26 989 000 000	25 905 000 000	25 905 000 000	- 4	- 4
1	B1-2	Animal products	9 706 000 000	9 706 000 000	9 671 000 000	9 671 000 000	0,4	0,4
1	B1-3	Ancillary expenditure	1 128 000 000	1 128 000 000	1 738 000 000	1 738 000 000	54,1	54,1
1	B1-4	Rural development	2 617 000 000	2 617 000 000	3 587 000 000	3 587 000 000	37,1	37,1
6	B1-6	Monetary reserve	500 000 000	500 000 000	500 000 000	500 000 000		
		Subsection B1 - Sub-total	40 940 000 000	40 940 000 000	41 401 000 000	41 401 000 000	1,1	1,1

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Heading in the financial perspective (1999 and 2000) (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1999		Appropriations 2000		Variation 2000/1999	
			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	35 878 225 000	27 540 950 000	30 019 000 000	29 200 002 000	- 16,3	6
2	B2-3	Cohesion Fund	3 117 700 000	2 876 675 000	2 659 000 000	2 800 000 000	- 14,7	- 2,7
2	B2-4	Expenditure for the financial mechanism relating to the accession of new member states	5 000 000	5 000 000	0	0	- 100	- 100
3	B2-5	Other agricultural operations	147 800 000	131 700 000	50 500 000	81 000 000	- 65,8	- 38,5
3	B2-6	Other regional operations	17 000 000	22 000 000	15 000 000	19 477 000	- 11,8	- 11,5
3	B2-7	Transport	21 200 000	19 200 000	20 000 000	19 000 000	- 5,7	- 1
3	B2-9	Other measures concerning fisheries and the sea	71 975 000	61 800 000	66 450 000	47 450 000	- 7,7	- 23,2
		Subsection B2 - Sub-total	39 258 900 000	30 657 325 000	32 829 950 000	32 166 929 000	- 16,4	4,9
	B3	Sub-section B3 : training, youth, culture, audiovisual media, information and other social operations						
3	B3-1	Education, vocational training and youth	441 700 000	391 311 000	462 600 000	390 000 000	4,7	- 0,3
3	B3-2	Culture and the audiovisual media	95 700 000	88 500 000	102 100 000	98 100 000	6,7	10,8
3	B3-3	Information and communication	107 600 000	114 950 000	103 000 000	100 200 000	- 4,3	- 12,8
3	B3-4	Social dimension and employment	163 040 000	143 190 000	174 040 000	147 570 000	6,7	3,1
		Subsection B3 - Sub-total	808 040 000	737 951 000	841 740 000	735 870 000	4,2	- 0,3
	B4	Energy, euratom nuclear safeguards and environment						
3	B4-1	Energy	40 580 000	35 880 000	36 800 000	35 100 000	- 9,3	- 2,2
3	B4-2	Euratom nuclear safeguards	16 400 000	15 700 000	18 200 000	17 500 000	11	11,5

Heading in the financial perspective (1999 and 2000) (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1999		Appropriations 2000		Variation 2000/1999	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
3	B4-3	Environment	178 450 000	146 850 000	150 000 000	134 300 000	- 15,9	- 8,5
		Subsection B4 - Sub-total	235 430 000	198 430 000	205 000 000	186 900 000	- 12,9	- 5,8
		B5 Consumer protection, internal, market, industry and trans-European networks						
3	B5-1	Consumer protection and consumer health protection	23 850 000	19 450 000	22 500 000	20 000 000	- 5,7	2,8
3	B5-2	Aid for reconstruction	2 234 000	2 234 000	1 698 000	1 698 000	- 24	- 24
3	B5-3	Internal market	156 245 000	133 545 000	150 515 000	153 400 000	- 3,7	14,9
3	B5-4	Industry	92 017 000	93 950 000	2 000 000	88 644 000	- 97,8	- 5,6
3	B5-5	Employment market and technological innovation	209 280 000	134 980 000	202 000 000	92 600 000	- 3,5	- 31,4
3	B5-6	Statistical information	30 725 000	27 391 000	31 400 000	30 130 000	2,2	10
3	B5-7	Trans-European networks	585 190 000	452 190 000	656 000 000	522 000 000	12,1	15,4
3	B5-8	Cooperation policy in the fields of justice and home affairs	27 000 000	16 000 000	36 700 000	22 500 000	35,9	40,6
3	B5-9	Measures to combat fraud and support expenditure for internal policies	7 650 000	7 525 000	5 650 000	5 400 000	- 26,1	- 28,2
		Subsection B5 - Sub-total	1 134 191 000	887 265 000	1 108 463 000	936 372 000	- 2,3	5,5
		B6 Research and technological development						
3	B6-1	Joint research centre - Staff and resources	210 738 000	213 884 000	206 900 000	207 934 000	- 1,8	- 2,8
3	B6-2	Joint research centre — Direct operation appropriations — EC framework programme (1998 to 2002)	38 800 000	14 539 000	38 550 000	35 021 000	- 0,6	141

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Heading in the financial perspective (1999 and 2000) (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1999		Appropriations 2000		Variation 2000/1999	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
3	B6-3	Joint research centre — Direct operating appropriations — EAEC framework programme (1998 to 2002)	11 262 000	4 978 000	14 550 000	10 885 000	29,2	119
3	B6-4	Joint research centre — Direct action — Completion of former joint and supplementary programmes and other joint research centre activities	0	28 849 000	0	7 160 000		-75,2
3	B6-5	Indirect action — (shared-cost projects) and concerted action — Completion of earlier projects and other activities	0	2 000 000 000	0	1 215 000 000		-39,2
3	B6-6	Indirect action (shared-cost projects): Concerted actions — Fifth framework programme (1998 to 2002)	3 189 200 000	727 940 000	3 370 000 000	2 124 000 000	5,7	192
		Subsection B6 - Sub-total	3 450 000 000	2 990 190 000	3 630 000 000	3 600 000 000	5,2	20,4
	B7	External action						
7	B7-0	Pre-accession strategy for the associated countries of central and eastern Europe	1 372 350 000	755 750 000	3 166 710 000	2 146 000 000	130,8	184
4	B7-1	European Development Fund	0	0	0	0		
4	B7-2	Food and humanitarian aid	835 850 000	710 850 000	968 000 000	853 000 000	15,8	20
4	B7-3	Cooperation with developing countries in Asia, Latin America and Southern Africa, including South Africa	880 050 000	544 900 000	890 000 000	635 000 000	-1,1	16,5
4	B7-4	Cooperation with Mediterranean third countries and the Middle East	1 094 000 000	548 200 000	1 146 240 000	551 740 000	4,8	0,6
4	B7-5	Cooperation with countries of central and eastern Europe, the Balkan countries and the new independent States and Mongolia	826 460 000	607 460 000	807 710 000	635 113 000	-2,3	4,6
4	B7-6	Other cooperation measures	375 900 000	309 050 000	266 850 000	323 200 000	-29	4,6

Heading in the financial perspective (1999 and 2000) (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1999		Appropriations 2000		Variation 2000/1999	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
4	B7-7	European initiative for democracy and human rights	101 000 000	79 500 000	94 000 000	85 600 000	- 6,9	7,7
4	B7-8	External aspects of certain community policies	395 230 000	375 980 000	266 687 000	254 063 000	- 32,5	- 32,4
6	B7-9	Reserve	346 000 000	346 000 000	203 000 000	203 000 000	- 41,3	- 41,3
		Subsection B7 - Sub-total	6 226 840 000	4 277 690 000	7 809 197 000	5 686 716 000	25,4	32,9
		B8 Common foreign and security policy						
4	B8-0	Common foreign and security policy	27 000 000	20 550 000	40 000 000	30 000 000	48,1	46
		Subsection B8 - Sub-total	27 000 000	20 550 000	40 000 000	30 000 000	48,1	46
		B0 Guarantees and reserves						
4, 6	B0-2	Guarantees for borrowing and lending operations	346 000 000	346 000 000	203 000 000	203 000 000	- 41,3	- 41,3
5	B0-3	Deficit carried over from previous year	0	0	0	0		
3	B0-4	Reserves and provisions ⁽¹⁾	0	0	0	0		
7	B0-5	Budgetary compensation for the new member states	0	0	0	0		
		Subsection B0 - Sub-total	346 000 000	346 000 000	203 000 000	203 000 000	- 41,3	- 41,3
		Part B - Total	92 426 401 000	81 055 401 000	88 068 350 000	84 946 787 000	- 4,7	4,8
5		Other institutions	1 579 339 349	1 579 339 349	1 582 490 000	1 582 490 000	0,2	0,2
		Grand total	96 928 738 703	85 557 738 703	92 706 252 000	89 584 689 000	- 4,4	4,7

⁽¹⁾ Including appropriations entered in Chapter A-10 and B0-40

IV. EXPENDITURE

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

1. Agricultural expenditure (heading 1)

The Berlin European Council's decisions on Agenda 2000 will have a significant impact on the budget for agriculture (heading 1) over the next seven years.

The agricultural guideline is retained, but its scope has been extended. It will now cover the cost of the new rural development measures plus measures on plant and animal health; these have all been moved from headings 2 and 3 to heading 1. It will also cover the agricultural pre-accession instrument (new heading 7) and payment appropriations earmarked to fund farm spending that is a direct result of the new accessions. The total figure for 2000 is **EUR 46 549 million**.

New ceilings have been set for heading 1, to distinguish between expenditure on the common market organisations, including spending on animal and plant health in particular, and expenditure on rural development and accompanying measures. The figures, given at 1999 prices, will be updated over the period by applying a constant 2 % deflator. The Commission and the Council are also being asked to make further savings so that total expenditure over the years 2000-2006, excluding measures for rural development and animal health, does not exceed a yearly average of EUR 40 500 million.

The proposals for appropriations to implement the reform of the common agricultural policy in 2000 total **EUR 40 901 million**. Of this total EUR 37 314 million is for market organisations and related expenditure; this is EUR 38 million beneath the subceiling for traditional market operations (EUR 37 352 million). For spending on rural development and accompanying measures, the subceiling for 2000 will not be reached owing to the slow start-up of the new programmes. Requirements here amount to only EUR 3 587 million, leaving a margin of EUR 799 million.

In terms of legislation, the preliminary draft budget reflects the legislative decisions taken under Agenda 2000 and the Commission's package of proposals on farm prices and related measures for 1999/2000.

In the milk products sector, reform will basically not start until the 2005/06 marketing year. The reforms to the market organisations for arable crops, wine-products and beef come into effect at the beginning of the 2000/2001 marketing year (i.e. on 1 September 2000 for the wine sector and on 1 July 2000 for the others). As the financial year for agriculture covers expenditure incurred by the Member States up to 15 October 2000, the budgetary impact in 2000 is limited. The only major item is the abolition of the advance for oilseed, which will produce a one-off saving of around EUR 1 250 million in 2000. The increase in direct support will not be felt until the 2001 budget because none of the payments in question for 2000/01 will be made until after 15 October 2000. As far as market intervention expenditure is concerned, the fall in prices (arable crops, beef) and the special increase in milk quotas starting in 2000 for Italy, Spain, Greece, Ireland and Northern Ireland will have little effect on the 2000 budget.

The 1999/2000 'farm price package' will result in savings of EUR 24 million in 2000. These come from lower monthly refunds of sugar storage costs (- EUR 49 million), partly offset by the cost of extending the grubbing-up scheme for vineyards (+ EUR 25 million).

On the monetary front within the Union, the introduction of the euro and the abolition of the agricultural conversion rates ('green rates') with effect from 1 January 1999 radically alter the agri-monetary situation. Degressive transitional aid accompanying the abolition of the green rates will peak in 2000, with requirements estimated at EUR 695 million. Outstanding compensation payments under the old agri-monetary system amount to EUR 101 million. On the other hand, even though some dual-rate effect persists in the preliminary draft budget for 2000, it only concerns payments in the countries not participating in the euro. Here, forecast requirements are much lower, standing at EUR 55 million compared with EUR 513 million in 1999.

On the monetary front outside the Union, the preliminary draft budget for 2000 is based on the average dollar-euro parity over the first 3 months of 1999 (€ 1 = \$1,12). Last year, the 1999 budget was based on a rate of € 1 = \$1,087 (average over the first 3 months of 1998). In the light of this trend, the expenditure estimates in the preliminary draft budget assume a depreciation of the dollar, contrary to recent movements. The gap between

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world and Community prices has thus widened, with the result that expenditure is likely to be higher than in 1999.

Apart from the extra appropriations due to the broader coverage of heading 1, the proposed appropriations remain broadly the same as in 1999, with changes offsetting one another :

- a reduction in plant product sectors overall (– EUR 1 084 million);
- *little change* in the animal product sectors;
- higher spending (+ EUR 525 million) on agri-monetary compensation, mainly for aid under the transitional measures adopted by the Council in connection with the changeover to the euro;
- a drop in the provision for clearance of the accounts (– EUR 110 million).

The change in the coverage of this heading also means that appropriations have to be included for:

Rural development, the second pillar of CAP reform

The proposed budget entry for the existing accompanying measures in 2000 amounts to EUR 2 627 million – the same as

in 1999. Expenditure in 2000 on other rural development measures is estimated at EUR 960 million, based on actual expenditure on those measures during the first year of the 1994-1999 programming period. Outstanding commitments from previous years will continue to be funded under heading 2 during the transitional period.

Measures on animal and plant health

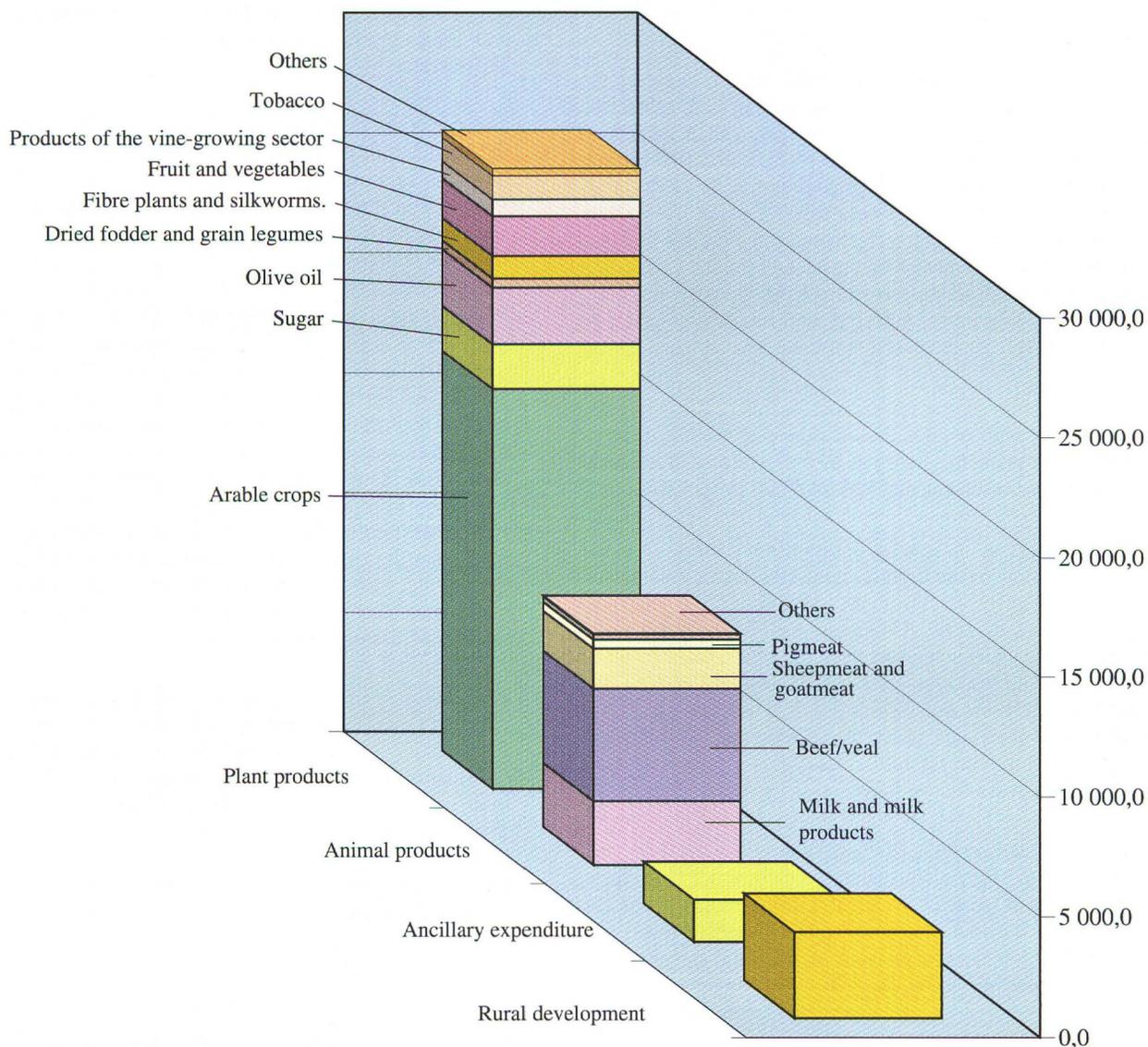
The scale of the appropriations requested for 2000 to cover these measures (EUR 105 million) – funded under heading 3 up to 1999 – is mainly due to the impact of the 1997 and 1998 outbreak of classical swine fever.

Lastly, the preliminary draft budget for 2000 is beginning to reflect the effects of the extension of the **evaluation of expenditure** in agriculture: evaluations have been carried out on internal food aid programmes, the promotion of agricultural products and export subsidies for processed products.

As in the past two years, the Commission will again be presenting a letter of amendment in the autumn with more accurate estimates of the budget requirements for agriculture, in the light of outturn during the marketing year for the different sectors.

Figure 3

Preliminary draft budget 2000
Heading 1: Common agricultural policy



(EUR million)

EAGGF Guarantee Section	Amount	%	EAGGF Guarantee Section	Amount	%
Plant products (Title 1)	25 905,0	63,3	Animal products (Title 2)	9 671,0	25,5
Arable crops	16 704,0	40,8	Milk and milk products	2 668,0	6,5
Sugar	1 861,0	4,6	Beef/veal	4 702,0	11,5
Olive oil	2 371,0	5,8	Sheepmeat and goatmeat	2 037,0	5,0
Dried fodder and grain legumes	382,0	0,9	Pigmeat	234,0	0,6
Fibre plants and silkworms	928,0	2,3	Others	30,0	0,1
Fruit and vegetables	1 669,0	4,1	Ancillary expenditure (Title 3)	1 738,0	4,2
Products of the vine-growing sector	713,0	1,7	Rural development (Title 4)	3 587,0	8,8
Tobacco	972,0	2,4			
Other plant sectors or products	305,0	0,7			
			Total	40 901,0	100,0

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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.

The budget allocations proposed for 2000, the first year of the new 2000-2006 programming period, are in line with the conclusions of the Berlin European Council, which agreed an overall allocation for the whole period of EUR 195 010 million for the Structural Funds (at 1999 prices) and EUR 18 000 million for the Cohesion Fund (at 1999 prices). During that period, 94 % of the overall amount for the Structural Funds will go to Community support frameworks under Objectives 1, 2 and 3 and to other structural operations (outside Objective 1 regions), 5 % will be for Community initiatives and roughly 1 % will go towards innovative measures and technical assistance.

Commitment appropriations earmarked for this heading in 2000 total EUR 32 678 million. This allocation is the result of strict application of the decisions taken in Berlin, whereas the general policy debate was based on the Agenda 2000 proposals.

Although the start of a new programming period with the cohesion effort now more tightly focused makes meaningful comparison difficult, commitment appropriations will be 16,2 % lower than in 1999. However, the 1999 figures were inflated by appropriations re-entered in the budget as a result of under-execution in previous years. Excluding re-entries, the reduction between 1999 and 2000 is 8,5 %. The main reason for the lower figure for structural operations, however, is that some of the rural development operations previously financed under heading 2 will now be incorporated under heading 1.

Payment appropriations total EUR 32 000 million, in line with the decisions of the Berlin European Council, a 5,2 % increase over 1999. This is mainly to clear commitments from the previous period. It should be noted that all outstanding commitments, including those in respect of old rural development measures, will continue to be charged to heading 2.

The Structural Funds

The allocation for the Structural Funds in 2000 is EUR 30 019 million. This is the figure resulting from the ceilings agreed in Berlin, increased by 2 % under the rules for the Structural Funds.

It comprises EUR 27 954 million earmarked for the priority objectives (Objectives 1, 2 and 3, including transitional support for Objectives 1 and 2 and the PEACE programme under Objective 1), EUR 161 million for the FIFG (outside Objective 1 regions), EUR 1 641 million for Community initiatives, and EUR 263 million for innovative measures and technical assistance.

The breakdown between the various objectives is in line with the conclusions of the Berlin European Council. The breakdown between Community initiatives is only indicative. It will be reviewed in the letter of amendment in the light of subsequent decisions by the Commission, in particular on setting up the URBAN initiative.

Payment appropriations total EUR 29 200 million. The bulk of this will be for payments on commitments from the previous period (EUR 19,8 billion; this represents 48 % of the estimated amount of outstanding commitments, based on the estimates used to determine payments in the financial perspective). EUR 8,1 billion will be for payments on account (4 % of the total allocation) and EUR 1,3 billion will be to cover the first repayments on commitments made during the new period. The EUR 1 500 million drop in payment appropriations compared with what the Commission had originally envisaged is because the payment on account is being cut back from 8,5 % to 7 % over a two-year period and because it applies to a much lower volume of commitments.

The new programming of the Structural Funds involves a reduction in the number of objectives (down to three) and Community initiatives (down to four including URBAN). For the sake of simplification and clarity the allocations are shown in the preliminary draft budget by objective rather than by fund. There are still separate chapters for Community initiatives and innovative measures. Within each chapter, a distinction is made between payments in respect of past commitments and payments against commitments made during the new period.

The Cohesion Fund

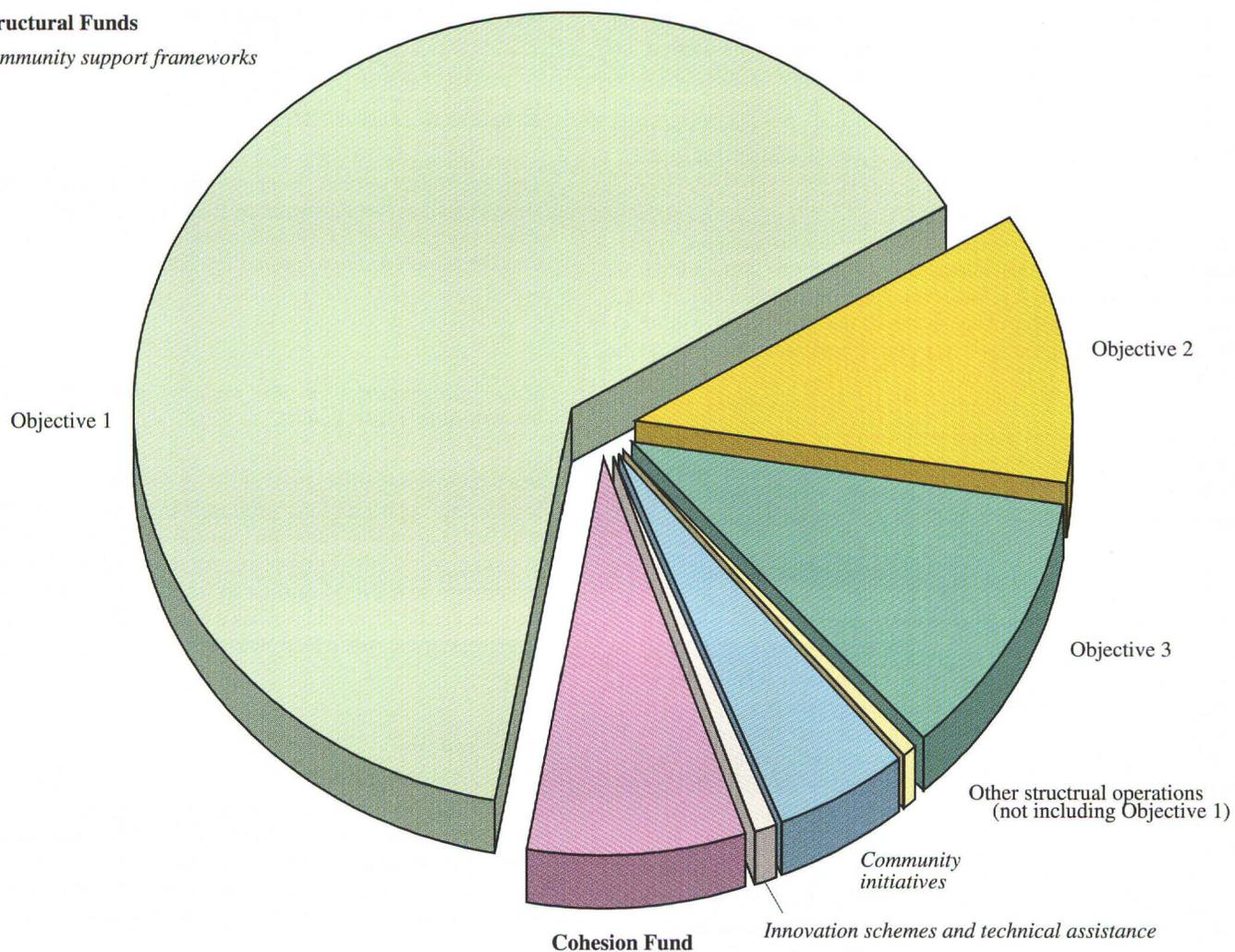
In line with the conclusions reached at Berlin, the preliminary draft budget for 2000 proposes commitment appropriations of EUR 2 659 million. The amount for payments is EUR 2 800 million, covering spending on commitments from the previous period as well as payments under the new period. Allowance has had to be made for the rate of payments on account being increased to 20 % of Fund assistance.

Figure 4

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

Structural Funds

Community support frameworks



(EUR million)

					Amount	%
Structural Funds (by objective)					30 019,0	91,9
<i>Community support frameworks</i>						
	EAGGF Guidance	FIFG	ERDF	ESF		
Objective 1	2 618,5	403,2	12 761,2	4 998,0	20 781,0	69,2
Objective 2			3 004,1	664,0	3 668,0	12,2
Objective 3				3 505,0	3 505,0	11,7
Other structural operations (not including Objective 1)		161,0			161,0	0,5
<i>CSF sub-total</i>	2 618,5	564,2	15 765,3	9 167,0	28 115,0	86,0
Community initiatives					1 641,0	5,5
Innovation schemes and technical assistance					263,0	0,9
Cohesion Fund					2 659,0	8,1
Total					32 678,0	100,0

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3. Internal policies (heading 3)

The ceilings for heading 3 agreed in Berlin are far more restrictive than those proposed by the Commission in Agenda 2000, with an average annual increase over the period of only 0,8 % in real terms. However, the amounts released as a result of the completion of the Portuguese textiles programme in 1999 make it possible to allow a margin of EUR 63 million beneath the ceiling in the preliminary draft budget for 2000.

Expenditure for heading 3 totals EUR 5 937 million in commitment appropriations and EUR 5 626 million in payment appropriations. The apparent increases from 1999 to 2000 are 0,9 % and 11,4 % respectively, but if the 1999 base is adjusted to take account of the transfer of measures in the field of agriculture to heading 1, appropriations for heading 3 are up by 2,5 % and 13,2 %.

The proposals were established with a view to favouring programmes prioritised in Agenda 2000 on the grounds of their multiplier effect in terms of growth, employment and the development and dissemination of new technologies.

Research and technological development

The year 2000 is the second year of the fifth RTD framework programme. The preliminary draft budget carries an allocation for commitments of EUR 3 630 million, an increase of EUR 180 million over 1999. At EUR 3 600 million, payments show a sharp rise (approximately 20 %), which is due to the size of outstanding commitments.

With regard to staff, the allocation of resources by specific programme has been adjusted to take account of the new priorities of the fifth framework programme. These redeployments will be staggered over two years (2000-2001) and make it possible to restrict the overall increase in the establishment plan in 2000 to 36 posts, or 2,3 %, which compares with a 4,6 % increase in appropriations for the fifth framework programme in relation to the previous programme.

Trans-European networks

The allocation in the preliminary draft budget for all trans-European transport, energy and telecommunications networks amounts to EUR 622 million for commitments (an increase of 13 % compared with 1999). This amount can be accepted, even though the overall figure for the TENs programme must be adjusted downwards to take account of the probable outcome of the negotiations on the Interinstitutional Agreement. A total of

EUR 10 million has been entered in the reserve until a legal basis has been proposed for the renewal of the Edicom programme, while the allocation for the IDA programme receives a virtual rollover with EUR 24 million.

Measures to support SMEs

The preliminary draft budget proposes renewing the 1999 allocations for commitments of EUR 150 million for the financial instruments of the Employment initiative and EUR 40 million for the programme promoting SMEs.

Major programmes in the area of education, vocational training and youth policy

With an overall allocation of EUR 365 million for commitments, the appropriations proposed in these areas are in line with the Council's common positions (EUR 222 million for Socrates and EUR 143 million for Leonardo). The proposed increase from EUR 54 million to EUR 75 million for Youth for Europe confirms the importance the Commission attaches to this programme, for which there is not yet a common position.

Other policies

As regards *the environment*, the amount proposed is in line with the Commission's proposal for the LIFE III programme. This significant reduction (from EUR 134 million to EUR 105 million) is due to the fact that the allocation for 1999 (the final year of LIFE II) was exceptionally high in comparison with previous years.

From 2000 onwards, the Commission's preliminary draft budget has to take into account the budgetary implications of the ratification of the **Treaty of Amsterdam**. The preliminary draft budget focuses on *justice and home affairs measures*. It is planned at present to roll over the 1999 allocation for existing programmes and for the reception of refugees; the EUR 15 million allocation for the latter measure could be increased by the letter of amendment in the light of the development of requirements linked to recent events in Kosovo. The preliminary draft also allocates EUR 10 million in commitment appropriations for new measures, including Eurodac (the creation of a database containing the fingerprints of asylum-seekers), which has been entered in reserve pending the adoption of a legal basis. It is also proposed that preparatory measures continue for the social action covered by the Treaty, including the fight

against social exclusion and discrimination (EUR 24 million in commitment appropriations). Finally, EUR 6 million has been entered in the reserve with a view to offsetting the social consequences of the abolition of duty-free sales, while a new preparatory measure concerning the European content of global electronic networks is launched at a cost of EUR 7 million.

Some redeployment is necessary to finance these measures. Overall, the other policies under this heading are cut by 4 %, with the most severe reductions in the fields of information (the allocation for the Prince campaign is EUR 6 million down), the energy framework programme (- 9 %) and transport (- 5,7 %).

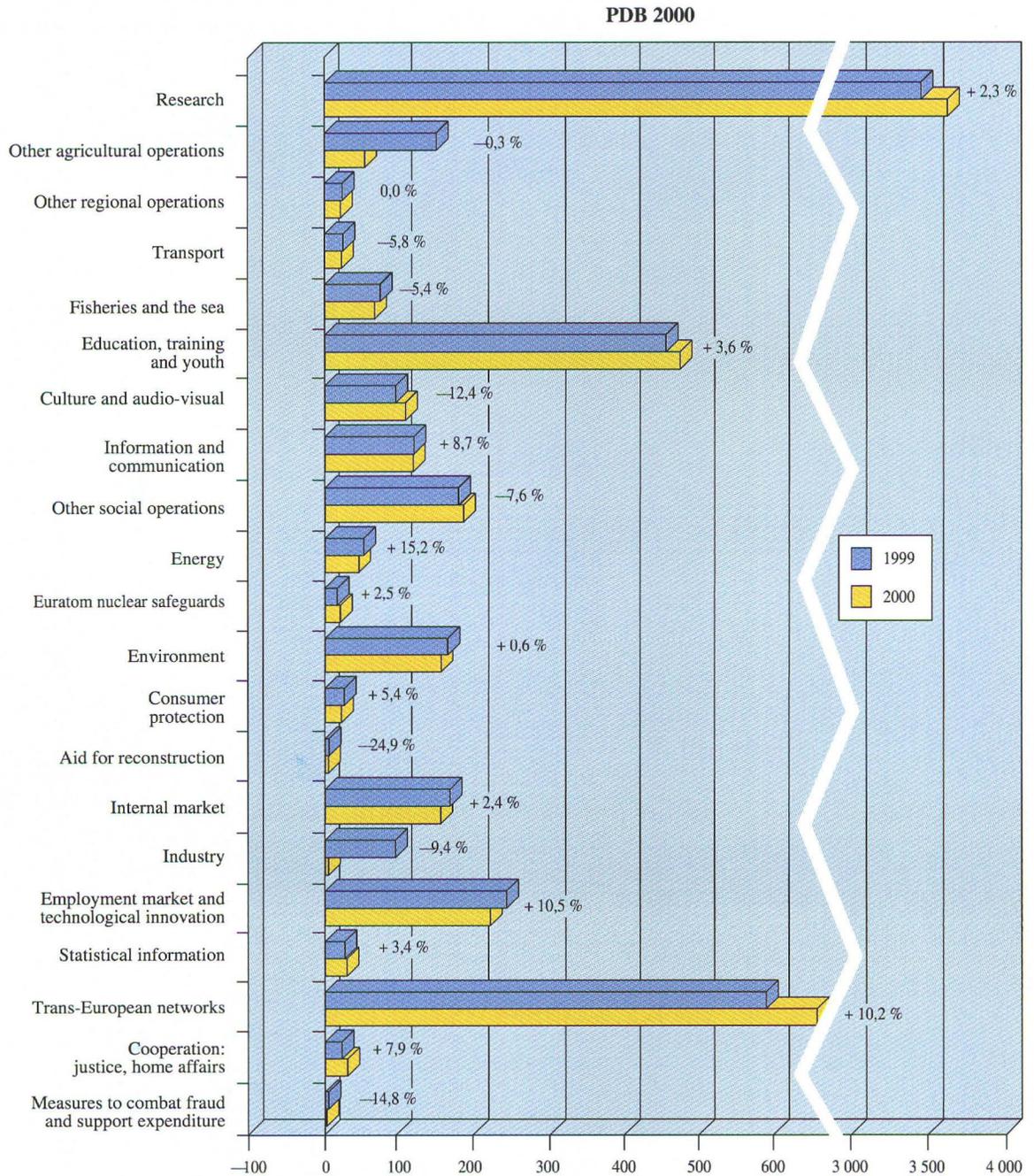
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Figure 5

Preliminary draft budget 2000
Heading 3: Internal policies
(appropriations for commitments)

(EUR million)

Budget 1999	PDB 2000
3 450,0	3 630,0
147,8	50,5
17,0	15,0
21,2	20,0
72,0	66,5
441,7	462,6
95,7	102,1
107,6	103,0
163,0	174,0
40,6	36,8
16,4	18,2
178,5	150,0
23,9	22,5
2,2	1,7
156,2	150,5
92,0	2,0
209,3	202,0
30,7	31,4
585,2	656,0
27,0	36,7
7,7	5,7
5 885,7	5 937,2



4. External action (heading 4)

In accordance with the conclusions of the Berlin European Council, appropriations now come under three headings in the financial perspective: heading 4 for external action other than the pre-accession strategy, the emergency aid reserve in heading 6, and pre-accession instruments in heading 7. The heading 4 ceilings are significantly lower than the Agenda 2000 proposals: the amount for 2000, which is the starting point for the period, is the same as in the 1999 budget, plus a transfer of EUR 143 million from the emergency aid reserve to humanitarian aid. Growth in real terms is extremely modest over the period (0,22 % a year on average), which means that any new initiative will require redeployment within existing actions.

In the preliminary draft budget for 2000, commitment appropriations proposed for heading 4 total EUR 4 479 million, which is 1,2 % less than in 1999.

The margin beneath the Berlin ceiling in heading 4 is EUR 148 million. This should make it possible to take account in the October letter of amendment of the financial impact of any fisheries agreement with Morocco.

Compared with 1999, payment appropriations under heading 4 are up by 5,4 % to EUR 3 368 million.

In line with the guidelines set out by the Commission on 3 February, the heading focuses on the following policies:

- **humanitarian aid**, which increases by EUR 143 million to EUR 473 million, offsetting an equal reduction in the emergency aid reserve; the allocations for food aid, on the other hand, (EUR 495 million) have been slightly reduced in comparison with last year (– EUR 10 million) but guarantee the same quantities as proposed last year;
- technical, financial and economic cooperation measures with the developing countries of **Latin America** (EUR 317,5 million) and **Asia** (EUR 447,5 million) increase by 2,1 % and 1,1 % respectively. These programmes now incorporate all projects relating to tropical rainforests, the environment and health under Title B7-6; EUR 50 million is planned for rehabilitation measures in Central America following Hurricane Mitch, while the amount proposed in the preliminary draft for South Africa is EUR 125 million;
- a total of EUR 1 146 million has been earmarked for **cooperation with Mediterranean third countries**, restoring the Cannes level of allocation planned for 1999 (including Turkey); a new heading 'Pre-accession strategy for Cyprus and Malta' has been created;

- a total of EUR 280 million is allocated to Chapter B7-5 4 (**Cooperation with Balkan countries**). This conservative evaluation does not take account of needs arising from recent events and the figure may need to be adjusted by means of a letter of amendment during the budgetary procedure or by a supplementary and amending budget in 2000, which might involve reviewing the financial framework. Within the chapter, a distinction is made between reconstruction and rehabilitation in former Yugoslavia (EUR 185 million) and cooperation with the countries of the western Balkans (PHARE non-accession: EUR 94 million);

- allocations for **cooperation with the New Independent States and Mongolia** amount to EUR 510 million, including EUR 13 million in macro-financial aid to Armenia and Georgia. A further EUR 15 million has been set aside for **macro-financial aid for Bosnia-Herzegovina** and EUR 10 million has been earmarked for new macroeconomic financial aid;

- the allocation for the coordination of development policy, evaluation of the results of Community aid and follow-up and inspection measures has been increased substantially, from EUR 5 million to EUR 12 million;

- allocations for measures supporting democracy and human rights come to EUR 94 million. External aspects of Community policies (excluding fisheries agreements) are maintained at the 1999 level, apart from the ECIP programme, which has been cut by EUR 15 million, and the promotion of European Union exports to Japan, which disappeared from the 1999 budget and has been restored in the preliminary draft budget for 2000 with an allocation of EUR 11,0 million;

- the amount for fisheries agreements is EUR 136 million, with an additional EUR 18 million entered in the reserve for agreements to be negotiated or renewed;

- the growing importance of measures carried out under the CFSP has resulted in an increase of EUR 10 million to EUR 40 million on the 1999 budget.

These proposals are accompanied by a wide-ranging restructuring of the **nomenclature of Subsections B7 and B8** to take account of the conclusions of the Berlin European Council or to increase transparency in the implementation of the principle of specification: a new Title B7-0 brings together the instruments of the pre-accession strategy for the countries of central and

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eastern Europe: SAPARD, ISPA and PHARE; and the nomenclature of Subsection B8 has also been altered to reflect the new CFSP context created by the entry into force of the Treaty of Amsterdam.

5. Pre-accession instruments (heading 7)

This new heading has made it possible to double the appropriations earmarked until now for applicant countries under the PHARE programme. It covers three distinct instruments:

SAPARD, in the field of agriculture

In accordance with the decisions adopted at the Berlin European Council, pre-accession aid for agriculture is provided for the ten applicant countries of central and eastern Europe. On the basis of the financial framework for the period 2000-2006, an annual total of EUR 520 million (at 1999 prices) has been earmarked and is covered by the agricultural guideline. The allocation for 2000 corresponds to the amount indexed at 1,7 % at Berlin and comes to EUR 529 million.

In particular, pre-accession measures are intended to support improvements in the efficiency of farms, the processing and distribution of agricultural products, veterinary and plant health controls and quality. Pre-accession aid also supports the management of natural resources, vocational training, economic diversification in rural areas, agri-environmental and forestry initiatives and improvements to rural infrastructure and villages.

The structural pre-accession instrument

As part of the pre-accession strategy, the structural pre-accession instrument (ISPA) was set up, by analogy with the Cohesion Fund, with the basic aim of helping the applicant

countries of central and eastern Europe to adapt to Community standards for infrastructure in the transport and environment sectors.

Commitment appropriations amounting to EUR 1 058 million are proposed in the preliminary draft 2000 budget, in line with the conclusions reached in Berlin. Payment appropriations of EUR 300 million are planned for this first start-up year of ISPA.

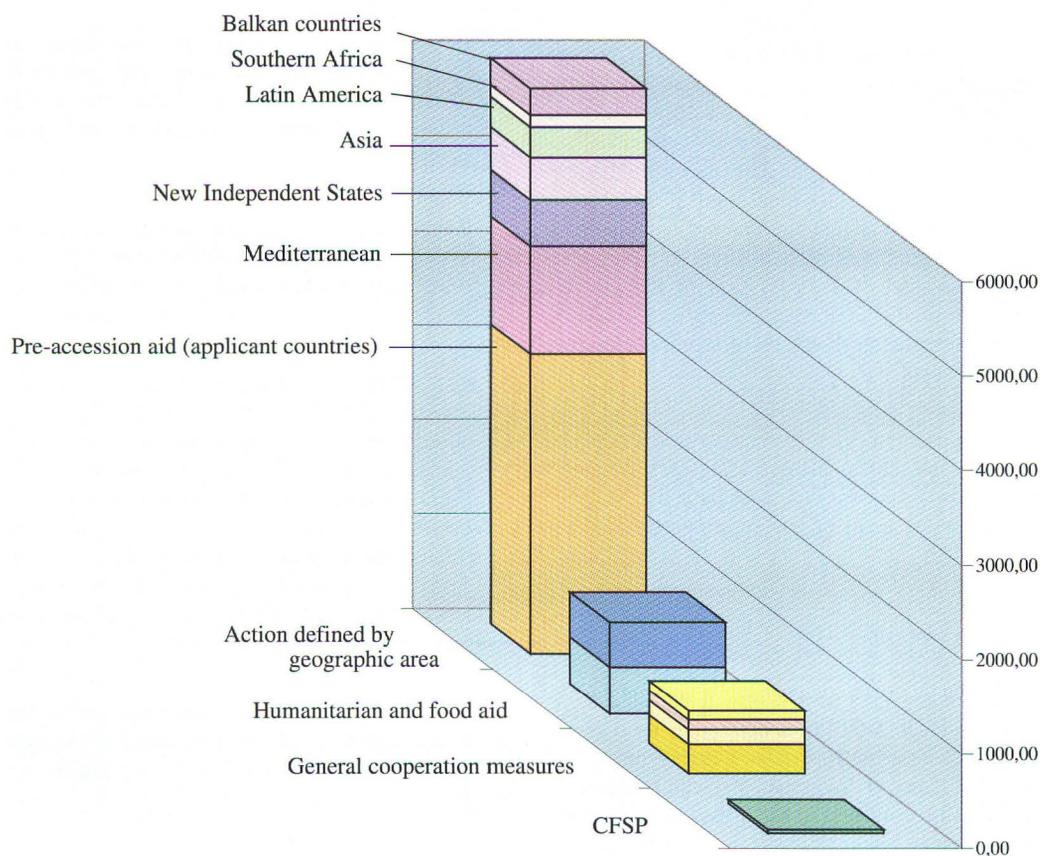
The PHARE pre-accession instrument

In accordance with the conclusions of the Berlin European Council, proposed commitments for the development of the pre-accession strategy for associated countries of central and eastern Europe come to EUR 1 580 million for 2000, an increase of EUR 208 million compared with the allocations for 1999. Payments amount to EUR 1 317 million, a 74 % increase, which is due to a particularly serious problem with regard to the absorption of outstanding commitments.

The new guidelines proposed by the Commission for adapting the PHARE programme to the new enlargement priorities are now consolidated and PHARE measures are intended to help the administrations of the applicant countries to develop an effective capacity to implement the body of Community law (institution building), and to enable firms and major infrastructure in these countries to come into line with Community standards.

Figure 6

Preliminary draft budget 2000
Heading 7: Pre-accession aid (applicant countries)
(appropriations for commitments)



(EUR million)

External action	Amount	%
Action defined by geographic area		
Pre-accession aid (applicant countries)(B7-0)	3 166,71	41,42
Cooperation with Mediterranean countries (B7-4)	1 146,24	14,99
Cooperation with the New Independent States (B7-5 2)	490,60	6,42
Cooperation with Asia (B7-3 0)	447,50	5,85
Cooperation with Latin America (B7-3 1)	317,50	4,15
Cooperation with southern Africa (B7-3 2)	125,00	1,63
Cooperation with the Balkan countries (B7-5 4)	279,19	3,65
Humanitarian and food aid		
Food aid (B7-2 0)	495,00	6,47
Humanitarian aid (B7-2 1)	473,00	6,19
General cooperation measures		
Other cooperation measures (B7-6, B7-5 1, B7-5 3)	304,85	3,99
International fisheries agreements (B7-8 0)	157,45	2,06
Other external aspects of Community policies (B7-8 1 to B7-8 7)	109,24	1,43
Human rights and democracy (B7-7)	94,00	1,23
CFSP (B8-0)		
Common foreign and security policy (CFSP) (B8-0)	40,00	0,52
Total	7 646,28	100,00

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6. Administrative expenditure (heading 5) and human resources**a) Allocation of human resources**

Although the preparatory work on the preliminary draft budget revealed urgent needs in terms of human resources, the Commission, given the ceilings agreed in Berlin for administrative expenditure, has decided not to ask for any new posts but has left open the possibility of making this request (including for the Fraud Prevention Office) in a letter of amendment if the current discussions on the Interinstitutional Agreement result in a financial framework offering greater possibilities. At all events, the Commission must complete the evaluation of the overall structure of its departments and their requirements in terms of human resources before proposing the necessary redeployments and asking for any new posts.

The Commission also wishes to organise proper and optimum use of external technical and administrative assistance financed by Part B, as approved by the budgetary authority in the 1999 budget, and proposes that the level be the same as in the 1999 budget.

b) Administrative appropriations

The conclusions of the Berlin European Council on heading 5, which fixed a ceiling of EUR 4 638 million, failed to confirm the Commission's initial assumptions. To comply with the ceiling laid down, the rate of increase for administrative appropriations has had to be confined to the absolute minimum, giving the amounts shown below.

The Commission's administrative appropriations, excluding pensions and the European Schools (both of which constitute interinstitutional expenditure and rise by 13 % and 20 % respectively), total EUR 2 367 million, an increase of 1,9 % over 1999. This represents 60 % of estimated administrative appropriations for all the institutions (on the assumption, which underlies the Commission's preliminary draft, that the other institutions will likewise confine themselves to a 1,9 % increase).

Excluding pensions, the increase in expenditure on persons connected with the institution comes to 3,4 %, mainly because of the impact over a full year of the net increase in posts at headquarters in 1999 and a less favourable conversion rate between the euro and the Belgian franc than in the 1999 budget (- 1,1 %).

Administrative expenditure has been kept at the same level mainly as a result of the renegotiation of leases and savings resulting from property investments in previous years and also of the drop in basic charges for postage and voice telephony.

The 6,8 % cut in appropriations for special functions carried out by the Commission (Title A-3, not including the European Schools) mainly results from savings in producing the OJ (- 20 %) and a number of reductions in grants.

Expenditure on interinstitutional cooperation is also down by 2,4 %, mainly because the expenditure on the major competitions will be incurred in 1999, but also because the running costs and conversion expenditure for restaurants and canteens have been cut.

Expenditure on data-processing will increase overall by 2,6 % as a result of the following factors: boosting of operations to develop or refine management systems and continued modernisation of electronic document transmission channels.

Expenditure on the External Service should grow by 7 % to take account of the substantial increase in the number of posts in delegations following redeployment from headquarters, the 30 new posts to help devolve and decentralise the implementation of Community programmes, the opening of a new delegation, the increase in rents and charges for buildings and the costs related to the rotation of officials in delegations. The Commission may, if necessary, request additional appropriations in a letter of amendment to improve security arrangements and IT equipment in its delegations.

Expenditure on support staff and certain decentralised administrative services, which since the 1998 budget has appeared in an 'overall allocation' in Title A-7, remains at the same level as in 1999.

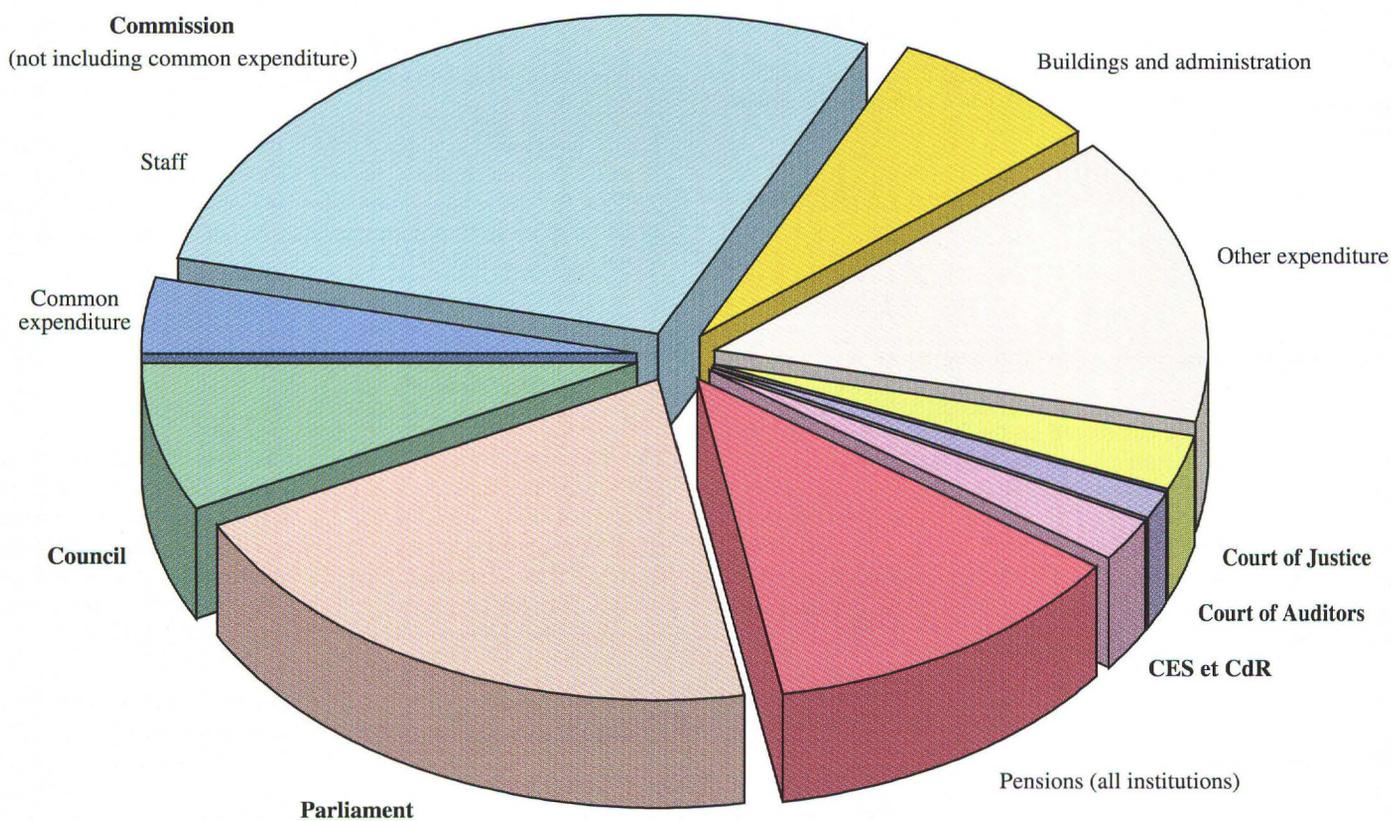
7. Reserves (Heading 6)

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; this reserve is to be phased out: EUR 500 million is planned for 2000 and 2001; it will be cut by half in 2002 and wound up in 2003;
- the emergency aid reserve, now allocated only EUR 203 million, in exchange for an increase of EUR 143 million in the humanitarian aid heading;
- the reduction in the guarantee reserve, which is also allocated EUR 203 million in 2000, is mainly due to the amendment of the Guarantee Fund regulation reducing the provisioning rate from 14 % to 9 %.

Figure 7

Preliminary draft budget 2000
Heading 5: Administrative expenditure
of the institutions



(EUR million)

Administrative expenditure	2000 budget Commitments = payments	
	Amount	%
Parliament	945,2	20,4
Council	343,3	7,4
Commission, of which:	2 491,2	53,7
Common expenditure		0,0
— European Schools (A-3 2 7)	124,1	2,7
— Publications Office (A-3 4 2)	57,0	1,2
Expenditure relating to persons working with the institution (A-1 0 to A-1 7)	1 305,6	28,2
Buildings, equipment and miscellaneous operating expenditure (A-2)	314,7	6,8
Other expenditure	689,8	14,9
Court of Justice	124,1	2,7
Court of Auditors	67,3	1,5
Economic and Social Committee, Committee of the Regions and	102,6	2,2
Pensions (all institutions)	564,3	12,2
Total	4 638,0	100,0

OVERVIEW

V. REVENUE

The own resources forecasts for 2000 are based on the estimates adopted after the meeting of the Advisory Committee on Own Resources on 16 April 1999.

Revenue totals EUR 89 584 million and breaks down as follows:

1. Agricultural duties and sugar and isoglucose levies

The forecasts for 2000, calculated on the basis of the Commission's proposals for prices and related measures for the 1999/2000 and 2000/2001 marketing years, total EUR 1 102,2 million and EUR 1 162,7 million respectively before deduction of the 10 % collection costs incurred by Member States. Agricultural duties and sugar levies in 2000 should be higher than the previous year and represent 2,27 % of financing needs as against 2,22 % for the previous year.

2. 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, combined with the impact of the GATT and the ITA Agreement. The estimated figure is EUR 12 300 million, before the 10 % deduction for collection costs incurred by the Member States. Customs duties account for 12,36 % of budget financing, which is lower than the 13,77 % in 1999.

3. The value-added tax resource

The Community's capped VAT base for 2000 is EUR 37 661,6 million at the 1 % rate. The uniform call-in rate is 0,86400 %. Revenue from the VAT resource totals EUR 32 544,6 million, representing 36,34% of financing requirements (35,18 % in 1999).

4. The 'fourth' resource

The additional resource is based on the sum of Member States' GNP at market prices. The GNP base at the 1% rate is EUR 80 673,9 million, up by 3,73 % on 1999 in nominal terms (figures taken from the most recent economic forecasts, adjusted in April 1999). 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 0,53612 %.

The GNP resource thus totals EUR 43 250,6 million, or 48,28 % of financing needs (in 1999, this figure was 48,08 %).

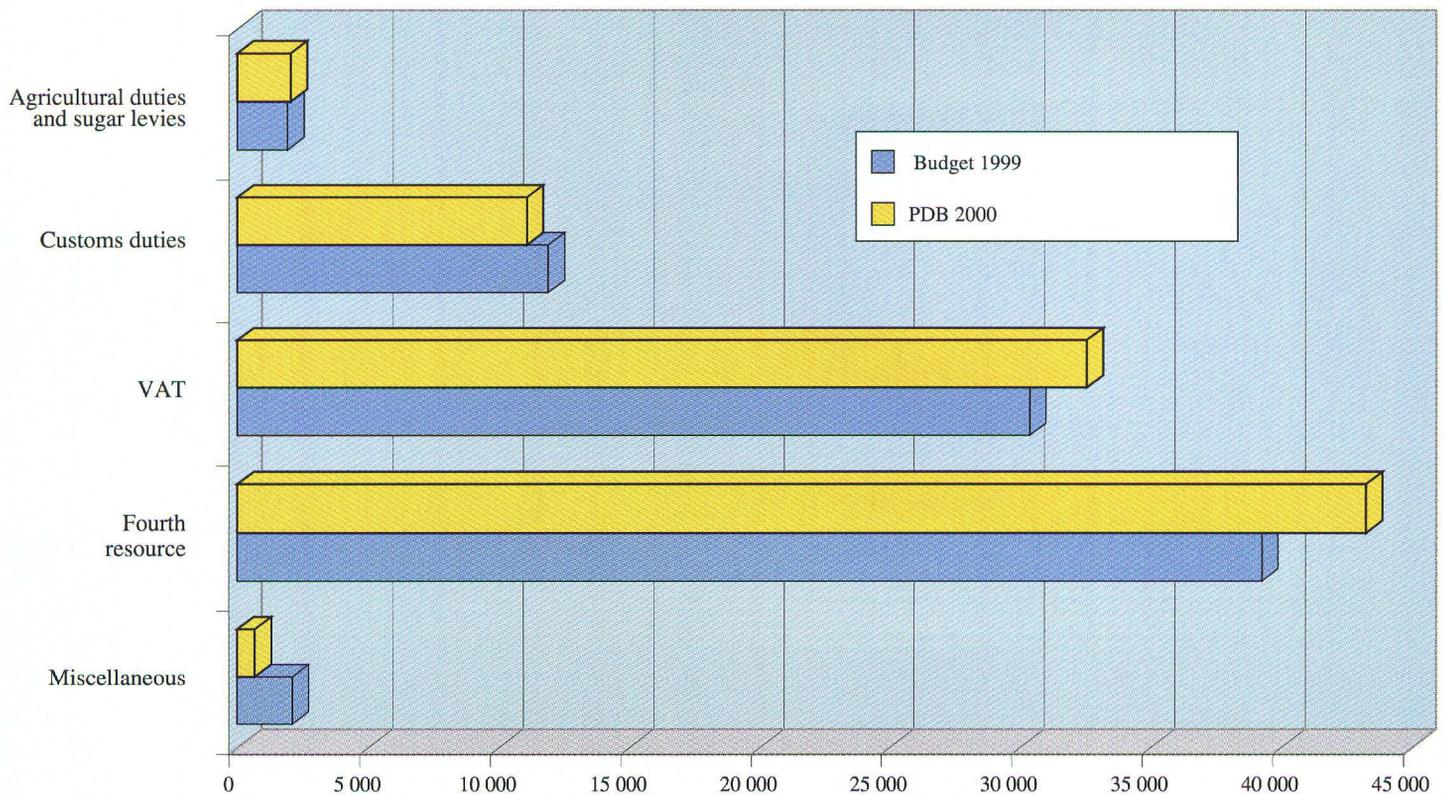
5. Miscellaneous revenue

Miscellaneous revenue estimated at EUR 671 million (0,75 % of financing needs, virtually the same as in 1999) comes from deductions from staff remunerations, bank interest, contributions to additional programmes and repayment of certain expenditure.

Figure 8

1999 budget and preliminary draft budget for 2000
Breakdown by type of revenue

(EUR million)



Type of revenue	1999 budget		PDB 2000	
	million	%	million	%
Agricultural duties and sugar levies	1 921,0	2,2	2 038,4	2,3
Customs duties	11 893,9	13,9	11 070,0	12,4
VAT	30 374,2	35,5	32 554,6	36,3
Fourth resource	39 260,0	45,9	43 250,6	48,3
Miscellaneous	2 108,6	2,5	671,1	0,7
Total	85 557,7	100,0	89 584,7	100,0