



Efta Bulletin

Activities and Financial Contributions under the EEA Agreement

- EU Programmes,
Services and Agencies
- Reduction of Economic
and Social Disparities

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Foreword

Occasionally, the media in Iceland, Liechtenstein or Norway report that a company has successfully secured "financial support from the EU", or they bring the story of a school class fresh from a visit to the EU, happy to have made new friends and contacts in another country and that, surprisingly, it was all paid for by the EU.

Such reports could leave the impression that EU is being charitable to the EEA EFTA States. Is that the case? Not necessarily. The three EEA EFTA States participate in a number of EU activities on the basis of the EEA Agreement. This participation opens up a wide array of EU programmes from which companies, organisations and individuals in the EFTA States can draw great benefits. However, the participation is not for free. Both the EU Member States and the EEA EFTA States, and in many cases also the candidate countries, pay an annual budget contribution to participate in the programmes.

So, the successful company and the school probably got their projects co-financed by the EU and the EEA EFTA States. Also, the school visit may have been funded in part by the candidate countries.

The number of EU programmes, Community services and decentralised agencies in which the EEA EFTA States participate has gradually increased since the EEA Agreement entered into force in 1994. This cooperation now covers a variety of fields, from research and civil protection to the evaluation of medicinal products.

This Bulletin gives an overview of EEA EFTA participation in all these activities, and is intended not only for potential users of EU programmes and actions, but also for all persons interested in European affairs. A special section has been dedicated to the financial implications and budgetary processes of the cooperation, mainly aimed at the numerous officials who work with these issues in one way or another.

To complete the picture on the financial contributions under the EEA Agreement, information has also been included in this Bulletin on the two short-term arrangements for the reduction of economic and social disparities in the EEA, i.e., the Financial Mechanism (1994-1998) and Financial Instrument (1999-2003).

As this Bulletin shows, the contributions by the EEA EFTA States to all the different activities amount to nearly EUR 130 million in 2002.

Per K. Mannes
Deputy Secretary-General
EFTA Secretariat



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1. Participation in EU programmes, services and agencies

The Agreement on the European Economic Area (EEA) unites the 15 EU Member States and the three EFTA EEA States (Iceland, Liechtenstein and Norway) into one internal market governed by the same basic rules, or legislation. These rules cover the so-called *four freedoms*, i.e. free movement of goods, capital, services and persons, plus competition rules and certain horizontal areas related to the four freedoms (social policy, consumer protection, the environment, statistics and company law), ensuring harmonised legislation in the EEA.

To stimulate and ensure the proper functioning of the internal market, support activities have been undertaken at Community level, many of which are also covered by the EEA Agreement. This part of the Bulletin takes a closer look at EEA EFTA participation in these activities – their place in the EEA Agreement, the content of the cooperation, and its financial implications.

The EU activities in question are basically of three different kinds, summarised in table 1 below.

First, to underpin the development of the internal market, the EU has established programmes and actions to strengthen cooperation outside the four freedoms. The programmes cover areas such as research, education, information services, and social policy, to mention but a few. In these areas, 'soft' instruments are applied, usually in the form of project funding and studies. The EEA Agreement covers such cooperation, thereby extending more than 30 EU programmes to the EEA EFTA States.

Secondly, to ensure the proper functioning and development of the internal market, the various Community services and systems and have been established. The EEA EFTA States partici-

pate in three of these activities, in the fields of statistics, employment and civil protection.

Thirdly, the EU has set up several decentralised agencies to accomplish specific technical, scientific or managerial tasks related to the internal market. Although some of the agencies have legislative functions, most of the activities concern co-ordination and information. Through provisions in the EEA Agreement, the EEA EFTA States already participate in two such agencies, and cooperation may soon be extended.

Table 1 shows the EEA EFTA budget allocations (commitments) made to the three types of activities in 2002. In addition, 29 national experts seconded to the Commission are financed nationally by the EEA EFTA States to cover parts of the administrative costs of the cooperation, bringing the total costs up to more than EUR 105 million. As will be explained in section 1.2, the actual contributions in 2002 are lower because payments for new commitments are made over several years.

Although outside the scope of this edition, mention should be made of the work on standardisation at European level, which is another important element of the internal market. The EEA Agreement allows the EEA EFTA States to participate in Commission-hosted expert meetings on the development of future EEA-related directives, and to be involved when the Community examines the role of standards in the development of new legislation. The EU, as well as the EFTA States, will normally mandate the European Standardisation Organisation to work out detailed standards that meet the requirements set out in Community directives.

Below, EEA EFTA participation in the three types of EU activities is described in more



**Table 1. EEA EFTA participation in EU activities.
Budget allocations (commitments) in 2002 (EUR million)**

	EEA EFTA	Details
Programmes and actions	101.3	Table 2
Services and systems	1.7	Table 5
Decentralised agencies	0.7	Table 6
Total	103.7	

detail. The wide extent and diversity of the cooperation is also illustrated through examples of different projects. The overview is followed by an examination of the financial aspects: How are the EEA EFTA contributions calculated? How can one budget for the future?

It should be stressed that this Bulletin does not provide an analysis of the benefits or shortfalls of EEA EFTA participation in EU activities. Such studies are demanding, both in terms of resources and methodology, and are usually conducted by independent research institutions. However, to complete the picture, references to such studies have been included in the annexes.

1.1 The activities

PROGRAMMES AND ACTIONS

Background and overview

Article 78 of the EEA Agreement calls for the EU and the EEA EFTA States to strengthen and broaden their cooperation in the framework of the Community's activities outside the four freedoms. Ten fields are mentioned specifically:

- research and technological development
- information services and security of information systems
- environment
- education, training and youth

- social policy
- consumer protection
- enterprises, entrepreneurship and small and medium-sized enterprises
- tourism
- audio-visual sector
- civil protection

Cooperation in these fields is defined in separate articles of Protocol 31 of the EEA Agreement. However, Article 87 of the Agreement permits cooperation to be broadened further, «where such cooperation is considered likely to contribute to the attainment of the objectives of the Agreement, or is otherwise deemed [...] to be of mutual interest». Other articles have therefore been added to Protocol 31. They cover in particular four fields:

- culture
- energy
- employment
- public health

The different articles of Protocol 31 give detailed information on exactly which EU programmes and actions have been extended to the EEA EFTA States.

When the EU adopts new programmes within one of the fields above, the programme decision will often include provisions that open the programme, in principle, to EEA EFTA participation. However, to enable such participation a specific decision must be taken by the EEA Joint Committee to allow for a reference to the adopted EU programme to be inserted into



Protocol 31. Although this may sound simple, the legal procedures involved in this include many steps, and can take between 3 and 6 months to be completed. For this reason, EEA EFTA participation will often be formally established only some time after the start of an EU programme. However, flexible arrangements may be found that minimize this problem, enabling for example EEA EFTA partners to take part in early calls for proposals in a new programme.

EU programmes and activities that fall outside the objectives of the EEA Agreement are normally not open to EEA EFTA participation. Consequently, programmes like Tacis and Phare, concerning cooperation with third countries, have not been extended to the EEA EFTA States. In some cases, the distinction may not be clear, and as Article 87 of the Agreement also opens for new fields to be considered, the question of EEA relevance can sometimes only be solved through concrete negotiations.

The EEA Agreement does not oblige the EEA EFTA States to participate in EU programmes and actions that fall under one of the fields

above. For each relevant programme, it is for the EEA EFTA States to submit a request to the EU for formal participation, in accordance with Article 79 of the Agreement. However, the number of programmes included from the start of the Agreement in 1994 shows that the intention, on both sides, has been to incorporate more or less all major relevant programmes into the EEA Agreement.

From EEA EFTA participation in 15 EU programmes and actions in 1994, cooperation has gradually been extended to cover more than 30 in 2002, as shown in Table 2. The *Fifth Research Framework Programme* is by far the largest, taking up nearly 80% of the annual budget contributions of the EEA EFTA States, followed in size by the education and training programmes *Socrates* and *Leonardo da Vinci*, which take up an additional 10% of the EEA budget. Other programmes with substantial funds are *Youth*, *Media* and *Enterprise and Entrepreneurship*.



Promoting participation in EU activities

National co-ordinators for various EU programmes in Iceland travelled around the country in "the European bus" in the summer of 2001 and informed officers in the municipalities as well as representatives of companies and organisations and private individuals about the opportunities offered by participation in EU programmes and activities.


Table 2. EEA EFTA participation in EU programmes and actions¹

PROGRAMME OR ACTION	Period (years)	Total budget allocations (commitments)		Commitments 2002 ²	Additional allocations by candidate countries ³
		EU15 EUR million	EEA EFTA EUR million	EEA EFTA EUR 1000	
Research and technological development					
Fifth Framework Programme for R&D (1999-2002)	4	13 700	295.9	80 191	yes
Information services and security of information systems					
e-Content (2001-2005)	5	100	2.2	606	in prep
Promoting safer use of the Internet (1999-2002)	4	25	0.5	138	
Information society (Promise) (1998-2002)	5	25	0.5	85	
Interchange of data between admin. (IDA) (1998-2004)	7	72	3.8	511	in prep
Environment					
Marine pollution (2001-2006)	6	7	0.2	21	
Education, training and youth					
Socrates (2000-2006)	7	1 850	40.0	5 405	yes
Leonardo da Vinci (2000-2006)	7	1 150	24.8	3 384	yes
Youth (2000-2006)	7	600	13.0	1 532	
Preparatory actions - education and youth	1	17	0.4	364	
European pathways for training (2000-2004)	5	7.3	0.2	32	
Social policy					
Combating social exclusion (2001-2005)	5	75	1.6	234	yes
Gender equality (2001-2005)	5	50	1.1	213	yes
Fighting violence (DAPHNE) (2000-2003)	4	20	0.4	128	
European Year of People with Disabilities 2003	2	12	0.3	85	
Consumer protection					
Consumer protection programme (1999-2003)	5	112.5	1.9 ⁴	479	
Enterprise, entrepreneurship and SMEs					
Enterprise and entrepreneurship (2001-2005)	5	450	9.7	2 098	yes
Media					
Media Training (2001-2005)	5	50	1.1	170	
Media Plus (2001-2005)	5	350	7.6	1 490	yes
Civil protection					
Civil protection programme (2000-2004)	5	7.5	0.2	32	
Culture					
Culture 2000 (2000-2004)	5	167	3.6	734	yes
Energy					
Renewable energy sources (Altener) (1998-2002)	5	77	1.7	387	in prep
Energy efficiency (Save) (1998-2002)	5	66	1.4	213	in prep
Energy studies and forecasts (ETAP) (1999-2002)	4	5	0.1 ⁴	11	
Employment					
Labour incentive measures (2002–2005)	4	77	(⁵)	(⁵)	
Public health					
Prevention of drug dependence (1996-2002)	7	38.8	0.8		
Combating cancer (1996-2002)	7	90.6	2.0		
Prevention of AIDS (1996-2002)	7	69.7	1.5		
Health monitoring (1997-2002)	6	18.2	0.4		
Health promotion (1996-2002)	7	49.5	1.1		
Injury prevention (1999-2002)	5	14.0	0.2 ⁶		
Pollution-related diseases (1999-2002)	4	5.2	0.1 ⁵		
Rare diseases (1999-2002)	5	6.5	0.1 ⁴		
Public health programmes (total)				986	
Administrative costs				1 755 ⁷	
Total		19 288.8	416.6	101 284	



The increase in the number and type of programmes has partly been due to new fields being added to the cooperation, which again mirrors the revision and expansion of the Treaty of the European Union. The EEA Agreement signed in 1992 was built upon the Treaty of Rome of 1957 and the Single European Act of 1987. The Maastricht Treaty (1993) and the Amsterdam Treaty (1999) gave a number of Community activities, some old, some new, a more solid legal basis. They also opened up for increased activity, both in the number of programmes as well as their size. For example, Community research nearly doubled its budget when the Fourth Framework Programme was launched in 1995.

The cooperation will be further extended in 2003 to include EU programmes and actions in the field of education (preparations for the European Year of Education through Sport 2004), environment (sustainable urban development) and employment (incentive measures in the field of employment). Other activities are also under consideration.

Many EU programmes and activities are currently adapting to meet the challenges set out at the European Summit in Lisbon in June 2000. The Summit established a new method

of open coordination between the EU Member States that includes the use of common indicators, benchmarking of national policies, exchange of best practices etc. Although the European Council defines the use of the method, the EEA EFTA States have been invited to participate in some of the work being undertaken.

In effect, EEA EFTA participation in an EU programme turns it into an EEA programme. In many cases the programme is further enlarged by the participation of the candidate states. Article 81 of the EEA Agreements ensures that persons and organisations from the EEA EFTA States have the same rights and obligations as those of the EU Member States, i.e., they are entitled to apply for programme funding and they can be coordinators or partners of individual projects⁸.

Article 82 of the EEA Agreement provides for a common programme budget to be established by the EU. In other words, if the EEA EFTA States join a EU programme, the programme budget will be increased by a certain percentage (currently around 2%; see chapter 1.2 for more details) because of the EEA EFTA contribution to the EU budget.

Once such a new, enlarged programme budget has been established, no principle of 'fair return' will regulate the distribution of the funds to contractors in the EU or the EEA EFTA States. The programmes' calls for proposals are like public tenders, i.e., open to free competition. Consequently, the Commission, which manages the programmes, may sign contracts with institutions in the EEA EFTA States for a volume which totals more than the three countries' contribution to the programmes. In fact, some studies indicate that for certain programmes a positive return does indeed take place (see Annex I).

The question of 'return' is a more complex issue than the counting of euros. EU programmes and projects are collaborative efforts, providing common results shared by all partners. Participation in programmes may lead to the creation of networks or give

8. Multipartner projects involving nationals or organisations from Iceland, Liechtenstein or Norway must include at least one participant from the EU Member States. This restriction means that bilateral exchanges between two EEA EFTA States or between an EEA EFTA State and a candidate country will not be permitted.

1. For EEA EFTA participation in Community services and decentralised EU agencies, see tables 5 and 6, respectively.

2. For the actual EEA EFTA contributions (payments) in 2002, see table 10 in Chapter 1.2

3. For the current state-of-play regarding participation of the candidate countries, consult the Commission's website http://europa.eu.int/comm/enlargement/pas/ocp/ocp_index.htm

4. EEA EFTA participation from 2000.

5. EEA EFTA participation from 2003.

6. EEA EFTA participation from 2001.

7. Not including the costs of 24 national experts paid for in kind to the Commission.



increased insight into current trends and developments in the EU, and vice versa, factors that cannot easily be quantified in economic terms. Community-funded studies or support systems, and not collaborative projects, are often the main 'products' of smaller programmes, making simple measurements of national economic 'return' difficult.

The EEA Agreement entitles representatives of the EEA EFTA States to participate fully in the programme management committees. Furthermore, if the Commission consults experts for evaluating programmes or individual projects, or for the planning of a new programme, it is also obliged to consult experts from Iceland, Liechtenstein and Norway.⁹ In addition, the EEA EFTA States will often submit joint comments to the EU when new programmes are being discussed by the European Parliament and/or the Council.

The section below gives details on the various programmes and actions in which EEA EFTA participation has been established. For several fields, a background for the EU activities has been included, as well as examples from some of the programmes or projects. Also, new programmes under preparation are mentioned. Updated information on EEA EFTA participation in EU programmes can also be found on the EFTA's website (see box below).

Research and technological development

Community activity in research was originally limited to the interest of the Agricultural policy, Euratom and the Coal and Steel Community, which together set up a Joint Research Centre (JRC) in 1957. Challenged by rapid technological advances in the USA and Japan, particularly in the IT sector, the First Framework Programme was launched in 1984. The four-year programme, with a total budget of EUR 2.8 billion, became perhaps better known by the names of its individual research programmes, Esprit, Race, Brite, Science, and several others.

The EEA Agreement, which provides for full EEA EFTA participation in the Community's non-nuclear research activities, entered into force in the last year of the Third Framework Programme (1991-1994).

A substantial increase in the framework budget took place in 1995 with the start of the Fourth Framework Programme. This was due to a political will to bring the framework programme up to a level of more than EUR 11 billion where it could make genuine contributions on a European level, although some of the budget increase came from the inclusion

9. See the EFTA Bulletin 1-2002 for a discussion of decision-shaping and participation in committees under the EEA Agreement.



Information on current EEA EFTA participation in EU programmes and actions, with fact sheets and links to relevant decisions and national contact points, can be found on the EFTA web page <http://secretariat.efta.int/euroeco/ECProg>, which also includes a list of more than 30 national experts from the EEA EFTA States seconded to the European Commission.



Table 3. Contracts signed in 2000 under the Fifth Framework Programme for Research and Technological Development¹⁰

Specific programme	Number of contracts	Number of participants						Project average	
		EU15	IS	LI	NO	Other countries	Total	No. of particip.	Funding EUR million
Quality of life	927	4012	14		88	457	4469	4.8	0.94
Information society	622	3589	6		60	404	3993	6.4	1.35
Sustainable growth	542	3756	4	1	61	272	4028	7.4	1.52
Environment	251	1757	6	1	87	267	2024	8.1	1.11
Energy	192	1064		1	47	119	1183	6.2	0.88
International role	236	393			14	113	506	2.1	0.45
Innovation-SMEs	171	832	12		10	162	994	5.8	0.55
Human potential	1570	3576	2		47	300	3876	2.5	0.30
Total	4511	18979	44	3	414	2094	21073	4.7	0.81

of existing activities into the new programme, as the Maastricht Treaty of 1993 only allowed for Community research to be implemented through the framework programme. Since 1995, EU research budget has represented around 4% of public spending on research in Europe. It also takes up around 5% of the EU budget, making it the fourth largest activity, only surpassed by the common agricultural policy, the structural funds and foreign aid.

The present Fifth Framework Programme was launched in 1999 with a budget contribution from the EU Member States of EUR 13.7 billion, to which the EEA EFTA States have committed another EUR 300 million. Its huge dimensions have allowed for nearly 15 000 project contracts to be signed during its four-years existence, involving possibly over 75 000 participants from 21 countries. Table 3 and the box below give some details on the contracts signed in 2000, with special focus on EEA EFTA participation.

The Sixth Framework Programme (2003-2006) will be even larger than its predecessor, with contributions from the EU and the EEA EFTA totalling EUR 16 270 million and EUR 350 million respectively. Additional contributions will come from the candidate countries, and possibly Switzerland and Israel.

Most of the available resources will be concentrated on seven thematic areas: 1) life sciences, genomics and biotechnology for health; 2) information society technologies;

3) nanotechnologies and nanosciences, knowledge-based multifunctional materials, and new production processes and devices; 4) aeronautics and space; 5) food quality and safety; 6) sustainable development, global change and ecosystems; and 7) citizens and governance in a knowledge-based society.

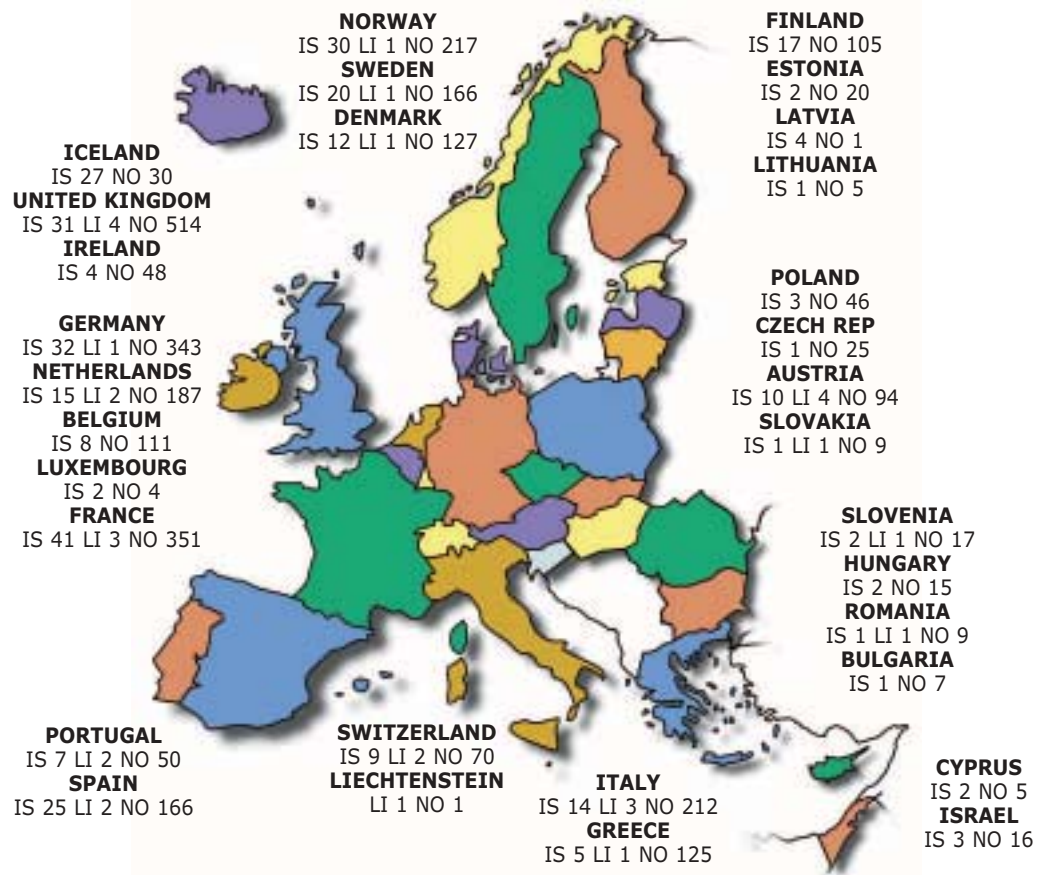
Also, new instruments have been designed for the Sixth Framework Programme, in particular integrated projects and centres of excellence, although the programme will continue its support to the mobility of researchers and better use of European research infrastructure.

By making use of Article 169 in the Treaty for the first time, the Commission has proposed to allocate money from the framework programme to a project undertaken by several of the participating states at national level. If the Council and the European Parliament accept the proposal, it will be one of the biggest European research projects ever undertaken, with one third of the total EUR 600 million provided by the Sixth Framework Programme. The project will establish a long-term partnership between Europe and Africa for the devel-

10. The figures in table 3 and those used in the box on cooperation links created in 2000 are taken from: R&D activities of the EU. Annual Report 2001. European Commission, COM (2001) 756.



Cooperation links created in 2000 under the Fifth Framework Programme by participants from the EEA EFTA States



Example: ITALY - project partner links created with partners in the EEA EFTA States in 2000.

- 14 links between partners from Iceland (IS) and Italy
- 3 links between partners from Liechtenstein (LI) and Italy
- 212 links between partners from Norway (NO) and Italy

The map shows how the 4 500 contracts signed in 2000 under the Fifth Framework Programme created more than 3 000 inter-country links between participants from the EEA EFTA States and their partners in other countries. A cooperation link is considered to have been established between two participants when they participate in the same project.

opment of new medicines and vaccines against HIV/AIDS, malaria and tuberculosis. This European and Developing Countries Clinical Trials Partnership (EDCTP) is to be undertaken by the EU Member States (except Luxembourg) plus Norway, developing countries and industry in a joint effort to combat poverty-linked diseases.

Less money, but more political support is needed to fulfil the programme's aim of contributing to the structuring and strengthening

of the foundations of the European Research Area, i.e., to coordinate and support a coherent development of research and innovation-stimulation policies and activities in Europe. This work started in 2001 with the benchmarking of European research policies and the creation of Science and Technology Indicators for the European Research Area. The EEA EFTA States and the candidate countries have been invited to participate in the next round of the benchmarking exercise, to take place in 2003.

Information services and security of information systems

The move by Europe, and many other parts of the world, from predominantly industrial societies into the information society is also reflected in recent EU policy initiatives, in particular the e-Europe Action Plan, adopted by the European Council in 2000. However, several EU programmes had already been undertaken in this field, based on Article 130 of the Treaty, which obliges the Community and the Member States to ensure that the conditions necessary for the competitiveness of the Community's industry exist. Most of these programmes have been included in the EEA Agreement.

Above, mention was made of the ESPRIT programme, and its successor, the current IST programme, i.e., the information technology parts of the framework programmes for research and development. Other initiatives include programmes like Tedis (1988-1994) on trade electronic data interchange systems, Impact (1988-1995) on the information services market, and Sprint (1989-1994) on innovation and technology transfer.

The IDA programme (interchange of data between administrations) has since 1995 sup-

ported the establishment of trans-European telematic networks between national authorities. IDA also acts as an important vehicle for the re-engineering of the working processes of the administrations. One of the projects financed by IDA is the information network system used by the European Environment Agency, one of the largest extranet systems in Europe.

With the development of the Internet, the Info 2000 programme was created in 1996. It was followed by the e-Content programme (2001-2005), which aims to stimulate the development and use of European digital content on the Internet. The programme will seek to expand the information supply, to promote linguistic and cultural adaptation of information products and to facilitate the removal of market barriers.

The information society programme Promise (1998-2002) was created to increase public awareness and understanding of the potential impact of the information society in Europe, optimise its socio-economic benefits, and enhance Europe's role and visibility within the global dimension of the information society.

Up to now, benchmarking, monitoring, and identifying best practices, in the framework of the e-Europe Action Plan, have been financed

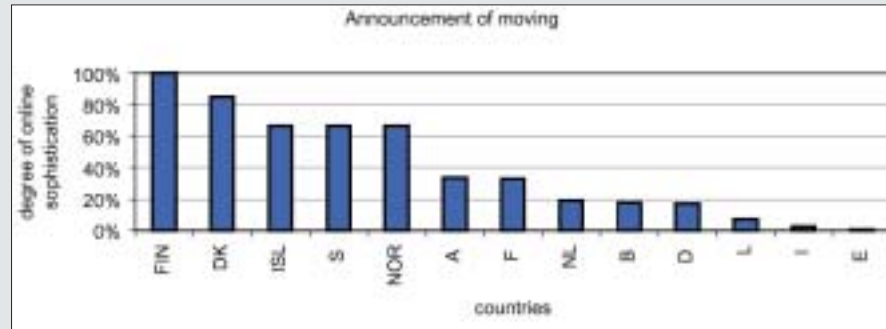
Improving reliability of tools

The ThyssenKrupp Automotive company **Krupp Presta AG** in Eschen, Liechtenstein, is a technology leader in the field of forging and one of the world's leading manufacturers of electrically and mechanically adjustable steering columns. Krupp Presta is currently coordinating a project under the Fifth Framework Programme: *COLT - Improvement of service life and reliability of cold forging tools with respect to fatigue damage due to cyclic plasticity*. The project, with partners from Denmark, the United Kingdom, Austria and Slovenia, has a budget of nearly EUR 4 million. Further information on this and other EU-funded research projects can be found in the Community R&D Information System (CORDIS) at www.cordis.lu.





Benchmarking e-governments: Informing local authorities of change of address *



* In Greece, Ireland, Portugal and the United Kingdom, there is no obligation to officially inform the local authorities of a change of address.

In 2001, the European Commission asked Cap Gemini Ernst & Young to carry out a web-based survey on public services on the Internet. The benchmark study is based on one of 23 e-Government indicators adopted by the European Council, and includes data from the EEA EFTA States, as they participate in the Promise programme, that financed the study. The illustration above shows the degree of on-line sophistication for the announcement of moving. The report is available at the e-Europe's benchmarking website.¹¹

11. http://europa.eu.int/information_society/eeurope/benchmarking/list/2002/index_en.htm

through a modification of the Promise programme. A follow-up programme, Modinis (2003-2005), has recently been proposed to ensure the continuation of these benchmarking and monitoring activities beyond 2002.

Combating illegal and harmful content on the Internet has been a continuing concern for lawmakers, industry and parents. The Community Action Plan on promoting safer use of the Internet (1999-2002) aims at creating a safer environment through the promotion of hotlines, encouragement of self-regulation and codes of conduct, and development of filtering and internationally agreed rating systems. In addition, awareness projects have been funded to make parents, teachers and children conscious of the potential of the Internet and its drawbacks. The European Commission has recently proposed a follow-up to the current programme until the end of 2004.

Environment

Two EU initiatives for cooperation on specific environmental issues have been incorporated into the EEA Agreement. The first of these, Community framework for cooperation in the field of accidental or deliberate marine pollution (2001-2006), is intended to supplement efforts at national, regional and local level to protect the marine environment, human health and coastlines against the risks of accidental or deliberate pollution at sea. The aim is to strengthen cooperation and mutual assistance between the participating countries in this field, with a view to providing for compensation for damage in accordance with the 'polluter pays' principle. Also, joint activities will seek to improve the response capabilities in the event of incidents involving spills of harmful substances at sea. A new Community Information System will occupy a central place in the cooperation framework.



The second initiative, Community Framework Cooperation to Promote Sustainable Urban Development (2001-2004), supports and encourages initiatives for good practices related to the implementation at local level of EU environmental legislation, to sustainable urban development and to local Agenda 21¹². Funding will be given to activities undertaken by networks of local authorities comprising members from at least four participating countries. The EEA EFTA States will take part in this cooperation network from 1 January 2003.

For information on the European Environment Agency, see the section below on decentralised agencies.

Education, training and youth

The first Community activities in the field of *education* were initiated in 1976, when education ministers in the European Community decided to set up an information network, Eurydice, as a basis for a better understanding of educational policies and structures in Europe. Two years later, a study visit programme, Arion, was adopted, and a network of national academic recognition centres, NARIC, was set up in 1984.

All these initiatives have proved important and are well established today. However, it was only with the launch in 1987 of the successful Erasmus programme for higher education and the Lingua programme for language training in 1989 that the Community demonstrated that education had become one of its areas of responsibility.

12. Agenda 21, the action plan for the 21st century, was adopted by the United Nations Earth Summit in Rio de Janeiro in 1992. The action plan challenges people worldwide to cooperate on local Agenda 21, i.e., local action plans and initiatives to promote sustainable development.

1 million Erasmus students



During the academic year 2002/2003, the Erasmus programme, which has promoted mobility in higher education since 1987, will welcome its one millionth student. An *Erasmus week* from 18 to 25 October 2002 will take place in all the thirty countries participating in Socrates. Alongside the celebrations organised nationally and locally by universities, students' associations and Socrates National Agencies, thirty Erasmus students, past and present, will be invited to Brussels to mark the milestone. Estimates show that of the 1 million students, around 9000 came from Norway, 1100 from Iceland and 20 from Liechtenstein. Table 4 below gives details on the Erasmus student mobility for the academic year 2000/2001.



While the Maastricht Treaty in 1993 established a legal basis for Community activities in education (and training), the different programmes and activities were continued and expanded under the Socrates programme (1995-1999).

The EEA Agreement ensured EEA EFTA participation from 1 January 1995 in «all programmes of the Community in the field of education, training and youth then in force or adopted» (Protocol 31, Article 4.2). Socrates, as well as Leonardo da Vinci (see below), therefore included Iceland, Liechtenstein and Norway from their very beginning. In 1998 the first pre-accession countries joined the programme.

The scope as well as the budget have been further expanded in the second phase of the programme, Socrates II (2000-2006), which comprises eight separate actions: *Comenius* (school education), *Erasmus* (higher education), *Grundtvig* (adult education and other education pathways), *Lingua* (learning European languages), *Minerva* (information and communication technologies in education), observation and innovation of education systems and policies, joint actions with other European programmes, and supplementary measures. Also, the number of participating countries has increased to thirty.

In the 1990s, the profile of *vocational training* was raised as a crucial factor for economic and social change and employment. Similarly, there was an increasing recognition of the importance of lifelong learning, skills and competence, as symbolised by the European Year of Lifelong Learning 1996. To complement policy initiatives, which mainly encouraged debate, cooperation and exchanges of

experience between the Member States; the Community decided to launch the vocational training programme, Leonardo da Vinci (1995-1999).

Like Socrates, the programme has been followed up by a second phase, Leonardo da Vinci II (2000-2006). The programme aims to encourage vocational training activities in order to support national policies regarding employability, lifelong learning and social inclusion. The types of projects that may receive funding are: trans-national mobility initiatives, trans-national exchanges of good practice and innovation, production of training and job-related language materials, research and statistics.

To promote mobility in work-linked training and apprenticeship, the European pathway for training (2000-2004) initiative was launched with the assistance of national contact points. European pathways refer to any period of vocational training completed by a person undergoing work-linked training as part of their training in another Member State, complying with a number of quality criteria and based on an agreement between the trainee and the host partner on contents, objectives, duration, methods and monitoring of the training. A standard document, Europass Training, contains the personal details of the trainee and information on the concerned training initiative, and provides better transparency and greater visibility to such training periods abroad.

Planned Community programmes and actions in the area of education and training will include a European Year of Education through Sport 2004, with preparations starting next year. Also, the Commission is preparing a pro-

Table 4. Erasmus student mobility 2000/2001 : Number of students

	IS	LI	NO	EU 15	Candidate countries	Total
Students sent from :	134	18	1 007	98 050	11 875	111 084
Students received in :	127	3	980	107 590	2 384	111 084



Marketing training and exchange in the fisheries

The fishing industry in Europe is struggling to recruit young people. Because of this, Norway proposed a pilot project and an arrangement for placements, EUROMAT, under the Leonardo da Vinci programme in order to increase recruitment to the industry and make the professional training more attractive to young people. EUROMAT also seeks to increase knowledge about Norwegian fish and give the employees in the industry a better opportunity to contribute to vocational training. Through the project, more than 100 young people from Norway worked in Spain, Portugal, France and the United Kingdom between 1996 and 2001. In addition, 55 instructors took part in shorter study exchanges.



At the initiative of Leonardo da Vinci Norway, EUROMAT is being expanded towards the Baltic states. Cooperation between Latvia, Norway and the United Kingdom started up in 2001.

programme devoted to e-Learning, which may start in 2004, and a proposal for an extension of the Erasmus programme to third countries, Erasmus World, was presented in summer 2002.

The Commission and the Council are also working on implementing an action plan on the future objectives of the European education system, which will include the establishment of indicators for benchmarking and quality assurance. The EEA EFTA States and the candidate countries have been invited to take part in the different expert groups assisting the Commission in this work.

Community activities in the *youth field* started in 1988 with the programme Youth for Europe, which supported exchanges between young people between 15 and 25 years of age from different countries. This was followed by a second phase in 1991, and a third one from 1995-1999.

In 1998 the exchange scheme was complemented by the action programme European

Voluntary Service for Young People, which enabled young people to participate as volunteers in social, cultural and environmental activities of benefit to the local community.

The current Youth programme (2000-2006) continues these efforts, but also goes beyond the objectives of its predecessors, focusing also on the acquisition of knowledge by young people and the creation of cooperation between Member States in the development of youth policy. Moreover, education and training outside school («non-formal education») plays a more important role in the Youth programme.

Following extensive consultations with representatives of youth organisations in Europe, including the EEA EFTA States, the Commission in 2001 published a White Paper on *A new impetus for European Youth*, a policy document that will be used to define future Community activities in the field of youth.



Social policy

The Daphne Programme (2000-2003) is a Community preventive action programme to fight violence against children, young people and women, and is a follow-up to the Daphne Initiative, which ran from 1997 to 1999. Violence is understood in the widest possible sense, from sexual abuse to domestic violence, from commercial exploitation to bullying in schools, from trafficking to discrimination-based violence against the disabled, ethnic minorities, migrants or other vulnerable people. The programme supports and encourages both non-governmental organisations (NGOs) and other organisations, including public authorities, active in the fight against violence to work together. It also supports the raising of public awareness of violence and the prevention of violence against children, young people and women.

The purpose of the Community Programme on Gender Equality (2001-2005) is to promote

equality between men and women, in particular by providing assistance and support for the Community framework strategy. The programme will co-ordinate, support and finance the implementation of transnational activities under the Community framework strategy on gender equality.

In the context of the open method of coordination established by the Lisbon Summit, the Community action programme to combat social exclusion (2002-2006) was set up to support cooperation that enables the Community and participating countries to enhance the effectiveness and efficiency of policies to combat social exclusion. Project support will go to three types of activities: improving the understanding of social exclusion and poverty with the help in particular of comparable indicators, organising exchanges on implemented policies and promoting mutual learning in the context of national action plans, and developing the capacity of actors to address social exclusion and poverty

The screenshot shows a web browser window displaying the website 'Towards a Closing of the Gender Pay Gap'. The page features a navigation menu on the left with links for Home, About, Partners, Conferences, Documents, Statistics, and Links. The main content area includes a 'Welcome!' message dated 13.03.2002, a 'NEWS ARCHIVE' section, and a paragraph of text explaining the project's goals. The text states: 'The pay gap between women and men is still a reality in Europe. According to the Statistics on the Structure of Earnings (SSE), the average earnings of women employed fulltime in industry and services in the EU were only around 75% of those of men in 1996. In the public sector women's earnings in the EU were around 86% of those of men. The objective of Towards a Closing of the Gender Pay Gap is to examine the gender pay gap in a broad perspective, against the backdrop of wage formation and pay systems. The project aims to identify an efficient mix of tools to close the gender pay gap in the context of each partner country (13.03.2002)'. At the bottom, there is a link to 'More about Towards a Closing of the Gender Pay Gap'.

The Norwegian Centre for Gender Equality coordinates the EU project *Towards a closing of the Gender Pay Gap*. The other partners are from Iceland, the United Kingdom, Austria and Greece (<http://www.genderpaygap.no>).



effectively, and to promote innovative approaches.

In 2003, the European Commission and the disability movement will organise the European Year of People with Disabilities to highlight the barriers and discrimination faced by disabled people and to improve the lives of those of us who have a disability. There are over 37 million people with disabilities in the European Union.



The European Commission will organise a major event - «Get on Board». Starting in January 2003 in Athens, a specially designed European Year bus will travel through the participating countries, with disabled children, their friends and allies accompanying the bus on its journey. The disability community in each country will organise events along the bus's route. Besides the bus, there will be thousands of activities which will get disabled and non-disabled people on board for the Year : street festivals, competitions, demonstrations and much more, taking place in towns and villages throughout Europe.

Consumer protection

The aim of the Consumer protection programme is to establish a general framework for Community activities in favour of consumers. The programme, which runs from 1999 to 2003, consists of actions designed to help protect the health, safety and economic interests of consumers and to promote their right to information and education. The EEA EFTA States have participated in the programme since 2000.

Enterprise, entrepreneurship and SMEs

More than 99% of the 18 million EEA enterprises in the non-agricultural market sectors are small or medium-sized enterprises (SMEs). They employ two thirds of the total workforce and generate more than half of the total turnover. Furthermore, SMEs are the main source of economic growth in the EEA. Although the EU has specific activities aimed at SMEs, it should be stressed that various actions at EU level also benefit SMEs directly

In late 2000 and early 2001, an international team of researchers from 15 consumer organisations, posing as ordinary Internet shoppers, placed over 400 orders for goods and services with websites around the world. The researchers recorded the complete experience of using the site, ordering and receiving the goods, and then returning them for a refund. Six percent of the items ordered did not turn up. In nine percent of the cases, retailers failed to send the refund for goods that had been returned to them. These are some of the findings in a study co-funded by the EU's consumer protection programme. The full report, conducted by Consumers International, is available at the website of the European Commission's Health and Consumer Protection Directorate-General.¹³



13. (http://europa.eu.int/comm/consumers/index_en.html, see Surveys)



or indirectly, such as the framework programmes for research and development

The EEA EFTA States have participated in EU activities and measures in support of small and medium-sized enterprises since the entry into force of the EEA Agreement. Historically these activities and measures include three multi-annual programmes that have all aimed to maximise the potential of SMEs by improving the business environment and framework conditions, giving better access to finance, encouraging entrepreneurship and providing tools for cooperation between companies between regions and countries. Also, there have been specific measures for strengthening competitiveness, developing subcontracting, simplifying administrative requirements and providing access to finance for joint ventures across national borders. Well known initiatives include Europartenariat, Interprise, Business Cooperation Centre, EuroInfo Centre, and BC-Net.

Experience gained in this and other actions has been applied in the current Multi-annual Programme for Enterprises and Entrepreneurship, and in particular Small and Medium-sized Enterprises (2001 – 2005), commonly known as the MAP programme. However, new instruments have also been put in place to meet the challenges of globalisation and the new knowledge-driven economy.

The MAP is a framework of activities, pursued via a series of initiatives that fall under one of three headings:

1) The *EuroInfo Centres Network (EIC)* informs, advises and assists SMEs in all Europe-related areas. Five EuroInfo centres have been established in Norway, and one in Iceland.

2) *Financial Instruments* are schemes managed by the European Investment Fund (EIF). They are specifically targeted at improving the financial environment for businesses, especially SMEs, by bridging those gaps that financial markets would otherwise normally leave open. The EIF got for the first time a mandate

to operate in the EEA EFTA States following EEA EFTA participation in the MAP;

3) *Policy Development*, where the Commission, in close coordination with EU and EEA EFTA States, analyses and studies ways of improving the overall environment that enterprises operate in. This includes *Best Procedure* projects in which the Commission and national administrations actively collaborate to gain a better understanding of the various issues of concern to businesses, to identify best practices and to evaluate policy choices.

Apart from the MAP, the EEA EFTA States participate in other EU activities that directly affect SMEs. Among them is SOLVIT, a problem-solving network for businesses and citizens who encounter difficulties with administrations when moving from one State to another or when providing goods, capital or services across the borders in the internal market.

Audio-visual sector

Today, over 60% of European films distributed outside their country of origin are supported by the European Union's Media programme. Started as a decentralised Media initiative in 1991, Media II (1996-2000) established a series of successful support measures for the audiovisual sector, including training, development and distribution, increasing the proportion of European films distributed outside their country of origin from 14 to 22 percent.

The two new programmes, Media Training and Media Plus (2001-2005), intend to continue this strengthening of the competitiveness of the European film, TV and new media industries and to increase international circulation of European audiovisual products. To this end, the budget for the 5-year period has increased from EUR 265 million (Media II) to EUR 400 million for the new programmes.



Angels of the Universe



story of Einar Már Gunnarsson. Ingvar E. Sigurðsson (picture) received the European Film Award for his performance in the film.

The Media programme supports the development, distribution and screening of European films and training for the European audio-visual professionals. In 2001, six Icelandic distributors got support from the programme for the distribution of European films in Iceland. Also, several European distributors received support for the distribution of two Icelandic films, one of which was *Englar Alheimsins (Angels of the Universe)*, a film directed by Friðrik Þór Friðriksson and adopted from an award-winning

Media Training (EUR 50 million) supports different types of training activities mainly targeted at practising professionals of the audio-visual industry and designed and promoted by training centres, enterprises, professional groups or other types of organisations of the audio-visual industry. *Media Plus* (EUR 350 million) supports the development of production projects and companies and the distribution and promotion of cinematographic works and audiovisual programmes. It also gives support for cinematographic festivals.

The Media programme has established national Media Desks and information and guidance offices whose main task is to keep professionals in the field of film, television and multimedia continuously informed about the Media programme. The two offices in the EEA EFTA States are *Media Desk Norge* (www.filmfondet.no/mediadesk) and *Media Desk Island* (www.centrum.is/mediadesk).

Civil protection

The purpose of Community cooperation in the field of Civil Protection is to help ensure better protection for people, the environment and property in the event of natural and technological disasters. The EEA EFTA States participate fully in the work in this area and have in that context incorporated relevant resolutions into the EEA Agreement. The EEA EFTA States took part in the first two-year Action Programme for Civil Protection (1998-1999) and in the current Action Programme, which will last through 2004. The Action Programme is primarily concerned with the exchange of information, mapping of best practices and training. It entails the exchange of experts, exercises where methods are compared, pilot projects in specific fields, public information on civil protection risks and actions to promote civil protection activities.

The EEA EFTA States also take part in the meetings of Directors-General for Civil Protection and the Permanent Network of National Correspondents (PNNC). Here, the content, execution and future of cooperation



in civil protection are discussed, as well as response to particular threats such as from terrorism.

For information on the Community mechanism in the field of civil protection, see the section on Community Services and Systems below.

Culture

The Maastricht Treaty of 1993 paved the way for the first EU programmes in culture, by requesting the Community to «contribute to the flowering of the cultures of the Member States, while respecting their national and regional diversity and at the same time bringing the common cultural heritage to the fore.»

The Treaty singled out four areas for support: improvement of the knowledge and dissemination of the culture and history of the European peoples; conservation and safeguarding of cultural heritage of European significance; non-commercial cultural exchanges; artistic and literary creation, including in the audiovisual sector.

Against this background, three EU culture programmes were undertaken: Kaléidoscope (1996-1999) which aimed to encourage artistic and cultural creation and cooperation of a European dimension, Ariane (1997-1999) for support in the field of books and reading, including by means of translation, and Raphaël (1997-1999) which aimed to supplement Member State policies in the field of cultural heritage of European significance.

Translations of books into or from the Icelandic language funded in 2002 by the EU programme Culture 2000

TRANSLATION INTO ICELANDIC

From Danish

Radiator, Jan Sonnergaard
Kampen om sværdet, Lars-Henrik Olsen

From French

Balzac et la petite tailleuse chinoise, Dai Sijie
Eperons: Les styles de Nietzsche, Jacques Derrida
Guerre et cinéma, Paul Virilio
Le Degré zéro de L'écriture, Roland Barthes
Le signifiant imaginaire, Christian Metz
Risibles amours, Milan Kundera

From English

Five Miles from Outer Hope, Nicola Barker
Gabriel's Gift, Hanif Kureishi
The Amber Spyglass, Philip Pullman
The Edge of Reason, Helen Fielding
The Empty Space, Peter Brook
The History of Film (World of Art), David Parkinson
Three to See the King, Magnus Mills
When We Were Orphans, Kazuo Ishiguro

From Finnish

Seitsemän syntiä, Jaakko Heinimäki

From Italian

Palomar, Italo Calvino

From Norwegian

Hva er det med mor, Vidgis Hjorth

From Spanish

Historia de una gaviota y del gato que le enseñó a volar, Luis Sepúlveda

From Swedish

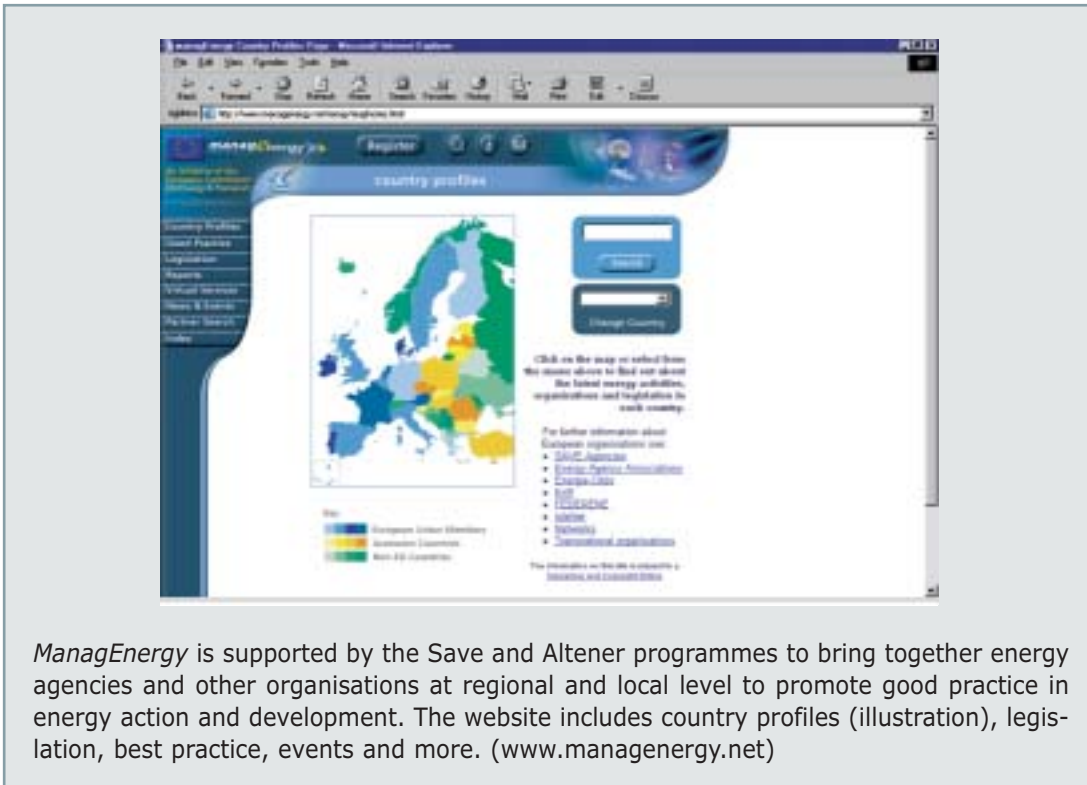
Enligt Maria Magdalena, Marianne Frederiksson

TRANSLATIONS FROM ICELANDIC

Blíðfinnur, Þorvaldur Þorsteinsson (into Greek and Norwegian)

Þögnin, Vigdís Grímsdóttir (into Swedish)

Draumar á jörðu, Einar Már Guðmundsson (into Italian)



The different activities have been merged to form a new framework programme, Culture 2000, which in its present form will run until the end of 2004. The programme gives financial aid for cultural cooperation projects in all artistic and cultural sectors (performing arts, visual and plastic arts, literature, heritage, cultural history, etc), and it also support the European cultural capital cities. In 2002 more than half of the available budget was allocated to the visual art sector (119 of 224 projects) in a first attempt to concentrate the limited funds available towards specific sectors. This approach will be followed in 2003 with priority given to performing arts, while the emphasis in 2004 will be on cultural heritage.

The support to the translation of literature, initiated under the Ariane programme, has been maintained in the Culture 2000 programme, following strong support from the Nordic countries.

Energy

The Save programme (1998-2002) is dedicated to improve energy efficiency and encouraging energy-saving behaviour through policy measures, information, studies and pilot actions and the creation of local and regional energy management agencies. The purpose of the programme is to create an environment in which investments in energy efficiency will be accelerated, and whereby energy efficiency will be recognised as a market opportunity.

The overall aim of the Altener programme (1998-2002) is to increase the use and market share of renewable energy sources that are environmentally sustainable and to contribute to the reduction of greenhouse gas emissions, including cleaner urban transport.

ETAP (1999-2002) is a smaller programme devoted to studies, analyses, forecasts and other related work in the energy sector.



The Commission has recently presented a proposal for a new multi-annual programme in the field of energy. The programme, Intelligent Energy for Europe (2003-2006), aims at strengthening the security of energy supply, fighting against climate change and stimulating the competitiveness of European industry. The proposed budget of EUR 215 will be used to continue the work of Save (35%) and Altener (40%), but also to establish two new activities: Coopener (9%), to promote the efforts of Save and Altener at the international level, and Steer (16%), to address energy aspects of transport.

Employment

In 1998, the EU decided to establish Community activities for analysis, research and cooperation in the field of employment and the labour market, which were also extended to the EEA EFTA States. The follow-up programme, Community incentive measures in the field of employment, was meant to take over in 2001, but was only adopted by EU in mid-2002. Due to this delay, EEA EFTA participation in the new activities will only start in 2003.

The incentive measures are to develop activities in support of the European Employment Strategy adopted at the Lisbon European Council. Funding will be given to projects that will contribute to the development of a coordinated strategy for employment through analyses, monitoring of labour market policies and support actions carried out by the participating countries. Among the goals set out for the programme are identification of best practices and promotion of exchanges and transfers of information and experience, including ways of cooperating with the social partners and relevant local and regional authorities. The programme is also to contribute to the follow-up and evaluation of the European Employment Strategy.

The EEA EFTA States also participate in the European Employment Service (EURES) (see the section below on Community services and systems).

Public health

The existing eight programmes (see Table 2) in the field of public health will next year be replaced by a global Public health programme (2003-2008). The new programme, which has a total budget of EUR 312 million for the six year period, will focus on three main strands: 1) the improvement of health information and knowledge through a comprehensive health information system for policy-makers, health authorities and the public; 2) the establishment of an effective rapid response capability to deal with threats to public health entailing improved communication between national authorities, and finally, 3) to address health determinants through effective health promotion and disease-prevention measures.

SERVICES AND SYSTEMS

Unlike programmes and actions, set up for a limited time period and with a fixed budget, the services and systems in table 5 have been established as permanent activities. Their budgets are normally decided on for one year at a time through the decision on the annual budget of the European Union.

European statistics

Eurostat - the Statistical Office of the European Communities, was established in 1953, and is one of the Directorates-General (DGs) of the Commission. Its mission is to provide the European Union with high quality statistical information. In 1997 the Council adopted what is known as the Statistical Law. This Regulation establishes a legislative



Table 5. EEA EFTA participation in Community services and systems

SERVICE OR SYSTEM	Budgetary allocations (commitments) 2002	
	EU15 EUR million	EEA EFTA EUR 1000
Community statistical programme (1998-2002) ¹⁴	34.0	963
European Employment Service (EURES)	15.0	324
Community mechanism in the field of civil protection ¹⁵	1.5	(32)
Administrative costs		399 ¹⁶
Total	50.5	1 686

14. EEA EFTA contributions in accordance with special provisions in Protocol 30.

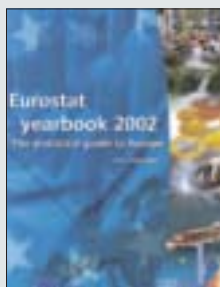
15. EEA EFTA participation from 1 January 2003.

16. Not including costs of 5 national experts seconded in kind to the Commission. Most of the administrative costs are related to the statistical cooperation.

framework for the production of Community statistics and obliges the Council to adopt a multi-annual Community statistical programme that defines the approaches, the main fields and the objectives of the actions envisaged for a period not exceeding five years. The first programme started in 1998, and will be succeeded by a new one in 2003. Protocol 30 of the EEA Agreement provides for the full participation of EEA EFTA States in this work, and several national experts from the

EEA EFTA States have been seconded to the Eurostat office in Luxembourg to strengthen the cooperation.

In line with the principle of subsidiarity, Eurostat, together with the National Statistical Institutes in the 18 EEA States, has created a network known collectively as the European Statistical System (ESS), jointly responsible for the implementation of the statistical programme.



An increasing number of tables in the Eurostat Yearbook also contain statistics on the EEA EFTA States. The table to the right, taken from the 2002 edition, shows the number of passenger cars per 1000 inhabitants in Europe.

TRANSPORT											
Passenger cars per 1 000 inhabitants											
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
EEA-EFTA	402	402	402	402	426	426	434	447	455	460	0
EU	399	397	400	405	423	422	427	434	440	450	0
EEA	405	407	407	416	446	449	460	464	468	473	0
ISL	171	172	177	189	199	211	219	226	234	235	0
EU	309	321	326	344	371	362	376	389	408	414	0
EEA	415	417	419	423	438	432	437	445	456	465	0
ISL	227	227	242	298	262	265	273	279	288	290	0
I	481	483	519	521	546	579	571	576	545	544	0
L	341	310	311	313	346	329	328	327	336	410	0
NL	448	476	473	478	383	364	376	379	387	396	0
A	397	397	409	422	433	447	458	469	481	494	0
P	258	261	266	274	287	298	307	316	313	320	0
PT	300	296	284	278	268	273	278	278	284	407	0
S	421	420	414	409	409	411	417	429	429	440	0
UK	375	383	382	371	374	374	388	389	404	414	0
TR	448	447	438	438	436	443	467	487	510	542	0
LI	582	580	585	588	596	609	620	636	639	642	0
NO	440	470	478	479	481	487	479	489	493	498	0
CH	495	492	490	448	453	459	463	463	463	463	0
EEA	0	0	311	308	305	302	296	0	0	0	0
CA	0	0	0	0	0	405	0	0	0	0	0
JP	0	0	323	327	341	336	324	0	0	0	0



European Employment Service

To encourage free movement and help workers to find employment in member countries other than their own, the Community system SEDOC was improved in 1992 and renamed EURES - European Employment Service. The countries participating in EURES are the 15 EU Member States, Iceland and Norway¹⁷, with partners consisting of public employment services, trade unions and employers' organisations.

At the heart of the service is a network of more than 500 Euro-advisers¹⁸ who can provide expert advice and guidance on looking for work in another country, the living and working conditions in different countries and a recruitment service for employers. They are supported in their work by an information system that allows job vacancies to be exchanged between the public employment services. EURES has also contributed with information on living and working conditions to the Commission's website Dialogue with Citizens.¹⁹

Community mechanism in the field of civil protection

The Community mechanism to facilitate reinforced cooperation in civil protection assistance interventions was established in 2002 following several environmental, natural and technological disasters that showed a need for urgent improvement of EU actions to rescue persons and protect the environment. The mechanism, which will be extended to the EEA EFTA States from 1 January 2003, is intended to help ensure better protection, primarily of people but also of the environment and property, including cultural heritage, in the event of major emergencies be they natural, technological, radiological or environmental accidents occurring inside or outside the Community.

The Mechanism enables concrete and prompt assistance from intervention teams from the participating states when the resources of a country are not sufficient to deal with disasters. In addition, the new scheme intends to improve interventions in case of disasters throughout Europe by a better coordination of means and the strengthening of communication and training capacities. To this end, the mechanism is establishing a monitoring and coordination centre in Brussels, which will include a databank of assessments, experts and medical capabilities, an emergency communication system, a training programme and common rules on implementation.

DECENTRALISED AGENCIES

The first decentralised Community bodies were created in 1975. With the development of the internal market, a series of new agencies appeared, particularly in the nineties. Most of these agencies have tasks of a technical or scientific nature. In 2002, three new agencies were established, all related to safety issues.

Under the EEA Agreement the EEA EFTA States are full members of two of the agencies. This year the EEA EFTA States have also formally requested participation in the three new agencies. Table 6 gives an overview of the present situation. In addition, some of the EEA EFTA States have established cooperation with other agencies, notably the European Centre for the Development of Vocational Training (CEDEFOP) in Thessaloniki, in which Iceland and Norway have participated fully since 1995.

17. Liechtenstein is not a member of EURES.

18. The EURES website is at http://europa.eu.int/comm/employment_social/elm/eures/en.

19. The Dialogue with Citizens website <http://europa.eu.int/citizens> includes some information on conditions in Iceland and Norway. The service is under development.



Table 6. EEA EFTA participation in Community agencies

AGENCY	Present location	Legally established	EEA EFTA participation	Budgetary allocations (commitments) 2002	
				EU15 EUR million	EEA EFTA EUR 1000
European Environment Agency	Copenhagen	1990	1995-	19.4	412
European Agency for the Evaluation of Medicinal Products (EMA)	London	1993	1999-	14.0	297
European Agency for Safety and Health at Work	Bilbao	1994	requested	9.2	
European Food Safety Authority (EFSA) ²⁰	Brussels	2002	requested	7.5	
European Aviation Safety Agency (EASA) ²⁰	Brussels	2002	requested	2.3	
European Maritime Safety Agency (EMSA) ²⁰	Brussels	2002	requested	1.7	
Total				82.8	709

European Environment Agency

The European Environment Agency, situated in Copenhagen, began its work in 1994, and was expanded the following year to include Iceland, Liechtenstein and Norway with the entry into force of the EEA Agreement. Most candidate countries joined the Agency in 2001, while membership negotiations are currently under way with Switzerland.

The core task of the agency is to provide the Community and participating countries with objective, reliable and comparable information at the European level, enabling them to identify the measures necessary to protect the environment, to assess the data collected and to disseminate information about the state of the environment.

To accomplish its mission, the agency coordinates and draws on the resources of the *European Environment Information and Observation Network (EIONET)*, a network of over 300 environmental bodies and centres of expertise across Europe.

The information provided by the EEA focuses in particular on assessing the current and future state of the environment across Europe and the pressures upon it. The agency's tasks

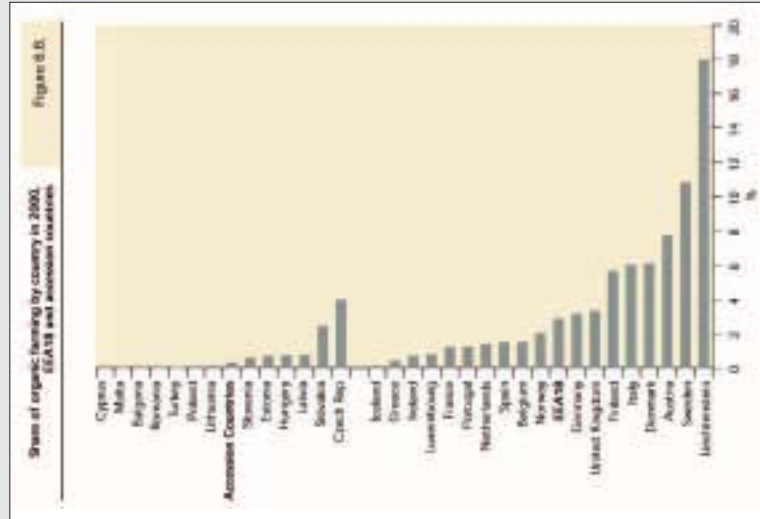
also include disseminating best practices in environmental protection and technologies, and supporting the European Commission in diffusing information on the results of environmental research.

European Agency for the Evaluation of Medicinal Products

Before a new medicine can be made available, companies conduct lengthy series of toxicity, pharmacology and clinical tests. The result of these tests has to be evaluated to verify the quality, safety and efficacy of the medicine before it can be granted a marketing authorisation. To this end, two European authorisation procedures and a European Agency for the Evaluation of Medical Products (EMA) were established in 1995.

Based in London, the EMA primarily co-ordinates the centralised procedure, which is compulsory for all medical products derived from biotechnology and is optional for other innovative medicines. Applications are made directly to the Agency and are evaluated by one of its scientific committees. In this work, a network of over 2000 experts in the participating countries assists the committees. On

20. When fully established around 2006, the annual budgets of the three new safety agencies are foreseen to be of the order of EUR 40 million (EFSA), EUR 7.6 million (EMSA) and EUR 10.6 million (EASA).



“Environmental Signals 2002 - Benchmarking the Millennium” is the third of the European Environment Agency’s Environmental signals reports. The illustration to the right appears in the report’s chapter on agriculture, and also in the summary of the report. Both report and summary are available at the Agency’s website <http://www.eea.eu.int>, the report in English and the summary in 22 language versions, including Icelandic and Norwegian.

the basis of the EMEA’s opinion, the European Commission takes a decision on the granting of a marketing authorisation.

The other procedure, which applies to the majority of conventional medicines, is based on the principle of mutual recognition of national authorisations between the countries. In case of dispute, the application is referred to EMEA for arbitration, whose opinion can be enforced by a decision by the Commission.

The agency also gives support and scientific advice to research-based companies in the development stage of new medicinal products. After authorisation, a scientific assessment report for each product is published and made available on the agency’s Internet site. The EMEA, together with the network of national authorities, carefully monitors all centrally authorised products once they are in use.

The EMEA also promotes public health by providing health care professionals and users with identical information on the authorised products throughout the European Union and in the other participating states, using the same product name, labelling and package leaflets for all users, as well as the same indications and product information.

The European Agency for Safety and Health at Work

The Agency, which was established in 1994 and is based in Bilbao, collects, analyses and disseminates information with the aim of improving safety and health in Europe. It brings together representatives of governments, employers’ and workers’ organisations in the European Union. In October 2002 the



EEA EFTA States requested full participation in the Agency under the EEA Agreement.

The new safety agencies

In the first half of 2002 the European Union created three new agencies related to safety issues, all based in Brussels at least in the start-up phase. The EEA EFTA States have requested participation in the agencies, as their activities will be related to Community legislation that will be incorporated into the EEA Agreement.

The primary role of the **European Food Safety Authority** will be to provide independent scientific advice on all matters with a direct or indirect impact on food safety. The fields of responsibility will cover all stages of food production and supply, from primary production to the safety of animal feed, to the supply of food to consumers. It will gather information from all parts of the world, keeping an eye on new developments in science.

The EFSA will carry out assessments of risks to the food chain and can carry out scientific assessment on any matter that may have a direct or indirect effect on the safety of the food supply, including matters relating to animal health, animal welfare and plant health. The authority will also give scientific advice on non-food and feed GMOs, and on nutrition in relation to Community legislation. It will share its findings and listen to the views of others through a vast network that will be developed over time, as well as interacting with experts and decision-makers on many levels. A key task of the EFSA will be to communicate directly with the public on its areas of responsibility.

The European Maritime Safety Agency (EMSA) will provide the Member States and the participating states with technical and scientific assistance to ensure the proper application of Community legislation in the field of maritime safety, to monitor its implementation and to evaluate its effectiveness.

The agency will be responsible for collecting information, managing databases on maritime safety, and assist the Commission in tasks concerning legislation on maritime safety and ship pollution prevention. This includes areas such as classification societies, the safety of passenger ships, as well as requirements concerning ship crews. The EMSA may carry out visits to the participating states to verify port state control conditions. Finally, it will assist national inspectors in their control duties and facilitate an exchange of experience.

The European Aviation Safety Agency (EASA) will be responsible for regulating the safety and environmental compatibility of civil aviation. The aims of EASA are twofold :

- 1) to ensure a high and uniform level of civil aviation safety and environmental protection, by taking part in the process of formulating Community legislation on these matters, and ensuring harmonised application of Community legislation - including inspections of Member States' aviation authorities and economic operators; and
- 2) to facilitate the free movement of goods, persons and services in the aviation field, including a genuine internal market in aeronautical products.

The EASA will in the future issue type certificates for new aircraft within the Community so that a manufacturer does not have to produce different versions of the same type of aircraft or equipment depending on the country where it is to be used. This task has until now been co-ordinated in Europe by the organisation Joint Aviation Authorities (JAA), but the type certificates have been issued by the national aviation authorities. It is foreseen that the competence of the EASA will be extended to the certification of organisations (air carriers, maintenance etc) and personnel.



1.2 Financing the activities

The EEA budget

The EEA budget covers the financial contributions from the EEA EFTA States to the EU budget for their participation in EU programmes, actions, services and agencies. The principles applied in relation to the contributions are set out in Article 82 and Protocol 32 of the EEA Agreement.

The EEA EFTA contributions to the *operational* budget of the EU activities are calculated by means of a *proportionality factor* based on GDP figures in EEA EFTA States and in the EU. This represents the major part of the EEA budget.

In addition, contributions to the *administrative* budget of the activities are negotiated individually for each activity. A part of these contributions can be paid *in kind* by secondment of national expert to the European Commission from national authorities in the

EEA EFTA States. Thereby, the *cash contributions* to the EEA budget are reduced, but means to cover the expenses of the experts must be secured in the national budgets.

The EEA budget, like the EU budget, contains two types of contributions or appropriations: one for new *commitments*, and one to cover *payments* resulting from old and new commitments. The annual transfer of funds from the EEA EFTA States to the Commission for their participation in EU activities is made according to the payment figures. However, as the payment budget is only an estimate of expected costs from running projects, the *outturn* of each budget year may yield different payment figures. The difference, or *final result*, will be adjusted through future *calls for funds*.

The contributions of the EEA EFTA States to the EU budget are *additional*, i.e., the total budget for the EU activity is increased due to the EEA EFTA participation. The participation is on an equal footing and based on solidarity, which implies that contributions to the EEA EFTA States from the EU budget are not lim-

Cirque Nouveau

In Cirque Nouveau, trapeze artists, jugglers, fire-eaters, balancing artists, actors, dancers and musicians, with the aid of costumes, installations, soundscapes and visual arts, offer an artistic performance. This is a multimedia show that creates a sense of completeness, making it different from the traditional circus. The Cirque Nouveau Project 2001-2004, supported by the EU Culture 2000 programme is coordinated by the Lillehammer Cultural School in Norway with partners in Belgium, Denmark, the Netherlands and Sweden. (www.kulturskoleradet.no)





ited to the amounts that the EEA EFTA States contribute to the budget.

To provide the reader with a good understanding of the EEA budget and the budgetary procedures, the terms introduced above are explained in more detail below, accompanied by examples and illustrations.

Contributions to the operational budget

When an EU programme is adopted by a co-decision of the European Parliament and the Council, or by the Council alone (after consultation with the European Parliament), the decision will specify the total amount that can be spent on projects, studies, stipends etc. during the period envisaged for the programme. This is the *operational* budget of the programme. For example, the second phase of the Socrates programme was adopted by the EU in 2000 for a period of 7 years with a total operational budget of EUR 1 850 million. With this amount, the Commission could, on the average, each year sign contracts for around 1/7 of this value, or approximately EUR 264 million, but the exact amount is decided on each year with the adoption of the annual EU budget.

When the EEA EFTA States participate fully in Community programmes or activities, their contributions to the operational budget are calculated in proportion to the amounts entered each year in the EU budget for the activities. More specifically, Article 82(1)(a) of the EEA Agreement states that the amount the EEA EFTA States shall contribute is determined on the basis of a *proportionality factor*, which is the "sum of the ratios between on the one hand the gross domestic product at market prices of each of the EEA EFTA States and, on the other hand, the sum of the gross domestic product at market prices of the EU Member States and of the EEA EFTA State". The formula for the EEA EFTA contribution therefore looks like this:

$$\text{prop. factor} = \frac{\Sigma \text{ GDP (EEA EFTA States)}}{\Sigma \text{ GDP (EU15)} + \Sigma \text{ GDP (EEA EFTA States)}}$$

The calculation is done each year by the Commission, based on the most recent available GDP data from Eurostat. The proportionality factor for the EEA budget 2003 was calculated in April 2002, based on GDP figures for 2001 (in EUR billion):

$$= \frac{184.6 \text{ (NO)} + 8.5 \text{ (IS)} + 1.3 \text{ (LI)}}{8\,813 \text{ (EU 15)} + 184.6 \text{ (NO)} + 8.5 \text{ (IS)} + 1.3 \text{ (LI)}} = 2.16\%$$

Table 7 shows how the proportionality factor has varied in the period from 1995-2003. The rise of the proportionality factor from 1.58% in 1995 to 1.80 % in 1997 was partially due to a harmonisation in Europe of the method applied for the calculation of GDPs. However, the general increase of the proportionality factor reflects the relatively higher GDP growth in the three EEA EFTA States than in the EU 15 as a whole.

Table 7. EEA proportionality factor 1995-2003

Year	%
1995	1.570
1996	1.580
1997	1.800
1998	1.890
1999	1.960
2000	1.830
2001	1.880
2002	2.128
2003	2.160

As mentioned earlier, an important feature of the form of payment under Article 82(1)(a) EEA is that the contributions from the EEA EFTA States are to be additional to operational budgets of the EU activities in question. For example, the amounts set aside by the EU budget for 2002 for new projects in the



Socrates programme amounted to EUR 254 million. With a proportionality factor of 2.128%, the EEA EFTA States contributed an additional EUR 5.4 million to the amounts available for new contracts in 2002:

$$\begin{aligned} \text{EU budget} * \text{prop. factor} &= \text{EEA EFTA contribution} \\ \text{EUR 254 million} * 2.128\% &= \text{EUR 5.4 million} \end{aligned}$$

Because the EEA EFTA contributions are additional to the EU budget, this brings the total amount available to new Socrates projects in 2002 up to EUR 259.4 million:

$$\begin{aligned} \text{EU budget} + \text{EEA EFTA contributions} \\ &= \text{EEA funds for the activity} \\ \text{EUR 254 million} + \text{EUR 5.4 million} \\ &= \text{EUR 259.4 million} \end{aligned}$$

The contributions to the EU programmes and activities are made on the basis of solidarity, which means that the total value of the contracts made with participants from the EEA EFTA States within a programme is not limited by the actual contributions of those States. Therefore, nothing prevents the Commission from signing Socrates contracts in 2002 with participants from Iceland, Liechtenstein and Norway for a value of more than EUR 5.4 million.

As similar provisions (additional contributions according to GDP figures) have been installed for the participation of the candidate countries in the Socrates programme, the total operational budget for the programme is even higher than the EUR 259.4 million mentioned above.

Commitments and payments

Allocations made in the annual EU and EEA budgets for the signing of new project contracts are referred to as *commitment appropriations* (French: *engagements*). The amounts committed to new projects in 2002 are to cover all the future expenses of the projects started that year.

Usually, only a small part of the amount committed to new projects each year will be paid out the same year to the project participants. However, payments must be made to participants in projects started in previous years. For this reason, the annual EU and EEA budget must also include *payment appropriations*, showing the amounts that are expected to be spent (paid out) during the budget year to cover the expenses of the old and new projects (commitments).

For the Socrates programme, the payment appropriations in the EU budget for 2002 amount to around EUR 253 million, resulting in a corresponding EEA EFTA payment appropriation of EUR 5.38 million. These appropriations are to cover the costs of running projects started under both the first and second phases of the Socrates programme.

Article 82(1)(a) obliges the EEA EFTA States to pay their annual contributions to the Commission according to the payment appropriations, i.e., not according to the commitment appropriations. This practice has already been installed for the Member States of the European Union. The total payment appropriations therefore equal the total revenue budget.

However, it is important to note that the payment appropriations are *estimates*. The Commission may experience through the year that projects are terminated later than anticipated, and fewer payments are made. For the same reason, payment for the following year may be higher than anticipated in the payment budget. Deviations from the estimates are adjusted through the *final result* (see below).

Payments to a project will normally take place over a number of years. It follows from this that, if one year, the total amount for commitments is higher than for payments, the payments may be expected to increase the following year(s). Another consequence is that there will normally still be payments for several years after the termination of any given programme. The box below illustrates the relationship between commitments and payment appropriations for the successive framework programmes for research and development.



Commitments and payments

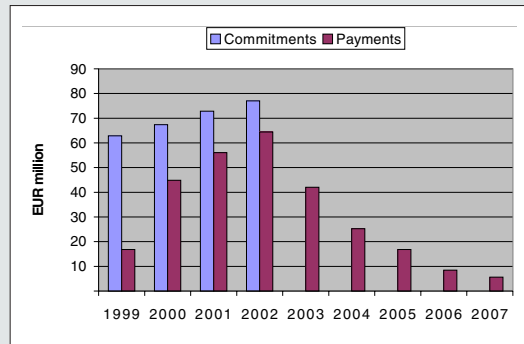
To illustrate the difference between commitment and payment appropriations, the figures below show EEA EFTA contributions to the three hypothetical consecutive programmes, P1, P2, and P3:

Programme	Period	Total budgets (EUR million)	
		EU	EEA EFTA*
P1	1995-1998	12 000	240
P2	1999-2002	14 000	280
P3	2003-2006	17 000	340

* For simplicity, a fixed EEA EFTA proportionality factor of 2% is applied here for all the years.

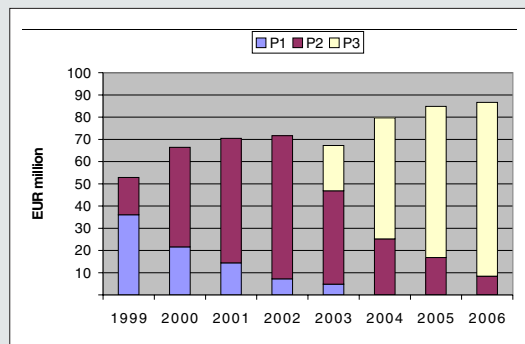
The periods are identical to the framework programmes for research and development (FP4, FP5 and FP6), but the budgets and the commitment and payment profiles differ somewhat from the actual figures of the framework programmes. The first figure shows a possible scenario of EEA EFTA commitment and payment contributions to P2 in the period 1999-2007. While commitments (contracts) are only made in the four operative years of the programme, payments may perhaps last until 2007, as projects funded by the programme will continue for a much longer period than the commitment period of the programme.

Annual EEA EFTA commitment and payment contributions to the P2 programme



The next figure shows how payments to P1, P2 and P3 accumulate to give the total annual EEA EFTA payment contributions to the three programmes. Payments for P3 will perhaps continue until 2011. In the meantime, another programme, P4, may start up in 2007.

Annual EEA EFTA payment contributions to P1, P2 and P3





This has significant consequences for the budgeting authorities that have to plan for the payment contributions. The fact that the EEA EFTA States, like the EU Member States, contribute on the basis of a percentage of the payment appropriations, and not of the commitment appropriations, is beneficial. It means that the participating states need to contribute only those amounts of funds that the Commission plans to utilise on their behalf in the actual budget year. In other words, the Commission does not ask the participants for funds until it has concrete plans to use them.

However, the national budgeting authorities must not forget that while commitments are only made in the years covered by the programme, payment contributions may continue for many years after a programme has ended. If contributions for the EEA EFTA States were calculated according to commitments, the annual contributions to the programmes would be larger and fewer and the procedure would be somewhat simpler. However, the complexity is to the benefit of the EEA EFTA States.

Article 82(1)(a) of the EEA Agreement also stipulates that the EEA EFTA States do not have to contribute to payments that are due to commitments made before the EEA EFTA participation in the activity started. This has practical consequences as the time needed to incorporate an EU programme into the EEA Agreement may lead to EEA EFTA participation only being possible in the second year of a programme.

Contributions to the administrative budget

The administrative budget of an EU programme or activity covers expenditures such as salaries for permanent and temporary staff, buildings and equipment, IT costs and pensions. Contrary to the operational costs where the EEA EFTA States pay a percentage of the total EU budget, the relative size of the con-

tributions to the administrative budget may differ considerably from one activity to another and are, to a certain extent, open to discussions between the EEA EFTA States and the European Commission.

In June each year, the Commission presents the EEA EFTA States with a proposal for administrative costs in the following budget year.

When a new activity is introduced into the EEA budget, the Commission is obliged to give the EEA EFTA side detailed information on the planned administrative costs in order to justify the size of the administrative budget. Such information may also be provided for ongoing activities if there is a substantial change in the operational budget for the activity from the previous year.

When presenting the EEA EFTA States with the provisional administrative costs, the Commission makes a distinction between personnel costs and other related costs. Personnel costs can include expenses to national experts, or to temporary agents and auxiliaries employed directly by the Commission and who are normally not nationals of the EEA EFTA States. New staff positions introduced into the EEA budget will have to be agreed upon as part of the annual budget agreement. The costs of the experts can be paid for *in kind* through the secondment of national experts from the EEA EFTA States to the Commission. In this case, the provisional administrative budget is reduced by a fixed amount (EUR 89 000 for each expert in 2002), as the experts will be paid for directly by the national authorities responsible for the secondments.

'Other related costs' cover administrative expenditures excluding salaries. The Commission divides these costs into overhead costs, general publications, mission expenses, meetings, committees, conferences and studies. For each national expert, temporary agent or auxiliary, the Commission will request a fixed amount for overhead costs (EUR 19 000 in 2002).



Normally, the EU and the EEA EFTA States negotiate the amount for other related costs in the first year of EEA EFTA participation in an activity. The ratio between these costs and the corresponding commitment appropriation to the operational budget (see above) is then kept constant for subsequent budget years, unless the commitment appropriation changes by more than 50 per cent. This so-called simplified method facilitates the annual calculations of the administrative contributions of the EEA EFTA States.

Using the Socrates programme again as an example, the administrative costs agreed by the EEA EFTA States for the first year of participation in the programme include two national experts (seconded by the EEA EFTA States) and one temporary agent (employed

by the Commission). In addition, the parties agreed to other related costs corresponding to approximately 1.64% of the (proposed) commitment appropriations for the same year.

For 2002 this means administrative costs EUR 178 000 for the two experts, EUR 50 000 for the temporary agent, and EUR 87 000 for other related costs (1.64% of the proposed commitment appropriation of EUR 5.3 million), in total EUR 315 000.

However, of this total, EUR 178 000 will be paid *in kind* by Iceland and Norway (one national expert seconded from each country). The direct cash contribution of the EEA EFTA States to the administrative budget of the Socrates programme in 2002 will therefore be EUR 137 000.

Enabling technologies for persons with dementia



Enable is an EU funded research project that uses modern technology to design new products, which can enable persons with dementia such as Alzheimer's disease to carry out daily tasks. Through case studies in Norway, Ireland, Finland Great Britain, the project will also investigate how access to such products could facilitate independence and promote the well-being of persons with dementia living in their own home. *Enable* was started in 2001 and is coordinated by the Norwegian Centre for Dementia Research. This summer, the Kaunas University of Medicine in Lithuania joined the project group. (www.enableproject.org).



Table 8. EEA EFTA contributions to administrative costs for the Socrates programme in 2002

	EUR
Personnel costs	
<i>National experts</i>	178 000
<i>Other staff</i>	50 000
Other related costs	87 000
Total costs	315 000
In kind contributions (national experts)	178 000
Direct cash contribution	137 000
Total contributions	315 000

Final result

As already mentioned, the payment appropriations only give an estimate of what the Commission intends to spend during the year. Most activities undertaken by the EU take more than one year and the Commission is allowed to spend more than planned in any given year, provided that the overall budget for the activity is respected. The Commission can, for example, under no circumstances spend more than the total of EUR 1 850 million allocated to the Socrates programme, but it can decide on its own how much is spent any given year.²¹

The difference between the *outturn* (what the Commission actually spent) and the corresponding payment appropriation (what the Commission planned to spend) is the *result* for the relevant budget heading. A "positive" result shows insufficient amounts were put aside in the budgeting process (over-spending), while a

"negative" result means less spending than anticipated (under-spending). Positive results from one budget year will be added to the Member States' actual payments two years later, while negative results will be subtracted.

This has significant consequences for the EEA budget, as the final results from two years before can lead to substantial adjustments of the payments from the EEA EFTA States. As illustrated in table 9 below, the EEA EFTA States make direct financial contributions to the Socrates programme in 2002, taking account of the final result from 2000.

Positive results (overspending) are usually due to either a) project contracts were signed earlier than anticipated, thus leading to (higher) payments in the same year as the commitments are made, or b) projects progressed faster than anticipated, leading to earlier payments than originally planned for. As noted above, it is important to remember, that because the total programme budget

21. The amount allocated to a multi-annual programme is never adjusted for inflation during the programme period, i.e., the EUR 1 850 million adopted by the EU for the Socrates programme will be spent in current euros. Inflation will only be taken into account when the budget for a new phase of the programme is to be decided.

Table 9. EEA EFTA direct financial contributions to the Socrates programme in 2002

	Payments 2002 EUR	Final result 2000 EUR	Adjusted payments 2002 EUR
Operational costs	5 384 713	279 268	5 663 981
Administrative costs	137 000	-77 177	59 823
Total	5 521 713	202 091	5 723 804



cannot be changed, a positive result (over-spending) in one year will lead to reduced payments for the following years.

Negative results (under-spending) in one year can be due to a) project contracts being signed late in the year, demanding few or no payments in the budget year in question, b) slow progress of running projects or c) fewer contracts than anticipated being signed. In the case of (a) and (b) payments are deferred to later years when the programme gathers pace. If fewer contracts than anticipated are signed (c) then the result is less activity (and less total spending) in the programme, as commitments (amounts available for new contracts) normally cannot be transferred to the next budget year – only amounts which have already been committed in legally binding contracts can be transferred. Negative results can also be due to annulations or unexpected termination of programmes, which have failed to deliver desired results.

Total contributions

Table 10 shows the total contributions from the EEA EFTA States to the EU budget in 2002, taking into account adjustments due to the final results for the budget year 2000, corresponding to the total funds transferred to the Commission in 2002 following the calls for funds from the Commission to the EEA EFTA States in January and July.

The agreed EEA budget for 2002 was EUR 94 962 000 (EUR 93 207 000 in operational appropriations and EUR 1 775 000 in administrative appropriations), but because of the "negative" result (under-spending) from 2000 of EUR 6 342 000, mainly in the Fifth Framework Programme for Research and Development, the EEA EFTA contributed only EUR 88 620 000 to participation in EU activities in 2002.

22. The figures for 1994 only show contributions from Iceland and Norway.

EEA EFTA contributions (payments) to EU activities 1994-2002²²

The illustration shows how the contributions (payments) of the three EEA EFTA States have increased since 1994 (contributions in current EUR, not corrected for inflation). Each entire column shows the annual costs, including the cost of national experts (in blue), who are paid for

directly by EEA EFTA States. Reimbursements, mostly due to delay of payments to projects in a previous year, are shown in yellow. The brown part of the column therefore represents the amounts actually transferred from the EEA EFTA States to the Commission.

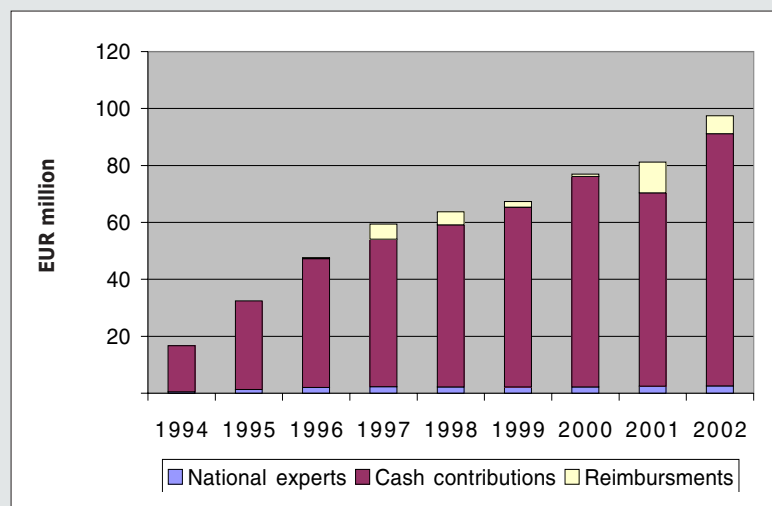




Table 10. Total EEA EFTA contributions to EU activities in 2002

ACTIVITIES	Operational costs budget 2002		Adm. costs 2002	Adjustments from outturn 2000	Total cash contributions 2002	Payment in kind 2002
	Commitments EUR 1000	Payments EUR 1000	Payments EUR 1000	Payments EUR 1000	Payments EUR 1000	Number of secondments
PROGRAMMES AND ACTIONS						
Research and technological development						
Fifth Framework Programme for R&D	80 191	73 402	0	-6 173	67 229	
Information services and security of information systems						
e-Content	606	363	214	-199	378	2
Promoting safer use of the Internet	138	146	44	-57	133	1
Information society (Promise)	85	128	15	-21	122	1
IDA	511	468	13	49	530	1
Environment						
Marine pollution	21	21	55	0	76	
Education, training and youth						
Socrates	5 405	5 385	137	202	5 724	2
Leonardo da Vinci	3 384	3 416	77	1 356	4 849	2
Youth	1 532	1 449	83	-420	1 112	2
Preparatory actions - education and youth	364	363	1	-35	329	
European pathways for training	32	30	1	-9	22	
European Year of languages	0	111	0	-13	98	
Social policy						
Combating social exclusion	234	190	50	0	240	
Gender equality	213	218	20	-28	210	1
Fighting violence (DAPHNE)	128	125	0	-11	114	
European Year of People with Disabilities	85	37	0	0	37	
Consumer protection						
Consumer protection programme	479	426	99	-51	474	1
Enterprise, entrepreneurship and SMEs						
Enterprise and entrepreneurship	2 098	1 441	139	-117	1 463	2
Media						
Media Training	170	174	88	0	262	
Media Plus	1 490	1 596	0	-33	1 563	1
Civil protection						
Civil protection programme	32	30	19	0	49	1
Culture						
Culture 2000	734	788	124	-219	697	1
Energy						
Renewable energy sources (Altener)	387	359	20	-57	322	1
Energy efficiency (Save)	213	255	16	-16	255	1
Energy studies and forecasts (ETAP)	11	12	0	-6	6	
Employment						
Labour incentive measures	0	0	0	-77	-77	
Public health						
Public health programmes	986	824	51	-157	718	3
Other (previous programmes)						
				-16	-16	
SERVICES AND SYSTEMS						
European Statistical Programme	543	503	460	-71	892	4
European Employment Service	317	254	29	-36	247	1
DECENTRALISED AGENCIES						
European Environment Agency	412	391	0	1	392	
European Agency for Evaluation of Medicinal Products	298	298	0	-128	170	
TOTAL	101 099	93 207	1 755	-6 342	88 620	28

Cost-sharing among the EEA EFTA States

While the proportionality factor determining the overall EEA EFTA contribution is calculated by the European Commission, it is the EFTA Council that decides on the internal cost-sharing among the EEA EFTA States. In calculating the cost-sharing, the EFTA Council takes account of Gross Domestic Product (GDP) figures for the preceding three years. The table below gives the figures for the cost-sharing for the period 1995 to 2002.

Table 11. EEA EFTA cost-sharing 1995-2002

Year	Iceland (%)	Liechtenstein (%)	Norway (%)
1995	5.69	0.64	93.67
1996	4.93	0.86	94.21
1997	4.73	0.90	94.37
1998	4.52	0.88	94.60
1999	4.45	0.82	94.73
2000	4.74	0.77	94.49
2001	5.09	0.72	94.19
2002	5.156	0.707	94.137

The distribution of secondments among the EEA EFTA States gives rise to some deviations from the percentages above, as shown in Table 12 for the Socrates Programme.

Table 13 shows how the total EEA EFTA cash contributions to the operational and administrative budget for 2002 were distributed among the three states.

Budgetary procedures

The procedures for establishing the EEA budget involve a number of steps and players, both on the EEA EFTA and EU sides, as shown in the text and calendar in the box below.

The first step towards including a new EU activity in the EEA budget is taken when a relevant Working Group in the EFTA system has identified EU activity as being EEA-relevant. That should ideally happen no later than by the end of March each year for the next year's EEA budget. Already at that time, the EFTA Secretariat may inform the Commission that it might be of interest for the EEA EFTA States

Table 12. EEA EFTA cash contributions (payments) to the Socrates budget of 2002

	EURO	Iceland 5.156%	Liechtenstein 0.707%	Norway 94.137%
Operational costs	5 384 713	277 636	38 070	5 069 007
Administrative costs	315 000	16 242	2 227	296 531
Total	5 699 713	293 878	40 297	5 365 538
Provided in kind (secondments)*	-178 000	-89 000	- 89 000	
Direct cash contribution	5 521 713	204 878	40 297	5 276 538

* The two national experts are currently seconded from Iceland and Norway.

Table 13. EEA EFTA cost-sharing of the total cash contributions (payments) for 2002 (EUR)

	EEA EFTA	Iceland	Liechtenstein	Norway
Direct cash contributions	88 620 199	4 614 242	622 292	83 383 665



to participate in the activity. The Commission will then add the figures for that activity onto the EEA budget *sous réserve*, (*subject to approval*). This means that the participation of the EFTA EEA States is foreseen but depends on the establishment of a proper legal basis through an EEA Joint Committee Decision. In order to ensure timely participation, preparations for EEA Joint Committee Decisions incorporating the activity in question into the EEA Agreement need to start as early as possible.

In April, the EFTA Working Group on Budgetary Matters has an informal exchange of views with the Commission regarding the preparation of the preliminary draft EEA budget and the inclusion of new budget lines *sous réserve*. If EEA EFTA participation is not envisaged in the basic EU act or proposal establishing the programme or activity, the Commission may be willing to enter the relevant budget line into the EEA budget only *after* a decision in the EEA Joint Committee, but *before* the EEA budget is adopted.

Before the end of May, the Commission presents its proposal for the EU budget for the next year to the Council and the European Parliament. The proposal is titled "The preliminary draft budget" (PDB) and it also includes a preliminary EEA draft budget.

As the administrative costs to be paid by the EEA EFTA States are not broken down according to individual programmes in the preliminary draft budget, the Commission presents an additional administrative table to EEA EFTA States in June.

Before the summer break, the Working Group on Budgetary Matters will normally have a first discussion on the Commission's proposal for the EEA EFTA budget. At the same time, all relevant EFTA Working Groups will be asked to approve or comment upon the proposal. This concerns new (or missing) EEA-relevant budget lines, as well as the number of secondments of national experts and the cash contribution to the administrative costs.

In October, the Working Group on Budgetary Matters meets with the Commission in order to finalise the preparation of the EEA budget. If the Commission requests additional secondments in an area, the relevant EFTA Working Group is asked for its opinion on the matter.

When all matters have been cleared at expert level on the EEA EFTA side (November), and when the EU budget has been finally approved by the European Parliament (December), the final EEA-relevant budget is cleared by Subcommittee IV (January-February) and submitted to the EEA Joint Committee for approval, which is carried out by an exchange of letters (January-March) taken note of by the EEA Joint Committee. The months indicated here are indicative only. The EEA EFTA and the EU side have both underlined the importance of concluding the budget as early as possible in the year and the aim is to do so no later than in February.

The Commission sends the first call for funds to the capitals of the EEA EFTA States in January, to be paid before 20 January. This first instalment includes half of the total operational and administrative costs as presented in the preliminary draft budget in May the year before, adjusted for the final result of the budget year two years before.

As mentioned above, the adopted budget may include activities entered *sous réserve*. If no legal basis can be established for these activities in the first half of the financial year in question, the EEA Joint Committee may in June decide to adjust the budget by deleting the budget lines. The second call for funds, which is payable before 15 July, is adjusted to take account of the final adopted EEA budget, which usually differs somewhat from the preliminary draft budget. It also takes account of the adjustments made for those activities where no legal basis has been established and of the deduction for the payments which are made in kind, i.e., the national experts.



INDICATIVE BUDGETARY CALENDAR FOR THE EEA BUDGET 2003

Month	EU	EEA EFTA
March 2002	EU presents figures for the final expenses (outturn) for 2001 (for EU and EEA EFTA)	EEA EFTA Working Groups identify possible new budget lines and secondments for the EEA budget 2003 (deadline 31.3)
April	Meeting between the Commission and the Working Group on Budgetary Matters regarding input to the EEA budget 2003	EFTA Secretariat informs the Working Groups on the final expenses (outturn) for 2001, including possible reimbursements or supplementary payments
	Commission makes internal working document on the EU budget 2003 Commission calculates the EEA proportionality factor for 2003	
May	Commission presents proposal for the EU budget 2003 (Preliminary Draft Budget -(PDB), including preliminary draft EEA budget 2003	EFTA Secretariat makes prognosis for the Working Groups on cash contributions for 2003 for individual budget lines based on the preliminary draft EEA budget 2003 and the information on the outturn of the budget 2001
June	Commission presents proposal for the administrative cost table for the EEA budget 2003	EFTA Secretariat calculates preliminary EEA EFTA breakdown figures (cost sharing) for 2003
	Meeting between WG Budget and the Commission on the preliminary draft EEA budget 2003 and on the final adjustments of the EEA budget 2002 concerning budget lines <i>sous réserve</i> EEA Joint Committee decides on final adjustments of the EEA budget 2002	
June- September		Working Groups assess and approve relevant budget lines, administrative costs and secondments for the EEA budget 2003 (deadline ca. 15.9.)
July	Commission issues (ca. 10.7) second call for funds for the EEA budget 2002, corrected for the approved budget, including the final adjustments in June Council adopts EU Draft Budget (DB) for 2003 (first reading of PDB) (ca. 20.7)	EFTA Secretariat makes final table of cash contributions for 2002 for individual budget lines Second payment instalments for EEA budget 2002 made by each of the EEA EFTA States (15.07)
October	Second meeting between WG Budget and the Commission on the EEA Budget 2003	EFTA Secretariat may inform Working Groups on proposals from the European Parliament for major changes to the budget 2003
	European Parliaments adopts first reading of EU budget 2003 (ca. 15.10)	
November	Council adopts second reading of EU budget 2003 (ca. 25.11)	
November December		EFTA Council adopts internal breakdown (cost sharing) for 2003. The figures are communicated to the Commission by the Chairman of the Standing Committee
December	European Parliament adopts the EU Budget for 2003 (ca. 15.12)	



Month	EU	EEA EFTA
January 2003	<p>Commission issues (ca. 15.01), to each of the EEA EFTA States, first call for funds for EEA budget 2003, based on PDB 2003 (from May 2002), and corrected for the outturn of budget year 2001</p> <p>Commission presents revised EEA budget 2003 based upon the EU budget 2003 approved in December 2002.</p>	First payment instalments for EEA budget 2003 made by each of the EEA EFTA States (20.01)
January or February	<p>EU budget 2003 published in the Official Journal R</p> <p>Approval of the EEA budget 2003 by exchange of letters between the Chairmen of the EEA Joint Committee (taken note of at the meeting of the EEA Joint Committee)</p>	revised EEA budget 2003 approved by WG Budget and Subcommittee IV
February		EFTA Secretariat makes second prognosis for the Working Groups on cash contributions for 2003 for individual budget lines (first prognosis made in May 2002)



2. Reducing social and economic disparities

In the Preamble to the EEA Agreement, the contracting parties state their aim of promoting a harmonious development of the EEA and their conviction of the need to contribute to the reduction of economic and social disparities between member states and between regions.

Economic and social cohesion was first introduced as a separate Community policy in its own right by the Single European Act in 1987. In order to make the single market realise its potential, the least prosperous Member States would have to invest heavily in the effort to catch up with their more developed EU partners and thus increase their capacity for further growth. To promote economic and social progress and to reduce the differences in living standards between Member States and between regions, the Maastricht Treaty (1993) created a new instrument, the Cohesion Fund, to finance projects designed to improve the environment and develop transport infrastructure in Member States. Four countries have in particular qualified for this assistance, Spain, Portugal, Ireland and Greece.

The 5-year Financial Mechanism (1994-1998), established by Article 115-117 and Protocol 38 of the EEA Agreement, represented a conceptionally comparable, but smaller scheme, aiming at reducing adverse social and economic disparities in Spain, Portugal, Ireland, Northern Ireland and Greece through grants and interest rebates on loans for the financing of specific investment projects.

In the EEA Agreement, the Financial Mechanism was established as a time-limited means of cohesion funded by the EEA EFTA States. With the accession of Austria, Finland and Sweden to the EU in 1995, the European Union took over the financial obligations of the three new Member States.

Following a request from the EU in 1998, a new 5-year scheme, the Financial Instrument (1999-2003) was established by provisions in Protocol 31 (Article 19 and Annex 4). The Financial Instrument provides exclusively project grants.

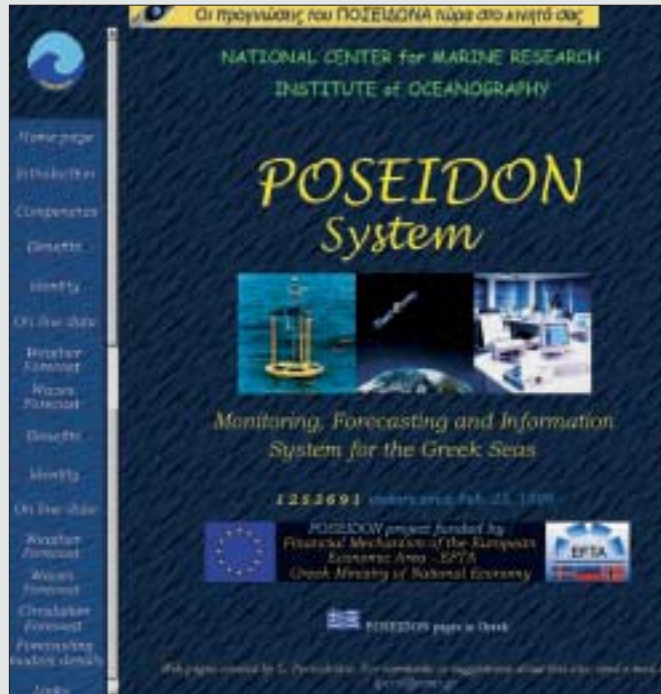
2.1 The Financial Mechanism (1994-1998)

In accordance with the EEA Agreement, the Financial Mechanism has provided two different types of project assistance to the beneficiary states: *grants* for a total amount of ECU 500 million, and *2% points p.a. interest rebates* on loans of EUR 1 500 million calculated on the basis of notional loans of 10 years including, a 2-year grace period. Also, the EEA Agreement defined the beneficiaries to be Greece, Ireland, Northern Ireland, Portugal and certain regions in Spain (Objective 1 regions as defined in the Community structural funds in 1988), as well as the priority sectors to receive support:

- environment (including urban development)
- education and training
- transport (including transport infrastructure).

For the grants offered by the Financial Mechanism, the beneficiary states were responsible for making project proposals within the priority sectors.

To make decisions on the allocation of funds (commitments, project modifications, etc.), the Standing Committee of the EFTA States established a Financial Mechanism Committee, representing the funding parties, and served by a Financial Mechanism Secretariat within the EFTA Secretariat. The European



The Greek Marine Monitoring Network *Poseidon* was established in 1999 with assistance worth EUR 12.5 million from the EEA Financial Mechanism. *Poseidon* is a real-time environmental monitoring system based on permanently anchored buoys, which collect data on more than a dozen atmospheric and oceanographic parameters. Transmission of data takes place by satellite and GSM links to a central data processing unit at the National Research Centre for Marine Research outside Athens, where computerised modelling tools generate forecasts of the spreading pollution, algae blooms, etc.

The information from *Poseidon* is made available on the Internet for all parties concerned (authorities, tourist organisations, fish farming enterprises etc.). The project brings together Greek universities' hydrological expertise, researchers at the National Research Centre for Marine Research and the "Seawatch" hardware system developed by Oceanor, Norway. (www.poseidon.ncmr.gr)

Commission took up a seat in the Committee in 1995, when Austria, Finland and Sweden joined the EU.

Under a Co-operation Agreement, the European Investment Bank (EIB) has performed a range of managerial tasks relating to the grants as well as the interest rebates. Hereunder, it has ensured compliance with local and EU legislation, notably in the fields of procurement and environmental impact assessments.

The grant assistance has been made available up to a maximum of 85% of the total costs of the supported investments, while coverage of 100% of the costs of technical assistance has in some cases been provided.

In a great number of cases, the Financial Mechanism has co-financed projects with other sources of funds, including local devel-

opment budgets and the Cohesion Fund, as well as Structural Fund assistance. However, when co-financing with European Community funds has taken place, the joint assistance has not exceeded the established limit of 90% of the total project costs.

Grants have been given in support of projects that have basically been of a non-commercial nature in order to avoid effects of distortion of competition in the market place. For that reason, the grant assistance has been given to project promoters, who have typically been local authorities, foundations and non-profit institutions. In general, the grants provided by the Financial Mechanism have made it possible to implement projects, which would otherwise not have been realised. In this way, the Financial Mechanism has created a sizeable additionality effect.

Interest rebates, because of their much more marginal importance for the total financing of individual projects, have to some extent been used in support of more commercial ventures, including road construction by companies holding concessions for building motor highways as toll roads.

Among projects submitted by private undertakings, special consideration was given to small and medium-sized enterprises.

In general, experience with the Financial Mechanism shows that benefits foreseen in the individual project proposals have largely been realised. In some cases, including the higher education in Ireland and the monasteries projects in Greece, the grants have had a leverage effect by mobilising supplementary funds for further investments for similar purposes. Project implementation has often had a significant effect on local employment and the preservation of local skills in traditional crafts,

in particular for the urban renovation projects. Also, the projects have served to impress on local project promoters to comply with EU legislation, not least pertaining to procurement and the environment.

Allocations of funds

As stipulated in Protocol 38 of the EEA Agreement, the decision on the share of the beneficiary states was to be taken by the European Union, resulting in the figures shown below.

The contributions to the total funding were to be provided by the six EEA EFTA States according to the relative size of their GDPs. As shown in Table 15, the European Union took over the obligations of Austria, Finland and Sweden when the three countries joined the EU in 1995.

**Table 14. Grants and interest rebates on loans available 1.1.1994
Shares of the beneficiary states (EUR million)**

	Grants	Loans	%
Greece	121.5	364.5	24.3
Ireland	35.5	106.5	7.1
Northern Ireland	11.0	33.0	2.2
Portugal	105.0	315.0	21.0
Spain (10 regions)	227.0	681.0	45.4
Total	500.0	1500.0	100.0

**Table 15. Allocations to the Financial Mechanism 1994-1998
Shares of the funding states (EUR million)**

	IS	NO	LI	(IS+LI+NO)	AT	FI	SE	Total
1994	1.08	18.44	0.19	(19.71)	29.35	20.53	40.43	110
					EU (from 1995)			
1995	1.11	19.06	0.20	(20.37)		89.63		110
1996	1.12	21.60	0.20	(22.92)		87.08		110
1997	1.30	25.94	0.25	(27.49)		102.52		130
1998	1.30	27.22	0.26	(28.78)		106.23		135
Total	5.91	112.25	1.09	(119.25)		475.75		595



It should be noted that the interest rebate on the EUR 1500 million 10-year loans corresponds to approximately EUR 160 million of funding at present value. In reality, the Financial Mechanism has therefore provided the beneficiary states with assistance totalling EUR 660 million at present value of the facility.

By the end of the commitment period (31 December 1998), all the available loans and nearly all the grants had been allocated to individual projects as shown in Table 16. A comparison with table 14 shows that only one country did not profit fully from the available grants. Table 17 shows the distribution to the priority sectors.

Table 16. Grants and interest rebate loans committed by 31.12.1998
Shares of the beneficiary states
(EUR million)

	Grants	Loans
Greece	114.3	364.5
Ireland	35.5	106.5
Northern Ireland	11.0	33.0
Portugal	105.0	315.0
Spain, 10 regions	227.0	681.0
Total	492.8	1 500.0

Table 17. Grants and interest rebate loans committed by 31.12. 1998
Shares of the priority sectors
(percentage)

	Grants	Loans
Environment	61%	32%
Education and training	22%	3%
Transport	17%	65%
Total	100%	100%

The commitments involved 56 grant projects and 37 interest rebate loan projects. Annex II gives a complete list of the individual projects.

Interest earnings on active fund management of the Financial Mechanism's liquidity and low costs of administration has enabled the Financial Mechanism to meet all its obligations of the facility of EUR 660 million with EUR 595 million with which it has been funded. To a lesser extent, cost savings on projects with a less than full ability to absorb allocated amounts (see above) have contributed to surpluses, which are likely to result in refunds to the funding parties in an amount exceeding EUR 50 million, reducing the total funding of the facility to less than EUR 545 million.

For the grants, the beneficiary states were responsible for the identification of project proposals within the priority sectors mentioned above. In case they were not able to present sufficient numbers of eligible project proposals, the Financial Mechanism Committee was under no pressure to compromise with its criteria for commitment of funds for eligible purposes. The funds would simply remain unallocated and revert to the funding parties. One of the beneficiary states proved unable to absorb the allocated grants in full, and the interest rebate allocation for another remained unutilised.

During the early stage of the EIB's administration of the Financial Mechanism, it was decided to employ a two-phased procedure in the processing of project applications: (i) a preconsultation on the project idea and (ii) a formal and binding phase based upon full project documentation, including an appraisal report. The preconsultation phase aimed at validating the idea, after which successful proposals would proceed to the next phase.

The Commission gave its opinion on all formal applications.

In the Financial Mechanism Committee's decision-making it was stressed that the benefits of the project proposals should be quantifiable as far as might reasonably be required, and



**Table 18. Commitments and payments for grants as of 31.8.2002
Distribution on beneficiary states (EUR million)**

	Commitments*	Payments 31.8.2002	Rest payments
Greece	100.59	64.97	35.62
Ireland	34.90	27.44	7.46
Northern Ireland	11.00	10.90	0.10
Portugal	105.00	84.13	20.87
Spain	218.84	198.24	20.61
Total	470.33	385.67	84.66

* *Known unabsorbed amounts taken into account.*

that it should be demonstrated that the project promoter would have the necessary technical skills and administrative capacity to successfully implement, and whenever relevant, operate the project over a period of not less than 10 years after implementation. Special assurances were obtained from the beneficiary states that they would undertake to provide extra funding as might be needed in order to ensure full project implementation according to the agreed terms as well as full operation during the 10-years period. In the majority of grant cases, the Financial Mechanism agreed to the EIB's proposals to appoint monitoring agents, who would ensure contractual project implementation.

Payments to contractors have only taken place when the EIB has ensured that all perti-

nent payment conditions have been fulfilled. Table 18 shows the payment situation for grants per 31 August 2002. For 14 of the total of 56 grant projects, payments have been fully completed. The EIB estimates that by the end of 2002, a total of another 12 project completion and/or evaluation reports on grant projects will have been made available to the Financial Mechanism Committee.

The interest rebate applications did not go through the government authorities in the beneficiary states as was the case for the grant assistance, but were made directly to the European Investment Bank, whose loan agreements formed the basis for the interest rebates.

**Table 19. Commitments and payments for interest rebate loans as of 31.8.2002
Distribution on beneficiary states (EUR million)**

	Loan commitments*	Loan payments 31.8.2002	Value of interest rebates	Future loan payments
Greece	354.37	354.37	37.69	0.00
Ireland	106.50	106.35	11.72	0.15
Northern Ireland	0.00	0.00	0.00	0.00
Portugal	315.00	315.00	33.64	0.00
Spain	681.00	681.00	71.23	0.00
Total	1 456.87	1 456.72	154.27	0.15

* *Known unabsorbed amounts taken into account.*



The payment situation for interest rebate loans per 31 August 2002 (Table 19) shows that favourable EIB loans of EUR 1457 million have effectively been made available to contractors. The balance is partly due to a EUR 33 million unabsorbed EIB loan facility to Northern Ireland. For 35 of the 36 interest rebate projects, all payments have been effected. Table 19 also shows that the effect of the interest rebates corresponds to a funding requirement of approximately EUR 154 million.

The Financial Mechanism Committee took initiatives in 1999 and 2000 to undertake internal audits of a total of 12 grant projects and 1 interest rebate project. The conclusions from these internal audits confirmed the generally high quality of the project portfolio. In a couple of cases, they served as a basis for taking corrective action.

2.2 The Financial Instrument (1999-2003)

The Financial Instrument, as provided for in Protocol 31 (Article 19 and Appendix 4)¹ will make EUR 119.6 million available over five years. The assistance will be entirely in the form of grants. The beneficiary states are Portugal, Spain, Greece, Northern Ireland (only in 1999) and Ireland.

The Financial Instrument, like its predecessor, funds projects in the three priority sectors:

- the environment including urban renewal, reduction of urban pollution and securing the European cultural heritage
- transport, including infrastructure
- education and training, including academic research

The aim is to allocate at least two thirds of the overall amount to projects in the area of the environment.

Decisions on project commitments and possible modifications are taken by the Financial Instrument Committee, consisting of representatives from the funding countries, i.e., Iceland, Liechtenstein and Norway. The management of the Financial Instrument is performed by the Financial Instrument Secretariat, within the EFTA Secretariat, which reports to the Committee and services it.

The Financial Instrument has entered into a Disbursement Agent Agreement with a commercial bank to ensure that payments take place in a timely manner on the basis of documents that are in full compliance with agreed criteria. Also, an active fund management is being sought for the liquidity of the Financial Instrument, as has been the case for the Financial Mechanism.

Allocation of funds

As for the Financial Mechanism, the decision on the share of the beneficiary states of the Financial Instrument is taken by the European Union, with the result shown below.

Table 20. Grants available 1.1.1999 - Shares of the beneficiary states (EUR million)

	1999	2000-2003	Total
Greece	5.8	16.3	22.1
Ireland	1.7	3.8	5.5
Northern Ireland	0.5	0	0.5
Portugal	5.0	16.3	21.3
Spain	10.9	59.3	70.2
Total	23.9	95.7	119.6

* Known unabsorbed amounts taken into account.

20. Incorporated into the EEA Agreement by Decision No 47/2000 of 13.7.2000 of the EEA Joint Committee.



**Table 21. Allocations to the Financial Instrument 1999-2003
Shares of the funding states (percentage)**

	IS	LI	NO	Total
1999	4.48%	0.82%	94.70%	100%
2000	4.76%	0.77%	94.47%	100%
2001	5.09%	0.72%	94.19%	100%
2002	5.16%	0.71%	94.14%	100%
2003*	4.87%	0.68%	94.45%	100%

* preliminary cost-sharing figures

To this amount is added a 0.5% contribution to cover costs incurred in the beneficiary state in respect of project appraisal and monitoring. The contributions are to be provided by the three EEA EFTA States according to the relative size of their GDPs, as shown in Table 21 (percentages).

The beneficiary states are responsible for preparing project grant proposals within the priority sectors mentioned above. The Financial Instrument Secretariat receives the proposals for preconsultation and ensures that sufficient information is available for the purpose of conclusion of the validation of the project idea. Also the European Commission gives its opinion on the project idea.

A positive result of the preconsultation process, communicated to the beneficiary states, will start the process of project appraisal, to be conducted by the European Investment Bank.

On the basis of a formal application supported by the EIB appraisal report, the Financial Instrument Committee makes its decision on a project grant after receiving recommendations from its Secretariat in respect of terms and conditions. The European Commission gives its opinion on the applications.

The financial obligations of the beneficiary state are similar to those known under the Financial Mechanism in respect of cost overruns, financial assistance to project promoters to maintain operations of their projects over a 10-year period after completion, etc. Each

commitment is followed up by the appointment of a monitoring agent, who reports on project progress, contractual and legal compliance, and certifies physical project progress. The monitoring agent assists the project promoter in building up the necessary databases for the purpose of subsequent production of project completion and/or project evaluation reports.

Project progress and payment schedules agreed upon are incorporated in each grant agreement, which is signed by authorised representatives of the beneficiary states. The Disbursement Agent may then execute payments on the basis of the agreed documentary criteria applying a conventional documentary credit procedure.

Preconsultation on project ideas has started for the full amounts allocated for Spain, Portugal and Ireland. For Spain, appraisal reports are also being produced for a number of project proposals that have already been presented to the Financial Instrument Secretariat.

The first project commitments of the Financial Instrument are expected to be given towards the end of 2002. No payments are therefore expected before 2003.



ANNEX I

EU PROGRAMMES: EVALUATIONS, ANALYSIS AND REPORTS

The list below includes evaluations, analysis and reports on the functioning of various EU programmes, commissioned by the European Commission or one of the EEA EFTA States. Many of the studies have been conducted by external and independent organisations or panels.

General

(in Norwegian) *Norsk deltakelse i og forvaltning av EU-programmer*. Rapport 2001:13, Statskonsult, Oslo. Available at <http://www.statskonsult.no/publik/publikasjoner/2001-13/index.htm>.

Research and technological development

Norwegian Participation in the EU Framework Programme. Evaluation Report - Extended Summary. Research Council of Norway, 1998. Full text (in Norwegian) of the evaluation available at <http://www.forskningsradet.no/bibliotek/publikasjoner/eu-evaluering>.

Strategic Options for the Evaluation of the R&D Programmes of the European Union. Technopolis, 1998. Prepared by Ken Guy for the European Parliament's Scientific and Technological Options Assessment Unit (STOA). Available at <http://www.technopolis.co.uk/reports/index.htm>.

Five-year assessment of the European Union research and technological development programmes 1995-1999. Report of the Independent Expert Panel chaired by Joan Majó. European Commission, 2000. Available at http://www.cordis.lu/fp5/5yr_reports.htm.

An overview of the Commission's monitoring, evaluation and assessment activities related to the Fifth Framework Programme is available at <http://www.cordis.lu/fp5/monitoring>.

Information services and security of information systems

Final evaluation of the Info 2000 programme conducted for the European Commission. Technopolis, Databank Consulting, Idate and Lectic. Available at <http://www.technopolis.co.uk/reports/index.htm>

PROMISE - Promotion of the Information Society in Europe. Intermediate programme evaluation. Report prepared for the European Commission by a panel of independent experts. European Commission, 2000. Available at http://europa.eu.int/comm/information_society/evaluation/pdf/reportpromise_en.pdf.

Education, training and youth

Final Report on the Implementation of the First Phase of the Community Action Youth for Europe - Interim evaluation report. European Commission, 1998.

European Voluntary Service for Young People. European Parliament Working Paper, 1998. Available at http://www.europarl.eu.int/workingpapers/educ/pdf/w6en_en.pdf.

Programme Leonardo da Vinci (1995-1999). The European Commission, 2000. Available at <http://europa.eu.int/comm/education/evaluation.html>.



The Leonardo da Vinci programme in Norway, implementation, outputs and impact. Norwegian Ministry of Education and Research, 2000. Available at <http://odin.dep.no/ufd/engelsk/publ/rapporter/index-b-n-a.html>.

Valorisation – to build on the achievements of the Leonardo da Vinci programme. Inspiration and innovative results from selected Leonardo da Vinci projects 1995-1999 in Norway. The Leonardo da Vinci National Agency Norway, 2000. Available at www.leonardodavinci.no.

Report on the Implementation of the Socrates programme 1995-1999. The European Commission, 2001. Available at <http://europa.eu.int/comm/education/evaluation.html>.

Social policy

DAPHNE - External Evaluators' report on the 1999 Initiative. The European Commission. Available at http://europa.eu.int/comm/justice_home/project/daphne/en.

Enterprises, entrepreneurship and SMEs

Report on the evaluation of the 3rd Multiannual Programme for SMEs in the European Unions. European Commission, 1999.

Audio-visual sector

Media II programme. Mid-term evaluation. Conducted by BIBE for the European Commission, 1998. Available at http://europa.eu.int/comm/avpolicy/media/index_en.html.

Energy

Interim SAVE II evaluation results. Presentation by Rodney Janssen on behalf of the independent evaluation team preparing a report to the European Commission. Available at http://www.eva.ac.at/publ/pdf/os_l4.pdf.



ANNEX II

PROJECTS FUNDED BY THE FINANCIAL MECHANISM (1994-1998)

1. Grants (56 projects; committed amounts as at 31.12.1998):

GREECE

<i>Project</i>	<i>Commitment year</i>	<i>Grant (EUR million)</i>
Geothermal Training	1994	0.119
Attica Management Training Centre	1994	1.020
Santorini Waste Water Treatment Study	1995	0.32
Ormylia Convent I	1995	1.745
Tsivlos Hydroelectric Power Plant	1995	1.071
Piraeus Port	1995	12.100
Marine Monitoring Poseidon	1996	12.500
Fire-Fighting Equipment	1996	6.130
Environmental and Urban Development Kalamata	1997	10.350
Corfu Old Town Renovation	1997	4.130
Greek Monasteries Projects	1995/1997/1998	25.107
Gazi Sewerage	1998	2.290
Thalassocosmos Cretaquarium	1998	5.630
Thessaloniki Science Centre	1998	13.780
Macedonian Museum of Contemporary Art	1998	2.370
Ano Liossia Regional Park Development	1998	12.400
Ierissos Multipurpose Cultural Centre	1998	1.040
Meghistis Lavras Monastery Energy Project	1998	2.500
Greece total		114.314

IRELAND

<i>Project</i>	<i>Commitment year</i>	<i>Grant (EUR million)</i>
Technical Education I	1996	0.023
Technical Education II	1997	0.013
Ireland total		0.036



NORTHERN IRELAND

<i>Project</i>	<i>Commitment year</i>	<i>Grant (EUR million)</i>
Ballycastle Rathlin Island Harbours	1996	8.000
Calgach Hotel Derry	1998	3.000
Northern Ireland total		11.000

PORTUGAL

<i>Project</i>	<i>Commitment year</i>	<i>Grant (EUR million)</i>
Lisbon Metro Extension, Alameda II Station	1994	25.373
Urban Rehabilitation	1996	24.706
Urban Rehabilitation Alte	1998	4.900
Urban Rehabilitation Porto	1998	42.200
Almada Waste Water Treatment Plant	1998	7.821
Portugal total		105.000

SPAIN

<i>Project</i>	<i>Commitment year</i>	<i>Grant (EUR million)</i>
University Project	1994	45.400
Marine Monitoring	1995	4.700
Gandia Urban Renewal	1995	20.933
Vigo Urban Renewal	1995	18.128
Urban Renewal and Protection of Historical Heritage in Castilla y León	1996	31.214
Seprona Environmental Monitoring	1996	7.461
Oviedo Urban Renewal	1996	16.207
Jerez – Transport and Urban Environment	1996	14.352
Canary Islands Airports/Lanzarote	1997	6.271
Urban Renewal, Toledo	1997	22.724
Via de la Plata, Extremadura	1997	15.554
Urban Renewal Granada	1998	6.690
Espacios Industriales Las Palmas	1998	6.800
Renovacion Urbana La Carolina	1998	2.500
Sevilla Medio Ambiente	1998	8.066
Spain total		227.000



2. Interest rebate loans (37 projects; committed amounts as at 31.12.1998)

GREECE

<i>Project</i>	<i>Commitment year</i>	<i>Loan (EUR million)</i>
Piraeus Port	1995	42.9
ESSI Motorway	1996	144.3
South Pathe Motorway	1997	100.1
East Egnatia Motorway	1998	77.2
Greece total		364.5

IRELAND

<i>Project</i>	<i>Commitment year</i>	<i>Loan (EUR million)</i>
Irish Roads	1997	39.9
Irish Infrastructure Framework	1998	66.6
Ireland total		106.5

NORTHERN IRELAND

<i>Project</i>	<i>Commitment year</i>	<i>Loan (EUR million)</i>
Global Loan*	1998	33.0
Northern Ireland total		33.0

PORTUGAL

<i>Project</i>	<i>Commitment year</i>	<i>Loan (EUR million)</i>
Lisbon Metro Extension	1994	126.1
Urban Rehabilitation	1996	12.4
Oil Products Storage and Multi-Product Distribution		
Pipeline for Central Portugal	1996	25.5
Solid Waste Disposal – LIPOR	1997	42.4
Solid Waste Disposal – Valorsul	1997	42.3
Metro do Porto Light Metro	1998	66.3
Portugal total		315.0

* Remained fully unabsorbed



SPAIN

<i>Project</i>	<i>Commitment year</i>	<i>Loan (EUR million)</i>
Aguas de Extremadura	1994	18.7
Saneamiento ca Valenciana	1994	30.9
Reforestation in Andalucia	1995	31.1
Road Improvements and Drinking Water Supply Facilities in Extremadura	1995	18.5
BCL Environmental Global Loan I	1995	30.3
Improvements to Road Infrastructure in Galicia	1995	18.6
Toll Motorway in Galicia	1995	31.5
RENFE Rail Project	1995	60.0
Water Supply Infrastructure and Forestry Schemes in Castilla y León	1996	18.4
Water Infrastructure and Forestry Schemes in Galicia	1996	24.8
Oviedo Urban Renewal	1996	12.0
Toll Motorway in Galicia II	1996	15.0
Waste Water Treatment Infrastructure and Road Schemes in Murcia	1996	15.5
ICO Environmental Global Loan II	1997	48.0
BCL Environmental Global Loan II	1997	17.9
León – Burgos Motorway, Phase I	1997	24.3
Regional Road Network, Asturias	1997	15.0
Canary Islands Airports	1997	66.5
Reconstruction of Infrastructure, Andalucia	1997	18.0
Improvements to Education Infrastructure, Galicia	1997	24.0
Technical Education in Valencia	1997	15.0
Extension of the Port of Valencia	1998	12.0
ICO Environmental Global Loan III	1998	54.2
Spain total		681.0





The EFTA Secretariat at rue de Trèves 74, Brussels, Belgium.

The European Free Trade Association (EFTA) is an international organisation comprising four states, Iceland, Liechtenstein, Norway and Switzerland who have eliminated barriers amongst themselves for industrial products but do not apply a common external tariff. Apart from Switzerland the EFTA States base their relations with the European Union on the European Economic Area Agreement allowing for their participation in the Single Market. Switzerland's relations with the EU are based on bilateral agreements.

The EFTA States have developed an extensive network of free trade agreements with non-EU countries and regional groupings in Europe and beyond. EFTA has headquarters in Geneva and offices in Brussels and Luxembourg.



The EFTA Bulletin is intended to serve as a platform for discussions and debate on topics of relevance to European integration as well as the multilateral trading system constantly being re-shaped and transformed by the twin forces of globalisation and interdependence. To this endeavour the EFTA Bulletin draws on the experience and expertise of academics, professionals and statesmen alike.

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