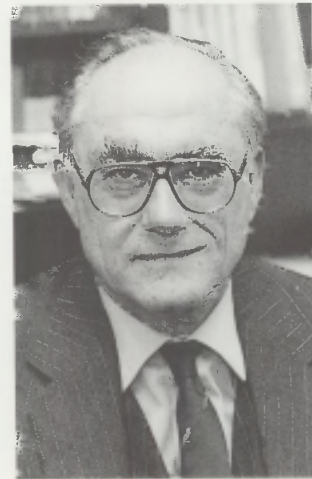


EUROPEAN COMMUNITIES

FINANCIAL REPORT 1990

FOREWORD

The European Communities have been successful in their efforts to achieve a high level of economic growth and employment in the Community. This success is due to the efforts of the Member States and the institutions of the Community. The Commission has played a key role in this process, and its work is described in this report. The report also discusses the Commission's work in other areas, such as the environment, transport, and social policy. The Commission's work is based on the principles of transparency, accountability, and efficiency. The Commission is committed to these principles and will continue to work to improve its performance in the future.



FOREWORD

The Interinstitutional Agreement of June 1988 and the financial perspective which forms an integral part of this Agreement provided a financial framework for the development of the Community budget, reflecting faithfully the relative priority attached to the various Community policies in 1988 and also satisfying the requirements of budgetary discipline.

The 1990 budget was the third to be drawn up under the arrangements of this Interinstitutional Agreement.

The unforeseeable political events throughout the world since the second half of 1989 have confronted the Community with a real challenge and inevitably affected its finances. The financial framework set by the Interinstitutional Agreement has accordingly had to be altered a number of times to accommodate the new requirements: integration of the five new *Länder* in the European Community, assistance to the countries of Central and Eastern Europe, increased co-operation with developing countries, aid to countries affected by the Gulf crisis. Some internal policies have also had to be boosted (environment, transport, energy, vocational training).

These adjustments had no more than a marginal effect on the 1990 budget. Most of their impact will be felt in 1991 and 1992.

Taking into account the three supplementary and amending budgets adopted during the year, the total amount of appropriations for 1990 comes to ECU 49 582 million for commitments and ECU 47 417 million for payments.

This report describes how the Community budget was executed. From this it can be seen how the budget contributed in concrete terms to attaining the objectives of European integration in 1990.



P. Schmidhuber

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The Community policies provided for by the 1957 Rome Treaties (European Economic Community and European Atomic Energy Community) and the administrative expenditure of the Community institutions are financed by the general budget of the European Communities. Community operations provided for by the 1951 Treaty of Paris (European Coal and Steel Community) are financed by a specific budget (totalling ECU 435 million in 1990).

The economic situation in 1990

The growth in Community GDP slowed from 3.3% in 1989 to 2.8% in 1990. Inflation rose from 4.9% to 5.1%. Despite this slower growth, the sharp rise in employment in 1990 helped to reduce the unemployment rate from 8.9% in 1989 to 8.5% in 1990. Investment rose by 4.4% in real terms. Although this is distinctly less than the 8.4% in 1988 and 6.8% in 1989, the increase in gross fixed capital formation should remain higher than that of GDP, demonstrating the strength of the underlying investment trend.

The European economy is faced with a contrasting situation at the start of the 1990s. The world economic climate has deteriorated considerably and countries such as the United States and the United Kingdom are in recession. The Gulf crisis has only made matters worse by increasing inflation and uncertainty and thus reducing investment in some countries. Furthermore, world trade is sluggish and the continuing fall in the value of the US dollar is damaging the competitiveness of the Community economy. However, in recent years the Community economy has experienced an improvement in the basic growth factors: there has been a consolidation of public finance, greater flexibility in supply, moderation in real wage increases and better coordination and coherence of monetary policies. In addition, the rapid achievement of the internal market also offers brighter prospects. This leads to the conclusion that, despite the more limited reduction in unemployment because of slower growth, the medium-term outlook remains encouraging.

Financial perspectives 1988-92

In February 1988 the Brussels European Council adopted the broad outlines of a financial reform involving tighter budgetary discipline to ensure an orderly increase in budget spending and a better balance between the various categories of expenditure. In particular, the increase in agricultural expenditure was limited and the amounts allocated to the structural Funds were to be doubled in real terms over a period of five years.

In June 1988 an agreement was reached between the institutions involved in drawing up the general budget of the Communities — Parliament, the Council and the Commission — to place these objectives in a medium-term programme. The Interinstitutional Agreement contains a financial perspective for the period 1988-92 which lays down annual ceilings for the main categories of expenditure. The institutions have agreed to keep expenditure beneath these ceilings.

The Commission updates the financial perspective every year before the budgetary procedure begins, in order to adjust the figures in line with movements in GNP and prices. Parliament, the Council and the Commission may also decide to adjust the perspective to take account of the actual conditions of implementation in the previous year, as was done in 1990. Finally, the financial perspective may be revised; this too requires a decision by Parliament, the Council and the Commission.

The financial perspective was revised twice in 1990. The main purpose of the revision adopted in June was to provide additional funds between 1990 and 1992 for cooperation with the new democracies of Central and Eastern Europe (ECU 1 900 million) and increased cooperation with the countries of the Mediterranean, Latin America and Asia and a mid-term increase for policies linked with the completion of the internal market, in particular in connection with the environment, the audiovisual sector, transport, energy and vocational training (ECU 1 013 million). The second revision adopted in December, provided additional funds for 1991 and 1992, mainly

to take account of the effects which the integration of the *Länder* of the former GDR had on the Community budget (ECU 2 850 million) and the pledges made to Egypt, Jordan and Turkey, which were particularly affected by the Gulf crisis (ECU 500 million).

The budget

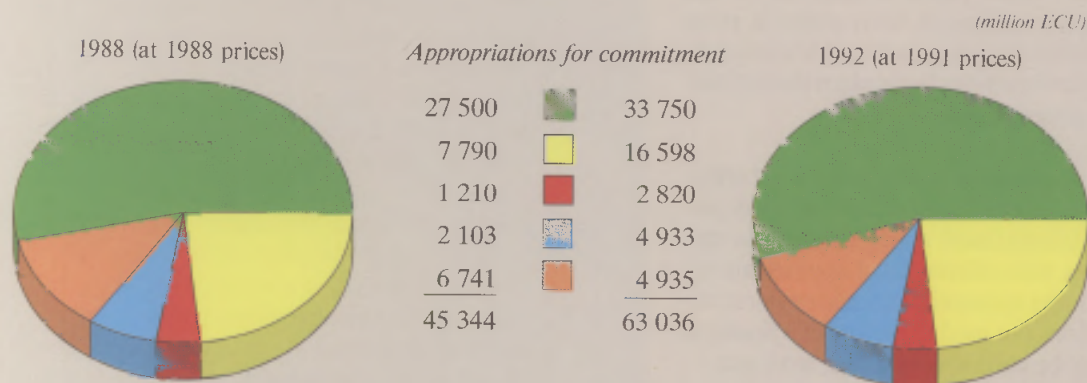
The Community budget is subject to the principle of annuality, which requires that budgetary operations relate to a specific financial year so that it is easier to control the activities of the Community executive.

Each expenditure operation involves the commitment of appropriations followed by actual payment. In the case of multiannual operations, the time lag between the two stages may be considerable. In practical terms, the budget

therefore sets two limits to guarantee compliance with the principle of annuality: the amount of appropriations for commitments, which is the limit to the new financial commitments which may be entered into in the course of the financial year, and the amount of appropriations for payments (identical with the amount of revenue forecast for the financial year), which is the limit to the payments to be made during the year against existing commitments.

The Community has to reconcile application of the principle of annuality with the need to administer the multiannual operations which have assumed ever-increasing importance in the budget. Its response to this twin demand takes the form of 'differentiated appropriations', which consist of commitment appropriations and payment appropriations; the commitment appropriations cover, for the

FIGURE 1
Financial perspective 1988-92



	appropriations 1990	committed 1990
EAGGF Guarantee	26 504	25 069
Structural operations (EAGGF Guidance, ERDF, ESF, etc.)	11 378	10 615
Policies with multiannual allocations (IMPs, research)	2 064	1 929
Other policies (Education and vocational training, fisheries and the sea, energy and industry, cooperation, etc.)	3 360	3 138
Miscellaneous (Repayments, monetary reserve, administration)	5 902	4 712
	<u>49 208</u>	<u>45 463</u>

year in question, the total cost of the legal obligations entered into in respect of operations which may extend over more than one year; the payment appropriations cover expenditure deriving from the honouring of commitments entered into during the year in question and, where applicable, previous years up to the limit of the amount entered in the budget.

For the administrative expenditure of all the institutions, EAGGF Guarantee Section expenditure and certain other annual operations, the budget contains 'non-differentiated appropriations', which are the limit for both the commitments and payments which may be made in the financial year. At the end of the year the appropriations corresponding to commitments entered into during the year but not yet paid are carried over automatically to the following year to allow the payments to be made.

Subject to certain conditions, other amounts may be added to the appropriations entered in the budget; these include appropriations which are made available again after outstanding commitments from previous years are cancelled and appropriations relating to financial contributions by third parties to Community programmes.

By way of exception to the principle of annuity, in addition to the automatic carryover of non-differentiated appropriations, in certain cases non-differentiated appropriations, commitment appropriations and payment appropriations not used at the end of a financial year may be carried over to the next year.

Execution of the 1990 budget

Although economic growth slackened in 1990, the total appropriations for payments required as stipulated in the financial perspective (1.06% of GNP) was well below the own resources ceiling set for the year (1.18% of GNP). Not all the amounts allowed by the financial perspective were entered in the budget, in particular as regards EAGGF Guarantee Section expenditure; the appropriations for payments actually entered in

the 1990 budget represented only 0.97% of Community GNP.

Table 1 shows the utilization, in both commitments and payments, of appropriations available in 1990. It also shows the amount of commitments outstanding at the end of 1990. Table 9 breaks down this amount for operations with differentiated appropriations.

As regards own resources for 1990, the overall outturn in relation to forecasts was around 94%. Receipts from customs duties suffered most from the unfavourable economic situation in 1990, mainly because of the decline in world trade (leading to imports being 3% lower than forecast) and the fall in the value of the dollar (by some 10% between November 1989 and October 1990).

The Financial Regulation

The revision of the Financial Regulation, the legal base both for drawing up and for implementing the general budget of the Communities, was adopted by the Council on 13 March 1990 at the end of a long procedure involving all the institutions.

This new Financial Regulation is an essential complement to the 1988 reform of the Community's finances, since it improves the conditions for the establishment and implementation of the general budget, updates a number of existing provisions, supplements the old version to take account of the development of certain policies such as external aid policy, and introduces provisions to improve relations between the institutions and to modernize the management of the Community's finances. It stresses the idea of sound financial management based on principles of economy and cost-effectiveness.

TABLE 1
Implementation of the budget in 1990

Revenue*(million ECU)*

Forecasts of revenue in the 1990 budget	46 928.2
Revenue in 1990	46 469.2

Expenditure

	Differentiated appropriations (multiannual operations)		Non-differentiated appropriations (administrative expenditure and annual operations)		Total	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Available appropriations:						
Entered in 1990 budget	15 842.2	13 562.4	33 365.8	33 365.8	49 208.0	46 928.2
Other	277.6	46.4			277.6	46.4
Carried over from 1989:						
• automatic carry-overs				380.4		380.4
• other carry-overs	92.3	57.8	3.8	3.8	96.1	61.6
Total available	16 212.1	13 666.6	33 369.6	33 750.0	49 581.7	47 416.6
of which:						
Appropriations used in 1990	15 279.9	12 975.4	30 528.4	30 349.4	45 808.3	43 324.8
• entered in 1990 budget	(14 937.9)	(12 934.0)	(30 525.1)	(30 017.9)	(45 463.0)	(42 951.9)
• other	(260.4)	(27.0)			(260.4)	(27.0)
• carried over from 1989	(81.6)	(14.4)	(3.3)	(331.5)	(84.9)	(345.9)
Appropriations carried over to 1991	246.7	205.1	691.3	1 198.5	938.0	1 403.6
• automatic carry-overs				(507.2)		(507.2)
• other carry-overs	(246.7)	(205.1)	(691.3)	(691.3)	(938.0)	(896.4)
Appropriations lapsing	685.5	486.1	2 149.9	2 202.1	2 835.4	2 688.2
Utilization rate	94%	95%	92%	90%	92%	91%
Commitments outstanding at 1.1.1990	16 579.2		380.4		16 959.6	
of which:						
Cancelled	397.8		52.2		450.0	
• corresponding appropriations made available again in 1991	(74.2)					
• other	(323.6)					
Paid	5 615.8		328.2		5 944.0	
Outstanding at 31.12.1990	10 565.6		—		10 565.6	
Commitments made in 1990	15 279.9		30 528.4		45 808.3	
of which:						
Paid	7 359.7		30 021.2		37 380.9	
Outstanding at 31.12.1990	7 920.2		507.2		8 427.4	
Total commitments outstanding at 31.12.1990	18 485.8		507.2		18 993.0	

Table 1 shows the year's outturn (as defined and presented in the second part of the report) as the difference between the year's revenue of ECU 46 469 million and the 1990 appropriations for payments used during the year (ECU 42 979 million) plus the ECU 1 400 million in appropriations for payment carried over to 1991.

The Communities' currency unit is the ecu, a 'basket' of the 12 Community currencies, the composition of which is periodically adjusted (see Figure 2). The importance of the ecu market today is demonstrated by the volume of loans raised in this currency in 1990 (14 billion) and the average volume of daily transactions on world exchanges (2 to 5 billion according to the estimates of the banks operating on this market).

Use of the ecu in executing the 1990 budget

The ECU 10 billion purchased with Community currencies on the world market in 1990 as against ECU 5 billion in 1989 was evidence of the Community institutions' determination to make full use of the ecu (see Figure 3).

Some major sections of the budget, such as research, energy policy, and the supply of goods and services to the institutions, have been implemented in ecus for some time now. The volume of these operations came to ECU 3.7 billion in 1990 and an additional ECU 6.3 billion was paid out under the structural Funds (see Figure 4).

Main events in 1990

In July 1990 the Commission adopted a Regulation on arrangements for using the ecu for the purposes of the budgetary management of the structural Funds, which states that grants made by the Commission are to be paid in ecus to the authority designated by the Member State to receive the payments. Under this Regulation, the Member States must notify the Commission of the banking instructions to be used for the payment of the ecus. This has largely been done. This new provision led to ECU 5.2 billion more being used in 1990 than in 1989.

FIGURE 2
The composition of the ecu



FIGURE 3

(billion ECU)

Volume of payments and purchases of ecus, 1986-90

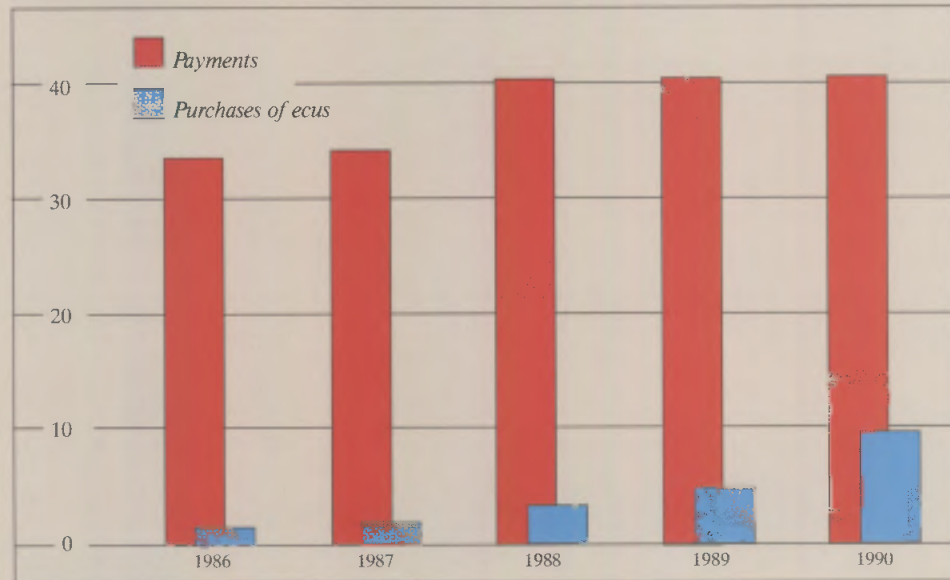
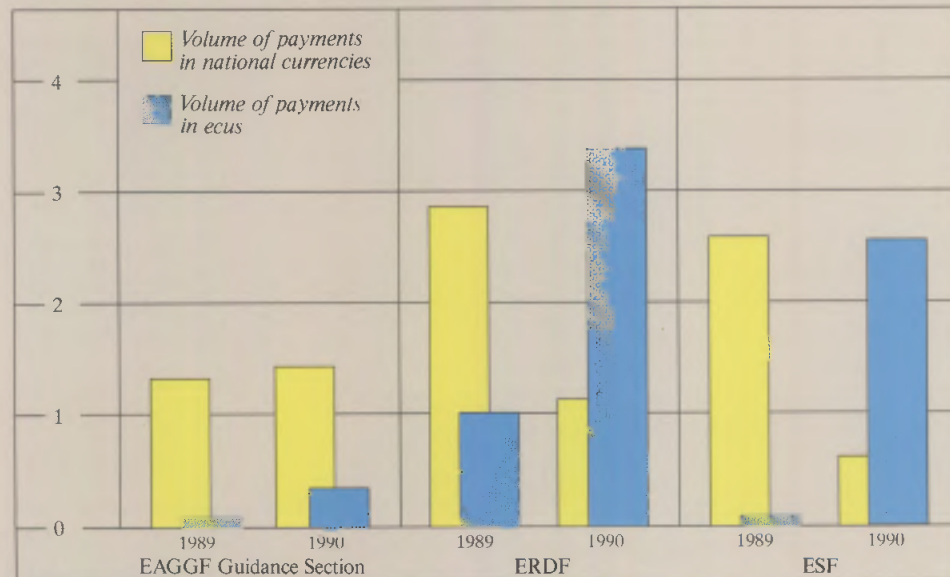


FIGURE 4

(billion ECU)

Structural Funds — Payments in ecus and in national currencies in 1989 and 1990



In September 1990 the Commission adopted and sent to the Council a proposal for a Regulation concerning the payment of officials' salaries and pensions in ecus. Preliminary negotiations are now under way with the banks for the application of these arrangements and steps will be taken to encourage officials to retain as much of their salaries and pensions as possible in ecus.

This provision, if adopted by the Council and Parliament, will increase ecu payments by more than 1 billion a year once all salaries and pensions are paid in ecus. Its main importance as regards promoting private use of the ecu is in the increase in the number of potential users.

Acquisition of ecus

The Commission buys the ecus it needs to implement its budget on the interbank exchange market, systematically calling on a number of banks to compete for each operation. It also distributes its purchases as harmoniously as possible to avoid any destabilization of the market.

REVENUE

The Community budget was financed from a number of sources in 1990, in the proportions shown in Figure 5. Total revenue came to ECU 46 469 million.

Traditional own resources

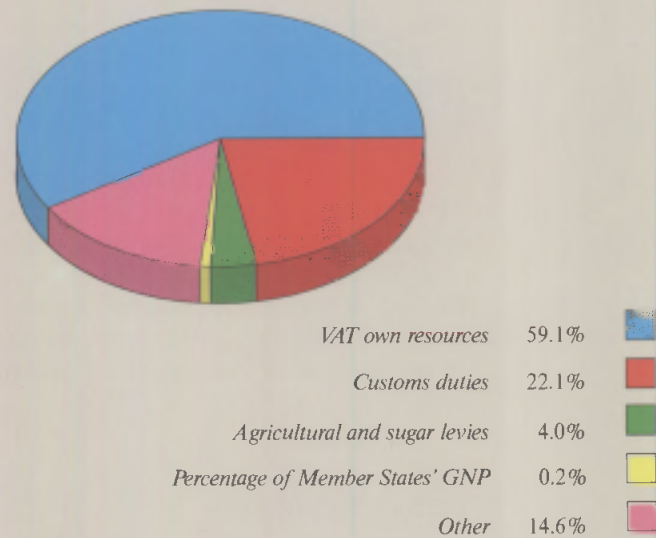
The Communities' traditional own resources are made up of customs duties, agricultural levies and sugar levies. They are established by the Member States, which keep 10% to cover collection costs.

The Communities receive customs duties in respect of trade with non-member countries, based on the Common Customs Tariff. These rates are subject to regular reductions as a result of negotiation rounds under the General Agreement on Tariffs and Trade (GATT). The favourable circumstances observed in 1989 were not repeated in 1990 and there was a drop in the duty collected as a result of the adverse trend of non-oil prices and the fall in the value of the dollar.

Agricultural levies are charged when a Member State imports agricultural products from a non-member country. Their purpose is to offset differences between world prices and the Community price. As the Member States have become increasingly self-sufficient in agricultural products, the proportion of Community revenue accounted for by agricultural levies had declined. The yield in 1990 was lower than in 1989 as a result of agreements with non-member countries on products such as maize and sorghum, and the fall in imports, in particular imports of common wheat.

Sugar and isoglucose producers pay levies on production to cover market support arrangements and to finance a system of equalization of sugar storage costs introduced to ensure that sugar is released on the market regularly throughout the year. These levies do not increase the Community's net resources, since they are offset by expenditure of virtually the same amount. Because of the way the sugar market developed in 1990, the expenditure to be financed was far lower than in 1989 and as a result the levies fell.

FIGURE 5
Revenue of the Communities in 1990



VAT own resources

The VAT paid into the budget by the Member States is determined by applying a uniform rate to their uniform VAT bases in accordance with Community rules. The maximum rate applicable has been fixed at 1.4%, and the base used must not exceed 55% of a Member State's GNP. In 1990 this capping of the VAT base applied in four Member States — Ireland, Luxembourg, Portugal and the United Kingdom.

The uniform rate is determined by applying 1.4% to the Member States' VAT bases, capped where necessary at 55%, and incorporating the correction made to compensate the United Kingdom for the imbalance in its net contributions to the budget. The payments of the other Member States are increased by their share in financing this compensation.

Payments for a given year derive from the estimates for that year and the negative or positive adjustments for previous years established from the final statements of the bases. Since economic activity in the Community in 1989 had been more vigorous than expected, the Member States made positive corrections in 1990.

GNP-based own resources

A new source of revenue based on a proportion of each Member State's GNP was first introduced in 1989 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. The rate is fixed during the budgetary procedure and depends on the total of other revenue; the rate is applied to the aggregate GNP of all the Member States, determined in accordance with Community rules.

Because of the large surplus available from the previous financial year there was no need to call in this additional resource in 1990. However, four Member States had to finance their share of the compensation for the United Kingdom by making a payment based on GNP so that their VAT payments would not exceed 1.4% of their VAT base.

Miscellaneous revenue

The general budget is also financed by miscellaneous revenue, including tax and other deductions from staff remuneration, bank interest, contributions to research programmes and repayments of unused Community aid.

The surplus available from the previous financial year also counts as revenue. The revenue for 1990 includes ECU 4 464 million of the ECU 5 080 million surplus from 1989. The remaining ECU 616 million has been carried over again and included with the revenue for 1991.

FIGURE 6
Revenue, 1981-90

(billion ECU)

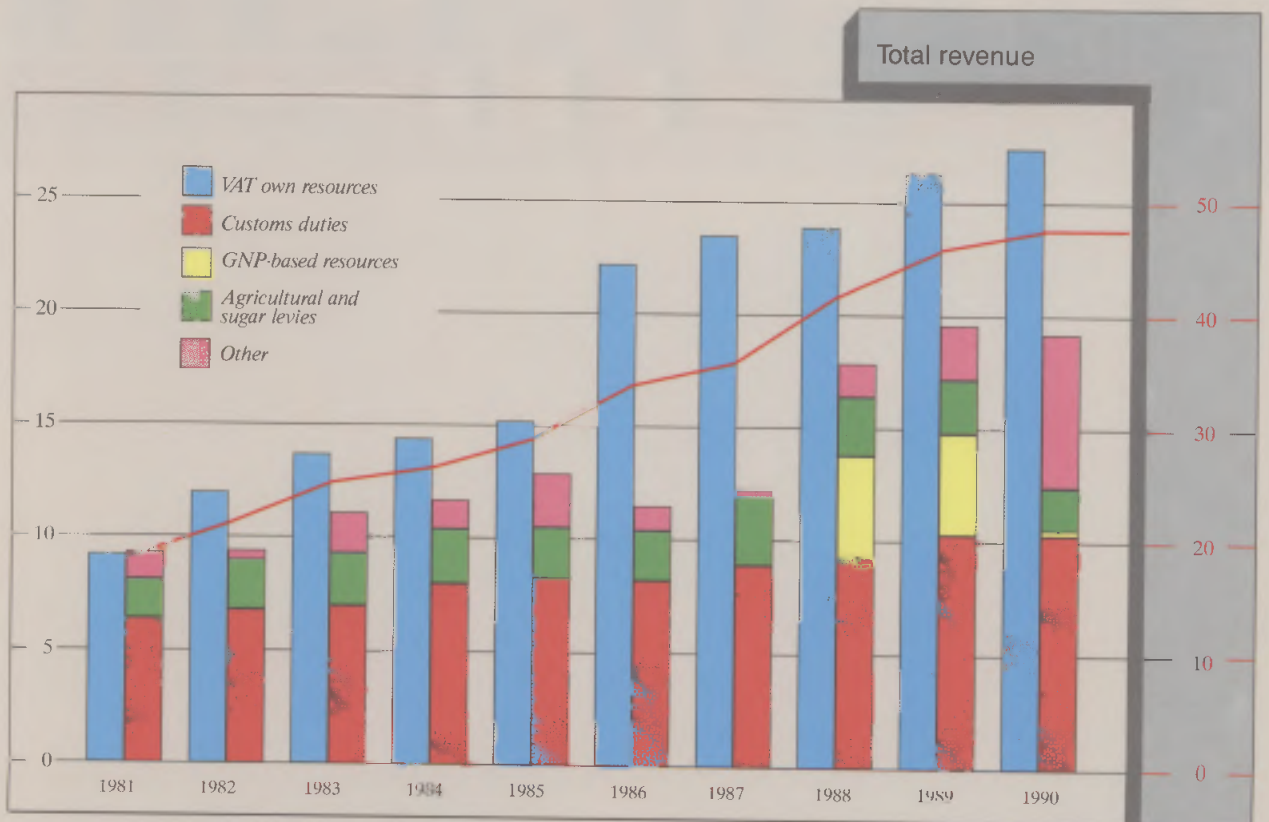
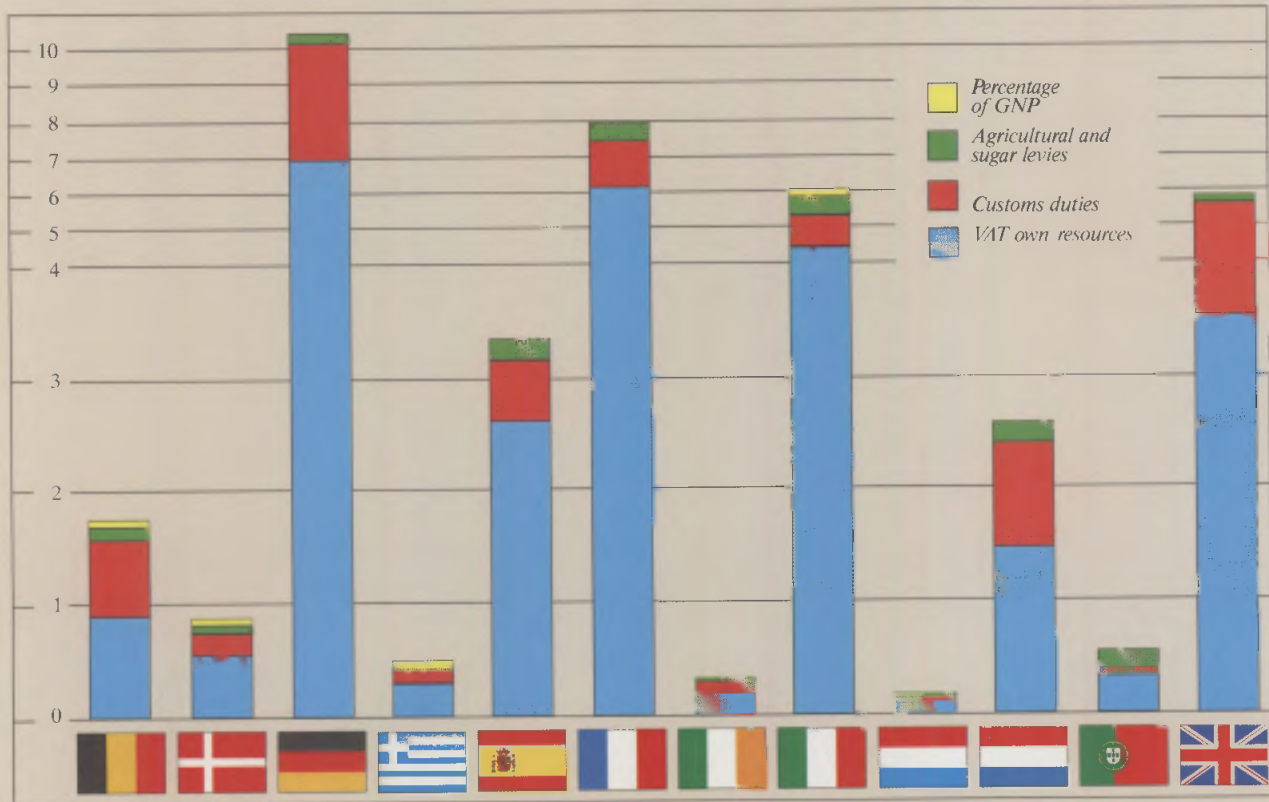


FIGURE 7

Own resources by Member State in 1990

(billion ECU)



Appropriations for commitments available in 1990 totalled ECU 49 582 million. Figure 8 gives the breakdown by sector of amounts actually committed.

Agricultural market guarantees

Objectives and means

Article 38 of the EEC Treaty provides that the common market shall extend to agriculture and trade in agricultural products, and that the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States. Article 39 defines the objectives of the common agricultural policy as:

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

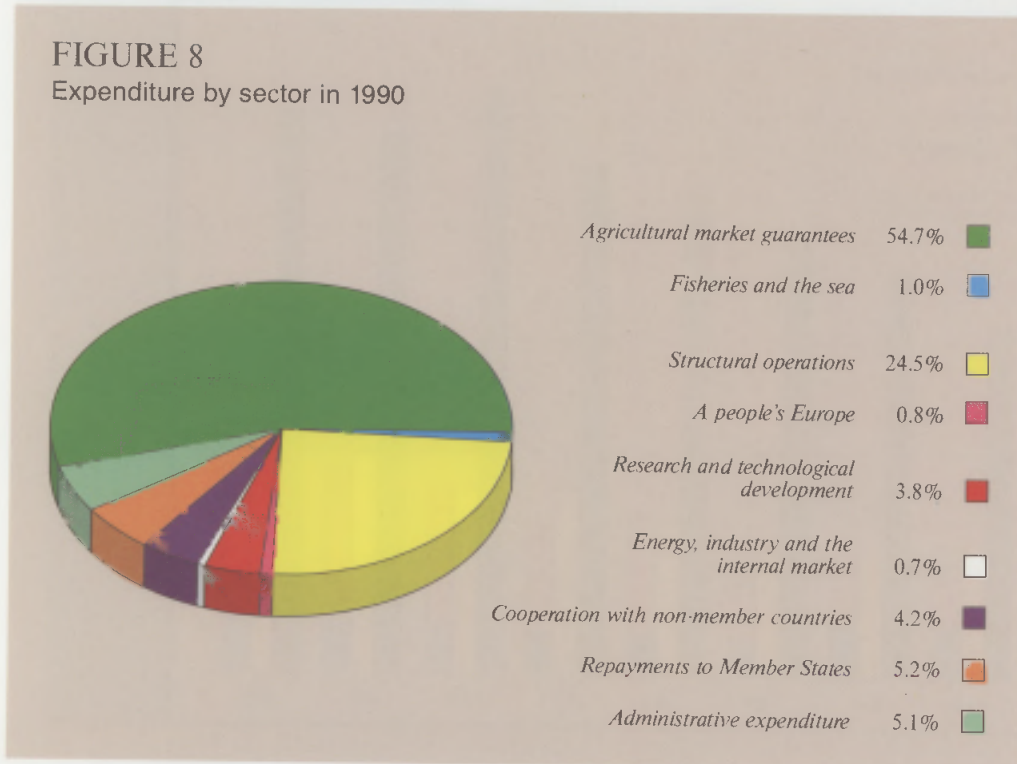
In pursuit of these objectives, the common market in agricultural produce is based on three principles: the single market, Community preference and financial solidarity. The third of these principles is fundamental to the policy, and in April 1962 the Member States accordingly decided to set up a Community fund — the European Agricultural Guidance and Guarantee Fund (EAGGF) — which is part of the Community budget. It is subject to the general budgetary rules, with the addition of specific provisions.

The Fund was subdivided into two sections in 1964: the Guarantee Section covers Community expenditure on markets and prices and the Guidance Section covers expenditure on farm structures.

Constraints

In June 1988, when own resources had run out as a result of ever-increasing agricultural expenditure, the European Council agreed principles of budgetary discipline in order to establish a better balance between the various categories of expenditure and keep their growth under control.

FIGURE 8
Expenditure by sector in 1990



To bring agricultural expenditure under control, the European Council adopted a guideline figure of ECU 27 500 million for 1988, the annual growth rate not to exceed 74% of the growth of Community GNP. Within this guideline the EAGGF Guarantee Section has to finance:

- export refunds;
- market intervention operations, including depreciation of new stocks;
- half of set-aside expenditure;
- market-related rural development operations and measures to combat fraud;

The amounts available under the guideline are not used to finance:

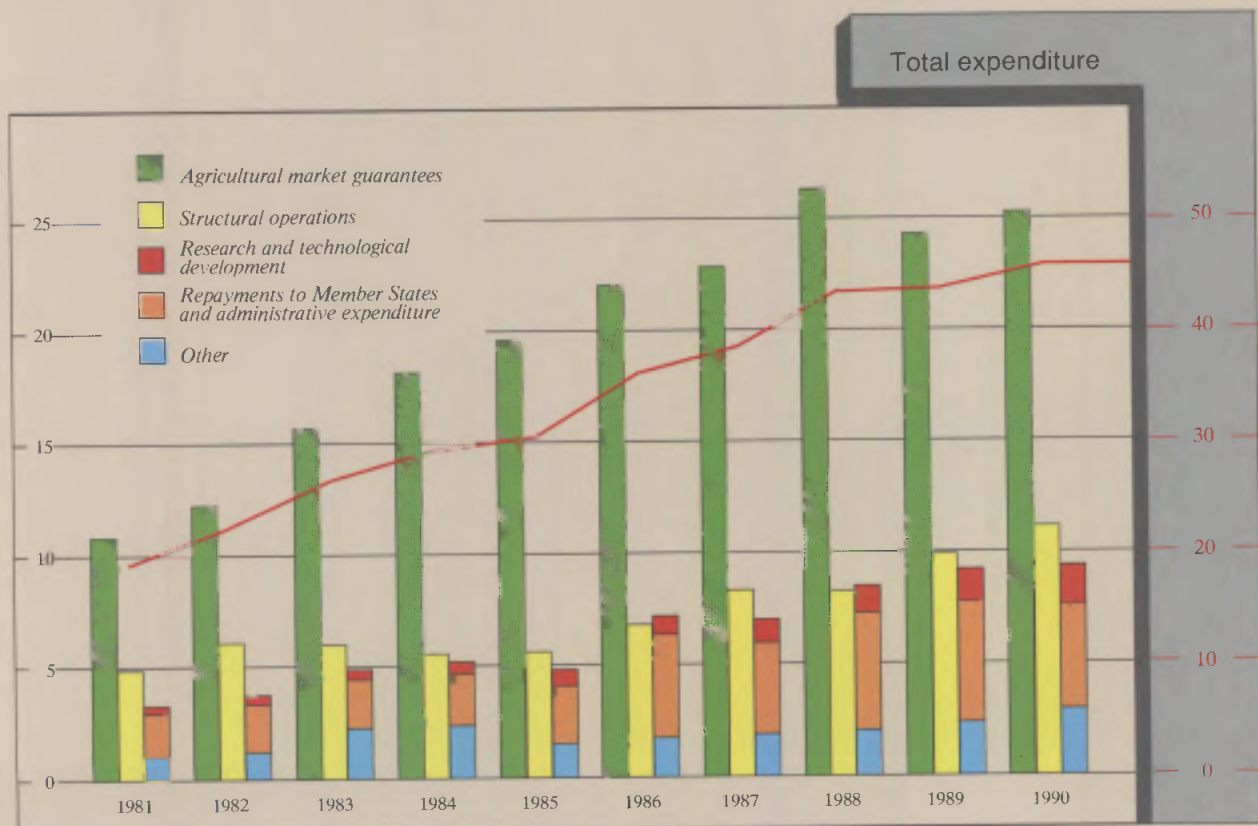
- depreciation of old stocks;
- reimbursement to the Member States of amounts advanced by them to cover the special butter sales programme of 1987 and 1988.

EAGGF Guarantee Section appropriations available in 1990 were as follows:

	<i>(million ECU)</i>
Functioning of agricultural markets	26 434
Set-aside	70

FIGURE 9
Expenditure, 1981-90

(billion ECU)



Functioning of agricultural markets

At ECU 25 048 million, the appropriations finally used were ECU 1 386 million less than the amount entered in the budget. The gap is the result chiefly of trends on agricultural markets and changes in the parameters influencing these markets; savings made as a result of the clearance of earlier years' accounts (ECU 378 million) were virtually matched by the additional expenditure on refunds and production aids (ECU 370 million) resulting from changes in the dollar/ecu rate, which at 0.86 was lower than the 0.89 assumed in the budget.

Of the ECU 1 386 million of unused appropriations, ECU 686 million was carried over to 1991, notably for the payment of premiums for grubbing-up vines (ECU 210 million) and for granting food aid to the Soviet Union (ECU 250 million).

Fluctuations in the parameters affecting agricultural markets (world prices, production, consumption, etc.) also had an impact on the budget, sometimes positive and sometimes negative; transfers totalling ECU 2 618 million had to be made between chapters.

Some chapters, mainly protein plants, tobacco, milk products, beef/veal, sheepmeat, pigmeat and monetary compensatory amounts, had insufficient appropriations.

Additional needs arising in relation to protein plants were caused chiefly by:

- the underestimation of the peas and field beans harvest when the stabilizers were set, with the result that the abatement applied to production aid was not sufficient;
- the faster pace of requests for payment of production aid for peas and field beans for the 1990/91 marketing year;
- the rise in the production of dried fodder, for which there is no stabilization mechanism.

Additional requirements for tobacco were the result of a 1989/90 harvest of 411 000 tonnes reported by the Member States, compared with the estimates of 396 000 tonnes used in establishing the budget.

The shortfall of appropriations for milk products was due to a combination of factors:

- unexpectedly high production, notably following the 1% increase in quotas decided on by the Council;
- lower export possibilities;
- a further decline in butter consumption and a sharp drop in the volume of skimmed milk allocated to subsidized sales schemes;
- falling world prices from the autumn of 1989.

Expenditure in excess of appropriations for beef/veal was also caused by the development of a series of parameters which depressed prices and provoked massive intervention:

- there was an increase in production prompted by the firm prices at the end of 1989;
- domestic demand fell under the impact of the BSE (mad cow disease) epidemic and the summer heatwave;
- some export outlets were lost as a result of the Gulf crisis.

The appropriations for sheepmeat proved inadequate because the second advance on the ewe premium for the 1990 marketing year was paid early, the Commission having decided to provide support for producers suffering from falling market prices.

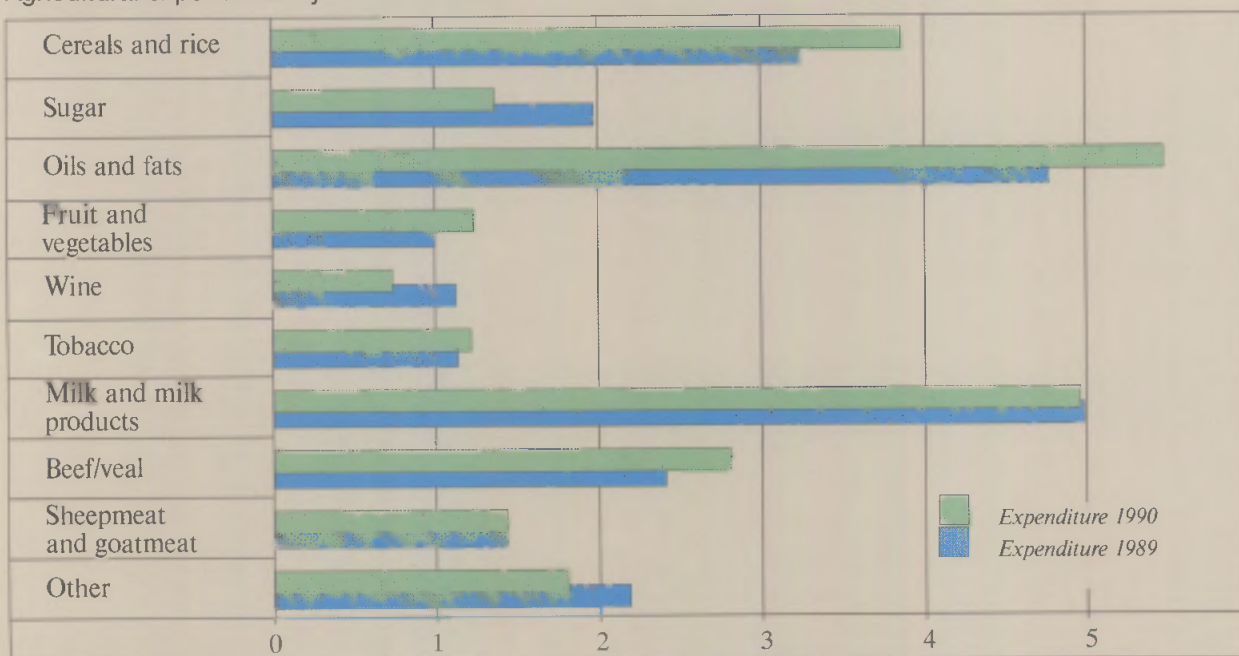
The cost of measures to combat the swine fever epidemic was behind the overspending on pigmeat.

The falling value of sterling and the drachma were the cause of the expenditure overrun on MCAs.

FIGURE 10

Agricultural expenditure by sector in 1990

(billion ECU)



In other chapters, by contrast, appropriations were substantially underspent, the main areas being cereals and rice, sugar, oils and fats, wine, processed agricultural products and miscellaneous expenditure.

Underspending on cereals was the result of a 1989/90 harvest of 162 million tonnes, which was below the forecast of 167 million tonnes, thus reducing the need for intervention buying.

Sugar exports were below forecast, and the budgetary impact of this was compounded by a fall in refund rates since world prices held firm throughout the 1989/90 marketing year.

Appropriations for oils and fats were underspent chiefly because tighter controls in Italy helped to reduce the amounts of production aid for olive oil.

The underutilization of wine appropriations is attributable to the poor table wine harvest of 1989 and to delays in payment of grubbing premiums caused by changes to the financing scheme.

The favourable budgetary situation for processed agricultural products was the result of firm world prices for sugar and cereals for much of the year.

Savings in the other areas of expenditure were the result of the positive impact of the clearance of accounts mentioned above, delays in implementing the food aid programme and world prices that were generally higher than the estimates used in establishing the budget.

Set-aside

Delays in the implementation of the regulations by the national authorities kept the utilization of 1990 budget appropriations to the relatively low figure of only ECU 42 million (50% being charged to the EAGGF Guarantee Section and 50% to structural operations).

Fisheries and the sea

A growing volume of resources was devoted to the Community policy on fisheries and the sea in the 1980s. The main areas of this policy are access to, conservation of and management of resources, the common organization of markets, structural operations to improve productivity and the conclusion of fishing agreements with non-member countries.

In 1990 appropriations were 33% up on the previous year at ECU 466 million. Of this total ECU 443 million was committed. Appropriations to cover financial obligations flowing from agreements on fishing rights in the waters of non-member countries were fully committed, as were the appropriations to finance surveillance and control measures, where the bulk of expenditure is now based on a regulation which organizes Community activity until 1994.

Under the new arrangements, however, price and catch trends kept intervention for fisheries products below forecast. Expenditure on modernization and restructuring under the European Fisheries Guidance Fund was also below forecast, chiefly because of the low volume of requests for aid for the temporary or definitive withdrawal of fishing vessels.

Structural operations

Since the beginning of the European integration process, three structural Funds have been set up to promote harmonious economic and social development in Europe: the European Social Fund (ESF) in 1958, the Guidance Section of the European Agricultural Guidance

and Guarantee Fund (EAGGF) in 1964 and the European Regional Development Fund (ERDF) in 1975.

The 1986 Single European Act provides for close cooperation between the three Funds so that they may contribute effectively, with a large injection of additional funds, to the achievement of five priority objectives: the development and structural adjustment of the regions whose development is lagging behind, conversion of the regions seriously affected by industrial decline, the fight against long-term unemployment, the occupational integration of young people, and, finally, the adjustment of agricultural structures and the development of rural areas.

There are other programmes under the Communities' structural policy, in particular the specific industrial development programme for Portugal (Pedip), the integrated Mediterranean programmes (IMPs) and transport policy.

The following appropriations were available for commitments in 1990:

	<i>(million ECU)</i>
EAGGF Guidance Section	1 927
ERDF	5 342
ESF	4 100
Other structural operations	918

Activity of the three structural Funds

The 1990 budget earmarked ECU 11 369 million for operations under the three structural Funds in line with the plan for doubling the appropriations allocated to the structural Funds between 1988 and 1992.

A total of ECU 10 658 million was actually committed — ECU 1 925 million under the EAGGF Guidance Section, ECU 5 228 million under the ERDF and ECU 3 505 million under the ESF.

Structural Fund appropriations 1989-93

<i>Objective</i>	<i>(million ECU)¹</i>
1. Regions whose development is lagging behind:	38 300
● Community support frameworks	36 200
● Community initiatives	2 100
2. Regions affected by industrial decline	7 205
3 + 4. Long-term unemployment and occupational integration of young people	7 450
5a. Adjustment of agricultural structures	3 415
5b. Development of rural areas	2 795
Transitional and innovatory measures	1 150
Total	60 315

¹ At 1989 prices.

During the year, transfers were made to the EAGGF Guidance Section from the other two Funds to speed up the introduction of the new operations provided for by the reform and to honour obligations resulting from measures in the previous period. The main reason why ECU 114 million, i.e. 2.1% of the appropriations available, was not used under the Regional Fund was the delay in implementing the programmes of Community initiatives to supplement the Community support frameworks in sectors of particular interest to the Communities and not covered by the plans put forward by the Member States (e.g. environment, energy, research, remote regions). Underutilization was far more pronounced under the Social Fund (ECU 595 million, i.e. more than 14% of the appropriations available), mainly because 1990 was the first year in which the 1988 reform was implemented and because the adjustment to the new rules, in particular the switch from project-based management to programme-based management, was trickier than expected.

The underutilization of appropriations in 1990 is the result of delays in carrying out operations under the Funds; there is no question of any change in the objectives of Community assistance or in the breakdown between them. Financial and budgetary mechanisms ensure that the appropriations for the Funds will still be doubled by 1993 despite this underutilization: all the appropriations not used will be carried over, made available again or re-entered in the budget depending on the type of problem encountered and the prospects for utilization.

In parallel with these budgetary aspects, work continued on establishing and introducing the various instruments provided for in the 1988 reforms. The final Community support frameworks (for promoting the development of rural areas) were adopted in July, the Commission adopted its regulations on use of the ecu and interest on late payment and it will continue to set up, with its national partners, the various committees to monitor the Community support frameworks and the various forms of assistance.

Other structural operations

As in previous years, the appropriations allocated for the specific industrial development programme for Portugal (Pedip) in 1990 were used in full. This programme, adopted in 1988 and providing additional Community assistance of ECU 100 million a year between now and 1992, is thus running smoothly.

On the other hand, implementation of the 1990 tranche of the integrated Mediterranean programmes again failed to come up to expectations, with only ECU 226 million being used out of the ECU 344 million entered in the budget. However, this was an improvement on 1989. While the French IMPs are proceeding satisfactorily and the Greek IMPs are now more efficient, the implementation of some IMPs is still encountering major difficulties, particularly as regards coordination of the various national levels of assistance.

Finally, a regulation introducing an action programme in the transport infrastructure sector was adopted in 1990. This regulation, which had been awaited for a number of years, not only served as a basis for the utilization of the appropriations for 1990 but also lays down priorities in the transport sector for 1991 and 1992. This medium-term programme reflects the concern to satisfy the transport requirements of the single market by providing the necessary links between national networks and is evidence of the special attention given to outlying areas to ensure economic and social cohesion.

A people's Europe

Various policies are conducted at Community level to enhance the human aspect of Europe. They relate to various sectors of activity for which the following appropriations for commitments were available in 1990:

	<i>(million ECU)</i>
Education, vocational training and youth policy	155
Employment, social protection and public health	81
Protection of the environment	52
Consumer protection	9
Information, communication and culture	45
Aid to disaster victims in the Community	24

In addition to the operations financed by the European Social Fund as part of its structural measures, the Community budget allocated more than ECU 150 million in 1990 to operations on education, vocational training and youth policy. These appropriations, which were used in full in 1990, are mainly to finance the Community's major exchange and training programmes as well as the operations of the European Centre for the Development of Vocational Training in Berlin. The second stages of Eurotecnet,¹ Comett² and Erasmus³ started in 1990 and the Lingua programme⁴ was launched.

As regards living and working conditions, the 1990 appropriations, which were used in full, made it possible to continue a large number of measures to improve health and safety at work, integrate less-favoured groups, fight poverty and improve public health (campaigns against cancer, AIDS, alcohol and drug abuse).

As regards the environment, in 1990 the Council adopted the regulation setting up the European Environment Agency. The Commission also continued operations under the multiannual direct action programmes provided for in the 1990 budget.⁵ Finally, acting on the guidelines of the Dublin European Council and at the prompting of Parliament,

the Commission approved in late December the broad outline of a new large-scale initiative taking the form of a financial instrument for the environment which will have considerable financial consequences in the years ahead.⁶

The Community continued and stepped up its measures to protect and promote consumers' interests and adopted a three-year action plan to this effect.

As regards Community operations in the information, communication and culture sector, the 1991-95 action programme was adopted to promote the development of the European audiovisual programmes industry.⁷ This will serve as a basis for expanding operations which have been under way for a number of years and will provide the legal and technical base enabling them to play their full role in the development of the new audiovisual technologies.

The Community granted aid of ECU 7 million to victims of the various disasters (storms and earthquakes) which hit some regions of Europe, and continued its measures (interest subsidies on exceptional loans) to reconstruct the regions hit by the 1980, 1982 and 1986 earthquakes.

¹ Eurotecnet: European technical network.

² Comett: Community programme in education and training for technology.

³ Erasmus: European Community action scheme for the mobility of university students.

⁴ Lingua: Promotion of the teaching and learning of foreign languages in the European Community.

⁵ ACE: Action by the Community on the environment. Acnat: Action by the Community relating to nature conservation.

Medspa: Mediterranean special programme of action.

⁶ LIFE: Financial instrument for the environment.

⁷ Media: Measures to encourage the development of the audiovisual industry.

Research and technological development

In the early 1960s Community research and technological development activities were confined to nuclear research under the Euratom Treaty, but in recent years they have acquired new importance as a means of strengthening the scientific and technological base of European industry and developing its international competitiveness. The Single Act established the dual machinery which governs these activities, Parliament being closely involved: multiannual framework programmes must first be adopted, laying down the main objectives of research and development activities and fixing the amounts judged necessary; these framework programmes are then to be implemented through specific programmes developed within each activity.

Research is undertaken in two forms: the first is direct action by the Joint Research Centre (JRC) with its four establishments (Ispra in Italy, Geel in Belgium, Karlsruhe in Germany and Petten in the Netherlands); the second is shared-cost projects undertaken with research centres, universities and firms with Community financial assistance, as well as concerted action, which takes the form of Community coordination of work conducted by the Member States.

The appropriations for commitment available for research and technological development in 1990 amounted to ECU 1 780 million, allocated as follows:

	<i>(million ECU)</i>
Direct action	255
Indirect action	1 525

A new framework programme for 1990-94 was endorsed by the Council on 15 December 1989 and got under way in 1990. In April the Commission adopted the bulk of the new proposals for specific programmes planned in the new framework programme for transmission to the Council and Parliament; the last two followed in July and September.

The proposals reflect the development in Community priorities. There is a substantial expansion in the share of resources devoted to the environment (ECU 414 million), biotechnology (ECU 164 million) and agro-industrial research (ECU 343 million), and to mobility of research scientists (ECU 518 million), though the amounts earmarked for information technology (ECU 1 352 million) and industrial technology (ECU 748 million) remain stable in absolute terms.

While the 1990-94 framework programme was getting under way, implementation of the 1987-91 programme continued. The last specific programmes were adopted by the Council in the course of the year.¹

The reform of the JRC, which was approved in 1988 and commenced in 1989, continued in 1990. The various JRC departments have been given more extensive operational and budgetary independence in pursuing activities classified under four heads: framework programme, support services for other Commission departments, exploratory research and work for outside bodies. There was substantial demand for work for other Commission departments in 1990, and several multiannual agreements were signed for the supply of services on a continuous, long-term basis in support of Community policies. The proportion of activities accounted for by work done for outside bodies expanded, though without yet reaching the desired levels. However, the JRC's clients have come to recognize that it can supply quality services and the JRC has been able to establish a series of formal links with laboratories in the Member States, which can be used as the basis for activities undertaken for outside bodies.

International scientific cooperation continued. The Commission adopted papers on scientific and technological cooperation with non-member countries and with Central and Eastern Europe.

¹ Agricultural research.
Human genome analysis.
Euret: Transport technology.
Eurotra: European translation.

Energy, industry and the internal market

Appropriations from the general budget finance a wide range of activities relating to energy, industry and the internal market in the run-up to 1992.

Appropriations for commitments available in 1990 were as follows:

	<i>(million ECU)</i>
Energy	68
Nuclear safeguards	6
Information market and innovation	47
Statistics	36
Internal market and industry	159

Virtually all these appropriations were committed.

Beginning with energy, and more particularly with energy technology, the Council adopted the Thermie programme¹ on 29 June 1990, on a Commission proposal. This five-year programme, running from 1990 to 1994, with estimated resources of ECU 350 million for the period to 1992, is an important step towards the objective of promoting new technologies relating to energy efficiency, renewable sources of energy, solid fuels and oil and gas.

Under this programme the budgetary authority released a first financial support package worth ECU 45 million for 1990. On 3 October the Commission adopted a proposal for a regulation to promote energy efficiency in the Community during the period from 1991 to 1995 (the SAVE programme²).

Turning to nuclear safeguards, two new reprocessing plants have now been built and put into operation, which means that local safeguards facilities and laboratories must be established so that the Commission can perform its functions under Articles 77 and 78 of the Euratom Treaty. Work will take about four years.

As regards the promotion of innovation and technology transfer, calls for tenders were issued under the Sprint programme³ for the transfer of technology between industries and regions and for the establishment of an innovation observatory. The Commission continued its work on development of the information services market with the Impact programme⁴ and approved a set of proposals on personal data protection and information systems security.

The implementation of the priority action plan on statistics adopted in 1989 was at the centre of statistical activity in 1990, particularly as regards specific programmes set up under provisions of the Single European Act or in support of Community policies.

Progress towards completing the internal market programme set out in the Commission White Paper, by means of the new approach to technical harmonization and standardization set out in the resolution of 7 May 1985, was given added impetus in 1990. Standardization responsibilities are entrusted to European standardization organizations, which receive substantial funding from the Community budget. The Commission also continued its endeavours to open up public works and services contracts, notably through the 'S' series of the Official Journal, and further coordinated the procedures for the award of such contracts.

The achievement of a single market in telecommunications equipment and the development of harmonization continued in 1990 with practical actions (publication of a Green Paper on satellite telecommunications and several Commission proposals and Council decisions). In the teleprocessing area, the Commission adopted a report on the first phase of Tedis,⁵ proposed a decision regard-

¹ Thermie: European technologies for energy management.

² SAVE: Special action programme for vigorous energy efficiency.

³ Sprint: Strategic programme for the transnational promotion of innovation and technology transfer.

⁴ Impact: Information market policy actions.

⁵ Tedis: Trade electronic data interchange system.

ding the second stage and launched strategic studies to evaluate and, if necessary, reorientate Insis¹ and Caddia.²

Under the multiannual (1990-93) programme for business development, aimed particularly at small and medium-sized firms, 1990 saw an extension of the network of Euro-Info Centres and the experimental stage of BC-Net.³ A new consolidation and development stage for BC-Net was launched.

The Commission pursued and stepped up its measures to promote exports to the Japanese market, notably through its executive training programme and specific measures for individual industries.

Cooperation with non-member countries

For a long time, cooperation with non-member countries financed under the general budget concerned only developing countries, taking the form of food aid or other forms of cooperation with countries in the Mediterranean basin, Asia and Latin America.

In 1990 cooperation with non-member countries was extended to the countries of Central and Eastern Europe, where support was given to reforms undertaken following the events of 1989.

Quite separate from this, other operations are financed from the European Development Fund under the Lomé Conventions. ECU 829 million was committed in 1990 for the countries of Africa, the Caribbean and the Pacific.

The appropriations for commitment under the general budget available in 1990 were as follows:

	<i>(million ECU)</i>
Cooperation with Central and Eastern Europe	500
Food aid	560
Other forms of cooperation with developing countries and other non-member countries	897

Virtually all these appropriations were committed.

Economic assistance to Central and Eastern Europe began in 1990. Originally it was organized for Poland and Hungary, but the Phare operation⁴ was extended to other countries in the course of the year. The aim of Community assistance is to support the economic reform process and encourage the changeover to a market economy and free enterprise. Financial and technical assistance is provided so as to help satisfy immediate needs linked to maintaining the production of goods and services which are vital to the economies of the relevant countries, to preparing industry development plans and to supporting projects which may subsequently receive additional assistance from other countries belonging to the Group of 24. Financing decisions taken in this context have been directed primarily towards the modernization of agriculture, industrial restructuring, investment promotion, environmental protection, and education and training.

Food aid figures large among the forms of assistance given to developing countries. It is given in various forms ranging from emergency aid to longer term forms of assistance to raise the general standard of nutrition, improve food security and, through integrated development programmes, to contribute to the balanced economic and social development of the assisted areas. Depending on specific needs, aid may be given for free distribu-

¹ Insis: Interinstitutional information system.

² Caddia: Cooperation on automation of data and documentation on imports/exports and agriculture.

³ Business cooperation network

⁴ Phare: Poland and Hungary — aid for economic restructuring.

tion to the population, or for sale on local markets (the proceeds being used to finance rural or other projects in the recipient country) or, in certain cases, in the form of food purchased in one developing country for use as food aid to another country (triangular operations).

Other areas of cooperation include development cooperation with countries of Asia and Latin America (ECU 380 million) and countries on the southern and eastern rims of the Mediterranean (ECU 233 million); specific aid measures including support for initiatives taken by non-governmental organizations (ECU 125 million); emergency and exceptional operations including disaster aid and positive measures concerning South Africa (ECU 138 million); and miscellaneous measures including trade promotion flowing from cooperation agreements with various countries (ECU 21 million).

The major Community effort in favour of developing countries in Asia and Latin America takes the form of a programme of support for projects situated particularly in the least prosperous countries and focused on rural development and the improvement of food production. In 1990, 62.5% of these commitments concerned Asia and 37.5% concerned Latin America (as against 69.0% and 31.0% respectively in 1989). Other measures include trade promotion, energy cooperation, joint ventures in investment projects and regional integration.

Aid granted to Mediterranean countries is largely based on a series of financial protocols annexed to agreements with the various recipient countries. The financial protocols provide for a mixture of outright grants for various development projects and loan finance provided by the European Investment Bank, supported in most cases by interest subsidies charged to the general budget.

In 1990 the Commission made proposals for guidelines and policies to be followed in the

years to come as regards cooperation with the countries of Asia and Latin America and with the southern and eastern Mediterranean countries. It pointed to the need to add a new form of economic aid to the traditional forms of development aid directed to the poorest sectors of the population, adjusted for the development needs of the recipient countries (strengthening manufacturing and services, transfers of know-how, etc.) so that those countries could take better advantage of the new prospects offered by the single market. Specific attention would also have to be paid to environmental cooperation. In December the Council accordingly adopted new guidelines for future aid in these two areas.

Commitments entered into concerning South Africa (ECU 30 million) chiefly cover measures taken via non-governmental organizations in favour of the poorest sectors of the population (training, health, humanitarian and welfare operations, etc.).

Community assistance is also channelled through non-governmental organizations. Development projects benefiting from this assistance are spread worldwide and are mostly small-scale, localized schemes in such fields as rural development, training and health.

Emergency and exceptional aid includes, first of all, the contingency fund used to finance emergency grants made in order to demonstrate Community solidarity in support of victims of natural disasters affecting non-associated countries. There is a similar provision within the European Development Fund for the 69 co-signatories of the Lomé Convention.

In 1990, the Community and the Member States also devoted ECU 98 million (ECU 59 million from the general budget) to assisting the victims of the Gulf crisis. Around 130 000 persons were repatriated, food aid was given to about 550 000, and assistance was provided with accommodation.

Repayments to Member States

The general budget includes appropriations to cover repayments by the Communities to the Member States.

The Act of Accession of Spain and Portugal provides for these countries to be reimbursed part of the Community resources they have paid in; the proportion to be reimbursed declines from 87% in 1986 to 5% in 1991, the rate for 1990 being 25%. Spain and Portugal are also compensated for their contribution to financing the depreciation of old agricultural stocks.

From 1988 to 1992 the Communities are also reimbursing to the Member States amounts advanced by them to cover foreseeable losses on agricultural produce in stock on 31 December 1986 and to finance the exceptional butter sales of 1987 and 1988. In 1990, ECU 1 361 million was reimbursed in this way.

Administrative expenditure

The general budget includes appropriations to cover the institutions' staff and administrative expenditure, representing 5.1% of total expenditure in 1990.

TABLE 2
Administrative expenditure in 1990

Institution	Establishment plan in 1990 budget (Permanent posts and temporary posts)	Staff (million ECU)	Administration (million ECU)
Parliament	3 482	297.4	129.1
Council	2 685	150.5	129.4
of which:			
Economic and Social Committee	(501)	(28.7)	(15.9)
Commission	16 720	1 276.9 ¹	524.9
of which:			
administrative staff	(13 435)	(1 071.0)	(454.2)
research and investment activities	(3 285)	(205.9)	(70.7)
Court of Justice	752	51.7	14.2
Court of Auditors	379	27.1	26.8
Total	24 018	1 803.6	824.4
¹ Includes the pensions paid to former employees of all the institutions (ECU 178.0 million).			

Parliament, the Council, the Commission, the Court of Justice and the Court of Auditors are all involved, to varying degrees, in the adoption, execution and control of the general budget of the Communities.

The Commission starts the budgetary procedure by drawing up a preliminary draft budget. This preliminary draft must respect the limits set by the financial perspective. It is based on the forecasts of expenditure on operations supplied by the Commission departments, forecasts of administrative expenditure made by each of the institutions and estimates of revenue. The preliminary draft is sent to the Council, where it is examined by the Permanent Representatives Committee and then by the Council proper, which establishes, by a qualified majority, the draft budget sent to Parliament.

The draft budget is first discussed by Parliament's Committee on Budgets, which, after consulting the other committees, proposes modifications to compulsory expenditure and amendments to non-compulsory expenditure.¹ These are then debated in the House when the budget is given its first reading.

The draft budget resulting from Parliament's first reading is returned to the Council for second reading. On second reading, the Council must secure a qualified majority to accept the modifications proposed by Parliament which increase expenditure and reject the other modifications or amendments. The final amount of compulsory expenditure is determined on the basis of the outcome of the Council's discussions during the second reading unless Parliament rejects the entire budget on second reading.

The second reading within the Committee on Budgets and in the House is mainly concerned with non-compulsory expenditure, for which Parliament may accept or reject the Council's proposals. Unless Parliament rejects the budget, its President then declares it finally adopted.

Responsibility for the implementation of the budget rests with the Commission, which, however, has two limits imposed on its freedom of action. First, the Financial Regulation does not give the Commission the power to implement the sections of the budget relating to the other institutions, by virtue of the principle of institutional autonomy on budgetary matters. Secondly, in connection with the expenditure on operations covered by the general budget, the Commission's autonomy is limited by the existence of committees of national experts appointed by the Member States whose role is to advise or, in some cases, more to direct operations (management and regulatory committees).

The budgetary implementation procedure is based on a series of provisions contained in the Financial Regulation and in the implementing rules. The principle underlying the procedure is the separation of the roles of authorizing officer (the administrator of appropriations, who is alone responsible for the commitment of expenditure, establishment of entitlements and the issue of payment and recovery orders) and accounting officer (who actually makes payments and recovers amounts due). Within each institution, there is also a financial controller who must grant prior approval for any expenditure or revenue operation.

The implementation of the budget is also permanently monitored throughout the financial year on the basis of the monthly and quarterly reports drawn up by the Commission. This leads to external controls of documents and on-the-spot controls by the Court of Auditors. The findings of the Court's audits are contained in annual reports on the implementation of the budget of the institutions, of the bodies they have set up, or in special reports on the management of a specific sector of Community activity.

Parliament and the Council examine the annual report on the accounts of the European Communities, together with the replies by the institutions, during the annual discharge procedure. After the Permanent Representatives Committee has examined the report, the Council adopts, by a qualified majority, a recommendation to Parliament to grant the Commission a discharge in respect of implementation of the budget. After examination by its Committee on Budgetary Control, Parliament gives, defers or withholds the discharge to the Commission on the basis of the annual report from the Court of Auditors and the recommendation from the Council.

Under the powers conferred upon it by the Treaties, the Court of Justice may also be asked to judge disputes relating to or affecting the budget and the finances of the Community.

¹ Compulsory expenditure is that which derives directly from the provisions of the Treaty or from secondary legalization; non-compulsory expenditure covers most expenditure other than that on agriculture and repayments to the Member States.

BORROWING AND LENDING OPERATIONS

In addition to the measures financed by the general budget, a number of Community operations are carried out using borrowed funds. The Communities have developed several instruments which give them access to capital markets. These external resources are used to finance various categories of loan to supplement loans granted from budget appropriations. This report deals only with borrowing and lending operations included in the Communities' financial balance sheet; it ignores operations carried out under the financial provisions of the ECSC Treaty (ECU 6 905 million in loans outstanding at 31 December 1990) and those carried out by the European Investment Bank from its own resources under the EEC Treaty (ECU 54 662 million in loans outstanding at 31 December 1990).

Should the recipient of a loan granted by the Communities default, the corresponding borrowing contracted by the Communities would be repaid by the general budget; some of the loans granted by the European Investment Bank from its own resources are backed by a guarantee from the general budget.

FIGURE 11

Community loans outstanding, 1981-90

(billion ECU)



Borrowing and lending for balance of payments support

After the first oil shock a Community borrowing facility was devised to help Member States which had had their balances of payments upset as a result of the rise in oil prices. The first loans were granted in 1976; the Council increased the volume of Community borrowings authorized under this facility to ECU 8 000 million in 1984 and to ECU 14 000 million in 1988. At 31 December 1990 loans outstanding totalled ECU 1 695 million.

Euratom borrowing and lending

Since 1977 the Communities have made use of this instrument, which was devised to finance investment projects involving the industrial generation of nuclear-based electricity and industrial fuel-cycle installations in order to reduce the Community's dependence on imported energy. In 1990 a Council decision increased the amount of borrowings which the Commission is entitled to raise under this facility to ECU 4 000 million. At 31 December 1990 outstanding loans totalled ECU 1 684 million out of an initial ECU 2 902 million granted.

NCI borrowing and lending

The New Community Instrument (NCI) was created in 1978 to help finance investment projects for developing Europe's industrial competitiveness. These projects must meet the Community's priority objectives concerning energy, industry and infrastructure and, in particular, promote regional development and contribute to the fight against unemployment. The NCI was strengthened in 1982, 1983 and 1987 and its field of application now extends to the dissemination of new technologies and innovation, mainly for the benefit of small and medium-sized firms. Overall, the volume of borrowings authorized by the Council has risen to ECU 5 750 million and has been used to grant loans of ECU 5 535 million. However, the future of the NCI appears to be in the balance since the Council

has not agreed to the proposal made by the Commission in 1989 to renew this instrument and to make it permanent by allowing new loans to be financed with the proceeds of the repayment of old loans. The NCI has also been used to finance reconstruction projects following the earthquakes in Italy in 1980 and in Greece in 1981. At 31 December 1990 the loans outstanding, including those intended for reconstruction after the earthquake, came to ECU 3 737 million.

Borrowing and lending in connection with cooperation with non-member countries

As part of their policy of cooperation with non-member countries, the Communities have concluded agreements combining commercial cooperation and financial and technical cooperation with most of the Mediterranean countries. In the case of financial and technical cooperation, Community aid consists partly of non-repayable grants and partly of loans on particularly favourable terms or risk capital operations. Like the non-repayable grants, these loans and operations are financed by the budget appropriations allocated to development and not from funds borrowed by the Communities. At 31 December 1990 the outstanding balance of loans on special terms and risk-capital operations came to ECU 425 million.

Since 1988 the Communities have been able to grant loans and advances, likewise from budget appropriations, to finance joint ventures between European firms and firms in Asia, Latin America and the Mediterranean countries. At 31 December 1990 the outstanding balance of these operations came to ECU 3 million.

Finally, one of the Community measures to help the countries of Central and Eastern Europe to modernize their economies is to grant medium-term financial assistance to Hungary with an instrument similar to the one for loans to support Member States' balances of payments. In 1990 Hungary was granted a loan of ECU 350 million financed by the

TABLE 3

Capital operations guaranteed by the general budget at 31 December 1990

(million ECU)

Borrowing/lending operation	Volume of borrowing/lending authorized	Total outstanding at 31.12.1990 covered by a budget guarantee
Balance-of-payments support	14 000.0	1 695.4
Euratom	4 000.0	1 687.4
NCI (including reconstruction projects)	6 830.0	4 558.4
Medium-term financial assistance to Hungary	870.0	350.0
	25 700.0	8 291.2
EIB loans:		
Mediterranean countries	3 429.0	2 077.0
Central and Eastern Europe (Poland and Hungary)	1 000.0	—
	4 429.0	2 077.0
Total	30 129.0	10 368.2

first tranche of the same amount raised by the Communities under the authorization to borrow up to ECU 870 million.

Budget guarantees

Should a debtor default, the amounts borrowed to finance any of the loans listed above would be repaid from the general budget.

Loans granted by the European Investment Bank from its own resources to 12 Mediterranean countries under the financial protocols annexed to the cooperation agreements with these countries are also covered by a budget

guarantee; at 31 December 1990 outstanding loans totalled ECU 2 077 million. The guarantee also extends to loans granted by the EIB from its own resources to Hungary and Poland as part of the Community's cooperation with the countries of Central and Eastern Europe; the guarantee ceiling for loans to these two countries is ECU 1 000 million; at 31 December 1990 loans granted totalled ECU 215 million but they had not yet been disbursed.

Table 3 gives an overview of the total risk to which the general budget is exposed as a result of the Communities' borrowing and lending operations.

The Commission holds accounts with the Treasuries and/or Central Banks of Member States, on which it receives revenue and through which it pays the bulk of its transactions, in particular those relating to the EAGGF Guarantee Section, some of the expenditure on the structural Funds, and repayments to Member States.

Each month the revenue paid is equivalent to one-twelfth of the amounts provided in the budget for VAT and GNP-based resources and the amount actually established each month for custom duties and agricultural levies (Figure 12).

Ordinary commercial bank accounts are used for administrative expenditure and direct pay-

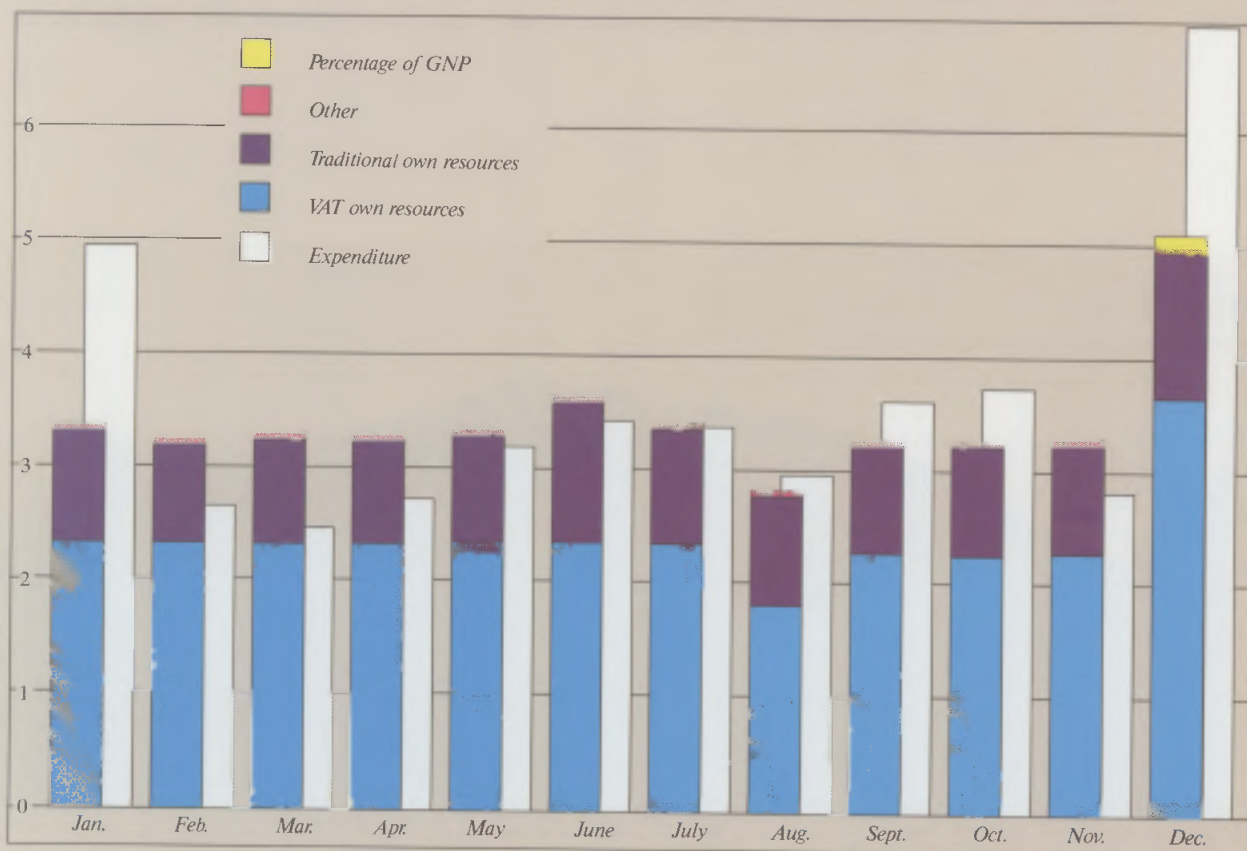
ments to recipients other than national authorities (some 26% of the annual budget in 1990 compared with 18% in 1989).

One of the reasons for the increase in payments via the commercial banks is the growth in the volume of payments made by the institutions in ecus. In 1990 payments expressed in ecus came to ECU 10 billion, i.e. 24% of total budget spending (as against ECU 5 billion, i.e. 12% of the budget, in 1989).

In 1990 the majority of the payments expressed in ecus were from the structural Funds (ECU 6.3 billion as against ECU 1 billion in 1989). This was because the Community regulations providing for the payment in ecus of the Commission's financial assistance under

FIGURE 12
Monthly revenue and expenditure in 1990

(billion ECU)



the structural Funds began to be applied on 6 July 1990.

The monthly cash situation was positive throughout 1990 (Figures 12 and 13), mainly as a result of savings made in EAGGF Guarantee Section expenditure.

Various situations may arise in the annual implementation of budget revenue and expenditure; the difference in relation to the initial estimate determines whether the balance for the year is positive or negative. A surplus can result from underutilization of appropriations (this was the case with the EAGGF Guarantee Section in 1990) or from a revenue outturn higher than the forecast in the budget or from a combination of these two factors. Since spending may not exceed the limit set by the appropriations entered in the budget, a deficit can be caused only by the revenue outturn being lower than the forecast in the budget. This was the case from 1984 to 1986.

The cash situation in the course of the financial year depends on the monthly outturn of

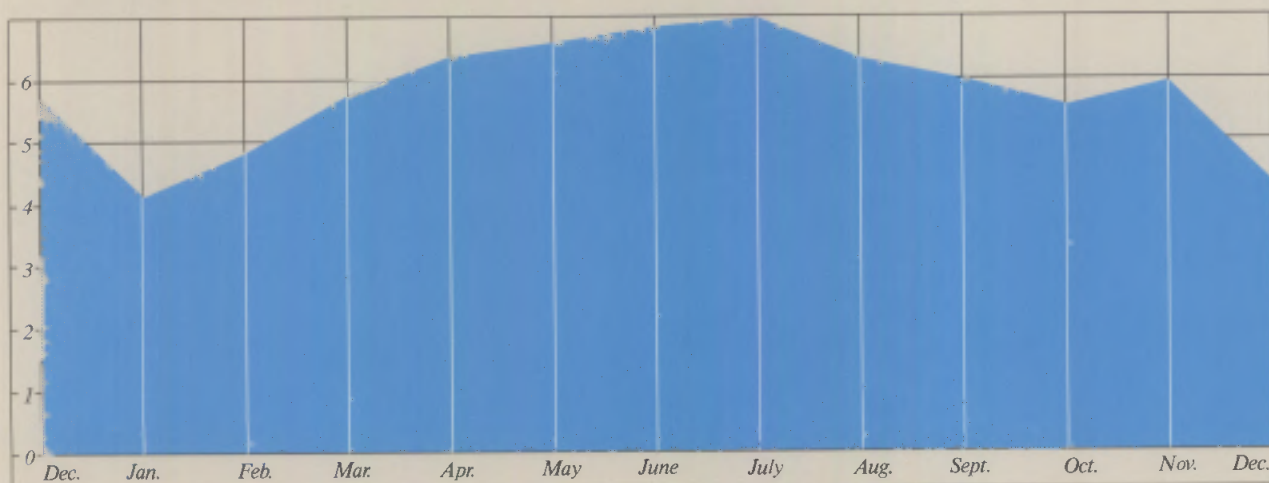
revenue and expenditure, which do not necessarily balance (Figure 13). Even if the balance for the year shows a surplus, expenditure might have outstripped revenue at certain times of the year, causing cash-flow difficulties. For these reasons, the rules in force allow the Commission to overdraw on its accounts with the national treasuries.

The rules also stipulate that the positive and negative balances, resulting from payment and revenue transactions, should be spread over the year in proportion to each Member State's contribution to the budget as a whole. These movements, and the purchases of ecus to cover an ever-increasing proportion of the Commission's payments, demand frequent exchange transactions.

A rolling forecast of cash-flow is used to monitor and coordinate these currency transactions. Cash-flow management is strictly regulated: no borrowing is allowed to cover possible deficits, no loans may be made from positive balances and no interest is receivable or payable on balances with Member States.

FIGURE 13
Monthly cash movements in 1990

(billion ECU)



It is a feature of the accounting system of the Communities that certain sums due but unpaid at 31 December and certain revenue receivable should be charged to the revenue and expenditure account for that year and entered in the balance sheet.

The main items of future expenditure and revenue entered in the accounts at the end of 1990 were:

- payments authorized in December 1990 and made between 1 and 15 January 1991;
- payments to be authorized in 1991 against appropriations for payments not used at end-1990 and carried over to 1991;
- interest and other sums due in connection with borrowing and lending operations for the New Community Instrument and the European Atomic Energy Community; this future expenditure is almost entirely offset by interest and other sums receivable in connection with the same borrowing and lending operations.

However, other potential liabilities and resources are not entered in the accounts but are recorded separately:

- certain sums falling due in future years to clear commitments existing at the end of 1990, to meet outstanding financial obligations or to honour protocols concluded with third parties;
- contractual commitments made as part of NCI and Euratom borrowing and lending operations;
- various potential liabilities and resources;
- contingent liabilities.

These future liabilities and resources are listed in this section of the report to provide information in addition to the consolidated accounts of the Communities.

Sums falling due in future financial years

As stated in the section concerning the financial framework, some time elapses between the commitment and payment of expenditure: commitment and payment might not take place in the same financial year. This is frequently the case with multiannual operations (which are allocated differentiated appropriations), for which the budget usually contains different amounts of commitment appropriations and payment appropriations.

At the end of the year there are therefore outstanding commitments for which payments will have to be made in future financial years.

For operations allocated non-differentiated appropriations, the rules allow appropriations needed for payment against commitments to be carried over automatically to the following financial year only; as stated above, the carry-overs to 1991 are included with the liabilities for 1990.

At the end of 1990 the commitments outstanding for operations allocated differentiated appropriations amounted to ECU 18 486 million. Of this, ECU 205 million is covered by payment appropriations carried over to 1991; the corresponding liability is also included in the accounts for 1990. The balance of ECU 18 281 million will have to be covered by payment appropriations in the budgets for 1991 and subsequent financial years. The commitments from differentiated appropriations outstanding at 31 December 1990 are analysed and broken down by probable year of payment in Table 9.

The Communities also have a number of known financial obligations which, in the normal course of events, will have to be met in 1991 or during subsequent financial years. These obligations consist of debts owing to Member States in connection with the exceptional disposal of butter stocks in 1987 and 1988: to cover the losses arising from the sale of these stocks, the Member States had provided advance finance of ECU 3 178 million to be repaid in instalments of 25% at the

TABLE 4
Sums falling due in future financial years

(million ECU)

	1990	1989
Commitments from differentiated appropriations still to be settled at 31 December 1990	18 280.7	16 521.4
The Communities' financial obligations at 31 December 1990		
European Agricultural Guidance and Guarantee Fund (EAGGF): Exceptional operation to dispose of butter stocks: debts realized in 1987 and in 1988	1 588.7	2 385.1
Cooperation with non-member countries: obligations towards Mediterranean countries	212.0	358.0
Total	20 081.4	19 264.5

beginning of each year between 1989 and 1992; the Community thus made the second refund of ECU 797 million to the Member States in 1990, reducing its liability to ECU 1 589 million at the end of 1990.

Finally, the Communities have entered into other obligations towards non-member countries which have not yet given rise to the commitment of appropriations: for cooperation with developing and non-member countries, they have signed protocols with the Mediterranean countries for the period 1990-92 and undertaken to pay certain amounts, of which ECU 212 million still had to be committed at the end of 1990.

Contractual commitments

At 31 December 1990 a number of NCI and Euratom borrowing and lending transactions were in the course of completion. These transactions will represent expenditure or revenue in future financial years.

Potential liabilities and resources

The Communities have potential liabilities and resources. Some of them may never be realized or can only be roughly estimated at 31 December 1990.

The potential liabilities include the cost of disposing of agricultural stocks. At the end of the 1990 financial year for agriculture, this liability had virtually dropped to zero; the new estimate results from comparison between the foreseeable sales value of products in store at 30 September 1990 and their book value, taking into account the depreciation applied in accordance with the decision adopted by the 1988 Brussels European Council.

For the stocks existing at 31 December 1986 it had been agreed that the provisions for foreseeable losses would be charged to the revenue and expenditure account as repayments to the Member States at the beginning of each financial year for the agricultural sector (from 16 October to the following 15 October). The

amounts needed had been estimated at ECU 6 800 million (at 1988 prices) for the five-year period 1988-92, as follows:

1988: ECU 1 200 million;

1989-92: ECU 1 400 million a year.

The first payments of ECU 1 240 million were charged to the 1988 financial year. The payments charged to 1989 totalled ECU 1 443 million — ECU 793 million as the first payment for the butter stocks covered by the exceptional disposal operation in 1987 and ECU 650 million for the depreciation of existing stocks at the start of the financial year. The payments charged to 1990 amounted to ECU 1 361 million — ECU 797 million as the second payment for the disposal of butter stocks and ECU 564 million for the depreciation of existing stocks. With this final depreciation, the liabilities from the past relating to existing stocks have been cleared two years ahead of schedule.

Every annual budget contains a provision for losses on stocks newly bought in. These stocks are depreciated from the date on which they enter the stores. The cost of depreciation is included with EAGGF Guarantee Section expenditure; in 1990 it totalled ECU 3 195 million.

The Communities also have potential revenue. For instance, on discovering a fraud or irregularity to sums paid under the European Agricultural Guidance and Guarantee Fund, a Member State notifies the Commission and takes steps to recover the amounts involved. The sums likely to be recovered can only be estimated at present on the basis of amounts notified. Similarly, the date of their receipt cannot be estimated with any certainty. Revenue may also have to be paid into the general budget as a result of the Communities' inspections of own resources received in previous years.

TABLE 5

Contractual commitments at 31 December 1990

	<i>(million ECU)</i>	
	1990	1989
<i>Due from NCI/Euratom</i>		
Bank deposits to cover coupons and bonds	—	72.4
Deferred purchase of bonds	—	5.7
<i>Due to NCI/Euratom</i>		
Borrowings raised but not received	(64.9)	(23.4)
Total	(64.9)	54.7

Contingent liabilities

The Communities have identified a number of contingent liabilities, only some of which can be quantified.

The Communities undertake to pay pensions to former employees on the basis of years of service. However, although contributions are made by employees, no separate fund is maintained from which the eventual liabilities will

be met. There is, therefore, a liability for pension costs, which cannot be determined without an actuarial valuation.

The Commission also guarantees loans to non-member countries, granted by the European Investment Bank, from its own funds. Not all loans are guaranteed at 100%, the average being 75% of the capital value of loans guaranteed. Interest may also be guaranteed but is not quantified below.

TABLE 6

Potential liabilities and receipts of the Communities at 31 December 1990

	<i>(million ECU)</i>	
	1990	1989
<i>Potential liabilities</i>		
European Agricultural Guidance and Guarantee Fund (EAGGF):		
Difference between the guarantee price and selling price of agricultural stocks at 31 December (excluding 1990 butter stocks subject to the exceptional disposal operation and alcohol stocks on which only disposal costs will arise) (<i>Table 8</i>)	6.8	50.7
Judgments awaited from the Court of Justice on sums claimed by Member States relating to clearance of accounts	102.7	175.2
Potential liabilities resulting from a provisional refusal of finance	391.6	13.8
	501.1	239.7
<i>Potential receipts</i>		
European Agricultural Guidance and Guarantee Fund (EAGGF):		
Potential receipts arising from frauds and irregularities notified at 31 December 1990	(615.8)	(507.5)
Potential claims resulting from the clearance of EAGGF accounts	(31.1)	(46.0)
	(646.9)	(553.5)
Total	(145.8)	(313.8)

TABLE 7

(million ECU)

Contingent liabilities

	1990	1989
Pension costs	token entry	token entry
Guarantees given		
75% guarantee	2 110.3	1 923.8
100% guarantee	141.5	141.5
Total	2 251.8	2 065.3

TABLE 8

Volume, book value, foreseeable-sales value and potential liabilities of stocks at 31 December 1990

Product	Quantity (tonnes)	Book value (ECU)	Foreseeable-sales value (ECU)	Unit loss on sales (ECU/t)	Potential liabilities (ECU)
Common wheat	5 231 117	256 594 746	256 324 733	0.05	270 013
Common wheat, not breadmaking	144 876	7 298 729	7 098 924	1.38	199 805
Barley	3 556 509	170 414 552	174 268 941	0	0
Rye	1 520 197	74 861 528	74 489 653	0.24	371 875
Durum wheat	1 167 779	93 193 815	92 254 522	0.80	939 293
Maize	299 702	15 575 460	14 685 398	2.97	890 062
Sorghum	13 470	654 587	660 030	0	0
Cereals — Total	11 933 650	618 593 417	619 782 201		2 671 048
Rice	96 272	76 569	15 692 336	0	0
Olive oil	76 172	99 674 152	95 976 720	48.54	3 697 432
Colza	129	24 665	24 123	4.20	542
Sunflower	18 187	4 006 871	3 619 213	21.32	387 658
Leaf tobacco	18 187	573 811	3 659 908	0	0
Manufactured tobacco	13 916	2 626 877	2 680 759	0	0
Baled tobacco	79 279	12 153 652	20 850 377	0	0
Alcohol ¹	2 805 066	16 365 646	16 830 396	0	0
Butter	187 708	147 750 357	155 797 640	0	0
Skimmed-milk powder	340 177	266 945 403	268 399 653	0	0
Bone in beef	185 602	88 753 974	106 349 946	0	0
Boned (boneless) beef	119 058	126 778 537	136 321 410	0	0
Total public storage		1 384 323 931	1 445 984 682		6 756 680
Mixed alcohol ¹	6 348 925	36 834 091	59 308 252	0	
Grand total		1 421 158 022	1 505 292 934		6 756 680

¹ The quantity unit for alcohol is 100 litres.

TABLE 9

Commitments from differentiated appropriations still to be settled at 31 December 1990

(million ECU)

Sector	Year in which the commitments were entered into							Totals	Foreseeable schedule of payment				
	before 1985	1985	1986	1987	1988	1989	1990		1991	1992	1993	1994	after 1994
Fisheries and the sea	2.3	6.1	23.8	39.9	67.0	103.0	234.6	476.7	126.0	97.6	147.8	97.8	7.5
Structural operations	882.2	378.7	577.2	891.1	1 812.6	2 906.3	5 118.8	12 566.9	5 448.7	2 513.2	1 876.8	1 790.6	937.6
of which:													
ERDF	(811.2)	(312.7)	(495.5)	(719.0)	(1 103.0)	(1 537.4)	(3 092.7)	(8 071.5)	(2 952.8)	(1 584.0)	(1 534.0)	(1 501.7)	(499.0)
ESF	(0.1)	(2.5)	(24.2)	(102.3)	(184.6)	(968.8)	(1 256.9)	(2 539.4)	(2 038.0)	(501.4)			
EAGGF Guidance	(63.2)	(31.2)	(13.0)	(31.9)	(414.1)	(281.3)	(455.0)	(1 289.7)	(221.9)	(285.0)	(238.5)	(188.7)	(355.6)
other	(7.7)	(32.3)	(44.5)	(37.9)	(110.9)	(118.8)	(314.2)	(666.3)	(236.0)	(142.8)	(104.3)	(100.2)	(83.0)
A people's Europe	3.4	6.2	5.0	5.7	12.5	23.7	60.1	116.6	71.1	29.4	7.5	6.9	1.7
Research and technological, development	5.7	14.1	38.0	89.8	200.2	430.7	1 046.9	1 825.4	795.1	570.1	330.1	90.1	40.0
Energy, industry and the internal market	15.7	19.1	28.8	41.6	70.7	116.5	193.2	485.6	186.1	130.4	77.8	44.2	47.1
Cooperation with non-member countries	200.2	102.6	154.1	300.3	381.3	609.5	1 266.6	3 014.6	1 164.6	503.6	332.8	250.5	763.1
Total	1 109.5	526.8	826.9	1 368.4	2 544.3	4 189.7	7 920.2	18 485.8	7 791.6	3 844.3	2 772.8	2 280.1	1 797.0

**THE CONSOLIDATED ACCOUNTS
OF THE COMMUNITIES**

ACCOUNTING POLICIES

1. Financial Regulation

The accounts are prepared in accordance with the requirements of the Financial Regulation of 21 December 1977, as supplemented by implementing regulations issued by the Commission. There has been a general revision of the Financial Regulation, with the amended version entering into force on 13 March 1990.

2. The ecu

2.1. The accounts are stated in ecus.

2.2. Advances paid in respect of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are converted at the exchange rates applying on the 20th of the second month preceding that to which they relate.

Some operations relating to staff are converted at special rates.

Other operations are converted at the monthly accounting rates in force when they are carried out.

2.3. The ecu conversion rate for 31 December 1990 has been used to prepare the balance sheet except as follows:

- (i) tangible assets, which are calculated at the accounting rate applying when they were purchased;
- (ii) appropriations carried over, some of which are to cover commitments in national currencies converted into ecus at the monthly accounting rates for December.

2.4. The rates applying on 31 December 1990 for converting national currencies into ecus were as follows:

ECU 1 =	BFR	42.1839	HFL	2.30384
	DKR	7.88260	IRL	0.767840
	DM	2.04195	LFR	42.1839
	DR	214.065	LIT	1 540.26
	ESC	182.818	PTA	130.604
	FF	6.95010	UKL	0.707840

3. Consolidation

3.1. The consolidated accounts show the accounting situation resulting from the operations carried out by the Communities under

the general budget. They, therefore, do not include expenditure under the ECSC operating budget and under the European Development Funds.

They consolidate the accounts of the following European institutions: the Parliament, the Council, the Economic and Social Committee, the Commission (including the Publications Office and the Joint Research Centre), the Court of Justice and the Court of Auditors.

3.2. The assets and liabilities resulting from NCI and Euratom borrowing and lending operations are included in the appropriate items of the Communities' balance sheet.

3.3. Balances between the institutions are netted off on consolidation wherever possible. Any residual sums are included in current assets and creditors.

3.4. All figures are in millions of ecus, unless otherwise stated.

4. Revenue

4.1. Own resources and financial contributions are entered in the accounts on the basis of the amounts credited in the course of the year to the accounts opened in the name of the Commission by the governments of the Member States. The difference between the budget entries for VAT own resources, GNP-based own resources and financial contributions and the amount actually due is calculated by 1 July of the following year and entered in an amending budget.

4.2. Other revenue is entered in the accounts on the basis of the amounts actually collected in the course of the year.

5. Expenditure

5.1. Expenditure for the year, as included in the revenue and expenditure account, represents payments against the year's appropriations for payment plus any appropriations for payment for the year which are unused and are carried over.

5.2. The payments against the year's appropriations for payment are those for which authorization reaches the Financial Controller not later than 31 December and which are effected by the Accounting Officer not later than 15 January of the following year.

5.3. The payments taken into consideration for the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are those effected by the Member States between 16 October and 15 October provided that the Accounting Officer is notified of the commitment and authorization not later than 31 January of the following year.

5.4. Appropriations for payment may be carried over to the following financial year:

- (i) non-differentiated appropriations: the carry-over is generally automatic when it is to cover commitments outstanding; in other cases the prior authorization of the budgetary authority is required;
- (ii) differentiated appropriations: unused payment appropriations usually lapse; however, the Commission may decide to carry them over if the payment appropriations for the following year are not sufficient to meet previous commitments or commitments in connection with commitment appropriations which have themselves been carried over.

6. Payments on account and accelerated payments

6.1. Payments on account for operational purposes, other than those paid in connection with the common agricultural policy, are included with the expenditure for the financial year and do not appear as assets in the balance sheet.

7. Tangible assets

7.1. The movable property of all the institutions (equipment and furniture) is valued at purchase price in national currency converted into ecus at the accounting rate in force at the time of purchase.

7.2. Buildings in Brussels, those of the external offices and delegations and those at the Geel, Karlsruhe and Petten establishments of the Joint Research Centre are included in the balance sheet at their purchase prices. The buildings at the Ispra establishment site are valued in accordance with the valuation conducted in 1982, increased in 1984 by 14% for buildings and by 20% for other infrastructure. Since then, the valuation has been increased every year by the amount of investment which took place that year.

7.3. No depreciation is provided as the full purchase cost of tangible assets is charged to the revenue and expenditure account in the year of acquisition. The full value remains in the balance sheet until items are withdrawn from service, and is balanced by an exactly equivalent figure which forms part of own capital.

8. Stocks

8.1. Stocks represent the consumable stores held by all the institutions, including certain nuclear materials held by the research centres. All items are valued for balance sheet purposes at purchase price, with the exception of nuclear material and heavy water which are valued at commercial valuation, net of reprocessing costs.

CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT for the year ending 31 December 1990

<i>Revenue</i>	Notes	1990 (million ECU)	1989 (million ECU)
Own resources	1	39 695.7	41 881.3
Financial contributions	2	—	1 641.8
Adjustments to previous years' revenue	3	6 181.6	1 967.8
Other revenue	4	591.9	408.9
<i>Total revenue</i>		46 469.2	45 899.8
<i>Expenditure</i>			
<i>Operational expenditure</i>			
Agricultural market guarantees	5	25 754.7	24 409.1
Fisheries and the sea	6	298.9	279.2
Structural operations	7	10 069.4	8 239.1
A people's Europe	8	346.1	289.1
Research and technological development	9	1 443.9	1 230.4
Energy, industry and the internal market	10	319.4	259.8
Cooperation with non-member countries	11	1 430.6	1 090.6
		39 663.0	35 797.3
<i>Administrative expenditure</i>			
Staff	12	1 597.7	1 449.6
Administration	12	755.7	642.1
		2 353.4	2 091.7
<i>Repayments to Member States</i>	13	2 362.5	2 961.1
<i>Total expenditure</i>		44 378.9	40 850.1
 <i>Surplus of revenue over expenditure for the year: outturn for the year</i>		2 090.3	5 049.7
Exchange differences for the year	15	43.0	(67.8)
Appropriations carried over from previous year which lapse	15	92.4	98.2
 <i>Balance for the year</i>		2 225.7	5 080.1

CONSOLIDATED BALANCE SHEET
as at 31 December 1990

	Notes	1990 (million ECU)	1989 (million ECU)
<i>Fixed assets</i>			
Tangible assets	16	769.0	705.9
Loans	17	7 894.9	8 828.9
		8 663.9	9 534.8
<i>Long-term debtors</i>	18	15.2	19.4
<i>Current assets</i>			
Stocks	19	85.4	90.6
Amounts owed by Member States	20	194.0	35.1
Amounts owed by Community bodies	21	34.9	4.4
Debtors	22	663.3	635.1
Cash at bank and in hand	23	8 506.1	7 853.0
		9 483.7	8 618.2
Less: Creditors due within one year	24	(5 720.4)	(2 698.1)
<i>Net current assets</i>		3 763.3	5 920.1
<i>Total assets less current liabilities</i>		12 442.4	15 474.3
<i>Creditors due after more than one year</i>	25	(8 274.8)	(9 142.2)
<i>Provisions for liabilities and charges</i>	26	(42.7)	(37.8)
		4 124.9	6 294.3
<i>Fixed capital</i>			
Own capital	27	1 283.3	1 214.2
Balance brought forward	28	615.9	—
Balance for the year	28	2 225.7	5 080.1
		4 124.9	6 294.3

1. Own resources

	Budget reference	1990 (million ECU)	1989 (million ECU)
Agricultural levies		1 173.4	1 282.7
Sugar and isoglucose levies		910.7	1 381.6
Customs duties		11 427.8	11 458.8
VAT resources		27 440.1	26 293.4
Percentage of GNP of the Member States		94.9	2 877.1
Own resources collection costs		(1 351.2)	(1 412.3)
	1	39 695.7	41 881.3

2. Financial contributions

Member States' financial contributions to balance the general budget		—	1 641.8
	2	—	1 641.8
Pending ratification of the decision on the GNP-based own resource, the Member States paid a GNP-based financial contribution in 1988 (in two cases in 1989).			

3. Adjustments to previous years' revenue

Surplus available from the previous year		4 464.2	1 161.6
Balance of VAT own resources and adjustments to financial contributions for previous year		1 191.2	609.1
Balance of GNP-based own resources from the previous year		189.7	171.6
Corrections to the balance of own resources and adjustments to financial contributions for 1979 to 1988		336.5	25.5
	3	6 181.6	1 967.8

ECU 500.0 million of the 1987 balance of ECU 521.5 million was entered in the accounts for 1988; the remaining ECU 21.5 million was added to the 1988 balance of ECU 1 140.1 million for entry in 1989.

ECU 4 464.2 million of the 1989 balance of ECU 5 080.1 million has been entered in the accounts for 1990; the remaining ECU 615.9 million will be entered in the accounts for 1991.

4. Other revenue	Budget reference	1990 (million ECU)	1989 (million ECU)
Miscellaneous Community taxes, levies and dues	4	258.0	226.3
Revenue accruing from the administrative operation of the institutions	5	171.3	70.0
Contributions to Community programmes; repayments of expenditure and revenue from services rendered	6	145.0	92.9
Interest on late payments and fines	7	1.7	14.8
Borrowing and lending operations	8	13.2	1.6
Miscellaneous	9	2.7	3.3
		591.9	408.9
5. Agricultural market guarantees			
Expenditure by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF)	1B and 2B	25 733.5	24 403.1
Set-aside and income aid	39B	21.2	6.0
		25 754.7	24 409.1
6. Fisheries and the sea			
Organization of the market	40B	23.6	24.0
Improvement of fishery structures	47B	99.7	24.3
Expenditure in connection with international fisheries agreements	42B	173.0	161.5
Other	4B	2.6	69.4
		298.9	279.2
7. Structural operations			
European Regional Development Fund	50B	4 554.1	3 920.0
European Social Fund	60B	3 212.0	2 676.1
European Agricultural Guidance and Guarantee Fund — Guidance Section	30B	1 825.3	1 349.0
Other structural policy operations:			
Integrated Mediterranean programmes	550B to 552B	191.9	80.4
Specific programme for the development of Portuguese industry (Pedip)	553B	101.0	80.0
Other regional measures	54B and 554B	30.7	33.9
Transport and tourism	58B	26.9	31.2
Expenditure in the agricultural sector	38B	106.4	68.5
Set-aside and income aid	39B	21.1	—
		10 069.4	8 239.1

8. A people's Europe	Budget reference	1990 (million ECU)	1989 (million ECU)
Education, vocational training and youth policy	63B	148.3	119.8
Employment, social protection and public health	64B	82.5	67.1
Protection of the environment	66B	40.5	25.1
Information, communication and culture	67B	43.4	36.0
Consumer protection	68B	8.2	7.9
Aid to disaster victims in the Community	69B	23.2	33.2
		346.1	289.1
<hr/>			
9. Research and technological development			
Research and technological development	73B	1 443.9	1 230.4
		1 443.9	1 230.4
<p>Research and technological development also includes related administrative expenditure incurred in the research centres of Ispra, Karlsruhe, Petten and Geel.</p>			
<hr/>			
10. Energy, industry and the internal market			
Energy policy	70B	115.0	115.2
Nuclear safeguards	71B	6.2	7.9
Information market and innovation	75B	31.2	26.2
Statistical information policy connected with the completion of the internal market	76B	26.0	11.7
Industry and the internal market	77B	136.4	95.7
Participation by the European Community in scientific and technological projects	78B	0.2	0.1
Financial engineering	79B	4.4	3.0
		319.4	259.8

11. Cooperation with non-member countries

	Budget reference	1990 (million ECU)	1989 (million ECU)
Aid for economic restructuring of the countries of Central and Eastern Europe	996B	350.0	—
Food aid	92B	483.7	618.3
Other cooperation activities with developing and non-member countries	9B	596.9	472.3
		1 430.6	1 090.6

A further ECU 85.6 million (1989: ECU 132.6 million) of export refunds made in connection with food aid are included in EAGGF Guarantee Section expenditure.

In addition to the above amounts consolidated:

(i) the European Development Fund made payments of ECU 1 256.0 million (1989: 1 297.0 million) to developing countries;

(ii) the European Investment Bank (EIB) grants loans to developing countries from its own funds, guaranteed by the Commission.

12. Administrative expenditure

Staff

Parliament	1	297.4	268.2
Council	1	121.8	110.5
Economic and Social Committee	3	28.7	25.8
Commission	1A	1 052.4	959.3
Publications Office	3A	18.6	17.3
Court of Justice	1	51.7	44.7
Court of Auditors	1	27.1	23.8

1 597.7 1 449.6

Administration

755.7 642.1

The administrative expenditure at the various research establishments is included in 'Research and technological development' (Note 9).

13. Repayments to Member States	Budget reference	1990 (million ECU)	1989 (million ECU)
Repayments to the Member States in respect of the depreciation of agricultural stocks	81B	1 360.7	1 442.9
Refunds and financial compensation	86B	1 001.8	1 267.4
Reimbursement of advances granted in 1984	87B	—	250.8
		2 362.5	2 961.1

14. Total expenditure

<i>Operational expenditure</i>	Payments for the year (million ECU)	Carried over (million ECU)	Expenditure 1990 (million ECU)	1989 (million ECU)
Agricultural market guarantees	25 053.7	701.0	25 754.7	24 409.1
Fisheries and the sea	288.2	10.7	298.9	279.2
Structural operations	9 992.9	76.5	10 069.4	8 239.1
A people's Europe	275.2	70.9	346.1	289.1
Research and technological development	1 425.3	18.6	1 443.9	1 230.4
Energy, industry and the internal market	294.4	25.0	319.4	259.8
Cooperation with non-member countries	1 189.9	240.7	1 430.6	1 090.6
	38 519.6	1 143.4	39 663.0	35 797.3
 <i>Administrative expenditure</i>				
Staff	1 573.3	24.4	1 597.7	1 449.6
Administration	579.6	176.1	755.7	642.1
	2 152.9	200.5	2 353.4	2 091.7
 <i>Repayments to Member States</i>				
	2 306.4	56.1	2 362.5	2 961.1
	42 978.9	1 400.0	44 378.9	40 850.1

	Payments for the year (million ECU)	Carried over (million ECU)	Expenditure	
			1990 (million ECU)	1989 (million ECU)
Breakdown of expenditure by institution				
Commission:				
non-differentiated appropriations	29 276.1	1 110.8	30 386.9	29 414.1
differentiated appropriations	12 961.0	201.5	13 162.5	10 735.0
	42 237.1	1 312.3	43 549.4	40 149.1
Parliament	391.0	38.8	429.8	382.1
Council	238.1	41.8	279.9	233.3
Court of Justice	60.5	5.4	65.9	57.9
Court of Auditors	52.2	1.7	53.9	27.7
	42 978.9	1 400.0	44 378.9	40 850.1

Reconciliation with the budget

	Expenditure	
	1990 (million ECU)	1989 (million ECU)
Payment appropriations approved for the year	46 974.7	44 870.3
Less: Appropriations not used and which lapse	(2 595.8)	(4 020.2)
Expenditure for the year	44 378.9	40 850.1

A more detailed analysis of payment appropriations and their use appears in Table 11.

15. Balance for the year

In accordance with the Financial Regulation, the amount resulting from the lapsing of the appropriations for payment carried over from the previous financial year but not used and the balance of exchange gains and losses recorded during the year are taken into account when determining the balance for the year.

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. Tangible assets

	Buildings	Furniture and equipment	Total	
			1990 (million ECU)	1989 (million ECU)
Parliament	1.5	52.1	53.6	46.7
Council		17.5	17.5	15.2
Economic and Social Committee		3.7	3.7	3.3
Commission	312.4	349.8	662.2	634.0
Court of Justice		5.1	5.1	4.2
Court of Auditors	24.0	2.9	26.9	2.5
Total	337.9	431.1	769.0	705.9

17. Loans

	1990 (million ECU)	1989 (million ECU)
<i>Loans granted from the budget</i>		
Loans in connection with cooperation with non-member countries		
Loans on special terms	413.9	410.2
Risk capital operations	11.0	5.7
Loans and advances to promote investment joint ventures	3.3	0.8
Loans in favour of migrant workers	0.5	0.6
Building loans to Community officials	0.3	0.4
	429.0	417.7
<i>Loans granted from borrowed funds</i>		
Community loans for balance-of-payments support	1 695.4	2 075.3
Euratom loans	1 683.5	1 937.3
Loans to promote investment in the Communities (NCI)	3 737.0	4 398.6
Medium-term financial assistance to Hungary	350.0	—
	7 465.9	8 411.2
Total	7 894.9	8 828.9

Detailed tables showing all loans granted appear in the accounts of Euratom and NCI borrowing and lending operations, which are contained in Volume II (Section III) of the Communities' published accounts.

18. Long-term debtors

	1990 (million ECU)	1989 (million ECU)
Deposits, guarantees and working balances paid to third parties	5.8	5.5
Recoverable costs	9.4	13.9
	15.2	19.4

Recoverable costs arise on NCI and Euratom borrowing and lending operations as a result of the difference between the interest rates charged on loans granted and the lower interest rates paid on loans raised. They are recovered gradually over the lifetime of the borrowings.

19. Stocks

Parliament	1.0	1.2
Council	1.7	1.3
Economic and Social Committee	0.1	0.1
Commission ¹	82.3	87.6
Court of Justice	0.2	0.3
Court of Auditors	0.1	0.1
	85.4	90.6

¹ Includes nuclear materials held at research centres.

20. Amounts owed by Member States

Own resources to be recovered	184.8	29.3
Taxes paid and to be recovered	6.0	5.7
Interest on late payments	3.2	0.1
	194.0	35.1

21. Amounts owed by Community bodies

	1990 (million ECU)	1989 (million ECU)
Due to Parliament	0.3	0.6
Due to the Commission	34.6	3.8
	<u>34.9</u>	<u>4.4</u>

Community bodies include those Communities not consolidated, for example the European Coal and Steel Community (ECSC), and other connected bodies, for example the Medical Insurance Scheme.

22. Debtors

Debtors comprise sundry debtors relating to the institutions and balances relating to the borrowing and lending operations of NCI and Euratom.

Sundry debtors

Due from staff of the institutions	7.8	5.3
Due from third parties, including bank interest receivable	21.4	17.0
Advances to be settled	2.7	2.5
Receivable orders to be recovered	369.3	377.2
Prepayments ¹	27.7	13.0
Other	10.7	5.9
	<u>439.6</u>	<u>420.9</u>

NCI and Euratom

Accrued interest	99.3	117.6
Other	124.4	96.6
	<u>223.7</u>	<u>214.2</u>
	<u>663.3</u>	<u>635.1</u>

¹ Prepayments comprise sums paid during 1990 to be charged to the budget of the following year.

23. Cash at bank and in hand

In addition to the current and deposit accounts which the institutions have with banks in Community and non-Community countries to carry out their financial operations, the Commission also has accounts with each Member State. The amount of established own resources is credited by each Member State to an account opened for this purpose in the Commission's name with its Treasury or with the body it has appointed for the purpose. The Commission may draw on the sums credited to these accounts to the extent necessary to cover its cash requirements arising out of budget execution.

The institutions may establish imprest accounts to cover payment of certain types of expenditure, and particularly to permit the operation of information offices and delegations in non-member countries and to international organizations. The amounts advanced are to cover cash needs for a short period. The funds are reconstituted on presentation of expenditure vouchers.

The total of bank balances and cash is made up as follows:

	1990 (million ECU)	1989 (million ECU)
Securities (held by NCI)	1.9	2.9
Fixed-term deposit accounts	65.8	66.1
Accounts with Treasuries of Member States	6 437.1	5 903.1
Accounts with Central Banks	701.4	458.9
Current accounts	1 270.8	1 389.5
Imprest accounts	27.8	31.2
Documentary credits	1.0	1.0
Cash in hand	0.3	0.3
	8 506.1	7 853.0

The Commission holds accounts with Treasuries and Central Banks. Its deposit and current accounts include ECU 854.4 million (1989: ECU 705.8 million) available from NCI and Euratom borrowing and lending operations. The breakdown of the amounts in the institutions' current accounts is as follows:

Parliament	4.5	3.6
Council	1.3	1.7
Economic and Social Committee	0.4	2.3
Commission ¹	1 262.1	1 380.9
Court of Justice	2.3	0.6
Court of Auditors	0.2	0.4
	1 270.8	1 389.5

¹ Includes ECU 791.4 million (1989: 651.3 million) for NCI and Euratom borrowing and lending operations.

24. Creditors due within one year

	1990 (million ECU)	1989 (million ECU)
Payable to Member States ¹	84.3	58.1
Amounts owed to Community bodies ²	5.3	46.6
Appropriations to be carried over ³	1 403.6	442.0
Sundry creditors ⁴	33.3	28.0
Revenue to be entered ⁵	163.3	194.1
Revenue to be collected ⁶	561.2	410.0
Accruals ⁷	3 229.4	1 349.1
Accrued interest (NCI and Euratom)	208.4	161.9
Bank balances ⁸	31.6	8.3
	5 720.4	2 698.1
 ¹ <i>Payable to Member States</i>		
This item covers the amounts owed to Member States.		
 ² <i>Amounts owed to Community bodies</i>		
Due by the Council	0.4	—
Due by the Commission	4.9	46.6
	5.3	46.6
 ³ <i>Appropriations to be carried over</i>		
Non-differentiated appropriations		
Automatic carry-overs	507.2	380.4
Non-automatic carry-overs	691.3	3.8
Differentiated appropriations		
Current year's appropriations carried over	201.5	54.7
Appropriations carried over again	3.6	3.1
	1 403.6	442.0
 ⁴ <i>Sundry creditors</i>		
Revenue to be transferred to other bodies	21.4	16.7
NCI and Euratom current liabilities on borrowing and lending operations	—	0.1
Other	11.9	11.2
	33.3	28.0

	1990 (million ECU)	1989 (million ECU)
<i>⁵ Revenue to be entered</i>		
Revenue available for use	97.3	172.5
Miscellaneous revenue to be identified and booked to an item of account	66.0	21.6
	163.3	194.1
<i>⁶ Revenue to be collected</i>		
This is an entry to balance those debtor balances which relate to revenue to be entered in the accounts of 1991.		
<i>⁷ Accruals</i>		
Payments made between 1 and 15 January 1991 authorized before 31 December 1990 are recorded as expenditure of 1990 and appear in the balance sheet as accruals.		
<i>⁸ Bank balances</i>		
Current accounts (NCI)	29.5	5.9
Documentary credits	2.1	2.4
	31.6	8.3
25. Creditors: due after more than one year		
<i>Loans raised</i>		
Community loans raised for balance-of-payments support	1 695.4	2 075.3
Euratom loans raised	1 687.4	1 944.8
Loans raised to promote investment in the Communities (NCI) ¹	4 542.0	5 122.1
Medium-term financial assistance to Hungary	350.0	—
	8 274.8	9 142.2

¹ The NCI loans include ECU 20.9 million as a redemption premium.

26. Provisions for liabilities and charges

	1990 (million ECU)	1989 (million ECU)
NCI	26.1	22.9
Euratom	16.6	14.9
	42.7	37.8

These balances represent surpluses to be allocated by the Commission, and retained to cover costs not yet incurred or to be set against the assets item 'Recoverable costs' recorded in 'Long-term debtors' (Note 18).

The detailed accounts of NCI and Euratom borrowing and lending operations are set out in Volume II (Section III) of the published accounts of the Communities.

27. Own capital

This is the contra-item to various assets which are recorded in the balance sheet after first being charged to budgetary expenditure. Like the corresponding assets, this item varies from one year to the next. The assets are tangible assets, loans granted from the budget and inventories.

28. Balance brought forward and balance for the year

Balance brought forward ¹	615.9	—
Balance for the year	2 225.7	5 080.1

¹ ECU 4 464.2 million of the 1989 balance of ECU 5 080.1 million has been entered in the accounts for 1990; the remaining ECU 615.9 million will be entered in the accounts for 1991.

**CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT:
FIVE-YEAR SUMMARY**

TABLE 10

(million ECU)

	1986	1987	1988	1989	1990
Revenue					
Own resources	32 615.0	35 497.9	35 842.6	41 881.3	39 695.7
Financial contributions	210.1	210.6	4 657.2	1 641.8	—
Adjustments to previous year's revenue	431.1	(359.3)	883.6	1 967.8	6 181.6
Other	411.0	434.1	460.0	408.9	591.9
	33 667.2	35 783.3	41 843.4	45 899.8	46 469.2
Expenditure					
Agricultural market guarantees	22 119.4	22 950.3	26 400.3	24 409.1	25 754.7
Fisheries and the sea	150.4	163.7	257.7	279.2	298.9
Structural operations	5 882.4	6 045.4	6 682.9	8 239.1	10 069.4
of which:					
ERDF	(2 373.0)	(2 562.3)	(2 979.8)	(3 920.0)	(4 554.1)
ESF	(2 533.0)	(2 542.2)	(2 298.6)	(2 676.1)	(3 212.0)
EAGGF Guidance	(750.3)	(790.3)	(1 140.9)	(1 349.0)	(1 825.3)
other	(226.1)	(150.6)	(263.6)	(294.0)	(478.0)
A people's Europe	163.0	196.7	225.6	289.1	346.1
Research and technological development	626.0	774.9	872.2	1 230.4	1 443.9
Energy, industry and the internal market	146.0	209.4	238.0	259.8	319.4
Cooperation with non-member countries	1 160.2	1 061.9	783.0	1 090.6	1 430.6
	30 247.4	31 402.3	35 459.7	35 797.3	39 663.0
<i>Operational expenditure</i>					
Repayments to Member States	3 095.4	2 380.9	3 729.6	2 961.1	2 362.5
<i>Administrative expenditure</i>					
Staff	1 049.6	1 174.7	1 340.1	1 449.6	1 597.7
Administration	470.8	511.3	591.5	642.1	755.7
	34 863.2	35 469.2	41 120.9	40 850.1	44 378.9
<i>Outturn for the year (deficit)</i>	(1 196.0)	314.1	722.5	5 049.7	2 090.3
Appropriations carried over from previous year which lapse	355.6	189.5	381.5	98.2	92.4
Exchange differences for the year	20.5	17.9	36.1	(67.8)	43.0
	(819.9)	521.5	1 140.1	5 080.1	2 225.7
<i>Balance for the year (deficit)</i>					

APPROPRIATIONS FOR 1990

TABLE 11

This table shows the appropriations for commitment available in 1990 and the appropriations for payment in 1990. It does not include the appropriations for payment carried over from 1989 which are contained in Table 1 (ECU 442.0 million).

(million ECU)

Sector	Commitments					Payments			
	Final appropriations	Commitments entered into	Appropriations		Reconstituted appropriations	Final appropriations	Payments made	Appropriations	
			Available for carry-over	Lapsing				Available for carry-over	Lapsing
Staff									
Commission	1 075.2	1 071.0		4.2		1 075.2	1 056.4	14.6	4.2
Parliament	307.5	297.4		10.1		307.5	289.8	7.6	10.1
Council	151.4	150.5		0.9		151.4	149.3	1.2	0.9
Court of Justice	52.4	51.7		0.7		52.4	51.1	0.6	0.7
Court of Auditors	27.8	27.1		0.7		27.8	26.7	0.4	0.7
Administration									
Commission	456.7	454.2	0.6	1.9		454.6	354.7	98.2	1.7
Parliament	141.9	129.1	4.0	8.8		140.9	101.2	31.2	8.5
Council	130.4	129.4		1.0		130.4	88.8	40.6	1.0
Court of Justice	14.2	14.2				14.2	9.4	4.8	
Court of Auditors	26.8	26.8				26.8	25.5	1.3	
Agricultural market guarantees	26 504.0	25 069.2	685.5	749.3		26 504.0	25 053.7	701.0	749.3
Fisheries and the sea	466.0	443.1		22.9		373.0	288.2	10.7	74.1
Structural operations	12 287.2	11 241.6	217.7	827.9	49.2	10 491.8	9 992.9	76.5	422.3
A people's Europe	365.8	363.1		2.7	20.4	357.9	275.2	70.9	11.9
Research and technological development	1 780.4	1 745.7	18.4	16.3	4.6	1 491.1	1 425.3	18.6	47.2
Energy, industry and the internal market	316.3	315.2		1.1		347.4	294.4	25.0	28.0
Cooperation with non-member countries	1 956.6	1 916.5	11.8	28.3		1 505.9	1 189.9	240.7	75.3
Repayments to Member States	2 471.8	2 362.5		109.3		2 471.8	2 306.4	56.1	109.3
Provisional appropriations and reserve	1 049.3			1 049.3		1 050.6			1 050.6
Total	49 581.7	45 808.3	938.0	2 835.4	74.2	46 974.7	42 978.9	1 400.0	2 595.8
Commission non-differentiated appropriations	48 729.3	44 982.1	934.0	2 813.2	74.2	46 123.3	42 237.1	1 312.3	2 573.9
Commission differentiated appropriations	32 517.2	29 702.2	687.3	2 127.7		32 514.4	29 276.1	1 110.8	2 127.5
Parliament	449.4	426.5	4.0	18.9		448.4	391.0	38.8	18.6
Council	281.8	279.9		1.9		281.8	238.1	41.8	1.9
Court of Justice	66.6	65.9		0.7		66.6	60.5	5.4	0.7
Court of Auditors	54.6	53.9		0.7		54.6	52.2	1.7	0.7
Total	49 581.7	45 808.3	938.0	2 835.4	74.2	46 974.7	42 978.9	1 400.0	2 595.8