

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels 22 February 1991

PROPOSAL FOR REVISION OF THE FINANCIAL PERSPECTIVE
ANNEXED TO THE INTERINSTITUTIONAL AGREEMENT OF 29 JUNE 1988

EXTERNAL COMMUNITY OPERATIONS

(presented by the Commission)

In the face of the changes and crises affecting the international scene the Community must be in a position to provide proper financing for the initiatives which it will have to take in the area of external relations

To meet these specific requirements the Commission proposes an overall increase for 1991 and 1992 in the ceiling for heading 4 of the financial perspective. The type of operations which this increase is intended to cover if need be together with the factors determining the amount and the arrangements for implementing the changes are described in detail below

NEW EXTERNAL OPERATIONS TO BE COVERED

- 1 At the very beginning of the year the Commission presented to the budgetary authority a proposal for revision of the financial perspective in connection with the granting of technical assistance to the USSR which was agreed in principle by the European Council in Rome. It is therefore proposed to increase the ceiling for heading 4 by ECU 400 million in 1991
- 2 On 4 February this year the Council approved a twin approach
 - to grant financial assistance to Israel to mitigate the economic impact of the Gulf conflict
 - to grant symmetrical financial assistance for the occupied territories

The Community contribution for this assistance will total some ECU 250 million in 1991

- 3 Ongoing developments on the international scene could result in further Community initiatives besides those on which a political decision has already been taken entailing additional expenditure (Middle East Eastern Europe and the Balkans Horn of Africa etc.) Moreover with international tension heightened as it is the likelihood is that the need for Community aid will spill over beyond 1991 and that a similar effort will have to be envisaged for 1992

PROPOSED APPROACH FOR REVISION OF THE FINANCIAL PERSPECTIVE

- 4 Rather than carry out a series of revisions of the financial perspective as and when concrete needs arise, it would be better to effect a single increase in the ceiling for heading 4 making it sufficient to cover new expenditure that might be needed on external operations in 1991 and 1992

- 5 The series of one-off revisions of the financial perspective since 1990 are disruptive both in terms of the sound management of resources since they make it impossible to pursue the task within an ordered time framework and for the smooth running of the budget procedure
- 6 This approach - involving a global revision - accords with the purpose of the financial perspective itself which is meant to provide a medium-term framework for the development of Community spending

MARGIN AVAILABLE AND POSSIBLE REQUIREMENTS TO BE COVERED

- 7 The maximum size of increase possible is determined by the margin available between the ceiling set for own resources (1 19% of GNP in 1991 and 1 20% in 1992) and the total payment appropriations required under the financial perspective as it currently stands. This margin amounts to ECU 3 400 million in 1991 and will be somewhere in the region of ECU 2 800 million in 1992 after adjustment for inflation and in line with the conditions of implementation of the financial framework for that year
- 8 The scale of the revision envisaged measured against these available margins would have to take account of other risks and uncertainties too besides those surrounding the Community's external policy. In this connection the joint statement adopted by Parliament, the Council and the Commission on the occasion of the revision carried out to accommodate German unification has to be borne in mind. Here the three institutions agreed that if agricultural expenditure resulting directly from German unification could not be fully financed within the limits without affecting the smooth operation of the common agricultural policy and if the Commission therefore felt that additional appropriations should be raised beyond the present guideline the Commission would put the necessary proposals (amendment to the Decision on budgetary discipline and revision of the financial perspective in accordance with the 1988 Interinstitutional Agreement) before the Council and Parliament to enable the budgetary authority to examine them as swiftly as possible
- 9 Given these factors the increase in the total payment appropriations needed for new external operations should not exceed ECU 1 000 million in 1992 so as to leave a sufficient safety margin. Although a larger margin is available in 1991 under the own resources ceiling additional payment appropriations of ECU 700 million would seem to be the maximum

that is reasonable since implementation of the new expenditure is bound to build up only gradually and some payments under commitments made in 1991 will have to be booked against the margin available in 1992. Account also has to be taken of the fact that ECU 500 million has already been entered in the 1991 budget for aid to the 'front-line' states in the Gulf crisis.

- 10 In terms of commitment appropriations it is proposed that the ceiling for heading 4 be raised by ECU 1 000 million in 1991 to cover technical assistance for the USSR (ECU 400 million) and financial assistance for Israel and the occupied territories (ECU 250 million). This would leave ECU 350 million for other external operations. In 1992 it is proposed that the heading 4 ceiling be raised by ECU 1 200 million. This sum would not be allocated between specific operations at this stage, being intended as overall cover for possible requirements arising from continued aid to the USSR and measures linked to the Gulf crisis or other emergencies or crises.
- 11 The increase in the total of payment appropriations means that an additional margin will have to be made available under heading 5 to meet a corresponding increase in refunds to Spain and Portugal in 1991. It is proposed to create this margin by reducing the stock disposal figure by ECU 3 million in 1991, leaving the ceiling for heading 5 unchanged. The amount of refunds estimated for Spain and Portugal in 1992 would be affected only very slightly by the proposed changes.

IMPLEMENTATION

- 12 The recent revisions of the financial perspective have, de facto overlapped with the normal budgetary procedure, where a joint decision is taken by the two arms of the budgetary authority. To offer them an equivalent guarantee, it is proposed that the amount to be entered in the budget for operations that may be financed in 1991 under the margin left available at this stage following the increase in the ceiling for heading 4 and in 1992 under the increase in that ceiling, should be determined by agreement between the two arms of the budgetary authority.
- 13 The present proposal is based on point 4 of the Interinstitutional Agreement. It incorporates the proposal already made for aid to the USSR in 1991 (COM(90) 691 final) which is therefore withdrawn.

- 14 The proposed increase in the ceiling of the financial perspective must go hand in hand with a requirement for strict budgetary management. The Commission therefore intends, irrespective of any change that may be decided in the financial perspective, to make partial allowance in the preliminary draft budget for 1992 which it is due to present shortly for the likely continued financing of the exceptional 1991 external operations.

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Decision on the revision of the financial perspective
annexed to the Interinstitutional Agreement of 29 June 1988

The European Parliament and the Council of the European Communities

Having regard to Article 4 of the Interinstitutional Agreement on Budgetary Discipline and Improvement of the Budgetary Procedure¹

Having regard to the Commission proposal

Whereas the Rome European Council on 14/15 December 1990 agreed in particular to grant financial assistance to the USSR whereas the Council decided in principle on 4 February 1991 to grant aid to Israel and the occupied territories

Whereas the Community must be in a position to finance other initiatives which it may take in the area of its external relations field to meet possible crises and to strengthen or extend its cooperation with the countries of Central and Eastern Europe including the USSR

Whereas the ceiling for heading 4 (Other policies) of the financial perspective and the total of payment appropriations required need to be increased for 1991 and 1992 for this purpose whereas the conditions for the actual use of these additional amounts should be spelled out

Whereas the increase in the payment appropriations required involves an increase in the amounts to be reserved in the context of the financial perspective for refunds to Spain and Portugal whereas part of the stock disposal heading will not be required in 1991 and 1992

HAVE DECIDED AS FOLLOWS

Article 1

1 The ceiling for heading 4 (Other policies) of the financial perspective is hereby raised by ECU 1 000 million in 1991 and by ECU 1 200 million in 1992 for non-compulsory expenditure

2 The total of commitment appropriations is increased by the same amounts respectively in 1991 and 1992. The total of payment appropriations is increased by ECU 700 million in 1991 and ECU 1 000 million in 1992.

Article 2

1 The increase for 1991 is intended in particular to finance technical assistance for the USSR of up to ECU 400 million in commitment appropriations and ECU 200 million in payment appropriations and aid to Israel and the occupied territories of up to ECU 250 million in commitment appropriations and ECU 200 million in payment appropriations.

2 Any amount under the increase in the ceiling for heading 4 for 1991 that is not used to finance operations of the kind indicated above and the increase for 1992 may only be used to finance external operations linked to strengthening or extending aid to the countries of Central and Eastern Europe including the USSR, or operations to deal with emergencies or crises outside the Community.

3 The amount to be entered in the budget for each operation that may be financed in 1991 under the margin left available at this stage following the increase in the ceiling for heading 4, and in 1992 under the increase in the ceiling for that heading shall be determined by agreement between the two arms of the budgetary authority on a proposal from the Commission.

Article 3

The stock disposal figure under heading 5 (Refunds and administration) is hereby reduced by ECU 3 million in 1991. The ceiling for the heading remaining unchanged.

Done at Brussels

For the European Parliament

For the Council