

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(76) 513 final.

~~ESR/1061~~ ~~Brussels~~, 11 October 1976.

Proposal for a
REGULATION (ECSC, EEC, EURATOM) OF THE COUNCIL

on the procedure for applying the European unit of
account (EUA) to the legal acts adopted by the Ins-
titutions of the European Communities

(submitted to the Council by the Commission)

EXPLANATORY MEMORANDUM

Introduction

In its Communication of 24 March 1976 to the Council on the problems of applying the unit of account to the Budget of the Communities¹, the Commission proposed the application of the European unit of account (EUA) to the General Budget of the Community with effect from 1 January 1978.

The proposal for a Regulation amending the Financial Regulation of 25 April 1973 applicable to the General Budget of the European Communities² was presented to the budgetary authorities on 19 May 1976. It contains a new version of Article 10 of the Financial Regulation, which defines the unit of account used to draw up the Communities' Budget. According to that document, the accounts would be kept in EUA and the revenue and expenditure account and the balance sheet would also be drawn up in EUA (Article 71); these amendments should enter into force on 1 January 1978 (Article 119(8)(a)).

The Commission recently submitted a draft resolution to the Council confirming that the Council is willing to apply the EUA to the General Budget of the European Communities for the 1978 financial year.

This proposal for a Regulation lays down the rules for the application of the EUA, especially as regards operating and intervention appropriations; the rules for the application of the EUA to expenditure on staff will be set out in a separate proposal.

The Regulation proposes that the EUA be applied to the budget in two ways:

- as an accounting instrument;
- as an instrument for settlement of payments.

These applications are each based on one main principle:

- the principle of a daily rate when using the EUA as an accounting instrument and instrument of internal budgetary management;
- the principle of expression in EUA when using the EUA as an instrument for the settlement of payments and instrument of external budgetary management.

¹Doc. COM(76)123 final.

²Doc. COM(76)210 final, 19 May 1976.

Accounting instrument: daily rate

As the daily EJA conversion rates are no longer based on the now artificial parities but on rates of exchange, they continuously reflect currency values. Consequently, the application of these rates is the only way to avoid distortions arising from the use of a "frozen" rate over a period of time, however short.

As long as relations between currencies are not governed by fixed parities, any use of a frozen conversion rate between the EJA and national currencies will not reflect exchange realities.

Without entering into a full description of the difficulties the application of frozen conversion rates since 1971 has caused for the General Budget, it should nevertheless be emphasized that this makes the management of a budget in units of account extremely difficult, for the following reasons:

- contributions are collected and payments made according to criteria which no longer bear any relationship to the actual value of each currency, thus resulting in an unfair redistribution of revenue and expenditure, out of touch with reality and the officially published criteria;
- budgetary management everywhere has become extremely difficult in the present monetary climate even with rates which vary once a year; results are completely different depending on whether amounts are converted at the beginning or the end of the year. What may be a surplus using one rate may become a deficit with another.

Instrument for the settlement of payments: expression in EJA

It is not enough for an institution of the European Communities like the Commission which implements the budget to ensure that its accounts properly reflect exchange relationships - it must ensure above all that all beneficiaries are treated alike, in other words that the equivalence of the currency's external value is observed, whatever the currency actually used.

The only practical way of expressing equivalence between currencies which fluctuate from day to day - both for rights and obligations, and for the recovery of revenue and the settlement of expenditure - is to express these amounts in EJA.

Article 10, therefore, states that the financial rights and obligations of the Communities should be expressed in EJA, with some exceptions. Article 19 states that revenue should be entered in EJA. Article 4

provides that payment orders expressed in EUA should be executed by making transfers in EUA and adds that conversion should be made by the financial institution at the rate in force on the day the operation is carried out. This system came into application at the beginning of the year and has been used for contracts which come under the ECSC budget.

By applying this principle, exchange risks are transferred from the Community to its co-contractors. This is the proper course of action to take when financial transactions take place outside the country in view of the risk which arises from the relative variations between national currencies. However, banking systems already exist to cover these risks, which are the same as those resulting from foreign currency exchange. Furthermore, Article 18 of the Regulation states that the Commission may, if this seems necessary, decide on an additional commitment.

The use of the EUA as an instrument for settlement of payments ensures scrupulously fair settlement in EUA for all its claimants. As the fixed relationship between EUA and national currencies has been abolished, a budget can now be drawn up which is easier to understand, as it is implemented according to a common denominator.

There are important exceptions to this general principle, however, particularly for the common agricultural policy and expenditure relating to staff connected with the institution, in view of the present circumstances. Although the Commission recognizes this in its proposed draft regulation, the EUA must be applied gradually.

Article 1 of this regulation restates the definition of the EUA as already given in the proposal for a Regulation amending the Financial Regulation. It then lists the methods of application, classified into the five sections described in short below:

- Section I: use of the EUA as an instrument of budgetary management;
- Section II: the expression in EUA of the Communities' financial rights and obligations;
- Section III: adjustment of the amounts expressed in u.a. and in national currencies in Community measures;
- Section IV: transitional provisions;
- Section V: general final provisions.

I. USE OF THE EJA AS AN INSTRUMENT OF BUDGETARY MANAGEMENT

Section I first describes the scope of application of the EJA as already proposed in the revised version of the Financial Regulation¹: General Budget (Article 2), accounts, revenue and expenditure accounts and balance sheet (Article 3).

By stipulating that "the accounts shall be kept in EJA at the daily rate", Article 3 introduces the first of the two basic principles mentioned above.

But, because of administrative difficulties resulting from the changes caused by the abandonment of fixed exchange rates between the u.a. and national currencies, it is envisaged that some adjustments will be made during a transitional period. Article 9(1) thus lays down that, during the 1978 financial year, the expenditure of the Guarantee Section of the EAGGF shall be entered into the accounts at a rate of a reference day to be fixed for each month. Later, Article 21 lays down that the counter-value in national currencies of the EJA applicable to the Common Customs Tariff shall be applied twice a year.

The methods of commitment, collection and payment are explained in Article 4. The treatment of transactions to be effected by way of exceptions in national currencies is then explained (Articles 5 and 6).

As the rate of exchange between the EJA and the national currency at the time of collection or payment is not known when the order of recovery or payment is issued, Article 6 envisages an automatic correction at a later date. Article 7 lays down rules for the rate of conversion to be applied when transactions take place in a national currency. As regards expenditure against imprest funds (see Article 57 of the Financial Regulation of 25 April 1973), Article 8 allows monthly accounting as this expenditure is normally on a small scale (conducted on the whole by offices outside the headquarters) and daily conversion would mean too much administrative work for the administrators of imprests.

¹ Proposal for a Council Regulation (ECSC, EEC, Euratom) amending the Financial Regulation of 25 April 1973 applicable to the General Budget of the European Communities, Doc. COM(76)210 final, 12 May 1976.

As noted above, Article 9 lays down rules for charging the expenditure of the Guarantee Section of the EAGGF and expenditure on food aid financed by means of advances. During the initial phase - the 1978 financial year - the advances will still be transferred in national currencies. The reference rate to be applied during this period in month "n" is that of the 20th of the month "n - 2" for the following reasons: towards the 20th of each month - e.g. 20 April - the Commission will begin to deal with the figures in respect of the advances to be transferred in the next-but-one-month - in this case June. At this moment these imprests could be converted either at the rate in force on 20 April or at the rate forecast for June. The decisions on advances are equivalent to overall provisional commitments. Subsequently, the actual expenditure will be finally committed and charged up as payments. From that time onwards, no forward exchange rate may be applied. To avoid actual expenditure diverging from the advances because of differences in exchange rates - which would cause difficulties for financial control and budgetary monitoring - it is suggested that the same rate - the rate in force on 20 April - should be applied to the advances and the actual expenditure for June. If June is given the symbol "n", the rate to be applied is thus that of the 20th of the month ("n-2"). The mechanisms and methods of application for the first phase (financial year 1978) are described in greater detail in Annex 1 of this explanatory memorandum.

From the 1979 financial year onwards the advances shall be transferred to the Member States in EUA and the expenditure made in national currencies is to be accounted for in EUA. The Commission is convinced that the interest shown by the Member States in speedy application of the EUA will lead them to encourage the application of the principles of Article 9(2) in the appropriate national departments and organizations.

Annex 2 contains a more detailed description of the second phase beginning in 1979.

II. The expression in EUA of the Communities' financial rights and obligations

In Section II, the Commission advocates the use of the EUA for the expression of financial rights and obligations, in line with the previously-mentioned second principle: i.e. the use of the EUA as an instrument of settlement.

Article 10 lays down that the Communities' rights and obligations shall be expressed in EUA, apart from the exceptions.

Articles 11-15 deal with the financial rights and obligations in the staff and administration sectors.

The application of the EUA to the financial rights and obligations which the Communities may have with respect to their officials and other staff (Article 11) shall be laid down according to the provisions of the Service Regulations for Community officials and the conditions of employment of other Community employees, as amended by a regulation which the Commission has just proposed to the Council. This regulation diverges, during a transitional period, from the principle of expressing rights and obligations in EUA.

Certain exceptions must also be made in the case of administrative expenditure (Title 2), specially as regards various categories of expenditure:

- (1) expenditure which is fixed by regulation in national currencies; plane ticket for expert, etc.;
 - (2) expenditure accruing from a contract expressed in national currency; current rents, etc.;
 - (3) expenditure caused by external circumstances: postal charges, telephone, water and electricity charges, etc.
- (Article 12)

The institutions will, however, endeavour to express supply contracts in EUA (Article 13).

Article 14 aims to ensure that the correct price index is applied to administrative expenditure.

Articles 16, 17 and 18 specify that applications for and decisions on financial aid must be expressed in EUA, define the rate of intervention, the refunding of actual costs and the closing of accounts for the major sector of intervention appropriations.

The Commission believes that the introduction of detailed rules for the application of the EUA cannot be used as an opportunity to alter the Community's methods of intervention in the financial sector: the articles mentioned above incorporate the EUA into the present system where the initial commitment is regarded as a ceiling not to be exceeded.

If the actual cost exceeds the estimate made when the aid is initially fixed, i.e. if it exceeds the commitment, the risk is borne in full by the beneficiary, whether or not he is responsible for it. If the actual cost is below the commitment ceiling, the Community only refunds the amount corresponding to the actual cost. What then is the actual cost? The actual cost is - from the Community viewpoint - expressed in EUA and not in national currencies (Article 17(2)).

A practical example will illustrate how the proposed system will work:

Let us suppose that an application for aid has been submitted to finance a five-year project the total cost of which is put at 4 m EUA. The regulation provides for a Community contribution of exactly 25%. Here the Community grants 25% of 4 m EUA = 1 m EUA. If the actual cost is 4 m EUA or more, the Commission refunds 1 m EUA. If the actual cost is 3.5 m EUA, the Community refunds 25% of 3.5 m EUA = 0.875 m EUA. However, in times of inflation, a country whose currency has been devalued may - under the EUA system - receive a higher amount in national currency than under the present system of fixed parities.

To deal with possible difficulties, resulting in particular from an adjustment of exchange rates between the time of granting of the aid and the implementation of the project, the Commission may under Article 18(3) decide to make an additional commitment. Such adjustment will be compulsory in the event of revaluation of a currency in the case of the EAGGF Guidance Section.

It should be pointed out that the operating rules of the Social Fund must be reviewed by the

Council before 1 May 1977¹ and those of the Regional Fund by 1 January 1978². The Commission is also concerned to increase the effectiveness of measures under the EAGGF Guidance Section on restructuring.

¹ Article 11 of the Council Decision of 1 February 1971 on the reform of the European Social Fund, bearing in mind that this decision entered into force on 1 May 1972.

² Article 18 of Council Regulation (EEC) No 724/75 of 18 March 1975 establishing a European Regional Development Fund.

This review should aim at improving the criteria for intervention and of procedures, as well as achieving a better balance as regards the consequences of applying the EUA. As part of this review and in the light of its proposals in this sector, the Commission may be led to propose that special provisions be added to this Regulation to make it easier to apply the EUA to these funds.

Section II ends with Article 19, which governs the entry of revenue on the basis of a monthly rate. This Article envisages that the EUA be applied to own resources and to contributions. Furthermore, the rate for the EUA in the month of establishment of own resources has been chosen for the conversion of own resources into EUA as a means of ensuring that the operation is performed as close to the time of establishment as possible.

III. Adoption of amounts expressed in EUA and in national currencies in the provisions in force

Article 20 embodies some general principles on the procedure regarding amounts expressed in EUA or national currencies in current Community regulations, irrespective of whether or not the provisions in question have budgetary implications (to be reviewed in the light of the Commission's decision on the matter): flat-rate aids, ceilings, thresholds, above which a particular provision applies, etc. It proposes as a standard: 1 u.a. = 1 EUA, based on the following considerations:

- this conversion rate is not very different from an overall conversion rate obtained by estimating firstly the approximate regional distribution of budgetary expenditure in national currencies, and then calculating the value of this expenditure in EUA;
- the conversion rate is not very different from the result obtained if one assesses the currency basket which makes up the EUA by assigning the values in u.a. to its national currency components, using the gold parities;

The present amounts, flat-rate payments and ceilings must nevertheless be reexamined and revalued from time to time; any problems raised by the very simple EUA-u.a. conversion could be solved at the time of the next adjustment.

Article 20(5) provides for exceptions where needed.

Articles 21 and 22 introduce partial exemptions for the Common Customs Tariff¹ and amounts fixed under the common agricultural policy.

Article 21(1) states that, notwithstanding the general provisions, the counter-value in national currencies of the EJA applicable to the Common Customs Tariff (specific duties), including the suspensions of customs duties, the tariff quotas and general preferences, shall be calculated twice a year. Despite the important exemption from the principle which this involves, this proposal, in line with the Council Resolution of 27 June 1974, is intended to avoid making the work of the customs administrations more difficult and, at the same time, to make it easier for the economic experts to make forecasts. The proposed rate of adjustment should however make it possible to avoid deflection of traffic. The dates on which the rates are to be applied also take into account the Resolution of 27 June which requests that the amendments "shall take effect every year on 1 January and, where appropriate, on 1 July" and that "they are published ... at least six weeks before the date fixed for their implementation"².

Article 21(2) permits the application of representative rates fixed as part of the common agricultural policy "for certain agricultural products for which this proves necessary because of the common organization of markets". This provision concerns mainly cheese and wine to which the representative rates already apply.

¹An additional proposal will be made for the ECSC products referred to in Regulation (EEC) No 950/68 covering the Common Customs Tariff.

²OJ No C 79 of 8 July 1974, p. 1.

Another very important exception is contained in Article 22 which states that the general provisions applying to expression in EUA (Article 10) and the adjustment of amounts (Article 20) shall not apply to the amounts fixed in u.a. as part of the common agricultural policy. The Commission is currently examining the problems raised by total application of the EUA to this policy.

Article 23 refers to a separate regulation to be prepared for the other customs matters, such as transit, origin and allowances and exemptions. Among other things, this regulation would deal with ceilings imposed in the context of trade agreements as regards origin.

IV. Transitional provisions

Drawing a line under the past means that a set of transitional provisions is required. These are set out in Articles 24 to 27, which are based on the principle that, at the time of transition from the old system to the new, the value in national currencies of existing debts, commitments, appropriations for commitment and applications for aid is maintained.

V. General final provisions

The final provisions contain details of the rates to be applied for converting EUA into national currencies (Article 28), indicate the procedure for adopting detailed rules for applying the regulation (Article 29) and propose that it enter into force on 1 January 1978 (Article 30).

ANNEX 1

EAGGF - Guarantee Section and Food Aid

Mechanisms and implementing procedures for the first phase

(Art. 9(1))

I. Mechanisms and constraints

1. Paying agencies shall continue to pay expenditure in national currency and to keep accounts thereof in national currency (no change).
2. Figures for advances, estimates and expenditure shall be converted into European Units of Account (EUA) by applying to the figures for month (n) the rate in force on the 20th day of month (n - 2), which will enable the same rate to be applied to all data concerning a particular month.
3. To avoid any risks of the expenditure in EUA exceeding advances in EUA (global commitments) and to ensure that accounts retain the requisite transparency, national currency balances in the Member States outstanding at the end of each month must be recalculated using the rate to be applied for the following month.
4. Consequently, there will have to be a strictly-observed monthly charging procedure and statements concerning exchange differences will have to accompany any alteration to the month's figures.
5. The so-called "second category" intervention expenditure which is financed from annual accounts shall be treated like the other forms of expenditure, on the basis of the monthly figures - which are however provisional and imperfect - on the understanding that these imperfections will, at the latest, disappear when the accounts for the final month of the year are completed.

II. Implementing procedures

6. The implementing procedures setting out the detailed mechanisms and the way in which special cases are to be treated shall be adopted by the Commission after the EAGGF Committee has given its opinion.

7. These procedures will relate to:

- (a) the rate applicable to the differences to be borne in mind following the final clearance of the annual accounts (rate of the month in which the Commission takes its decision);
- (b) the rate to be applied to corrections received without a reference to the month of payment of the sums being corrected (month of communication, of receipt or, when they relate to the previous financial year, the last month of the year);
- (c) the method of treating certain types of expenditure, especially cases where only the balance between expenditure and revenue is to be considered;
- (d) the exact mechanism for handling the second category (everything accounted monthly, or restricting this category to technical costs and transferring the losses on sales and financial costs to the end of the year);
- (e) any other provision which might prove necessary for the smooth operation of the new outline regulation.

ANNEX 2

EAGGF - Guarantee Section and Food Aid

Mechanisms and implementing procedures for the second phase
(Art. 9(2) and (3))

I. Mechanisms and constraints

1. The Commission shall make European Units of Account (EUA) available to the Member States (advances).

2. An EUA account shall be opened

- with the Treasury in each Member State and

- with a particular bank in the name of each paying agency.

3. The paying agencies shall settle expenditure in the same way as at present (agricultural units of account converted into national currency using the representative rates fixed under the common agricultural policy).

They shall authorize the bank to pay expenditure in national currency and to debit their account in EUA.

4. The bank shall pay beneficiaries in national currency and debit the EUA account of the paying agency at the daily rate.

5. The paying agency shall convert each national currency amount (contained in its general order given to the bank) into EUA at the same rate as used by the bank and shall enter this into the accounts in EUA.

6. All data (expenditure and estimates) from the paying agencies which the Member States forward to the Commission shall be expressed in EUA.

7. Paying agencies which do not have advance notice of the EUA rate shall be required to ensure that they have a 'margin of safety' in their liquid assets.

8. The Commission staff will no longer face the problem of converting expenditure before the stage of final clearance of accounts. At this stage, audits based on documents (in Brussels) will still further decline in importance compared with on-the-spot checks (at paying agencies).

9. The opening and holding of accounts in EUA will pose problems for the paying agencies. The Commission should, as far as possible, help to bring about this conversion and seek greater harmonization.

II. Implementing procedures

10. The implementing procedures to be adopted by the Commission after the opinion of the EACGF Committee has been given will relate to expenditure which is not in the nature of payment (second category and similar) and the charging-up of residual amounts.

11. The idea basically is to estimate how and when the paying agencies will be able to transfer the rights and obligations which may have been finally or provisionally worked out in national currency to the accounts held in EUA (payment or withdrawal effected in national currency at the bank which will convert into EUA at the daily rate).

12. As regards residual amounts and transactions, the rate to be applied will have to be worked out (e.g. month of establishment).

Proposal for a
REGULATION (ECSC, EEC, Euratom) OF THE COUNCIL

on the procedure for applying the European unit of
account (EUA) to the legal acts adopted by the
Institutions of the European Communities

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel
Community, in particular Article 78 thereof;

Having regard to the Treaty establishing the European Economic
Community, in particular Articles 209 and 235 thereof;

Having regard to the Treaty establishing the European Atomic Energy
Community, in particular Articles 183 and 203 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas the proposal for a regulation amending the Financial Regulation of 25 April 1973 applicable to the General Budget of the European Communities¹, forwarded by the Commission to the budgetary authorities on 19 May 1976, provides for the use of a new European unit of account (EUA), based on a basket of Community currencies, in the drawing up of the Budget of the Communities, in the keeping of the accounts and in the presentation of the revenue and expenditure account and the financial balance-sheet;

Whereas it is therefore necessary to adopt the procedure for expressing the Communities' financial rights and obligations in EUA, and to adopt the procedure for applying the new unit of account to the General Budget of the Communities;

Whereas many of the legal acts adopted by the Community Institutions include sums fixed in units of account or national currencies which it would be appropriate to convert into European units of account;

Whereas it would be advisable to determine what principles should govern this procedure;

Whereas in certain cases exceptions to these principles should be provided for and whereas special conversion procedures should be held in reserve for an emergency;

Whereas in order to achieve the Community's objectives it is necessary to ensure the uniform application of Community law and hence to lay down general rules governing the European unit of account;

Whereas the Treaties make no provision for the type of authority required for making the European unit of account applicable to all legal acts adopted by the Community's Institutions;

HAS ADOPTED THIS REGULATION:

¹Doc. COM(72)210 final, 19 May 1976.

DEFINITION OF THE EUA (Reminder)

Article 1: Definition of the EUA¹

1. The EUA shall be made up of the following amounts of the currencies of the Member States of the Community:

| | |
|--------|---------|
| DM | 0.828 |
| £ Stg | 0.0885 |
| FF | 1.15 |
| Lit | 109 |
| F1 | 0.286 |
| Bfrs | 3.66 |
| Lfrs | 0.14 |
| Dkr | 0.217 |
| £ Irl. | 0.00759 |

2. The value of the unit of account in a given currency shall be equal to the sum of the equivalents in that currency of the amounts of the currencies set out in paragraph 1. The value shall be determined by the Commission on the basis of the exchange rates recorded each day on the exchange markets, according to the method published in the Official Journal of the European Communities.

¹See Article 10 of the proposal for a Council Regulation (ECSC, EEC, Euratom) amending the Financial Regulation of 25 April 1973 applicable to the General Budget of the European Communities, Doc. COM(76)210 final of 12 May 1976.

SECTION I: USE OF THE EUA AS AN INSTRUMENT OF BUDGETARY MANAGEMENT

Article 2: Budget in EUA

The Budget shall be drawn up in European Units of Account (EUA).

Article 3: Accounts, revenue and expenditure accounts, financial balance sheet

The accounts shall be kept in EUA at the daily rate, and the revenue and expenditure accounts and the financial balance sheet shall be presented in EUA.

Article 4: Commitment, recovery and payment in EUA

1. Every proposal for commitment, every payment order and every recovery order shall be entered in the accounts in EUA.

2. A payment order made out in EUA shall be executed by a transfer made in EUA.

If the beneficiary is unable or unwilling to receive or keep sums in EUA, he may request the financial institution instructed to execute the payment order to convert the EUA into one of the nine currencies of the Member States.

In such cases, the conversion shall be made by the institution at the rate applying on the day of execution.

Any costs involved in such conversion shall be charged to the Budget of the Communities.

Article 5: Proposals for commitment, recovery orders and payment orders in national currency

In cases where a commitment by, or a debt to, the Communities has had to be contracted in a national currency, the authorizing officer shall draw up the proposal for commitment or the payment order or the recovery order in that national currency.

Article 6: Counter-value in EUA for the operations referred to in Article 5

In the cases referred to in Article 5,

1. The counter-value in EUA of the proposal for commitment or of the recovery order shall be calculated by the accounts department at the rate of the day preceding the entry in the accounts;

2. The counter-value of the payment order shall be calculated by the accounts department at the rate of the day preceding the entry in the accounts. The proposal for commitment shall be corrected automatically at the same rate. In the case of payments by instalments, such correction shall not apply to that part of the commitment which has already been paid.

3. When a debt made out in a national currency is collected, the original recovery order shall, if necessary, be changed on the basis of the EUA/national currency exchange rate obtaining on the day of payment (value date). In the case of recovery orders executed by instalments, such change shall not apply to the sums already recovered.

Article 7: Enforcement action for recovery

If, to enable demand for payment of a debt expressed in EUA to be made, this debt must be converted into a national currency, the Commission shall make the conversion at the rate applying on the day on which it takes the decision to initiate enforcement action.

Article 8: Entry in the accounts of imprests

The entry in the accounts in EUA of expenditure incurred against imprests shall be undertaken by the accounting officer on a monthly basis for each budgetary item in accordance with the principles of Articles 4, 5 and 6 above.

Article 9: Entry in the accounts of expenditure in respect of the EAGGF Guarantee Section and Food Aid operations financed by advances

1. During the 1978 budget year, expenditure in respect of the EAGGF Guarantee Section and Food Aid operations financed by means of advances shall be paid in national currencies and entered in the accounts on the basis of the rate applying on a reference day to be fixed for each month.

The reference rate to be applied to month 'n' shall be the twentieth of month (n - 2).

The balances in national currencies in the Member States shall be recalculated by the accounts department of the Commission at the reference rate for the following month.

2. From the 1979 budget year onwards, advances under the EAGGF Guarantee Section and Food Aid operations shall be paid to the Member States in EUA and expenditure incurred in national currencies shall be justified in terms of EUA.

3. The procedures for implementing this Article shall be adopted by the Commission in accordance with the procedure laid down in Article 13 of Council Regulation (EEC) No 729/70 of 21 April 1970 concerning the financing of the common agricultural policy.

SECTION II: EXPRESSION IN EUA OF THE COMMUNITIES' FINANCIAL RIGHTS AND OBLIGATIONS

Article 10: Expression of amounts in EUA: General principle

The Communities' financial rights and obligations shall be expressed in EUA, save where otherwise provided in this Regulation.

STAFF AND OPERATION

Article 11: Expenditure relating to persons working with the institution

1. Application of the unit of account to the Communities' rights and financial obligations with respect to certain categories of persons referred to in Title 1 of the General Budget and who are working with the institution shall be laid down in special provisions.

2. By way of derogation from Article 10, the Communities' rights and financial obligations with respect to other categories of persons referred to in Title 1 and Chapter 33 of the General Budget and not mentioned in the preceding paragraph together with similar rights and financial obligations with respect to categories of persons referred to in Title 2 of the General Budget, may be expressed in national currency.

Article 12: Expression of rights and obligations as regards operating expenditure, excluding supply contracts

By way of derogation from Article 10, the Communities' rights and financial obligations concerning operating expenditure, excluding supply contracts, may be expressed in the national currency of the country of the co-contractor's registered office if:

- (1) the co-contractor refuses to accept the EUA principle and if the conclusion of the contract with this co-contractor is of special importance,
- (2) the financial obligations are the result of external constraint.

Article 13: Invitations to tender in respect of supply contracts

In invitations to tender for supply contracts in the countries of the Community, it shall generally be specified that:

- the tenders shall be submitted in EUA. If the tenders are submitted in a national currency, they shall, for price comparison purposes, be converted into EUA at the rate applying on the closing day for the submission of tenders;

- the contracts shall be expressed in EUA;
- the payments arising from the contracts shall be made in accordance with the procedure laid down in Article 4 of this Regulation.

Article 14: Price revision index

1. For contracts expressed in EUA, the price revision index shall be the weighted average of the general national price indices or that relating to the sector of activity concerned.
2. For contracts expressed in a national currency, the price revision index shall be that of the general prices or of the sector of activity concerned in the country in which the co-contractor has his registered office.

Article 15: Other appropriations comparable to operating appropriations

Social and education expenditure and expenditure charged to intervention appropriations classified by function, objective or destination, shall be treated as operating appropriations if they are of the same type.

INTERVENTION OPERATIONS

Article 16: Expression of amounts in applications for, and decisions on, financial aid

1. Applications for financial aid and decisions on such aid shall be expressed in EUA.
2. The amounts expressed in a national currency in applications for aid shall be converted into EUA at the rate obtaining on the date set as a deadline for submitting the application, where such a date has been fixed; where no date has been fixed, the conversion shall be made at the rate obtaining on the day when the application is received by the Commission.

Article 17: Intervention rate and refunding of costs

Provisional closing of the accounts

1. Where the present regulations fix a maximum rate for intervention or a fixed ratio between Community intervention and intervention by another party (Member States, beneficiaries, etc.), the Community intervention rate shall apply to amounts expressed in EUA when the aid is granted.

2. When the aid is paid out, and notwithstanding Article 18(3), the amount committed in EUA shall represent the upper limit of the amount to be paid; this payment may not be higher than the maximum rate for intervention as applied to the real effective costs.

Real effective costs are costs converted into EUA in accordance with the provisions set out in the next paragraph.

3. The beneficiary of financial aid may choose either of the two methods described below to charge expenditure incurred by him to the General Budget of the European Communities.

Either, (a) the beneficiary adds an auxiliary account in EUA to his accounts, in which case the expenditure incurred by the beneficiary is entered in the accounts daily using the conversion rate for the day on which the payment in question is made (bank values date).

A provisional balance is made (in EUA) at least once a year. Any corrections to the provisional balance are entered at the rate for the day preceding the day on which the accounts were closed.

Or, (b) if the request for reimbursement is made in national currency, the sum is converted into EUA at the rate for the day on which the Commission received the application.

Article 18: Closing of accounts, final settling of the accounts;
cancelling or increasing commitments and appropriations

1. The accounts shall be finally closed in EUA. Corrections to the final account shall be made at the rate obtaining on the day preceding that on which the account is closed.
2. If the total of payments made and still due is less than the sum committed, the surplus shall be released.
3. If the total of payments already made and still due exceeds the sum committed, the Commission shall be, in principle, absolved of its obligations as long as total payments correspond to the total sum committed. However, the Commission may decide to commit an additional sum by taking the appropriate measures.

But where, during the period between the date on which the commitment was entered into and the date on which financial aid is finally paid a currency appreciates by comparison with the EUA, the Commission shall take the appropriate measures, where the EAGGF Guidance Section is concerned, to ensure that the intervention rate fixed at the time that the aid was granted is maintained.

ENTERING REVENUE

Article 19: Entering revenue

Entries on the credit side of the account as referred to in Article 7(1) of Regulation 2/71 shall be made in EUA. Where own resources are established in national currency, they shall be converted into EUA at the conversion rate obtaining on the fifteenth of the month during which the sum is established.

These provisions will apply for the first time to sums established during November and December 1977 and, pursuant to Article 27 of the Financial Regulation, these will be entered as revenue in the 1978 budget.

SECTION III: ADJUSTMENT OF THE AMOUNTS EXPRESSED IN U.A. AND IN NATIONAL CURRENCIES IN THE LEGAL ACTS OF THE COMMUNITIES

Article 20: Principles

1. In the acts adopted by the Community Institutions pursuant to the Treaties establishing the EEC and the EAEC, amounts expressed in u.a. shall, from the date when this Regulation comes into force, be taken as being expressed in European units of account at the rate of 1 u.a. = 1 EUA. Sums expressed in national currency shall be replaced by the equivalent in EUA at the rate obtaining on the first general quotation day in 1978.

If the acts quote both an amount in u.a. and its equivalent in national currency, the amount in u.a. shall be converted into EUA at the rate of 1 u.a. = 1EUA and the reference to the national currency shall be omitted.

2. The forecasts in u.a. contained in multiannual programmes adopted before 1 January 1978 shall however be converted into EUA in the budgetary procedure.

3. The amounts expressing flows or averages such as turnovers, GNP, trade volume, etc., shall be converted at a rate equivalent to the average of the daily rates of the period.

4. The amounts expressing outstanding liabilities existing on a specific date, such as company capital, financial reserves, etc., shall be converted at the daily rate of that date.

5. The principles set out in this Article shall apply subject to the exceptions listed in the provisions below and without prejudice to any special conversion procedures which may have to be adopted at a later date in legal acts adopted pursuant to the Treaties instituting the EEC and EAEC under the specific provisions on which they are based.

Article 21: Application to the Common Customs Tariff

1. Notwithstanding Article 20, in conjunction with Article 1(2), the value in national currencies of the EUA applicable to the Common Customs Tariff, including suspension of customs duties, tariff quotas and general preferences shall be calculated twice a year. The rates to be applied shall be those of the last day of October and April, with effect on 1 January and 1 July respectively.

2. However, the representative rates fixed for the common agricultural policy can be applied to those agricultural products for which this proves necessary because of the common organization of the markets.

Article 22: Amounts in u.a. fixed for the common agricultural policy

The provisions of Articles 10 and 20 do not apply to amounts fixed for the common agricultural policy in u.a. for agricultural products, and for some goods which are the result of processing agricultural products and are governed by special rules applied under Article 235 of the Treaty, apart from those which are included in the Common Customs Tariff and governed by Article 21.

These amounts are converted into national currencies at the rates fixed for the common agricultural policy.

Article 23: Transit arrangements, verification of origin and
duty-free arrangements

The detailed rules for the application of Community transit, verification of origin and customs and fiscal exemptions will be regulated separately.

SECTION IV: TRANSITIONAL PROVISIONS

Article 24: Debts and commitments outstanding at 1 January 1978

1. Debts due to the European Communities originating, and commitments entered into, before 1 January 1978 shall continue to be administered on the same basis whether they were established in units of account converted into national currencies by the Commission at the rate current on the date the debts originated or the commitments were entered into, or whether they were established in national currencies.
2. As from the financial year 1978, the debts collected and the payments outstanding against commitments made in previous financial years shall be entered in the accounts in EUA at the rate obtaining on the day before they are entered in the accounts.

Article 25: Appropriations for commitment outstanding at 1 January 1978

The appropriations for commitment outstanding at 1 January 1978 shall be converted into EUA under the budgetary procedure, on the principle that their value in the national currencies of the beneficiaries is maintained when the transition is made from one system to the other.

Article 26: Applications for aid submitted before 1 January 1978

1. Applications for aid submitted before 1 January 1978 whose final date for submission was also before 1 January 1978, and in respect of which no decision has been taken, shall be converted into EUA for the counter-value, as at the first general quotation day in 1978, of the amount in national currency requested.
2. Aids approved in national currencies before 1 January 1978 shall be paid in national currencies.

Article 27: Supplementary clauses to contracts for the execution
of programmes

The amounts set down in supplementary clauses to contracts valid at 1 January 1978 shall be expressed in EUA only if the duration of the contract is extended and if the financial terms relating thereto are amended.

SECTION V: GENERAL FINAL PROVISIONS

Article 28: EUA conversion rates

1. The rates for conversion of the EUA into the different national currencies shall be available each day. They shall be published daily in the Official Journal of the European Communities (Information and Notices).
2. If a rate has not been published in the Official Journal in respect of a particular day or a particular national currency, the rate applicable for the day or currency in question shall be that applicable on the last day for which a rate was published.
3. "General quotation day" for the purposes of Article 20 and 26 shall mean a day on which the counter-value of the EUA is published in respect of the currency of each Member State.

Article 29: Detailed rules for application

The detailed rules for the application of this Regulation in respect of matters dealt with by the Financial Regulation applicable to the General Budget of the European Communities shall be adopted in accordance with Article 118 of the Financial Regulation¹.

Article 30: Entry into force

This Regulation shall enter into force on 1 January 1978.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

The President

¹See Financial Regulation of 25 April 1973 applicable to the General Budget of the European Communities (73/91/ECSC, EEC, Euratom).