

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(76) 585 final

Brussels, 11 November 1976

Proposal for a
COUNCIL REGULATION (EEC)

on the entries in the Budget of the Communities
relating to the financial effect of the different
conversion rates applied for measures financed by
the Guarantee Section of the EAGGF

(submitted to the Council by the Commission)

COM(76) 585 final

THE UNIVERSITY OF CHICAGO LIBRARY

EXPLANATORY MEMORANDUM

1. Since representative exchange rates were introduced in 1973 within the framework of the common agricultural policy, there has been a financial effect due to the application of different conversion rates. This is caused by the fact that the amounts expressed in units of account (u.a.) in agricultural measures are converted into national currencies at the representative rates before being granted to operators. After the Member States has recorded the expenditure in national currency it is converted at Community level into u.a. at the budgetary conversion rates so that it may be charged up. Since the representative rates tend to follow the actual market exchange rates while the budgetary conversion rates remain the same as the par values declared to the IMF, the application of these different conversion rates is producing a financial effect which is of increasing significance for the budget.
2. This financial effect increases progressively as changes in the real rates of exchange are followed by changes in the representative rates. Following the changes in the latter and in the relative share of each Member State in total EAGGF expenditure, the financial effect has entailed additional expenditure which was relatively minor in 1973 but has grown year by year and which is estimated at 377 million u.a. for 1976 and 538 million u.a. in 1977.

3. The Commission has proposed that a separate heading be created in the 1977 budget in order to isolate this phenomenon and this proposal was accepted by the Council when the draft budget was approved on 22 July 1976.
4. As the paying agencies (pursuant to Article 4 of Regulation 729/70) keep their accounts in the national currency, the Commission has to convert this expenditure into budgetary units of account. If the effect of different conversion rates were to be isolated in accounting terms, there would have to be separate accounting for agricultural expenditure depending on the representative rate applied; this would oblige the 42 paying agencies and their branches to revise their accounting system. Such a change-over at short notice would cause administrative complications which all agencies would find difficult to overcome.
5. As the separation of expenditure takes place between headings within the same budget and has no general financial effect, the Commission proposes to avoid administrative complications by separating the financial effects of different conversion rates at Community level according to a method to be implemented under the procedure provided for in Article 13 of Regulation 729/70 (Commission Decision after an Opinion from the EAGGF Committee). This method would consist of arriving at a separation by applying weightings per Member State to all the expenditure notified by them. These weightings would be fixed in the light of the effect of different exchange rates for each currency and the period of payment in each Member State. If the representative conversion rates were changed, these weightings would be adjusted accordingly.

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PROPOSAL
FOR
COUNCIL REGULATION

on entries in the Budget of the
Communities relating to the financial
effect of the different conversion
rates applied for measures financed
by the Guarantee section of the EAGGF.

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 43 and 209 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Whereas the Budget of the Communities provides that from 1 January 1977 a separate heading shall be used for expenditure resulting from the application of different conversion rates, namely, the representative rates used to convert into national currencies the amounts relating to operations financed by the Guarantee Section of the EAGGF and the budgetary rates used to convert expenditure expressed in national currencies for the purpose of charging it to the Budget;

Whereas the paying authorities and bodies referred to in Article 4 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy (1) /as last amended by Regulation (EEC) 2788/72(2) do not in general keep separate accounts according to the representative rate applied; whereas the introduction of separate accounts at this level would lead to major administrative complications; whereas therefore a method should be used which takes account of the factors determining the level of such expenditure, so that separate accounts can be kept at Community level of the expenditure resulting from different conversion rates;

HAS ADOPTED THIS REGULATION

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(1) OJ No L 94, 28.4.1970, p. 13

(2) OJ No L 295, 30.12.1972, p. 1

Article 1

1. The entries in the Budget of the Communities relating to the financial effect of applying, on the one hand, the representative rates to convert into national currencies the amounts relating to operations financed by the Guarantee Section of the EAGGF, and, on the other hand, the budgetary rates to convert expenditure expressed in national currencies for the purpose of charging it to the Budget of the Communities, shall be made in accordance with a method to be adopted under the procedure provided for in Article 13 of Regulation (EEC) No 729/70.
2. The method referred to in paragraph 1 shall, in the case of each Member State, take particular account of the budgetary rate, the various representative rates, the period of their application and the customary period of payment.

Article 2

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities. It shall apply with effect from the 1977 financial year.

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

Done at

For the Council
The President,

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