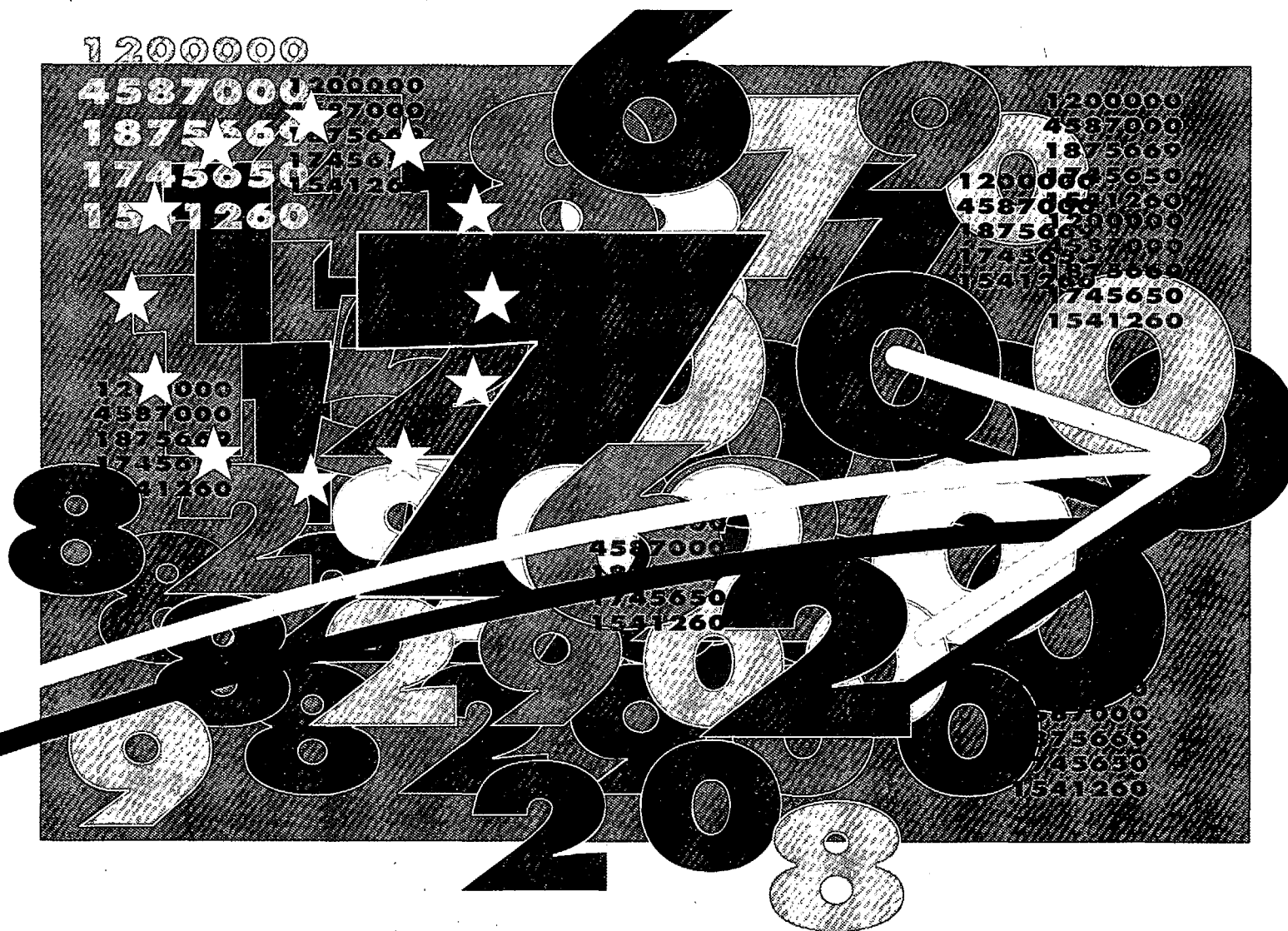




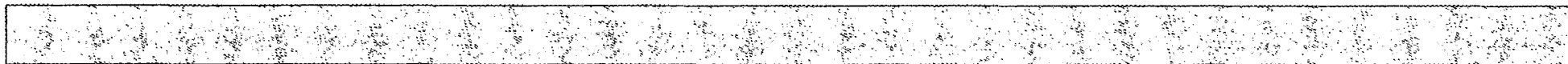
THE COMMUNITY BUDGET: THE FACTS IN FIGURES



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Foreword

The 1994 edition of the 'Community budget : the facts in figures' retains its original purpose — to provide exhaustive statistical information on the Community budget since its inception — but is also targeted at a wider audience. It contains explanations of the mass of information compiled and describes the legal, institutional and financial context.

In doing so, the 1994 edition follows on from the last two.

By stressing the informational aspect, the publication attempts to convince the reader of the reality of European integration and to explain how the Community is financed and what the money is used for.

To judge by the ever-increasing demand for this publication, this effort to make the budget transparent is particularly appreciated since this is a complex field which is often reserved for specialists. The 1994 edition is intended to make the European budget accessible to the ordinary citizen.

Introduction

The Community's public finances are governed by a number of basic instruments :

The Treaties establishing the three Communities, and the subsequent amendments to these treaties, provide a framework for the procedure for adopting each annual budget. The main aspects are listed on page 11.

The general provisions of the Treaties have been supplemented by a number of decisions, in particular :

- the Decision of 21 April 1970 setting up the own resources system, described in detail on page 23,
- the 1982 Joint Declaration on various measures to improve the budgetary procedure,
- the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, which is one of the key elements in the 1988 reform of the Community's public finances and is presented in greater detail on page 47,
- the new Interinstitutional Agreement of 29 October 1993 which contains the financial framework for expenditure over the period 1993 to 1999 (see '*Financial perspective 1993 to 1999*', page 57).

As stated on page 9, the Community also has several financial instruments which, for a variety of reasons, are not included in the general budget. Information on the ECSC operating budget, the EDF and borrowing and lending activities can be found in Tables 1, 5, 34 and 35.

All the information in this edition is set out chronologically. An introductory chapter lists a number of concepts which should help readers. In particular, it describes developments affecting the financial perspective and the expenditure and revenue of the European Union. The history of the budget from its beginnings to the present day is contained in Part I which, in addition to general data on changes in revenue and expenditure (Tables 1 to 4), focuses on more specific data such as changes in the staffing levels of the institutions (Table 6) or the development of borrowing and lending activities (Table 5). The period 1988 to 1992, which is closely linked to the implementation of the Single Act, heralds the modern era of the Community's public finances. This is the subject of Part II which provides details of the financial perspective introduced in the Interinstitutional Agreement and draws a comparison between the budget and the ceilings of the financial perspective. The current period (1993 to 1995) is divided into three separate parts in order to provide particularly detailed information on the latest developments : Part III presents the new financial framework (1993 to 1999) arising from the new Interinstitutional Agreement of 29 October 1993, Part IV gives a detailed description of the budget adopted for 1994 and, finally, Part V describes the preliminary draft budget for 1995. A glossary at the end of the volume gives the meanings of the abbreviations and acronyms used and a bibliography proposes further publications for readers seeking more detailed information.

Some important concepts

THE COMMUNITY BUDGET — BASIC PRINCIPLES

The Community budget is governed by six major principles.

1. The principle of **unity**, laid down in Article 199 of the Treaty, means that all the Community's revenue and expenditure must be brought together in a single document. In the early years of the Community, because of the autonomy enjoyed by the institutions set up under the ECSC, the EEC and the EAEC, as many as five separate budgets had to be drawn up for some financial years. Since the Treaty of Luxembourg of 22 April 1970 the development of the Community's main financial activities has contributed to a unification of these budgets and there are now only two budgets — the general budget and the ECSC operating budget. However, two categories of financial operation are not covered by this framework : the European Development Fund and borrowing and lending activities (see '*The Community budget from its beginnings*', page 23).

2. The principle of **universality** is based on two rules : budgetary revenue may not be allocated to particular items of expenditure and all revenue and expenditure must be entered in full in the budget without any adjustment against each other.

3. **Annuality** means that budget operations relate to a given budget year in order to facilitate control of the work of the Community executive. The Community must, however, reconcile this principle with the need to engage in multiannual operations, which account for a growing proportion of the budget. The answer to this dual requirement is provided by the entry of *differentiated appropriations*, which consist of commitment appropriations and payment appropriations. The *commitment appropriations* cover the total cost in the financial year of the legal obligations entered into in respect of operations to be carried out over a period of more than one financial year. The *payment appropriations* cover expenditure, up to the amount entered in the budget, resulting from the commitments entered into during the financial year and/or earlier financial years. Unlike the differentiated appropriations, *non-differentiated appropriations* are to cover operations which should, in principle, be completed (both commitment and payment) in a single budget year. The terms 'appropriations for

commitments' and 'appropriations for payments' are used for the totals of commitment appropriations and payment appropriations corresponding to both differentiated and non-differentiated appropriations.

4. The principle of **equilibrium** requires that the estimated revenue for a financial year should be equal to the appropriations for payments of that year (see '*Revenue of the European Union*', page 18). No funds may be borrowed to cover a budget deficit. A surplus is entered as revenue in the following year's budget and any unforeseen additional expenditure in the course of the year must be financed by a supplementary and/or amending budget which will redeploy appropriations within the budget adopted or call in additional resources (see '*Budgetary procedure*', page 11).

5. **Specification** of expenditure means that each appropriation must have a given purpose and be assigned to a specific objective in order to prevent any confusion between appropriations, at both the authorization and the execution stage, and thus to ensure that the budget as established is quite unambiguous and that it is executed in accordance with the wishes of the budgetary authority. The principle of specification determines the horizontal structure (distinction between statement of revenue and statement of expenditure, subdivision of the statement of expenditure into five sections, one for each of the institutions) and the vertical structure of the budget (the budget nomenclature enables the type and purpose of appropriations to be identified by subdividing the sections, in particular Section III which contains all the Community's operating expenditure, into titles, chapters, articles and items) (see '*Expenditure of the European Union*', page 14). The possibility offered under certain conditions, of transferring appropriations to reallocate funds to headings other than those they were intended for when the budget was adopted, introduces flexibility into the principle of specification. These transfers are provided for in the Treaty so that budget appropriations can be used as effectively as possible.

6. The Union's monetary unit is the **European Currency Unit (ECU)** which represents a 'basket' of the twelve Community currencies. The estimates of expenditure and revenue in the budget are drawn up in ecus. However, much of the expenditure is still effected in national currency, leading to exchange rate differences which sometimes pose problems in the event of currency realignments, especially for agricultural and administrative expenditure.

DEFINITIONS

Compulsory expenditure**Non-compulsory expenditure**

The distinction between compulsory expenditure and non-compulsory expenditure is essentially political in that it determines the division of power over the budget between Parliament and the Council (Parliament has the last word on non-compulsory expenditure and the Council on compulsory expenditure).

The rather vague definition of the two concepts contained in the Treaty was clarified in 1982 in a Joint Declaration by the three institutions stating that compulsory expenditure is expenditure which the budgetary authority is obliged to enter in the budget to enable the Community to meet its obligations, both internally and externally, under the Treaties and acts adopted in accordance therewith. All other expenditure is non-compulsory.

Under the 1982 Declaration, the Presidents of the three institutions hold a trialogue meeting before the Council establishes its draft budget in order to determine the classification of new budget headings and of any for which the legal basis might have changed. The 1993 Interinstitutional Agreement also laid down an *ad hoc* conciliation procedure to determine the level of compulsory expenditure (see '*Financial perspective 1993 to 1999*', 3. *Negotiation of the new Interinstitutional Agreement*, page 59).

Maximum rate of increase for non-compulsory expenditure

Article 203 of the EEC Treaty sets out the procedure for establishing the budget. Article 203 (9) allows Parliament, in certain circumstances, to increase the amount of non-compulsory expenditure by amending the Council's draft budget subject to a maximum rate

of increase in relation to the previous financial year. This maximum rate of increase is calculated by the Commission on the basis of various macroeconomic data and may be exceeded only if the Council agrees. Application of these rules was a frequent source of conflict between the two arms of the budgetary authority before the Interinstitutional Agreements were concluded to avoid this (see '*Some important concepts : the financial perspective*', page 12).

Token entries and dashes

Budget items carry one of three possible types of entry :

- A given amount is entered : this is the normal state of affairs.
- The item carries a token entry (p.m.). This situation arises when the legal basis determining the principle and the arrangements for the expenditure does not exist when the budget is adopted (in particular, this is the case with the appropriations entered in the reserve in Subsection B0) or when the budgetary authority wants implementation of a measure to be temporarily suspended. The token entry thus means that the budgetary authority accepts expenditure in principle under the heading concerned, subject to a number of conditions.
- A dash (—) is entered against a budget heading. This is used to indicate headings which have ceased to be operational but which have to be kept in the budget for historical or accounting reasons, for instance in order to complete the implementation of payment appropriations for previous financial years.

Budget execution

All the statistical series on the implementation of expenditure relate to annual appropriations which are actually committed or paid in the same financial year or, in the case of carryovers, in the following financial year.

THE BUDGETARY PROCEDURE

1. Main stages of the procedure

The budgetary procedure is set out in Article 203 of the EEC Treaty which stipulates the sequence of stages and the time limits which must be respected by the two arms of the budgetary authority : the Council and Parliament. The budgetary procedure, as defined in the Treaty, extends from 1 September to 31 December of the year preceding the budget year in question.

In practice, however, a 'pragmatic' timetable has been applied by the three institutions since 1977. The different stages of the procedure are now as follows :

— *Establishment of the preliminary draft budget by the Commission and transmission to the budgetary authority by no later than 15 June*

The Commission prepares its 'statement of estimates' by compiling the requests of all spending departments and arbitrating between conflicting claims on the basis of the priorities set for the year in question. It also receives the estimates of the other institutions and puts them all together in a preliminary draft budget, which is the overall forecast of revenue and expenditure for a given year. This preliminary draft is adopted by the Commission early in May and sent to the budgetary authority in all Community languages by no later than 15 June.

The preliminary draft can subsequently be amended by the Commission by means of a letter of amendment to allow for new information which was not available when the preliminary draft was established.

— *Establishment of the draft budget by the Council*

The Council conducts its first reading of the preliminary draft and, on this basis and after a conciliation meeting with a delegation from Parliament, establishes, before 31 July, the draft budget, which it sends to Parliament in the first half of September.

— *First reading by Parliament*

Parliament conducts its first reading in October on the basis of the Council's draft; amendments to non-compulsory expenditure require the votes of an absolute majority of members. Proposed modifications to compulsory expenditure require an absolute majority of votes cast.

— *Second reading by the Council*

The Council conducts this second reading during the third week of November, after a conciliation meeting with a delegation from Parliament. The draft budget is amended in the light of Parliament's amendments (non-compulsory expenditure) or proposed modifications (compulsory expenditure). As a rule the Council's decisions on second reading relating to compulsory expenditure determine the final amount : unless the entire budget is subsequently rejected by Parliament, the Council has the 'last word' on this category of expenditure. The draft budget as amended is returned to Parliament around 22 November.

— *Second reading by Parliament and adoption of the budget*

As the Council has had the last word on compulsory expenditure, Parliament devotes most of its December part-session to reviewing non-compulsory expenditure, for which it can accept or refuse the Council's proposals.

Acting by a majority of its members and three-fifths of the votes cast, Parliament then adopts the budget. The President of Parliament declares the budget adopted and it can then be implemented.

2. Supplementary and amending budgets

In the event of unavoidable, exceptional or unforeseen circumstances, the Commission may propose during the year that the budget as adopted be amended; it does this by submitting preliminary draft supplementary and/or amending budgets.

These are subject to the same procedural rules as the general budget.

FINANCIAL PERSPECTIVE

1. Why is there a financial perspective ?

The political and institutional balance of the Community's system of finance gradually deteriorated in the eighties when increasing tension caused more and more difficulties in the annual budgetary procedure and resources were increasingly unable to meet requirements. The succession of budget crises prompted the Community institutions to agree on a method designed to ensure application of budgetary discipline and to improve the budgetary procedure. In concluding an Interinstitutional Agreement, Parliament, the Council and the Commission agree in advance on the main budgetary priorities for the following period and establish a framework for Community expenditure in the shape of a financial perspective. This financial perspective shows the maximum amount and the composition of foreseeable Community expenditure.

The first Interinstitutional Agreement was concluded in 1988 for the application of the 1988 to 1992 financial perspective (Delors I package) which was intended to provide the resources needed for the budgetary implementation of the Single Act. As the application of the Interinstitutional Agreement and the financial perspective proved a success, the institutions again adopted this approach and on 29 October 1993 concluded a new Interinstitutional Agreement including the 1993 to 1999 financial perspective agreed by the Edinburgh European Council of December 1992 (Delors II package).

2. What is the financial perspective ?

The main categories of Community expenditure are divided into headings : each of these headings carries an annual expenditure ceiling in commitment appropriations. However, in the case of structural operations (Structural Funds and Cohesion Fund), the amount entered in the financial perspective also constitutes an expenditure target. The financial perspective also indicates the maximum amount of payable appropriations expressed in millions of ecus and as a percentage of Community GNP (based on forecast GNP growth) so that it

may be compared with the ceiling on own resources which is also fixed as a percentage of Community GNP by the own resources decision (see '*Revenue of the European Union*' on page 18 and '*1988 to 1992*' on page 47).


Between the own resources ceiling and the ceiling of payment appropriations there is a margin for unforeseen expenditure. This margin has a dual role : it leaves a safety margin should the growth rate be lower than forecast thus reducing the resources available to the Community, and also allows the various ceilings of the financial perspective to be revised to cover any unforeseen expenditure which arises. This margin, which represented 0,03 % of GNP in the 1988 to 1992 financial perspective, was reduced to 0,01 % of GNP in the new financial perspective.

Under the Interinstitutional Agreement the three institutions undertake to respect the various ceilings set in the financial perspective. In return, the rule concerning the 'maximum rate of increase' (see '*Some important concepts : Definitions*', page 10) is no longer applicable : the two arms of the budgetary authority now agree to accept the rates of increase for non-compulsory expenditure resulting from budgets established within the limits of the financial perspective.

The financial perspective is drawn up at current prices — 1988 prices for the first financial perspective and 1992 prices for the new financial perspective. It therefore has to be updated each year by the Commission to allow for increases in Community GNP and in prices. It is then expressed at current prices for the year in question.

Under the Interinstitutional Agreement, the financial perspective can also be adjusted in line with outturn, where the amounts planned for structural operations cannot be used in full during a given year and therefore have to be re-entered in the budget for a later year. Similarly, the total amount of payment appropriations may be adjusted to guarantee an orderly development between commitments and payments.

Apart from these adjustments, the financial perspective may also be revised to raise (or lower) the ceiling for one or more headings in order to accommodate expenditure which could not be foreseen when the agreement was signed.



The call-in rate for own resources cannot be raised above the own resources ceiling as a result of these adjustments and revisions of the financial perspective.

3. What is the link between the financial perspective and the budget ?

The classification of Community expenditure in the headings of the financial perspective reflects the various policy options. The breakdown of total expenditure between the various headings must therefore revolve around the main political priorities adopted for the period. Since 1988 the summary budget tables have been systematically organized by heading of the financial perspective in order to make it easier to assess the funds provided for implementing these political priorities. Most of the comparative tables in Parts III, IV and V of this publication adopt the same approach.

The amounts entered in the financial perspective are expenditure ceilings, which means that the field of activities covered by each heading must be sufficiently large in order to preserve the flexibility needed for budgetary management.

The financial perspective differs from indicative financial programming in that the ceilings are binding on the parties to the Interinstitutional Agreement. However, the financial perspective cannot be regarded as a multiannual budget, as the annual budgetary procedure is still essential for determining the actual level of expenditure under the ceilings and, above all, for dividing appropriations between the various budget headings. The budgetary nomenclature accordingly guarantees a transparent and accurate analysis of all Community operations contributing to the achievement of the main political priorities reflected in the financial perspective. The budgetary nomenclature was radically changed in 1991 so that the budget would be more transparent, easier to read and easier to compare with the financial perspective. Even if each budget heading comes under a specific heading of the financial perspective, there will be no complete match with the structure of the financial perspective because of the analytical breakdown of budgetary nomenclature which is required. The presentation of the budget in accordance with the budgetary nomenclature is therefore set out in detail in the tables and charts in Part IV ('1994 budget').

THE EXPENDITURE OF THE EUROPEAN UNION

The expenditure of the European Union has considerably increased and diversified in the course of European integration (the main stages in this development are described on page 23). These days the general budget of the Union takes the form of a document consisting of a statement of revenue and a statement of the expenditure of all the institutions. The statement of expenditure is divided into five sections for the five institutions : Parliament (Section I), the Council, including the Economic and Social Committee (Section II), the Commission (Section III), the Court of Justice (Section IV) and the Court of Auditors (Section V).

While the appropriations entered in Sections I, II, IV and V are exclusively for administrative expenditure, the Commission section is in two parts — A and B.

Part A (administrative appropriations) covers :

- the institution's expenditure on staff, buildings and equipment, various activities (meetings, studies, etc.), the Official Journal, publications, data processing and the staff and operation of delegations,
- expenditure resulting from special functions carried out by the institution such as general subsidies, subsidies for various bodies (e.g. the European University Institute, Florence, and the College of Europe, Bruges) or participation in events of interest for the Union,
- certain expenditure of an interinstitutional nature such as pensions for officials and temporary staff of all the institutions, the subsidy for the European Schools, the operating expenditure of the Office for Official Publications (the appropriations are set out in detail in Annex II to Part A). Expenditure on behalf of the other institutions in Part A of the Commission section accounts for around 7 % of the Part A total.

Tables 29 and 30 and Chart 17 contain a breakdown of the institutions' administrative expenditure.

Part B (operating appropriations) is divided into eight subsections :

Subsection B1 contains all the guarantee expenditure by the European Agricultural Guidance and Guarantee Fund. This subsection gives budgetary shape to the common agricultural

policy (CAP), the objectives of which are laid down in the Treaty establishing the European Economic Community : to increase agricultural productivity, to ensure a fair standard of living for the agricultural community, to stabilize markets, to guarantee the availability of supplies and to ensure that supplies reach consumers at reasonable prices.

To achieve these objectives, the common agricultural market was based on three principles : a single market, Community preference and financial solidarity, the latter being a key factor in the common agricultural policy. In April 1962 the Member States decided to set up a Community fund — the European Agricultural Guidance and Guarantee Fund — to put this into effect. The EAGGF is included in the budget of the European Union and is thus subject to budgetary rules even though it is governed in some cases by its own, specific provisions.

In 1964 this fund was divided into two sections — the Guarantee Section for Community expenditure arising from market and prices policy and the Guidance Section for Community expenditure resulting from the agricultural structures policy.

The objectives of the Treaty have been largely achieved but this has demanded constant adjustment, the latest being the reform of the common agricultural policy decided by the Council of Ministers in May 1992. On the basis of more competitive prices and direct aid to farmers who most need it, this reform is intended to cut surpluses, slow down the drift away from the land and preserve the environment by discouraging intensive production.

To deal with the problem of the exhaustion of own resources, caused in particular by the rise in agricultural spending as a result of imbalance on some markets, the June 1988 European Council laid down the principles for tighter budgetary discipline in order to produce a better balance between the various categories of expenditure and to control their growth. These principles were confirmed by the Edinburgh European Council in December 1992.

To contain agricultural expenditure, the European Council laid down the principles of a 'guideline' (i.e. expenditure ceiling) within which the EAGGF Guarantee Section had to finance refunds on exports of agricultural products to non-member countries, the various types of intervention on the agricultural markets, including the cost of depreciating newly

formed stocks, half the expenditure involved in the set-aside programme, rural development schemes linked to markets and measures to combat fraud.

However, from 1993 onwards, the scope of the agricultural guideline was extended in line with the conclusions of the Edinburgh European Council to include the new measures to accompany the reform of the CAP (early retirement, environment, afforestation), all expenditure on set-aside which, until 1992, had been split evenly between the EAGGF Guarantee Section and the EAGGF Guidance Section (the Guidance Section's share coming under heading 2 of the financial perspective), expenditure on income aid (which also came under heading 2 in 1992) and expenditure under the Guarantee Fund for fisheries (which belonged to heading 4 up to 1992).

In 1994 agricultural appropriations came to ECU 36 465 million, including ECU 15 million of reserves and provisions, but excluding ECU 1 000 million for the monetary reserve. No margin was left under the agricultural guideline. With the exception of arable crops and beef/veal, for which requirements increased following the introduction of new support mechanisms, the level of expenditure for the other sectors remained stable and even fell considerably in sectors such as milk products.

As Chart 10 shows, agricultural expenditure accounted for 51 % of the Community's expenditure in 1994. Table 21 and Chart 12 provide a detailed breakdown of EAGGF Guarantee Section expenditure by sector and chapter.

Subsection B2 covers structural operations, including operations under the Structural Funds (European Regional Development Fund — ERDF, European Social Fund — ESF and the EAGGF Guidance Section), the Financial Instrument for Fisheries Guidance (FIFG) and, since 1993, the Cohesion Fund. It also includes some internal policies : other agricultural and regional operations, transport and fisheries.

With the appropriations for the Structural Funds and the FIFG, the Union supports the six following objectives :

Objective 1 : promoting the development and structural adjustment of regions whose development is lagging behind;

Objective 2 : converting the regions (including employment areas and urban communities) seriously affected by industrial decline;

Objective 3 : combating long-term unemployment and facilitating the integration into working life of young people and of persons exposed to exclusion from the labour market;

Objective 4 : facilitating the adaptation of workers of either sex to industrial changes and to changes in production systems;

Objective 5(a) : speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy;

Objective 5(b) : facilitating the development and structural adjustment of rural areas.

Each of the Community's four structural instruments supports two or more objectives through Community support frameworks and Community initiatives; each instrument also earmarks a small amount for innovation schemes and transitional measures. For the period 1994 to 1999 the Edinburgh European Council proposed commitment appropriations of ECU 141 471 million at 1992 prices (ECU 149 818 million at 1994 prices) for these four instruments, 68,1 % of which is for regions covered by Objective 1.

With the Cohesion Fund appropriations the Union is making a financial contribution to environmental projects and trans-European transport infrastructure networks in those Member States with a per capita gross national product which is less than 90 % of the Community average, measured on the basis of purchasing power parities (Greece, Spain, Ireland and Portugal). The rate of Community aid amounts to between 80 % and 85 % of public or similar expenditure. The Edinburgh European Council proposes commitment appropriations of ECU 15 150 million at 1992 prices for the Cohesion Fund over the period 1993 to 1999, suggesting that between 52 % and 58 % of the total resources should go to Spain, between 16 % and 20 % to Greece, between 16 % and 20 % to Portugal and between 7 % and 10 % to Ireland.

The internal policies included in this subsection cover a wide range of Community operations in the agricultural, regional, transport and fisheries sectors such as disease eradication and monitoring programmes, controls of various sectors of agricultural production, the establishment and development of a common transport policy, the contribution to the International

Fund for Ireland and to business and innovation centres and participation in inspection and surveillance operations in Community and international maritime waters.

This expenditure is the second major category of expenditure in the budget, accounting for 31,9 % of appropriations in 1994 (see Table 20). Table 22 and Charts 13 and 14 show how the appropriations are broken down within the subsection.

Subsection B3 covers expenditure on training, education, youth policy, culture, audiovisual media, various social operations which cannot be financed by the Structural Funds — in particular the ESF — and information and communication. This subsection finances programmes designed to promote the mobility of young people, students, workers and scientists, such as Erasmus, Force and Comett.

The Union also supports measures for the development of the audiovisual industry (Media), the production, conversion and broadcasting of high-definition television programmes and the protection and development of the European cultural heritage.

The Community's operations in the social sector mainly relate to development of the social dialogue (meetings of workers, study institutes) and employment (measures to achieve equality between men and women, Eures — European Employment Services), improved social protection and freedom of movement (programmes to combat poverty, social exclusion, racism and xenophobia and to integrate the disabled — Helios, the elderly and migrants) and increased awareness of public health problems (measures to combat alcohol abuse, cancer, drugs and Aids) and improvement of safety, hygiene and health at work.

Finally, this expenditure also finances the Union's information and communication activities.

Subsection B4 covers expenditure on energy, nuclear safeguards and the environment. This expenditure has two goals : to manage energy resources and preserve the environment. Expenditure on the energy policy mainly relates to programmes promoting energy technologies (Thermie with ECU 700 million for the period 1990 to 1994), renewable sources of energy (Altener with ECU 40 million for the period 1993 to 1997) and the rational use of energy (SAVE with ECU 35 million for the period 1991 to 1995). The purpose of the expenditure on nuclear safeguards is to ensure that nuclear materials are not used for any

purpose other than that for which they are intended. In particular, it finances the purchase and installation of control equipment in large-scale plutonium processing and handling plants. Expenditure on environmental policy goes towards horizontal activities such as the internal part of the LIFE programme (ECU 400 million for demonstration and technical assistance projects over the period 1991 to 1995), the drafting and monitoring of environmental legislation and the financing of the European Environment Agency. Direct expenditure on environmental infrastructure projects in regions qualifying for assistance under the ERDF is financed by the Fund itself (and thus comes under Subsection B2) while expenditure on environmental problems of a dimension which exceeds the territory of the Union is charged to Subsection B7 (External action).

Subsection B5 covers expenditure on consumer protection, the internal market, industry, statistical information and the trans-European networks. This expenditure reflects the Community's determination to consolidate the internal market and increase its effectiveness in the interest not only of businessmen but of consumers too. In particular, commitment appropriations of ECU 40 million are earmarked in 1994 for standardization, certification and sectoral harmonization, improvement of the business environment and proper application and transparency of rules. A further ECU 72 million is provided specifically for the promotion of small and medium-sized enterprises in order to boost economic growth and, by means of interest subsidies, employment. As part of the Union's growth initiative, special priority is given to the establishment and development of trans-European networks which, by promoting the interconnection and interoperability of national networks and access to these networks, will allow citizens of the Union and economic operators to derive full benefit of the advantages of a genuine frontier-free internal market. In 1994 ECU 200 million is being spent on transport infrastructure, ECU 14 million on telecommunications infrastructure and ECU 46 million on data-transmission networks between administrations which are essential for the operation of the internal market.

Expenditure on research and technological development is found in *Subsection B6*. In this sector the Union has launched multiannual framework programmes allowing it to support several projects linking research teams from all the Member States by concentrating efforts on areas which are considered strategic for the future of Europe such as analysis of the

human genome, information technology (Esprit), telecommunications technology (RACE), biotechnology (Bridge) and controlled thermonuclear fusion (JET). The third framework programme (1990 to 1994), involving a total of ECU 6 600 million, is coming to a close in 1994. Commitment appropriations of almost ECU 1 760 million are still provided this year, mainly for enabling technologies (ECU 969 million), the management of natural resources (ECU 538 million) and the management of intellectual resources (ECU 188 million). A considerable amount (ECU 277 million) is allocated to the various research programmes carried out directly by the Joint Research Centre and ECU 373 million is provided for strategic analysis and preparatory measures for the 1995 to 1998 fourth framework programme. In 1994 a new title has been entered in Subsection B6 for the exploitation of the industrial potential of Community RTD policy : for example, ECU 83 million is earmarked for support programmes for advanced European television (covering production, conversion and transmission in 16/9 format).

Tables 23 to 26 and Chart 15 contain details on expenditure in Subsections B3 to B6.

Subsection B7 contains expenditure coming under heading 4 (External action) of the 1993 to 1999 financial perspective and the emergency aid reserve (part of heading 6). The overall allocation for this subsection in 1994 comes to ECU 4 507,69 million (including ECU 212 million for the emergency aid reserve).

This subsection covers a range of activities involving various types of assistance and financial instruments. A distinction may be made between financial, technical and economic cooperation, divided into geographical areas, and other cooperation measures which are often of a horizontal nature and normally apply to all non-member countries.

Financial, technical and economic cooperation measures are intended to help the development and economic restructuring of non-member countries (the countries of central and eastern Europe, the independent States of the former Soviet Union, Mediterranean countries and countries in Asia and Latin America).

Development cooperation with the countries of Africa, the Caribbean and the Pacific is mainly financed by the European Development Fund set up under the Lomé conventions. The initial allocation of the 7th EDF (1990 to 1995 the first five-year period of the Fourth ACP/EC convention) for the ACP countries comes to ECU 10 800 million. Although a title has been reserved for this in Subsection B7 since 1993, this amount is not entered in the general budget but is financed by contributions from the Member States and has its own financial rules.

Other cooperation measures include humanitarian and food aid, initiatives for democracy and the protection of human rights, rehabilitation and reconstruction measures for developing countries, environment and health in developing countries, international fisheries agreements and, if necessary, emergency aid.

Table 27 and Chart 16 show the breakdown of appropriations within Subsection B7.

Finally, *Subsection B0* is rather different, since it contains the guarantees and reserves. It is the budget headings in this subsection which will be used to record any expenditure which the Union might have to finance if a country defaults on a loan which the Union has guaranteed (via the Guarantee Fund). This subsection also contains the appropriations which cannot yet be used because no legal basis for the expenditure existed when the budget was adopted but which are expected to be used in the course of the year.

THE REVENUE OF THE EUROPEAN UNION

In order to finance its expenditure the European Union has its own resources, which may be defined as tax revenue allocated once and for all to the Union and accruing to it automatically without the need for any subsequent decision by the national authorities.

The ECSC had its own resources from the time the Treaty of Paris entered into force in 1952. The Rome Treaties, on the other hand, which were signed in 1957, provided for the two Communities (EEC and Euratom) to be financed by contributions from the Member States. However, provision was made for the Community to derive resources of its own from the establishment of the customs union. On this basis the Decision of 21 April 1970 replaced national contributions by a system of own resources comprising agricultural levies, customs duties and a budget-balancing resource calculated by applying a rate of 1 % — subsequently raised to 1,4 % in 1985 — to the VAT base.

When own resources ran out in 1984, the Commission, pending a solution in the form of a revision of the decision on the system of the Communities' own resources, proposed a regulation on 18 April 1984 to have the Member States provide the amounts required in the form of interest-bearing loans. On 9 July 1984 the Commission amended its proposal, replacing the idea of loans with the idea of interest-free advances of new own resources. The Council and Parliament failed to agree to the adoption of the Commission's proposal on the basis of Article 235 of the Treaty which nevertheless guaranteed a Community solution pending revision of the own resources decision.

Finally, the Council agreed to an intergovernmental solution on 2 October 1984. The representatives of all the Governments of the Member States undertook to make available to the Community, in the form of repayable advances, the amounts necessary to finance draft supplementary and amending budget No 1-1984. On 24 April 1985 the representatives of the Governments of the Member States undertook to pay advances to the Community to complete the financing of the 1985 budget; this time the amounts paid took the form of non-repayable advances.

On 23 October 1984 Parliament, in its resolution on draft supplementary and amending budget No 1-1984, considered that the Member States, in deciding *a priori* and unilaterally

on the amount to be advanced to cover additional expenditure, had departed from the Community procedures provided for in the Treaties. On 9 May 1985, in its resolution on the draft budget for 1985, Parliament upheld its position but explicitly increased the level of the intergovernmental advances.

The Community budget was therefore partly financed by advances from the Member States : ECU 1 003 million in 1984 and ECU 1 982 million in 1985; the VAT base was used as the scale for determining Member States' contributions. The advances from 1984 were repaid to the Member States in eight six-monthly instalments from 1986 onwards. With the revision of the own resources decision on 7 May 1985, which entered into force on 1 January 1986, the problem of the inadequacy of the Communities' own resources was resolved.

The reform of the Community's finances in 1988 altered and broadened the composition of the Community's own resources. In order to contain the growth of the resources taken up by the Community, the Decision of 24 June 1988 set an overall ceiling rising to 1,20 % of total Community GNP in 1992. Pending a new decision on own resources, the 1,20 % ceiling will remain applicable in 1993 and 1994.

As agreed at the Edinburgh European Council, the Commission has proposed a new decision on the system of own resources. This decision will raise the own resources ceiling to 1,21 % of GNP in 1995 and, in stages, up to 1,27 % of GNP in 1999. The uniform VAT rate will be gradually reduced from 1,4 % to 1 % in 1999 and the VAT base to be taken into account will be cut, again in stages, to 50 % of GNP instead of the current 55 %. The Member States eligible for assistance under the Cohesion Fund will have their VAT base cut to 50 % of GNP in 1995.

The Community's own resources are now :

1. Agricultural levies and sugar and isoglucose levies :

Agricultural levies are variable taxes charged on imports of agricultural products covered by a market organization and coming from a non-member country. They are designed to

offset the difference between world prices and the price levels which it has been agreed to apply within the Community (principle of Community preference).

Sugar levies are provided for in the sugar market arrangements and comprise :

- production levies, which ensure that producers contribute to market support expenditure,
- storage levies, which finance the storage cost equalization system to ensure a regular flow of sugar onto the market,
- an elimination levy intended to cover, over a five-year period (1987 to 1991), all the actual expenditure incurred on exports of surpluses from the 1981/1982 to 1985/1986 marketing years,
- an additional levy intended to offset in full the overall loss for the 1988/1989 to 1990/1991 marketing years not covered by the yield of the production levies.

Isoglucose production levies are treated like sugar production levies.

2. **Customs duties** : These derive from the application of the Common Customs Tariff to the customs value of goods imported from non-member countries.
3. **VAT resources** : These derive from the application of a uniform rate to each Member State's VAT base, determined in a uniform manner in accordance with Community rules. Since the June 1988 reform, the uniform rate is found by applying a 1,4 % rate to the VAT base and deducting the gross compensation paid to the United Kingdom. A Member State's base may not exceed 55 % of its GNP. These rules will be amended by the new own resources decision currently in the process of ratification.

4. A new category of revenue known as the **fourth resource** : This resource is based on GNP and is derived from the application of a rate to the sum of the GNPs of all the Member States.

It is a variable, budget-balancing resource for which the call-in rate is calculated during the budgetary procedure in such a way as to cover the amounts not yielded by the other budget revenue. For this reason it is known as the additional resource.

All this revenue, plus miscellaneous revenue such as deductions from the salaries of Community officials (tax and social security contributions), interest on late payments, fines and any surplus from earlier years, must cover the total payment appropriations required to finance the expenditure entered in the budget for a given year.

Table 4 records all Community revenue since the own resources system was introduced. The amounts shown under 'miscellaneous' include all types of miscellaneous revenue entered in the accounts since 1970; in the first 10 years, this item mainly consisted of contributions by Member States (VAT and GNP-based resources were not introduced until the 1980s). The surpluses carried over accounted for a significant proportion of this item in 1988, 1989, 1990 and 1991 only. Charts 5 and 6 show how revenue has developed.

Traditional own resources are paid to the Commission within two months of establishment of the entitlement, with 10 % deducted to cover Member States' collection costs. VAT and GNP-based resources are paid every month when one-twelfth of the amount contained in the annual budget is transferred; an adjustment is made during the next financial year in line with the actual bases determined for that year.

Table 12 records the total contribution (all types of own resources) of each Member State between 1988 and 1992. For 1994 the data for each Member State are set out in the tables and charts showing each Member State's share of total financing (Charts 18 and 19, Tables 31, 32 and 33).

Part I

The Community budget from its beginnings

The Community budget from its beginnings

THE COMMUNITY BUDGET FROM ITS BEGINNINGS

The Treaty of Paris of 18 April 1951 establishing the ECSC and the Treaty of Rome of 25 March 1957 establishing the EEC laid down the budgetary mechanisms which applied virtually unchanged until 1970.

During this period the Council completely dominated the budgetary decision-making process. Under Article 203 of the EEC Treaty the Council established its draft budget after consulting the Commission on the changes it wished to make to the preliminary draft which the Commission had drawn up on the basis of the institutions' statements of estimates. It then declared the budget finally adopted after taking a decision on the modifications proposed by Parliament.

After expenditure on the common agricultural policy was entered in the Community budget in 1962, the Commission made a number of proposals to the Council in 1965 on the financing of the common agricultural policy, the introduction of own resources and the strengthening of Parliament's powers.

More than four years of negotiations were needed before the Luxembourg agreements were concluded in 1970. The Treaty of 22 April 1970 provided for a gradual increase in Parliament's powers. Initially, up to 1974, Parliament was able to alter the breakdown of expenditure without changing the total; the Council could reject this by a qualified majority. After 1975 the provisions of Article 203 were substantially amended: Parliament's powers of amendment were increased and depended on whether the expenditure was compulsory or non-compulsory. Parliament was given the 'final word' on non-compulsory expenditure provided that it did not exceed the maximum rate of increase (see *'Some important concepts: Definitions'*, page 10). Furthermore, it was the President of Parliament and no longer the President of the Council who was to declare the budget finally adopted.

The Luxembourg package also included the Decision of 21 April 1970 on the replacement of financial contributions from the Member States by the European Communities' own resources. This decision was of key importance in the history of the Community budget. The Community was to be gradually given financial autonomy through the provision of own resources. It was granted fiscal revenue in the form of agricultural levies, customs duties and a percentage of the VAT receipts collected in the Member States. The Treaty of 22 July 1975 further developed and confirmed the approach adopted in 1970. In particular, Parliament's power to reject the budget, which had been implicitly assumed by Parliament

and the Commission since the Treaty of Luxembourg, was now expressly laid down in Article 203. In actual fact, the main innovation of the 1975 Treaty was the creation of the Court of Auditors.

These budgetary mechanisms continued to work — though less and less efficiently from 1979 onwards — until 1988, the next milestone in the history of the Community budget (see *'1988 to 1992'*, page 47). In the meantime, however, the Fontainebleau agreements of June 1984 settled a number of questions of considerable financial importance, including the problem of budgetary imbalances and compensation for the United Kingdom, the third enlargement with the accession of Spain and Portugal, containment of agricultural expenditure, development of structural policies and the exhaustion of own resources (which had been provisionally resolved by raising the percentage of VAT receipts going to the Community).

It was during this period that European integration entered a new stage with the signature of the Single Act in February 1986, prompting the Commission to present the Delors I package which served as a basis for the 1988 Brussels agreements. The Interinstitutional Agreement of 1988 and the financial perspective which formed an integral part of this agreement laid down the rules for balanced interinstitutional relations in the budgetary sector (see *'1988 to 1992'*, page 47). Since this agreement was, on the whole, a success, it was followed in 1993 by a new Interinstitutional Agreement which set a financial framework for the period 1993 to 1999 for the expenditure required to implement the Treaty on European Union signed at Maastricht on 7 February 1992 (see *'Financial perspective 1993 to 1999'*, page 57).

The main features of the development of the Community budget are as follows:

1. Unification of the budget instruments

The main stages are as follows:

- the 1951 ECSC Treaty provides for an administrative budget and an operating budget,
- in 1957 the EEC Treaty established a single budget; the Euratom Treaty, on the other hand, set up an administrative budget and a research and investment budget,

- the 1965 Merger Treaty incorporated the ECSC and Euratom administrative and operating budgets into the EEC budget (that is why Table 1 does not contain any figures for Euratom from 1968 onwards),
- finally, the 1970 Luxembourg Treaty incorporated the Euratom research and investment budget into the general budget; this left only two budget instruments : the general budget and the ECSC operating budget.

The financial operations of the European Development Fund (see foot of Table 1) have, since the very beginning (1959), been conducted outside all Community budgets and the only result of the attempts to have them included in the general budget has been the token entry in the 1993 budget. The EDF is financed by Member States' contributions, is governed by its own financial rules and is administered by a Steering Committee in accordance with specific procedures.

While the Euratom Treaty expressly authorized borrowing and lending operations from the outset, it was not until 1975 that rules for such activities were entered in the EEC Treaty. These activities take the form of balance-of-payments support and the granting of loans both inside and outside the Community, in particular through the new Community instrument (NCI) to promote investment. The development of this non-budget activity since 1980 is presented in Table 5.

2. The development of common policies

The main stages are as follows :

- establishment in 1962 of the European Agricultural Guidance and Guarantee Fund (EAGGF),
- research policy, initially founded on the Euratom Treaty (and therefore limited at the outset to nuclear matters), but gradually extended to many other areas,
- common fisheries policy, for which the first regulations date from 1970,
- strengthening in 1971 of the European Social Fund (ESF), set up by the Treaty of Rome,
- creation in 1975 of the European Regional Development Fund (ERDF),
- common environment policy, enshrined in the Single Act,
- reform of the Structural Funds (ERDF, ESF, EAGGF Guidance Section) in 1988,
- development of the common transport policy,
- second reform of the Structural Funds, establishment of the Financial Instrument for Fisheries Guidance and the Cohesion Fund in 1993,
- establishment, in the Treaty on European Union, of a policy of cooperation in the fields of justice and home affairs and of a common defence and security policy ('second and third pillars').

3. Successive enlargements

From six at the outset, the Community now has 12 members :

- the Paris (1951) and Rome (1957) Treaties were signed by France, Germany, Italy and the Benelux countries,
- the Acts of Accession of the United Kingdom, Ireland and Denmark, signed in 1972, entered into force on 1 January 1973,
- Greece became the tenth Member State on 1 January 1981,
- Spain and Portugal acceded on 1 January 1986.

In addition, the Agreement on the European Economic Area entered into force on 1 January 1994. Under this agreement, six of the seven members of the European Free Trade Association (EFTA) participate in various Community policies in return for a financial contribution calculated according to a proportionality factor based on GNP.

Finally, four of these countries — Austria, Finland, Norway and Sweden — could join the Community on 1 January 1995.

Map 1
Enlargement of the European Union

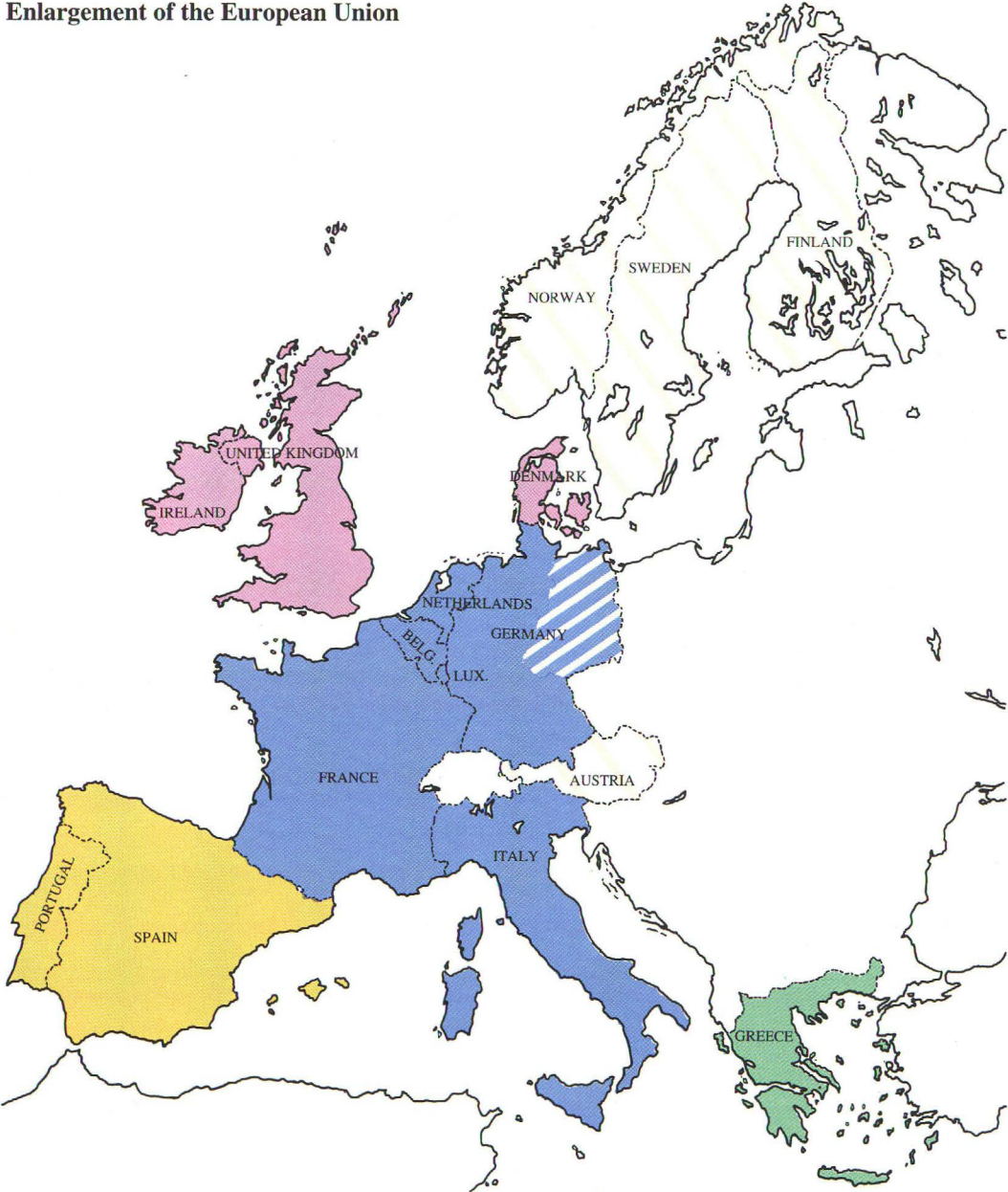
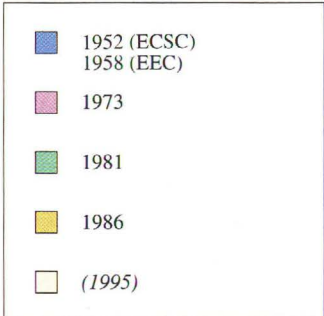


Table 1

Community expenditure from 1958 to 1995
(Outturn in payments)

(ECU million)

Heading	Financial year											
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
General budget												
EAGGF Guarantee Section								28,7	50,7	340,0	1 259,7	1 668,6
Structural Funds, of which:				8,6	11,3	4,6	7,2	4,6	22,1	81,1	58,5	70,8
— EAGGF Guidance Section											34,0	51,3
— ERDF											24,5	19,5
— ESF											73,4	59,2
Research											73,4	59,2
External action									0,9	0,8	1,0	1,0
Administration	7,3	18,1	21,2	25,4	30,2	35,2	39,6	43,3	50,9	53,7	94,7	104,3
Repayments and other									0,6	0,5	0,6	0,9
General budget — Total	7,3	18,1	21,2	34,0	41,5	39,8	46,8	76,6	125,2	476,1	1 487,9	1 904,8
EDF			3,4	15,8	53,3	65,3	83,4	106,7	108,3	104,6	106,5	115,0
ECSC	70,3	21,8	28,2	20,8	22,3	22,6	29,1	35,7	31,0	37,7	32,4	45,7
Euratom ⁽¹⁾	3,7	8,5	5,8	6,9	54,8	84,7	100,1	120,0	129,2	129,5		
Grand total	81,3	48,4	58,6	77,5	171,9	212,4	259,4	339,0	393,7	747,9	1 626,8	2 065,5

⁽¹⁾ The Euratom budget was incorporated in the general budget in 1969.

Table 1 (cont'd)

Community expenditure from 1958 to 1995
(Outturn in payments)

(ECU million)

Heading	Financial year												
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
General budget													
EAGGF Guarantee Section	3 108,1	1 755,6	2 485,6	3 614,4	3 459,8	4 327,7	5 636,7	6 587,1	8 679,3	10 387,1	11 291,9	11 063,7	12 259,8
Structural Funds, of which	95,4	118,0	136,9	259,1	281,8	375,3	623,8	685,5	1 388,7	1 515,5	1 808,5	3 566,8	4 570,1
— EAGGF Guidance Section	58,4	61,5	53,2	10,8	37,8	76,7	112,1	113,0	325,6	286,5	314,6	539,9	650,8
— ERDF						150,0	300,0	400,0	525,0	699,0	793,4	2 406,5	2 905,4
— ESF	37,0	56,5	83,7	248,3	244,0	148,6	211,7	172,5	538,1	530,0	700,5	620,4	1 013,9
— Cohesion Fund													
Research	63,4	64,9	76,3	70,1	110,3	115,9	127,2	180,8	266,9	267,6	364,2	311,6	437,3
External action	1,4	0,4	71,8	63,3	358,5	250,9	202,8	194,1	313,2	443,7	603,9	738,4	891,2
Administration	115,3	137,8	173,6	245,3	306,2	364,0	430,7	501,6	686,6	775,6	829,9	941,8	1 048,2
Repayments and other	1,6	130,4	178,1	253,0	309,8	383,1	541,6	586,8	707,1	831,2	958,9	1 103,7	1 263,0
General budget — Total	3 385,2	2 207,1	3 122,3	4 505,2	4 826,4	5 816,9	7 562,8	8 735,9	12 041,8	14 220,7	15 857,3	17 726,0	20 469,6
EDF	145,6	154,4	131,5	157,8	172,0	208,5	248,6	244,7	401,0	465,3	481,9	663,7	647,2
ECSC	45,6	49,8	51,0	40,5	58,0	76,0	84,2	95,5	67,3	87,5	115,6	139,7	184,0
Grand total	3 576,4	2 411,3	3 304,8	4 703,5	5 056,4	6 101,4	7 895,6	9 076,1	12 510,1	14 773,5	16 454,8	18 529,4	21 300,8

Table 1 (cont'd)

Community expenditure from 1958 to 1995
(Outturn in payments)

(ECU million)

Heading	Financial year												
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 ⁽¹⁾	1995 ⁽²⁾
General budget													
EAGGF Guarantee Section	15 785,8	18 330,4	19 727,8	22 118,1	22 950,1	27 635,2	25 844,3	27 094,2	30 960,8	31 225,4	34 746,6	37 465,0	37 494,0
Structural Funds, of which :	4 081,3	3 220,0	3 702,9	5 664,7	5 859,6	6 419,3	7 945,1	9 591,4	13 971,0	18 298,3	20 663,0	21 528,8	22 726,1
— EAGGF Guidance Section	575,3	595,6	685,5	771,2	789,5	1 140,9	1 349,0	1 825,3	2 085,4	2 847,4	3 026,7	3 301,0	3 264,8
— ERDF	2 306,6	1 412,5	1 610,0	2 456,7	2 560,1	2 979,8	3 920,0	4 554,1	6 306,8	8 553,8	9 548,4	7 702,0	9 516,5
— ESF	1 199,4	1 211,9	1 407,4	2 436,8	2 510,0	2 298,6	2 676,1	3 212,0	4 030,0	4 303,7	5 395,6	5 819,0	5 483,5
— Cohesion Fund											795,0	1 679,0	1 750,0
Research	1 345,5	1 660,0	677,9	775,4	964,4	1 129,5	1 517,5	1 790,3	1 706,3	1 903,2	2 241,2	2 555,4	2 716,0
External action	901,3	996,5	963,8	1 057,3	809,2	768,1	1 044,3	1 430,6	2 209,6	2 027,4	2 867,3	3 348,3	4 034,6
Administration	1 108,2	1 212,9	1 304,8	1 533,9	1 696,9	1 915,7	2 070,7	2 353,4	2 656,4	2 751,6	2 988,3	3 617,6	3 764,4
Repayments and other	1 283,9	1 661,6	1 490,1	3 526,0	2 807,8	3 153,9	2 335,2	1 803,0	2 146,1	1 740,6	987,0	1 498,5	1 614,4
General budget — Total	24 506,0	27 081,4	27 867,3	34 675,4	35 088,0	41 021,7	40 757,1	44 062,9	53 650,2	57 946,5	64 493,4	70 013,5	72 439,4
EDF	718,8	703,0	698,0	846,7	837,9	1 196,3	1 297,1	1 256,5	1 191,3	1 941,7	1 353,6	1 970,0	2 100,0
ECSC	207,7	255,2	267,9	298,1	308,9	277,2	229,9	288,6	314,3	412,2	596,4	393,0	*
Grand total	25 432,5	28 039,6	28 833,2	35 820,2	36 234,8	42 495,2	42 284,1	45 608,0	55 155,8	60 300,5	66 443,4	72 376,5	74 449,4

⁽¹⁾ 1994 budget.⁽²⁾ 1995 preliminary draft budget.

* Figures not available.

Chart 1

Community expenditure from 1958 to 1995 (at current prices and 1994 prices)

(ECU million)

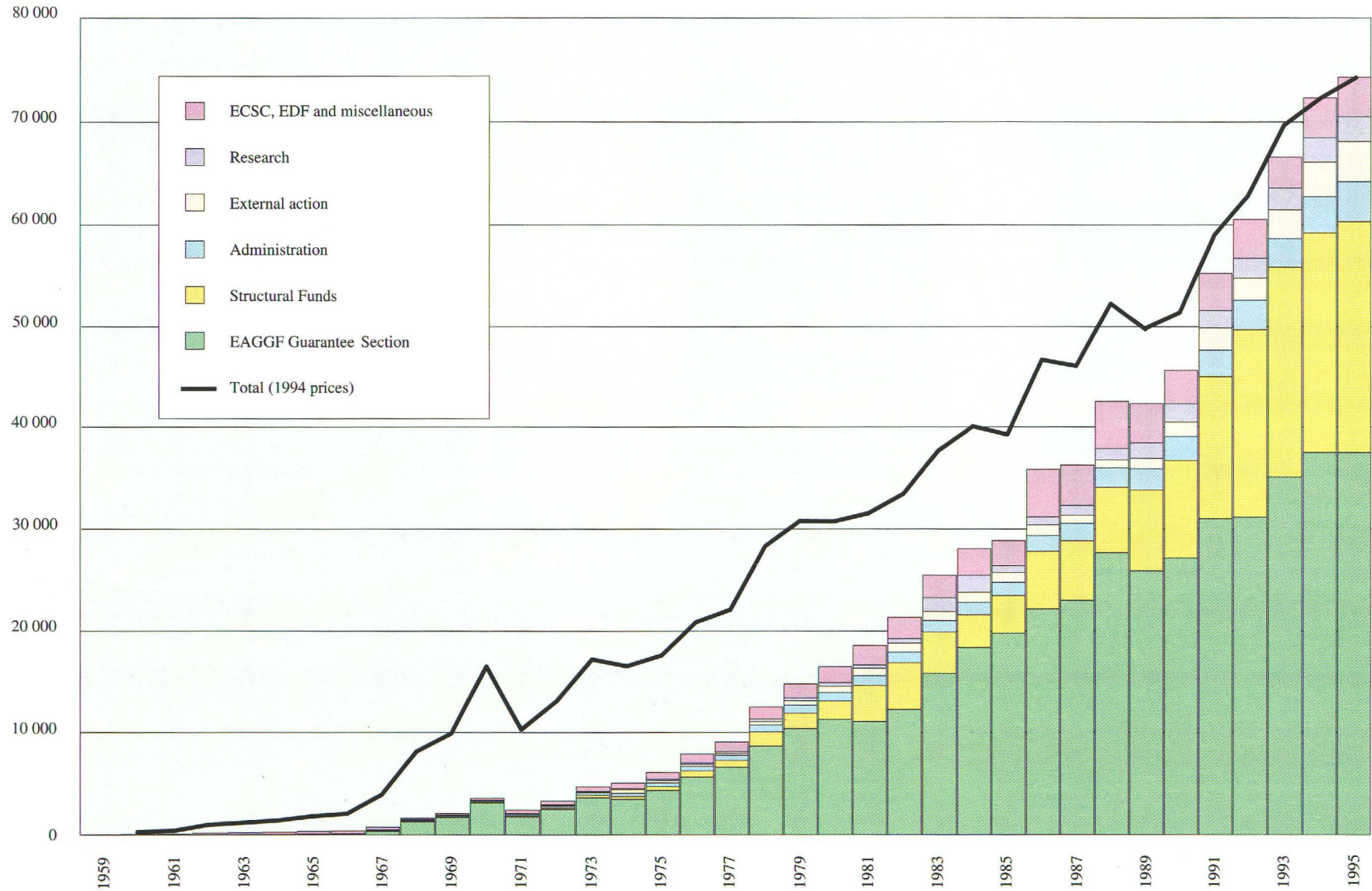


Table 2
Community expenditure from 1958 to 1995
 (Outturn in payments)

(in %)

Heading	Financial year											
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
General budget												
EAGGF Guarantee Section								8,5	12,9	45,5	77,4	80,8
Structural Funds, of which:				11,1	6,6	2,2	2,8	1,4	5,6	10,8	3,6	3,4
— EAGGF Guidance Section											2,1	2,5
— ERDF											1,5	0,9
— ESF											4,5	2,9
Research											0,2	0,1
External action									0,2	0,1	0,1	0,0
Administration	9,0	37,4	36,2	32,8	17,6	16,6	15,3	12,8	12,9	7,2	5,8	5,0
Repayments and other										0,1	0,0	0,0
General budget — Total	9,0	37,4	36,2	43,9	24,1	18,7	18,0	22,6	31,8	63,7	91,5	92,2
EDF			5,8	20,4	31,0	30,7	32,2	31,5	27,5	14,0	6,5	5,6
ECSC	86,5	45,0	48,1	26,8	13,0	10,6	11,2	10,5	7,9	5,0	2,0	2,2
Euratom ⁽¹⁾	4,6	17,6	9,9	8,9	31,9	39,9	38,6	35,4	32,8	17,3		
Grand total	100	100	100	100	100	100	100	100	100	100	100	100

⁽¹⁾ The Euratom budget was incorporated in the general budget in 1969.

Table 2 (cont'd)

Community expenditure from 1958 to 1995
(Outturn in payments)

(in %)

Heading	Financial year												
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 ⁽¹⁾	1995 ⁽²⁾
General budget													
EAGGF Guarantee Section	62,1	65,4	68,4	61,7	63,3	65,0	61,1	59,4	56,1	51,8	52,3	51,8	50,4
Structural Funds, of which :	16,0	11,5	12,8	15,8	16,2	15,1	18,8	21,0	25,3	30,3	31,1	29,7	30,5
— EAGGF Guidance Section	2,3	2,1	2,4	2,2	2,2	2,7	3,2	4,0	3,8	4,7	4,6	4,6	4,4
— ERDF	9,1	5,0	5,6	6,9	7,1	7,0	9,3	10,0	11,4	14,2	14,4	10,6	12,8
— ESF	4,7	4,3	4,9	6,8	6,9	5,4	6,3	7,0	7,3	7,1	8,1	8,0	7,4
— Cohesion Fund											1,2	2,3	2,4
Research	5,3	5,9	2,4	2,2	2,7	2,7	3,6	3,9	3,1	3,2	3,4	3,5	3,6
External action	3,5	3,6	3,3	3,0	2,2	1,8	2,5	3,1	4,0	3,4	4,3	4,6	5,4
Administration	4,4	4,3	4,5	4,3	4,7	4,5	4,9	5,2	4,8	4,6	4,5	5,0	5,1
Repayments and other	5,0	5,9	5,2	9,8	7,7	7,4	5,5	4,0	3,9	2,9	1,5	2,1	2,3
General budget — Total	96,4	96,6	96,7	96,8	96,8	96,5	96,4	96,6	97,3	96,1	97,1	96,7	97,2
EDF	2,8	2,5	2,4	2,4	2,3	2,8	3,1	2,8	2,2	3,2	2,0	2,7	2,8
ECSC	0,8	0,9	0,9	0,8	0,9	0,7	0,5	0,6	0,6	0,7	0,9	0,5	*
Grand total	100	100	100	100	100	100	100	100	100	100	100	100	100

⁽¹⁾ 1994 budget.⁽²⁾ Preliminary draft budget 1995.

* Figures not available.

Chart 2

Community expenditure from 1958 to 1995

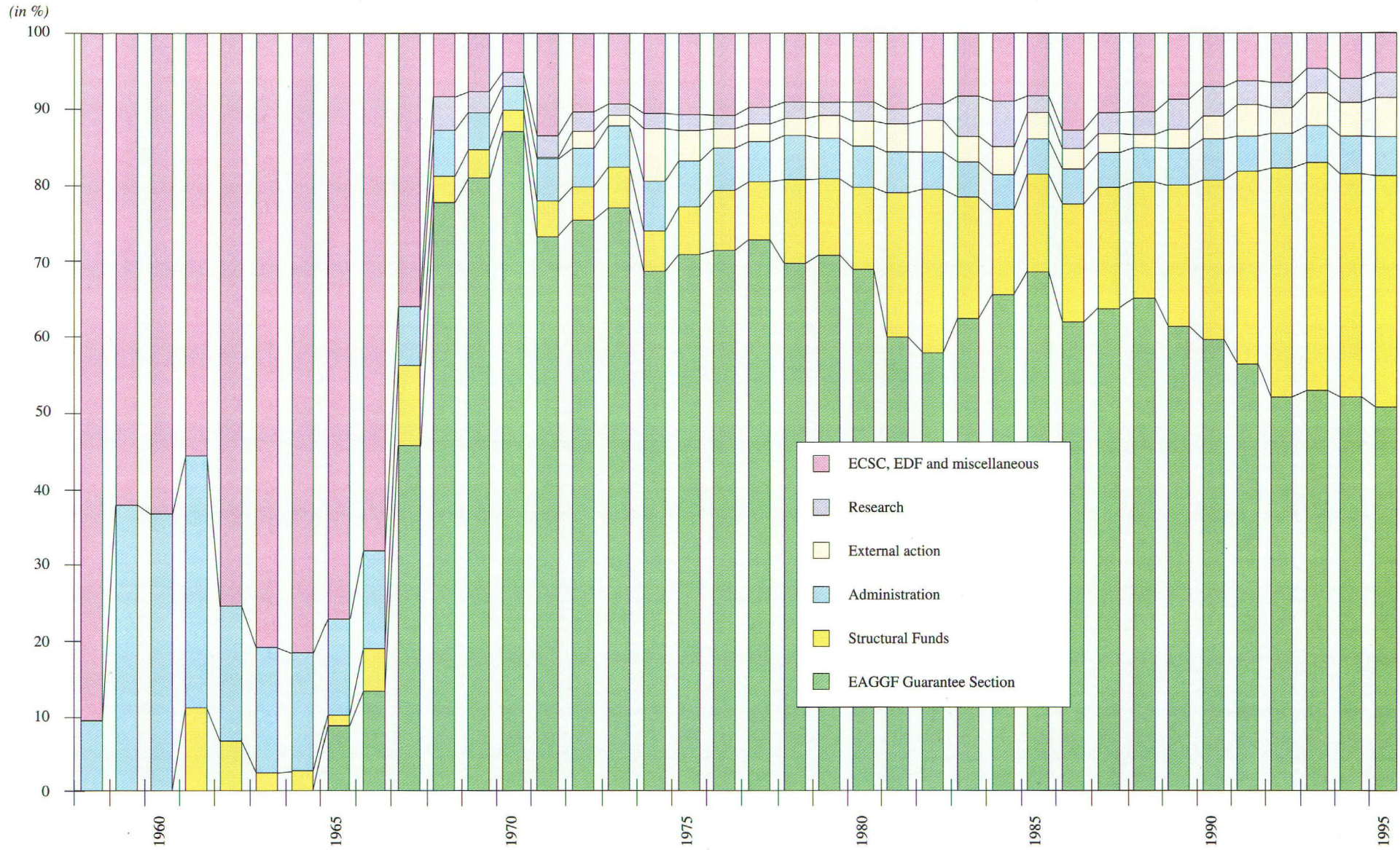


Table 3

Community expenditure in relation to the total of Member States' budgets and Community GDP

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	81,3	48,4	58,6	77,5	171,9	212,4	259,4	339,0	393,7	747,9
Annual growth in nominal terms (%)		-40,5	21,0	32,3	121,8	23,6	22,1	30,7	16,1	90,0
Total Community expenditure (1994 prices) (ECU million)			420,3	533,2	1 130,5	1 335,3	1 560,5	1 967,2	2 211,4	4 070,6
Annual growth in real terms (%)				26,8	112,0	18,1	16,9	26,1	12,4	84,1
Community expenditure as % of public expenditure in Member States			0,1	0,1	0,2	0,2	0,3	0,3	0,3	0,6
Expenditure as % of Community GDP			0,03	0,04	0,08	0,09	0,09	0,11	0,12	0,22
Expenditure per capita (ECU)			0,3	0,4	1,0	1,2	1,4	1,9	2,2	4,1
Expenditure per capita (1994 prices)			2,5	3,1	6,5	7,5	8,7	10,8	12,1	22,0

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	1 626,8	2 065,5	3 576,4	2 411,3	3 304,8	4 703,5	5 056,4	6 101,4	7 895,6	9 076,1
Annual growth in nominal terms (%)	117,5	27,0	73,1	-32,6	37,1	42,3	7,5	20,7	29,4	15,0
Total Community expenditure (1994 prices) (ECU million)	8 407,4	10 195,7	16 860,8	10 584,6	13 432,3	17 555,0	16 880,3	17 946,1	20 228,1	22 490,2
Annual growth in real terms (%)	104,2	21,3	65,4	-37,2	26,9	30,7	-3,8	6,3	18,3	5,9
Community expenditure as % of public expenditure in Member States	1,1	1,3	1,9	1,2	1,4	1,3	1,2	1,2	1,3	1,4
Expenditure as % of Community GDP	0,42	0,48	0,74	0,45	0,55	0,53	0,50	0,54	0,61	0,63
Expenditure per capita (ECU)	8,8	11,1	19,0	12,7	17,3	18,3	19,6	23,6	30,5	35,0
Expenditure per capita (1994 prices)	44,4	53,4	85,6	53,3	67,1	65,3	62,5	66,4	77,8	82,3

Table 3 (cont'd)

Community expenditure in relation to the total of Member States' budgets and Community GDP

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	12 510,1	14 773,5	16 454,8	18 529,4	21 300,8	25 432,5	28 039,6	28 833,2	35 820,2	36 234,8
Annual growth in nominal terms (%)	37,8	18,1	11,4	12,6	15,0	19,4	10,3	2,8	24,2	1,2
Total Community expenditure (1994 prices) (ECU million)	28 783,3	31 299,1	31 265,6	32 065,2	34 000,7	37 877,2	39 695,9	38 987,0	46 887,2	46 792,2
Annual growth in real terms (%)	28,2	8,7	- 0,1	2,6	6,0	12,6	4,8	-1,8	20,3	- 1,4
Community expenditure as % of public expenditure in Member States	1,7	1,8	1,7	1,7	1,7	1,9	1,9	1,9	2,1	2,0
Expenditure as % of Community GDP	0,78	0,81	0,80	0,81	0,86	0,95	0,97	0,93	1,01	0,97
Expenditure per capita (ECU)	48,2	56,8	63,0	68,3	78,3	93,4	102,8	105,5	111,2	112,2
Expenditure per capita (1994 prices)	105,1	115,8	115,3	113,8	120,4	135,4	141,7	138,9	141,9	139,6

	1988	1989	1990	1991	1992	1993	1994 (1)	1995 (2)		
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	42 495,2	42 284,1	45 608,0	55 155,8	60 300,5	66 443,4	72 376,5	74 449,4		
Annual growth in nominal terms (%)	17,3	- 0,5	7,9	20,9	9,3	10,2	8,9	2,9		
Total Community expenditure (1994 prices) (ECU million)	52 664,7	49 860,2	51 513,1	59 724,0	62 611,5	68 104,5	72 376,5	74 185,9		
Annual growth in real terms (%)	12,6	- 5,3	3,3	15,1	5,6	8,8	6,3	0,4		
Community expenditure as % of public expenditure in Member States	2,2	2,0	2,0	2,2	2,2	2,3	2,5	2,4		
Expenditure as % of Community GDP	1,05	0,96	0,96	1,07	1,11	1,22	1,28	1,25		
Expenditure per capita (ECU)	131,2	129,9	139,3	159,7	173,9	190,8	207,0	212,1		
Expenditure per capita (1994 prices)	156,5	147,6	151,5	165,3	176,1	195,6	207,0	206,0		

(1) 1994 budget.

(2) 1995 preliminary draft budget check figures.

Chart 3

Total per capita expenditure at current prices and 1994 prices

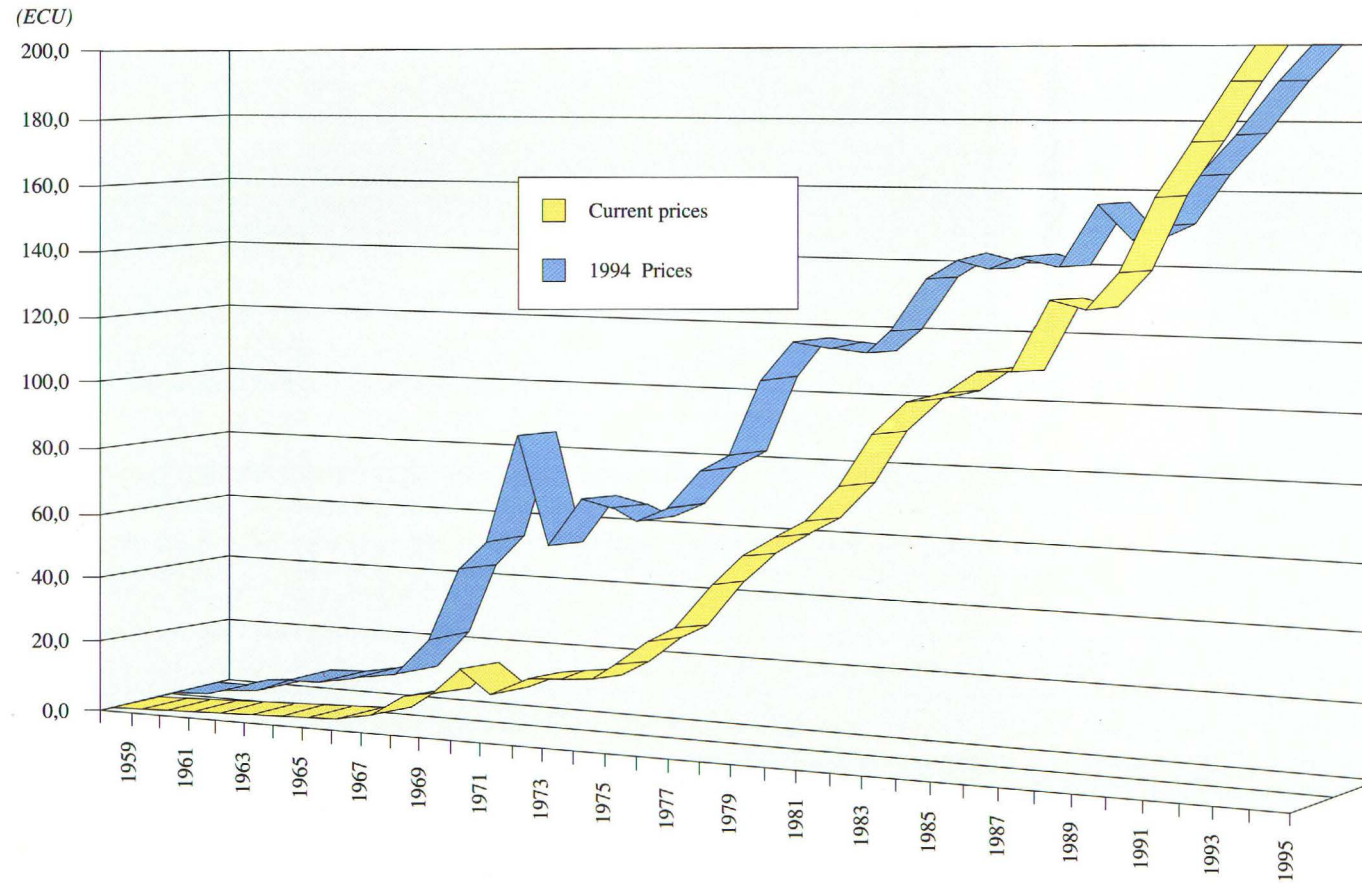


Chart 4

Community expenditure as a percentage of Member States' budgets and Community GDP

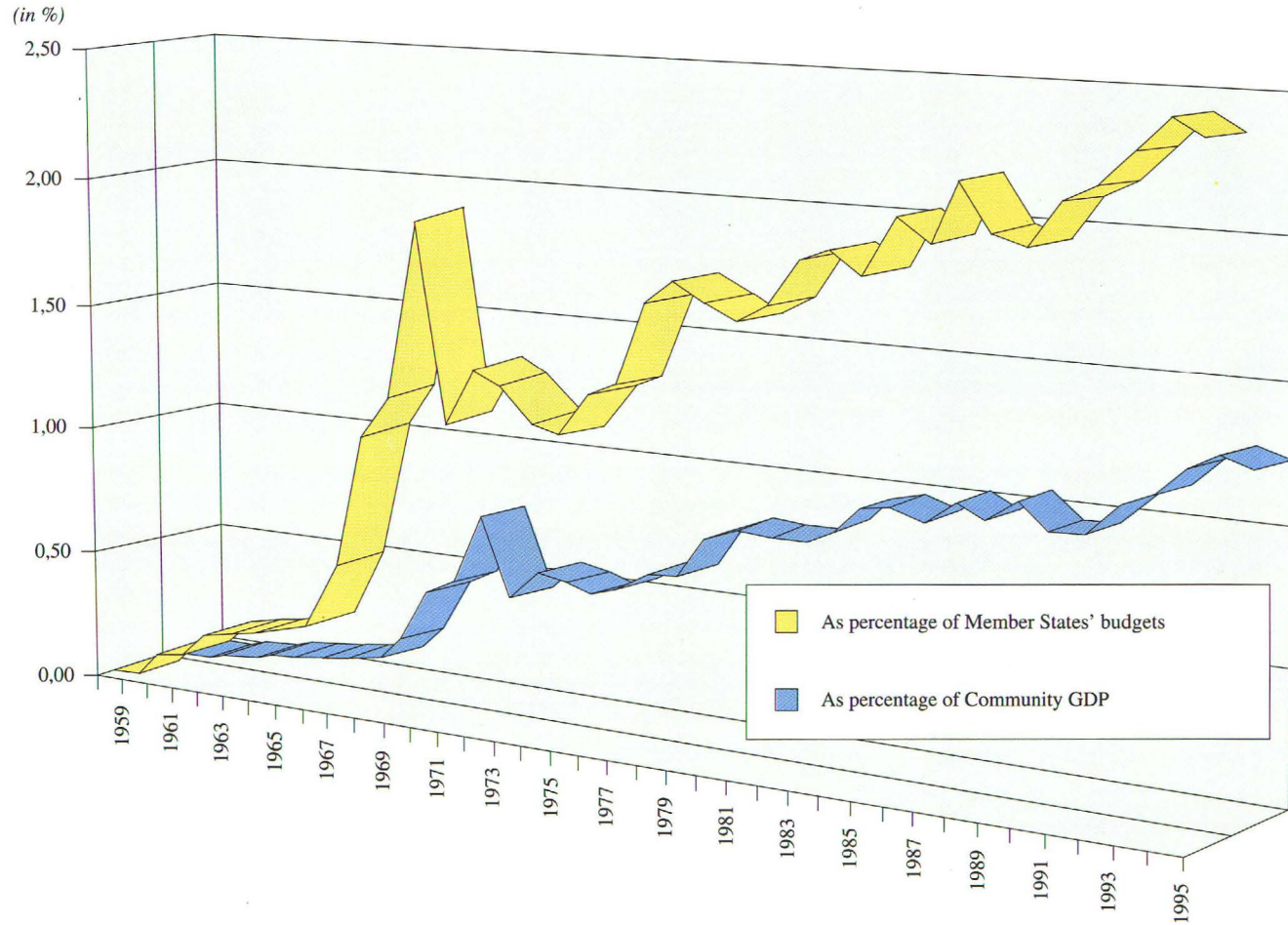


Table 4

Community revenue from 1971 to 1995

(ECU million)

Type of revenue	1971		1972		1973		1974		1975		1976		1977		1978		1979	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural levies	713,8	30,6	799,5	25,6	510,3	10,4	330,1	6,4	590,1	9,2	1 163,7	14,2	1 778,5	20,5	2 278,9	18,3	2 143,5	14,4
Customs duties	582,3	25,0	957,3	30,7	1 986,3	40,4	2 737,6	53,2	3 151,0	49,3	4 064,5	49,7	3 927,2	45,3	4 390,9	35,3	5 189,1	34,8
VAT																	4 737,7	31,8
Fourth resource																		
Miscellaneous	1 033,2	44,4	1 360,7	43,6	2 417,7	49,2	2 075,7	40,4	2 644,0	41,4	2 956,5	36,1	2 969,4	34,2	5 783,0	46,4	2 821,2	18,9
Total	2 329,3	100	3 117,5	100	4 914,3	100	5 143,4	100	6 385,1	100	8 184,7	100	8 675,1	100	12 452,8	100	14 891,5	100

(ECU million)

Type of revenue	1980		1981		1982		1983		1984		1985		1986		1987		1988	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural levies	2 002,3	12,2	1 747,4	9,2	2 227,8	10,1	2 433,9	9,5	2 950,0	11,3	2 179,1	7,8	2 287,0	6,8	3 097,8	8,7	2 605,8	6,2
Customs duties	5 905,7	35,9	6 392,4	33,8	6 815,3	30,9	7 234,6	28,1	7 623,5	29,2	8 310,1	29,6	8 173,0	24,3	8 936,5	25,0	9 310,2	22,3
VAT	7 258,5	44,2	9 187,8	48,6	12 000,5	54,3	13 691,0	53,2	14 565,9	55,8	15 218,9	54,2	22 223,4	66,0	23 463,5	65,6	23 927,6	57,2
Fourth resource																	4 445,8	10,6
Miscellaneous	1 265,8	7,7	1 590,4	8,4	1 038,5	4,7	2 369,7	9,2	943,0	3,6	2 377,0	8,4	983,8	2,9	285,5	0,7	1 554,0	3,7
Total	16 432,3	100	18 918,0	100	22 082,1	100	25 729,2	100	26 082,4	100	28 085,1	100	33 667,2	100	35 783,3	100	41 843,4	100

Table 4 (cont'd)

Community revenue from 1971 to 1995

(ECU million)

Type of revenue	1989		1990		1991		1992		1993		1994 (1)		1995 (2)					
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
Agricultural levies	2 397,7	5,2	1 875,7	4,0	2 486,0	4,4	1 987,8	3,3	1 929,9	2,9	2 039,0	2,9	1 901,4	2,6				
Customs duties	10 312,9	22,5	10 285,1	22,1	11 476,0	20,4	11 292,4	18,9	11 055,6	16,8	12 619,4	18,0	12 340,9	17,1				
VAT	26 293,4	57,3	27 440,1	59,1	30 269,0	53,8	34 659,3	58,0	34 489,9	52,5	35 931,3	51,3	35 107,9	48,5				
Fourth resource	4 519,0	9,8	94,9	0,2	7 445,1	13,2	8 322,2	13,9	16 517,9	25,2	18 908,0	27,0	22 477,2	31,1				
Miscellaneous	2 376,8	5,2	6 773,3	14,6	4 573,1	8,1	3 450,1	5,8	1 679,5	2,6	515,9	0,7	522,0	0,7				
Total	45 899,8	100	46 469,1	100	56 249,2	100	59 711,8	100	65 672,7	100	70 013,5	100	72 349,4	100				

(1) 1994 budget.

(2) 1995 preliminary draft budget.

Chart 5

Community revenue from 1971 to 1995

(ECU million)

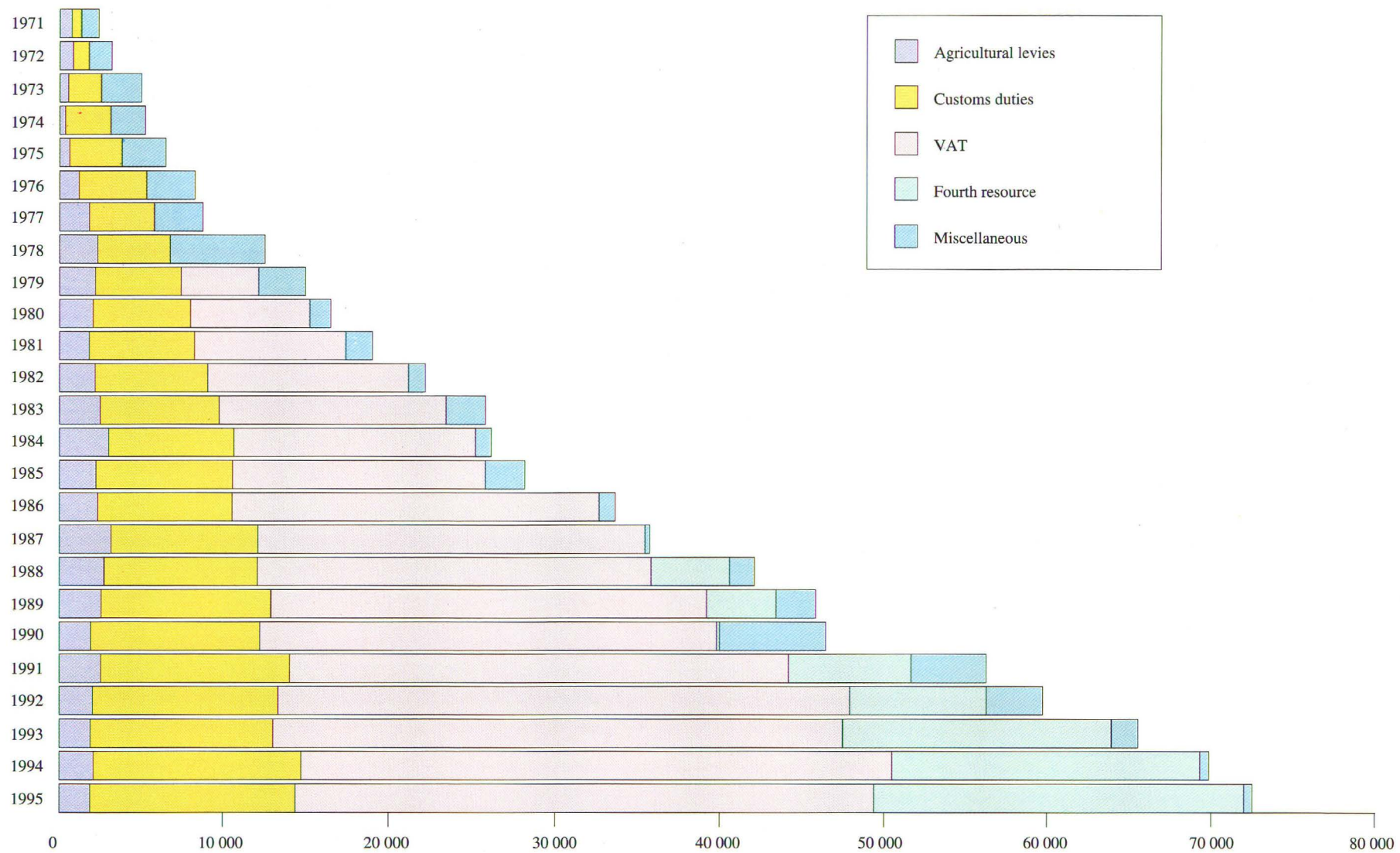


Chart 6

Community revenue from 1971 to 1995

(in %)

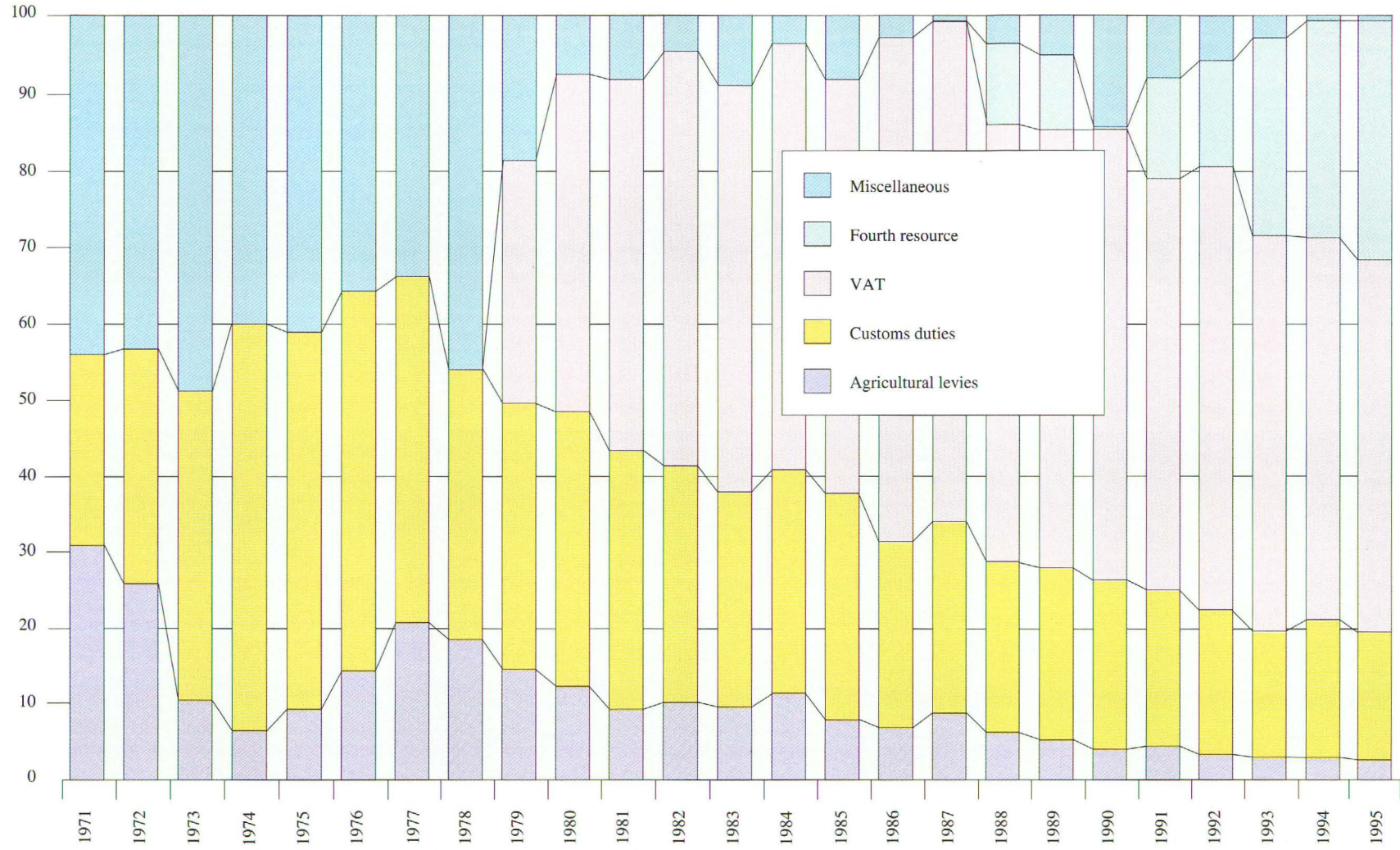


Table 5
Community borrowing and lending from 1980 to 1995

(ECU million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 ⁽¹⁾	1995 ⁽¹⁾
Loans raised																
ECSC	1 004	325	712	750	822	1 265	1 517	1 487	880	913	1 086	1 446	1 474	908	1 000	800
Balance of payments				4 247			862	860			350	1 695	1 209	4 969	2 600	2 000
Euratom	181	373	363	369	214	344	488	853	93						150 ⁽²⁾	200 ⁽²⁾
NCI	305	339	773	1 617	967	860	541	611	945	522	76	49				
European Investment Bank (EIB)	2 384	2 243	3 146	3 508	4 339	5 699	6 786	5 593	7 666	9 034	10 996	13 672	12 974	14 224	(²)	(²)
Community — Total	3 874	3 280	4 994	10 941	6 342	8 168	10 194	9 404	9 584	10 469	12 508	16 862	15 657	20 101	(²)	(²)
Loans granted																
ECSC	1 031	388	740	778	825	1 010	1 069	969	908	700	993	1 382	1 486	918	1 000	800
Balance of payments				4 247			862	860			350	1 695	1 209	4 929	3 027	2 000
Euratom	181	357	362	366	186	211	443	314							150 ⁽²⁾	200 ⁽²⁾
NCI	197	540	791	1 200	1 182	884	393	425	357	78	24	39	9	30		
European Investment Bank (EIB)	2 724	2 524	3 446	4 146	5 007	5 641	6 678	6 967	8 844	11 507	12 605	14 438	16 140	17 124	(²)	(²)
Community — Total	4 133	3 809	5 339	10 737	7 200	7 746	9 445	9 535	10 109	12 285	13 972	17 554	18 844	23 641	(²)	(²)

⁽¹⁾ Provisional figures.⁽²⁾ Figures not available.⁽³⁾ Countries of central and eastern Europe.

Table 6

Staff of the Community institutions from 1968 to 1994

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Parliament	514	529	532	589	787	1 096	1 172	1 206	1 404	1 537	1 709	2 112	2 573	2 927
Council	563	569	618	628	980	1 218	1 330	1 481	1 501	1 508	1 517	1 547	1 599	1 700
Economic and Social Committee	117	129	144	156	192	252	284	292	302	305	315	325	339	374
Commission	7 703	7 707	7 801	8 025	8 239	9 247	9 573	9 987	10 641	11 068	11 418	11 649	11 947	12 283
of which : Administrative budget	4 953	5 003	5 201	5 455	5 827	6 799	7 194	7 605	7 777	8 048	8 378	8 580	8 885	9 173
Research budget	2 750	2 704	2 501	2 450	2 277	2 277	2 198	2 184	2 658	2 806	2 816	2 771	2 736	2 753
Publications Office			99	120	135	171	181	198	206	214	224	237	265	284
Other bodies ⁽¹⁾												61	61	73
Court of Justice	110	110	114	126	138	223	254	261	264	275	288	315	363	452
Court of Auditors	19	24	26	29	30	35	35	35	35	35	164	214	259	284
Total	9 026	9 068	9 235	9 553	10 366	12 071	12 648	13 262	14 147	14 728	15 411	16 162	17 080	18 020

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Parliament	2 931	2 941	2 966	2 998	3 277	3 360	3 405	3 405	3 482	3 565	3 686	3 790	3 790
Council	1 755	1 798	1 792	1 888	2 016	2 066	2 130	2 165	2 184	2 205	2 225	2 256	2 302
Economic and Social Committee	378	391	400	405	448	471	485	494	501	506	510	510	510
Commission	12 675	12 998	13 280	13 703	14 262	15 161	15 905	16 309	16 720	17 175	17 946	18 576	19 027
of which : Administrative budget	9 565	9 852	10 037	10 369	10 881	11 622	12 328	12 611	12 887	13 157	13 975	14 540	14 918
Research budget	2 747	2 779	2 851	2 922	2 939	3 053	3 073	3 176	3 285	3 462	3 409	3 430	3 497
Publications Office	288	292	312	331	350	380	396	406	424	428	428	463	465
Other bodies ⁽¹⁾	75	75	80	81	92	106	108	116	124	128	134	143	147
Court of Justice	474	478	480	480	571	646	672	733	752	794	800	825	837
Court of Auditors	294	303	303	307	345	366	375	377	379	384	394	402	427
Total	18 507	18 909	19 221	19 781	20 919	22 070	22 972	23 483	24 018	24 629	25 561	26 359	26 893

⁽¹⁾ Including the European Centre for the Development of Vocational Training, Berlin, and the European Foundation for the Improvement of Living and Working Conditions, Dublin.

Part II

1988 to 1992

1988 to 1992

1. The 1988 reform

The new political impetus which the Community received with the third enlargement to include Spain and Portugal in 1986 and then the conclusion of the Single Act opened up prospects for a thorough reform of the Community's financial system. The main objective was to provide the financial resources to launch a policy of 'economic and social cohesion' at Community level while ensuring that these new funds would not be absorbed by the common agricultural policy. The method employed is based on prior agreement on the main medium-term priorities between all the parties involved in the Community budget.

This reform was set out in a comprehensive proposal, the 'Delors package', presented by the Commission in February 1987. Acting on these proposals the Brussels European Council in February 1988 agreed on the broad political lines of the reform which centred on three main categories :

(a) *Own resources*

In order to provide the Community with resources that would enable it to operate correctly, the total of own resources was no longer to be tied to a specific item of revenue (VAT) but an overall ceiling on own resources fixed each year expressed as a percentage of Community GNP (1,15 % in 1988, 1,20 % in 1992). Initially, this ceiling was based on the estimated requirements contained in the financial perspective (see '*Some important concepts : the financial perspective*', page 12).

The range of own resources was extended with the creation of a fourth 'balancing' resource based on the GNP of the Member States (see '*Revenue of the European Union*', page 18). This resource is in proportion to the wealth of the Member States and is intended to limit the regressive nature of the VAT resource and counteract the decline in traditional own resources due to reductions in customs duties and self-sufficiency in food.

(b) *Budgetary discipline*

In order to ensure a better balance between the various categories of expenditure and controlled growth of this expenditure, emphasis was laid on stricter budgetary discipline : the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary

procedure, which came into force on 1 July 1988, makes budgetary discipline the shared responsibility of Parliament, the Council and the Commission.

The financial perspective, which is an integral part of the agreement, is the key to the new budgetary discipline arrangements. It is designed to produce a harmonious and controlled development of the broad sectors of budget expenditure and at the same time to establish a new balance in expenditure to the benefit, in particular, of the structural policies.

Budgetary discipline is designed first and foremost to contain agricultural expenditure, by setting a guideline (appearing in heading 1 of the financial perspective) which may not rise each year by more than 74 % of the annual growth rate of Community GNP. A monetary reserve is also entered in the budget to contend with the effects of fluctuations in the exchange rate between the dollar and the ecu on EAGGF Guarantee Section expenditure.

(c) *Reform of the Structural Funds*

The Single Act provided for close coordination between the three Structural Funds financed from the Community budget with a view to clarifying their tasks and enhancing their effectiveness.

It was also decided to provide a guarantee that the allocations for the Funds would be twice as high in real terms in 1993 as in 1987 — reflected in the rise in the ceilings for heading 2 (Structural operations) of the financial perspective 1988 to 1992 — and also to target Community action through these funds at five objectives (1. Development and structural adjustment of regions whose development is lagging behind; 2. Conversion of regions affected by industrial decline; 3. Combating long-term unemployment; 4. Occupational integration of young people; 5. (a) and (b). Adjustment of agricultural structures and development of rural areas).

2. Financial perspective 1988 to 1992

The financial perspective initially adopted in 1988 is shown in Table 7.

It contained six headings :

— Heading 1 : 'EAGGF Guarantee Section' covering agricultural guarantee expenditure and half the aid for set-aside.

- Heading 2 : 'Structural operations', which mainly contains expenditure under the Structural Funds (European Regional Development Fund — ERDF, European Social Fund — ESF, and the EAGGF Guidance Section) as well as some structural expenditure connected with fisheries and structural programmes for geographical areas such as the specific programme for the development of Portuguese industry (Pedip), the other half of the set-aside aid and the income aid for farmers.
- Heading 3 : 'Policies with multiannual allocations', covering research and the integrated Mediterranean programmes (IMP).
- Heading 4 : 'Other policies', covering expenditure on all other operations in fields such as transport, environment, audiovisual media, internal market and all external action.
- Heading 5 : 'Repayments and administration', consisting of the institutions' administrative expenditure as well as expenditure on certain repayments to the Member States (to Spain and Portugal in the early years of membership or in connection with the depreciation of agricultural stocks).
- Heading 6 : 'Monetary reserve', for which the necessary resources would be called in only if required.

In accordance with the Interinstitutional Agreement, the financial perspective, which was drawn up in 1988 prices, was updated each year by the Commission to allow for increases in prices. The financial perspective could also be adjusted in line with conditions of implementation.

Table 8 shows the effects of the technical adjustments and the adjustment in line with conditions of implementation between 1988 and 1992.

Finally, the financial perspective could also be revised to raise (or lower) the ceiling for one or more headings (see '*Some important concepts : the financial perspective*', page 12).

There were seven revisions between 1988 and 1992, resulting mainly from the upheavals on the international scene between 1990 and 1992 and their effect on Community regional aid policies (German unification) or on the Community's foreign aid programmes such as assistance for the countries of central and eastern Europe and the republics of the CIS, humanitarian aid following the fighting in the States of former Yugoslavia, the Gulf War, aid to Kurdish refugees and measures to combat famine in Africa.

Apart from these adjustments in response to unforeseen circumstances, the financial perspective was revised half way through its term to boost internal policies and assistance to a number of developing countries.

Experience has shown that these revisions have been too frequent, in particular because the financial framework was too inflexible to respond to international crises. Furthermore, the revisions were often complicated to negotiate and tended to merge with the budgetary procedure, thus reducing their function as a medium-term framework.

The various revisions and amendments are set out in Table 8. Table 9 summarizes all the changes since 1988. Table 10 shows the budgets adopted during the period covered by this financial perspective.

3. Outcome of the 1988 reform

The reform has been broadly positive as regards the three main objectives pursued : orderly growth in expenditure, improvement of the budgetary procedure and budget management and an adequate level of own resources.

It is true that the favourable economic situation contributed to this success, but the Community has also had to contend with exceptional events which forced it to assume new budgetary responsibilities as a result of the upheavals in eastern Europe.

(a) Growth in expenditure

The desired growth in expenditure has been achieved, and the results have proved even better than expected :

- The allocations for the Structural Funds doubled between 1987 and 1993.
- Agricultural expenditure remained within the agricultural guideline and the additional costs arising from German unification were covered without this guideline having to be raised. However, this was the result not so much of a fundamental improvement in

Community agriculture as of the favourable market situation. The reform of the CAP undertaken in 1992 was therefore still necessary.

- The various revisions of the financial perspective boosted the trend towards a rebalancing of expenditure in favour of external action in particular.

(b) Improvement of the budgetary procedure and budget management

There has been a distinct improvement here : each year the budget was adopted within the required deadlines without any major clash between the institutions and the basic principles of the financial framework were respected.

Table 11 shows the trend in budget outturn. The savings which were often made under the CAP in the course of the financial year must not be allowed to conceal the improved utilization rate for most of the other headings in relation to the situation before 1988.

(c) Adequate financial resources

Although the expenditure ceilings were raised a number of times, the overall ceiling of the financial perspective and thus the actual amount of budget spending remained below the own resources ceiling. The combination of two favourable factors — moderate rise in agricultural expenditure and more rapid economic growth than expected — did, admittedly, contribute to this outcome.

Table 11 also shows that the own resources ceilings were complied with throughout the period and that a substantial margin was often available.

As for the structure of own resources, the success hoped for from the 1988 reform has not yet been forthcoming. While traditional own resources have continued to decline, the VAT resource still yields by far the largest proportion of revenue and the GNP-based resource still accounts for no more than a modest proportion (see '*Revenue of the European Union*', page 18, and Table 4 and Charts 5 and 6).

Table 7
Initial financial perspective (1988 to 1992) ⁽¹⁾

(ECU million)

	1988	1989	1990	1991	1992
Appropriations for commitments					
1. EAGGF Guarantee Section	27 500	27 700	28 400	29 000	29 600
2. Structural operations	7 790	9 200	10 600	12 100	13 450
3. Policies with multiannual allocations	1 210	1 650	1 900	2 150	2 400
4. Other policies	2 103	2 385	2 500	2 700	2 800
of which : non-compulsory expenditure	1 646	1 801	1 860	1 910	1 970
5. Repayments and administration	5 700	4 950	4 500	4 000	3 550
of which : stock disposal	1 240	1 400	1 400	1 400	1 400
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	46 885	48 900	50 950	52 800
of which :					
— compulsory expenditure	33 698	32 607	32 810	32 980	33 400
— non-compulsory expenditure	11 605	14 278	16 090	17 970	19 400
Appropriations for payments					
Appropriations for payments required	43 779	45 300	46 900	48 600	50 100
of which :					
— compulsory expenditure	33 640	32 604	32 740	32 910	33 110
— non-compulsory expenditure	10 139	12 696	14 160	15 690	16 990
Appropriations for payments as % of GNP	1,12	1,14	1,15	1,16	1,17
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

⁽¹⁾ Council Decision of 24 June 1988 (OJ No L 185, 15. 7. 1988).

Table 8
Changes made to the initial financial perspective (1988 to 1992)

1. Ceilings in initial financial perspective after technical adjustments in line with prices and GNP ⁽¹⁾
(ECU million — current prices)

	1988	1989	1990	1991	1992
Ceiling (commitments)	45 303	48 464	52 948	57 939	63 090
Ceiling (payments)	43 779	46 885	50 772	55 259	59 805

⁽¹⁾ Paragraph 9 of the Interinstitutional Agreement.

2. Adjustments in line with conditions of implementation ⁽¹⁾
(ECU million)

Year of decision	Heading	1990	1991	1992
1989	Heading 2	24		
	Heading 3	4		
	Heading 4	9		
	Total	37		
1990	Heading 2		157	250
	Heading 3		63	80
	Heading 4			
	Total		220	330
1991	Heading 2			350
	Heading 3			115
	Heading 4			
	Total			465
	Commitments — Total	37	220	795
	Payments — Total	19	466	758

⁽¹⁾ Paragraph 10 of the Interinstitutional Agreement.

Table 8 (cont'd)

Changes made to the initial financial perspective (1988 to 1992)

3. Revisions and amendments

(ECU million)

Date of revision	Heading	1990	1991	1992
June 1990	Heading 2 : Correction for inflation : Structural Funds		90	
	Heading 4 :	500	1 175	1 628
	NCE : Central and eastern Europe NCE : Other external and internal policies	500	820 355	970 658
	Heading 5 : Stock disposal Administration		- 40 - 40	- 150 300
	Commitments — Total	500	1 225	1 478
	Payments — Total	500	1 225	1 478
December 1990	Heading 2 : German unification		750	1 000
	Heading 3 : Unused margin		- 50	
	Heading 4 :		665	110
	CE : German unification NCE : German unification NCE : Internal policies NCE : Gulf crisis		10 90 35 530	10 100
	Heading 5 : Stock disposal Repayments Spain / Portugal Administration German unification		0 - 220 180 40	0 - 40 40
	Commitments — Total		1 365	1 110
	Payments — Total		1 085	910
	May 1991	Heading 4 : NCE : Technical assistance USSR NCE : Israel and Occupied Territories NCE : Kurdish refugees NCE : Famine in Africa		728 400 88 100 140
Heading 5 : Stock disposal Repayments Spain / Portugal			0 - 3 3	
Commitments — Total			728	
Payments — Total			423	180

3. Revisions and amendments (cont'd)

(ECU million)

Date of revision	Heading	1990	1991	1992
February 1992	Heading 2 : Correction for inflation : Structural Funds			100
	Heading 3 : Carryovers from 1991			- 200
	Heading 4 : CE : Margin available NCE : CIS technical assistance NCE : Tropical forests			412 - 88 450 50
	Heading 5 : Stock disposal Repayments Spain / Portugal Administration			- 312 - 381 30 40
	Commitments — Total			0
	Payments — Total			0
May 1992	Heading 3 : Redeployment Heading 4 : Other policies CE : Redeployment NCE : Food aid — Africa			- 10 200 - 5 205
	Commitments — Total			190
	Payments — Total			190
	September 1992	NCE : New <i>Länder</i> and certain research programmes		
Commitments — Total				0
Payments — Total				550
September 1992	Heading 4 : Humanitarian aid to former Yugoslavia CE NCE			100 - 20 120
	Commitments — Total			100
	Payments — Total			100

Table 9
Updated financial perspective (1988 to 1992)

(ECU million — current prices)

Description	1988	1989	1990	1991	1992
Appropriations for commitments					
1. EAGGF Guarantee Section	27 500	28 613	30 700	33 000	35 039
2. Structural operations	7 790	9 522	11 555	14 804	18 109
3. Policies with multiannual allocations	1 210	1 708	2 071	2 466	2 905
4. Other policies	2 103	2 468	3 229	5 648	5 936
of which : non-compulsory expenditure	1 646	1 864	2 523	4 738	5 029
5. Repayments and administration	5 700	5 153	4 930	4 559	3 893
of which : stock disposal	1 240	1 449	1 523	1 375	810
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	48 464	53 485	61 477	66 882
of which :					
— compulsory expenditure	33 698	33 764	35 454	37 199	38 503
— non-compulsory expenditure	11 605	14 700	18 031	24 278	28 379
Appropriations for payments					
Appropriations for payments required	43 779	46 885	51 291	58 458	64 081
of which :					
— compulsory expenditure	33 640	33 745	35 372	37 195	38 435
— non-compulsory expenditure	10 139	13 140	15 919	21 263	25 646
Appropriations for payments required as % of GNP	1,08	1,06	1,08	1,13	1,19
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

Table 10
Budgets 1988 to 1992 by heading of the financial perspective

(ECU million — current prices)

Description	1988	1989	1990	1991	1992
Appropriations for commitments					
1. EAGGF Guarantee Section	27 500	26 761	26 522	31 516	32 095
2. Structural operations	7 790	9 488	11 533	14 804	18 109
3. Policies with multiannual allocations	1 210	1 695	2 071	2 466	2 905
4. Other policies	2 103	2 415	3 220	5 602	5 936
of which : non-compulsory expenditure	1 646	1 863	2 523	4 738	5 029
5. Repayments and administration	5 700	5 066	4 862	3 982	3 863
of which : stock disposal	1 240	1 449	1 470	810	810
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	46 425	49 208	59 370	63 907
of which :					
— compulsory expenditure	33 698	31 740	31 390	35 306	35 530
— non-compulsory expenditure	11 605	14 685	17 818	24 064	28 377
Appropriations for payments					
Appropriations for payments required	43 779	44 841	46 928	56 085	61 097
of which :					
— compulsory expenditure	33 640	31 792	31 364	35 268	35 457
— non-compulsory expenditure	10 139	13 049	15 564	20 817	25 640
Appropriations for payments required as % of GNP	1,08	1,02	0,99	1,09	1,13
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

Chart 7
General budget — Payments 1988 to 1992 as % of Community GNP

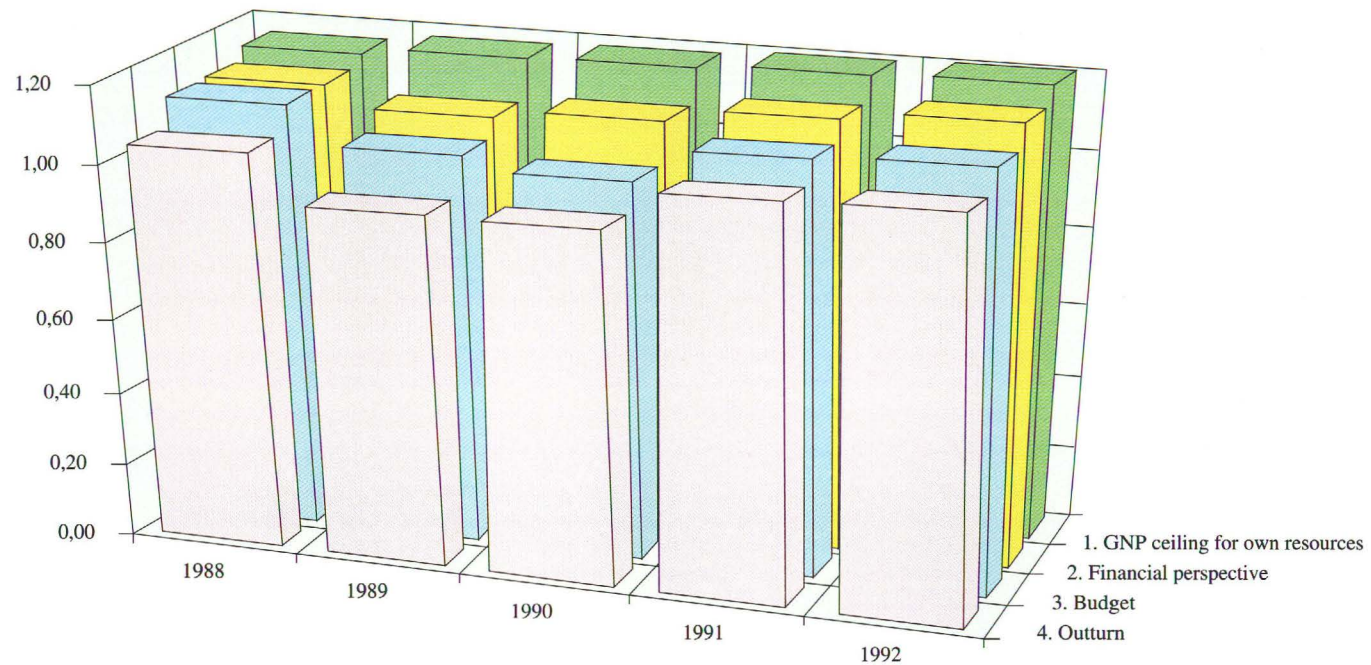


Table 11
Appropriations for payments (1988 to 1992)

(ECU million)

	1988		1989		1990		1991		1992	
	% GNP	Amount	% GNP	Amount	% GNP	Amount	% GNP	Amount	% GNP	Amount
1. GNP ceiling for own resources	1,15	44 954	1,17	51 152	1,18	55 590	1,19	61 440	1,20	66 432
2. Appropriations for payments required for financial perspective (FP)	1,08	43 779	1,06	46 885	1,08	51 291	1,13	58 458	1,19	64 081
3. Appropriations for payments in budget	1,08	43 779	1,02	44 841	0,99	46 928	1,09	56 085	1,13	61 097
4. Outturn in payments	1,01	41 022	0,92	40 757	0,93	44 063	1,04	53 650	1,07	57 947

Table 12
Summary of own resources by Member State from 1988 to 1992

(ECU million)

	1988		1989		1990		1991		1992	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Belgium	1 833,5	4,5	1 807,2	4,1	1 763,7	4,3	2 217,4	4,2	2 239,1	4,0
Denmark	955,6	2,3	871,0	2,0	775,1	1,9	1 033,5	2,0	1 034,8	1,8
Germany	11 534,9	28,2	11 110,4	25,1	10 357,5	25,0	15 394,2	29,1	16 997,5	30,2
Greece	429,9	1,1	566,3	1,3	563,6	1,4	762,1	1,4	728,6	1,3
Spain	2 678,1	6,6	3 575,1	8,1	3 671,4	8,9	4 580,2	8,7	4 828,0	8,6
France	9 095,4	22,2	8 622,8	19,5	8 089,1	19,5	10 601,9	20,1	10 493,4	18,7
Ireland	328,2	0,8	370,9	0,8	368,5	0,9	452,4	0,9	462,3	0,8
Italy	5 426,7	13,3	7 605,9	17,2	6 097,7	14,7	8 699,7	16,5	8 279,9	14,7
Luxembourg	81,6	0,2	72,8	0,2	74,5	0,2	108,8	0,2	123,5	0,2
Netherlands	2 795,6	6,8	2 700,5	6,1	2 615,2	6,3	3 537,7	6,7	3 534,0	6,3
Portugal	399,9	1,0	458,3	1,0	502,4	1,2	712,0	1,3	838,1	1,5
United Kingdom	5 323,9	13,0	6 568,1	14,8	6 534,3	15,8	4 736,4	9,0	6 702,4	11,9
Total ⁽¹⁾	40 883,3	100	44 329,3	100	41 413,0	100	52 836,3	100	56 261,7	100

(¹) The total revenue figure also includes surpluses and miscellaneous revenue (see Table 4).

Part III

Financial perspective 1993 to 1999

Financial perspective 1993 to 1999

1. Negotiation of the financial perspective

In early 1992 the Commission proposed a new financial perspective (the 'Delors II package') which also took account of the objectives of the Treaty on European Union even if the direct budgetary implications of the new Treaty are relatively limited. To allow for the strict constraints on Member States' budgets at a time when the economy was more depressed than expected, the Commission felt that it ought to adjust its proposal by extending the period for achieving the objectives from five to seven years, ending in 1999. This overall proposal was very much a continuation of the 1988 reform as regards the Structural Funds, budgetary discipline and own resources even though certain adjustments were made.

After changes had been negotiated to various aspects of the Commission's proposal, the European Council agreed on a financial perspective for 1993 to 1999 at its meeting in Edinburgh in December 1992. As proposed by the Commission, the Edinburgh European Council gave top priority to structural operations in the Community's most underprivileged regions. Particular attention was also paid to external action. The Edinburgh conclusions called for an increase in the resources provided for internal policies even though this increase was not as high as the Commission had hoped when it set the objective of establishing an environment favourable to the competitiveness of European industry.

Compared with the previous period, the objective of greater proportionality as regards resources was reinforced with a gradual reduction in the call-in rate for VAT which automatically increased the proportion of budget financing accounted for by the GNP-based resource (see *'Revenue of the European Union'*, page 18).

The financial perspective comprises the following six headings, which have been slightly changed in comparison with the previous period :

- Heading 1 : Common agricultural policy, which now includes the accompanying measures, all aid for set-aside and income aid for farmers and the Guarantee Fund for fishery products.
- Heading 2 : Economic and social cohesion measures, which in addition to Structural Fund operations and the Financial Instrument for Fisheries Guidance, covers the Cohesion Fund established by the Treaty on European Union.

- Heading 3 : Internal policies of a horizontal nature, including research and technological development and the trans-European networks.
- Heading 4 : External action — operations in specific geographical areas, expenditure on food aid, humanitarian aid and emergency aid and the external aspects of certain Community policies (fisheries, environment).
- Heading 5 : Administrative expenditure of the institutions.
- Heading 6 : Reserves.

For the sake of continuity the proposed breakdown is largely the same as in the financial perspective 1988 to 1992. Apart from various adjustments in the content of certain headings, the main changes concern the splitting of the old heading 4 'Other policies' into two separate headings — 'Internal policies' (new heading 3) and 'External action' (new heading 4) — the disappearance of the old heading 3 'Policies with multiannual allocations', research being included in the internal policies, and the extension of heading 6 'Reserves' to include two new reserves for external policies (emergency aid and guarantee of loans granted to non-member countries) alongside the agricultural monetary reserve.

The introduction of these new reserves will ensure that budget funds are available and can be drawn on quickly throughout the year to meet unforeseen expenditure. They were also set up in view of past experience since they should reduce the number of revisions of the financial perspective, which were needed quite frequently in the previous period (see *'1988 to 1992 : 3. Outcome of the 1988 reform'*, page 48).

2. The broad outlines of the financial framework

The financial perspective (1992 prices) is set out in Table 13 and updated (to 1995) in Table 14; Table 16 provides a comparison for the whole of the period with 1993 as base 100. Table 15 (updated financial perspective) also shows the effects of the recession which has

eaten up the 0,01 % margin for unforeseen expenditure. On the basis of current economic assumptions, the ceilings for payment appropriations will be higher than the own resources ceilings. The inclusion of miscellaneous revenue will, however, ensure that the budget adopted by the budgetary authority does respect the own resources ceiling.

The financial perspective has been drawn up for a twelve-nation Community. It will, of course, have to be adjusted in accordance with the Interinstitutional Agreement to take account of the new requirements and resources of the enlarged Community.

(a) *Common agricultural policy*

The increase in expenditure under the reformed agricultural policy will still be governed by the agricultural guideline set in 1988. Under this budgetary discipline measure, the annual growth in agricultural expenditure must not exceed 74 % of the real rate of growth of Community GNP.

(b) *Economic and social cohesion*

Following on from the doubling of the Structural Fund appropriations between 1988 and 1993, the Community will continue its regional and social development effort over the next period. Map 2 shows the regions which will be eligible for assistance from the Structural Funds for objectives 1, 2 and 5 (b) in the period 1993 to 1999. Even more budgetary resources will be concentrated on the most underprivileged regions where per capita GNP is less than 75 % of the Community average (Objective 1 regions). The new *Länder* will count as Objective 1 regions from 1994 onwards.

The purpose of the Cohesion Fund for countries with a per capita GNP of less than 90 % of the Community average — Greece, Spain, Ireland and Portugal — is to finance environmental or transport infrastructure projects to help the recipient countries comply with Community legislation or guidelines, subject to the establishment of an economic convergence programme by these countries. With the combined assistance of the Cohesion Fund and Objective 1 of the Structural Funds, the four Member States eligible for the Cohesion Fund will, together, receive in 1999 twice what they obtained under Objective 1 in 1992.

(c) *Internal policies*

According to the conclusions of the European Council, expenditure on internal policies should increase by around 30 % during this period. Research and trans-European networks were specially mentioned in the Edinburgh conclusions.

Contrary to the Commission's proposals, which attached special importance to research, expenditure in this sector will grow in line with the rest of heading 3. As agreed at Edinburgh, it should still account for between half and two thirds of the total amount for this heading, thus remaining by far the most important item of expenditure classified under the internal policies. The adoption of the fourth framework programme (1994 to 1998) with an allocation of ECU 12,3 billion (current prices) and a reserve of ECU 700 million confirms the renewed importance attached to Community research, placing it in the upper part of the bracket agreed at Edinburgh.

The highest growth rate under internal policies is for financing the trans-European networks. The Community will contribute to the development of networks in the transport, telecommunications and energy sectors in order to promote cross-frontier links between the national networks. As Community finance will remain modest compared with the level of investment required in this sector, the Community's activities will be limited to making a financial contribution to certain projects of common interest in a bid to attract funding from other sources.

(d) *External action*

The funds provided for the Community's external action will increase by more than 40 % over the period, a trend which is considerably reinforced by the establishment of two new reserves : the reserve for emergency aid and the reserve for loan guarantees.

Although there is no predetermined breakdown of the new funds available for external action, special attention should be paid to the countries closest to the Community, i.e. the countries of eastern Europe and the Mediterranean countries.

3. Negotiation of the new Interinstitutional Agreement

The conclusions of the Edinburgh European Council could not be put into effect until Parliament agreed to respect the various annual ceilings when exercising its powers. This was the purpose of the negotiations between Parliament, the Council and the Commission which ultimately led to the adoption of the new Interinstitutional Agreement.

The new Agreement signed on 29 October 1993 adopts the same basic principles as the previous Agreement as regards management of the financial perspective (see '*Some important concepts : the financial perspective*', page 12). However, a number of improvements were made to improve interinstitutional cooperation and strengthen budgetary discipline.

A new collaboration procedure was introduced between the institutions at two different stages of the budgetary procedure :

- A triologue meeting has to be held to discuss possible priorities for the following financial year after the technical adjustment of the financial perspective and before the Commission's decision on the preliminary draft budget.
- An *ad hoc* conciliation procedure is introduced for compulsory expenditure in order to secure an agreement between the two arms of the budgetary authority. The procedure consists of a triologue meeting followed by a conciliation meeting which must be held, at

the latest, on the day on which the Council adopts the draft budget. Parliament can thus inform the Council directly of its guidelines for compulsory expenditure, but the respective powers of the two arms of the budgetary authority are not affected by this procedure.

In addition, the principle of 'negative co-decision' will apply to the three reserves. This means that the Commission proposal will be considered adopted if the Council and Parliament fail to amend it or to reject it by common agreement.

The Agreement also lays down a number of principles to tighten budgetary discipline :

- The principles laid down in the 1982 declaration — no budget appropriations to be implemented before adoption of a legal base and no maximum amounts to be entered in basic texts — must be respected and application of these principles improved.
- The possibility of reallocating appropriations, at least within the heading concerned, should be considered whenever the financial perspective is revised or the reserve for emergency aid is drawn on.
- When the budget is adopted, margins should be left, where possible, under the ceilings for each heading of the financial perspective so that additional appropriations may be entered if necessary without the need for any revision.
- As far as possible, headings containing insignificant amounts should not be entered in the budget.

Table 13

Initial financial perspective (1993 to 1999)

(ECU million — 1992 prices)

	1993	1994	1995	1996	1997	1998	1999
Commitment appropriations							
1. Common agricultural policy	35 230	35 095	35 722	36 364	37 023	37 697	38 389
2. Structural operations	21 277	21 885	23 480	24 990	26 526	28 240	30 000
2.1. Structural Funds	19 777	20 135	21 480	22 740	24 026	25 690	27 400
2.2. Cohesion Fund	1 500	1 750	2 000	2 250	2 500	2 550	2 600
3. Internal policies	3 940	4 084	4 323	4 520	4 710	4 910	5 100
4. External action	3 950	4 000	4 280	4 560	4 830	5 180	5 600
5. Administrative expenditure	3 280	3 380	3 580	3 690	3 800	3 850	3 900
6. Reserves	1 500	1 500	1 100	1 100	1 100	1 100	1 100
Monetary reserve	1 000	1 000	500	500	500	500	500
External action :							
— loan guarantees	300	300	300	300	300	300	300
— emergency aid	200	200	300	300	300	300	300
Commitment appropriations — Total	69 177	69 944	72 485	75 224	77 989	80 977	84 089
Payment appropriations — Total	65 908	67 036	69 150	71 290	74 491	77 249	80 114
Total payment appropriations (% GNP)	1,20	1,19	1,20	1,21	1,23	1,25	1,26
Margin (% GNP)	0,00	0,01	0,01	0,01	0,01	0,01	0,01
Own resources ceiling (% GNP)	1,20	1,20	1,21	1,22	1,24	1,26	1,27

Table 14

Changes made to the initial financial perspective (1993 to 1999)

1. Ceilings in initial financial perspective after technical adjustments in line with prices and GNP ⁽¹⁾

(ECU millions — current prices)

	1993	1994	1995	1996	1997	1998	1999
Ceiling (commitments)	72 021	73 311	76 571				
Ceiling (payments)	68 611	70 232	72 982				

⁽¹⁾ Paragraph 9 of the Interinstitutional Agreement.2. Adjustments in line with conditions of implementation ⁽¹⁾

Year of decision	Heading	1993	1994	1995	1996	1997	1998	1999
	Commitments — Total							
	Payments — Total							

⁽¹⁾ Paragraph 10 of the Interinstitutional Agreement.3. Revisions and amendments ⁽¹⁾

Date of revision	Heading	1993	1994	1995	1996	1997	1998	1999
March 1994	Heading 3 : Restimulate economic activity		45					
	Heading 4 : Middle East peace process		75					
	Heading 5 : Depreciation of ecu against Belgian franc		55					
	Commitments — Total		175					
	Payments — Total		120					

⁽¹⁾ Paragraphs 10 and 11 of the Interinstitutional Agreement.

Table 15

Updated financial perspective (1993 to 1999)

	Current prices			1995 prices			
	1993	1994	1995	1996	1997	1998	1999
Commitment appropriations							
1. Common agricultural policy	36 657	36 465	37 052	37 718	38 401	39 101	39 818
2. Structural operations	22 192	23 176	25 264	26 889	28 542	30 386	32 280
2.1. Structural Funds	20 627	21 323	23 112	24 468	25 852	27 642	29 482
2.2. Cohesion Fund	1 565	1 853	2 152	2 421	2 690	2 744	2 798
3. Internal policies	4 109	4 370	4 652	4 864	5 068	5 283	5 488
4. External action	4 120	4 311	4 605	4 907	5 197	5 574	6 026
5. Administrative expenditure	3 421	3 634	3 852	3 970	4 089	4 143	4 196
6. Reserves	1 522	1 530	1 146	1 146	1 146	1 146	1 146
Monetary reserve	1 000	1 000	500	500	500	500	500
External action :							
— loan guarantees	313	318	323	323	323	323	323
— emergency aid	209	212	323	323	323	323	323
Commitment appropriations — Total	72 021	73 486	76 571	79 493	82 442	85 632	88 953
Payment appropriations — Total	68 611	70 352	72 982	75 260	78 679	81 621	84 676
Total payment appropriations (% GNP) ⁽¹⁾	1,20	1,20	1,22	1,23	1,26	1,27	1,29
Margin (% GNP)	0,00	0,00	-0,01	-0,01	-0,02	-0,01	-0,02
Own resources ceiling (% GNP)	1,20	1,20	1,21	1,22	1,24	1,26	1,27

(¹) 1993 and 1994 on the basis of data and GNP forecasts used for the technical adjustments for each of these years.
1995 to 1999 on the basis of the GNP forecasts used for the technical adjustment for 1995.

Chart 8
Updated financial perspective (1993 to 1999)

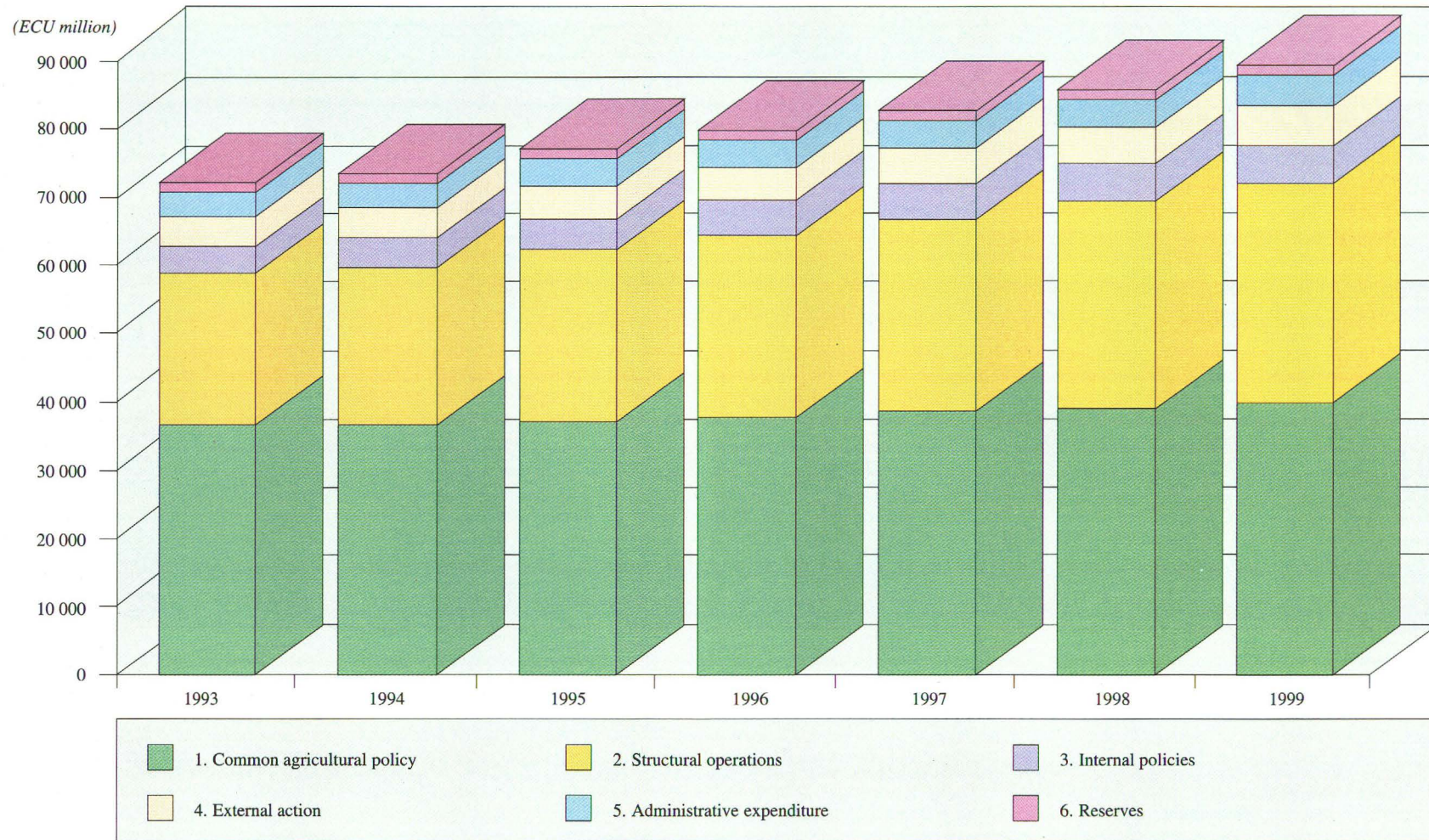


Table 16

Updated financial perspective (1993 to 1999)

(1993 = 100)

	1993	1994	1995	1996	1997	1998	1999
Commitment appropriations							
1. Common agricultural policy	100	99,5	101,1	102,9	104,8	106,7	108,6
2. Structural operations	100	104,4	113,8	121,2	128,6	136,9	145,5
2.1. Structural Funds	100	103,4	112,0	118,6	125,3	134,0	142,9
2.2. Cohesion Fund	100	118,4	137,5	154,7	171,9	175,3	178,8
3. Internal policies	100	106,4	113,2	118,4	123,3	128,6	133,6
4. External action	100	104,6	111,8	119,1	126,1	135,3	146,3
5. Administrative expenditure	100	106,2	112,6	116,0	119,5	121,1	122,7
6. Reserves	100	100,5	75,3	75,3	75,3	75,3	75,3
Monetary reserve	100	100,0	50,0	50,0	50,0	50,0	50,0
External action :							
— loan guarantees	100	101,6	103,2	103,2	103,2	103,2	103,2
— emergency aid	100	101,4	154,5	154,5	154,5	154,5	154,5
Commitment appropriations — Total	100	102,0	106,3	110,4	114,5	118,9	123,5
Payment appropriations — Total	100	102,5	106,4	109,7	114,7	119,0	123,4

Table 17

Comparison between financial perspective, budget and outturn from 1993 to 1995

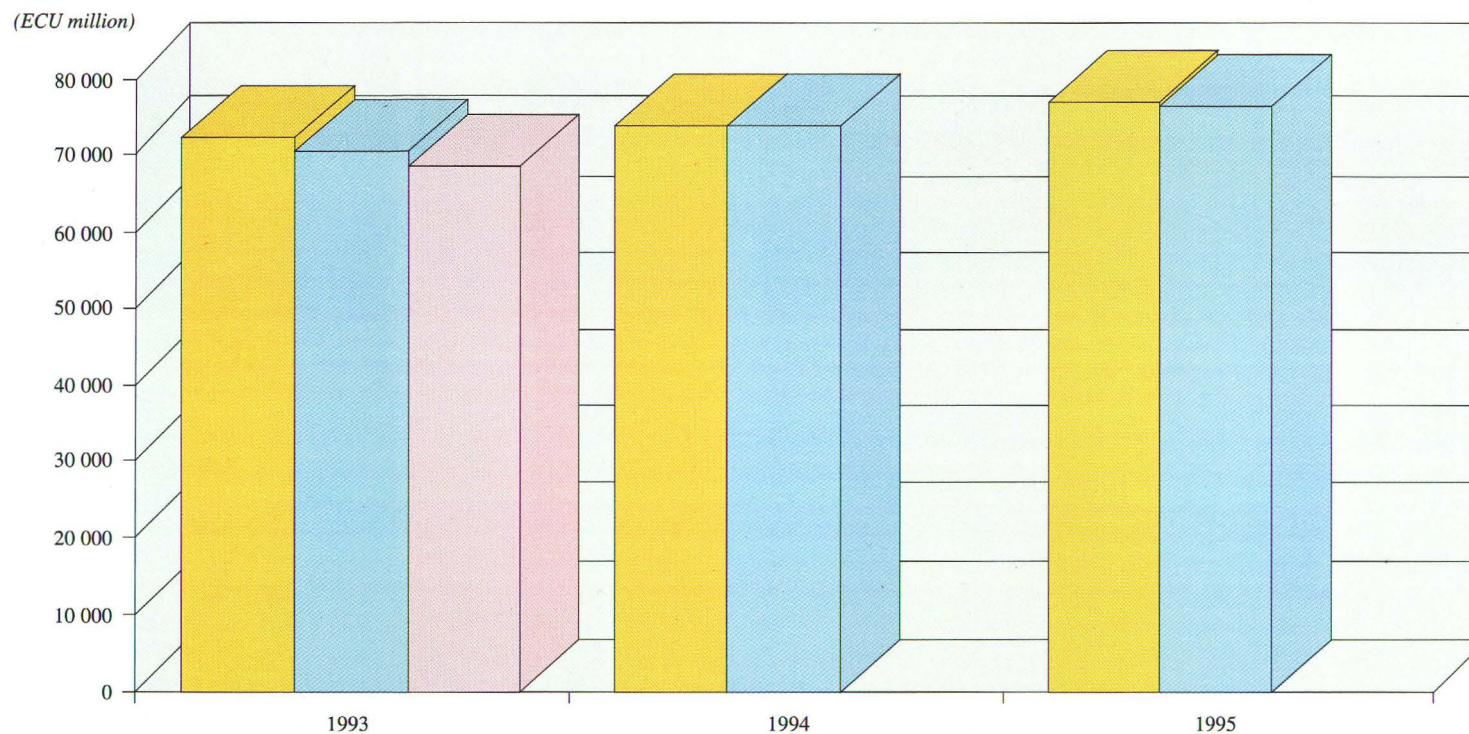
(ECU million)

	1993			1994			1995		
	Financial perspective	Budget	Outturn	Financial perspective	Budget	Outturn	Financial perspective	PDB	Outturn
Commitment appropriations									
1. Common agricultural policy	36 657	35 352	35 100	36 465	36 465		37 052	36 994	
2. Structural operations	22 192	22 192	22 180	23 176	23 176		25 264	25 264	
2.1. Structural Funds	20 627	20 267	20 615	21 323	21 323		23 112	23 112	
2.2. Cohesion Fund	1 565	1 565	1 565	1 853	1 853		2 152	2 152	
3. Internal policies	4 109	4 108	4 067	4 370	4 360		4 652	4 605	
4. External action	4 120	4 115	4 295 ⁽¹⁾	4 311	4 296		4 605	4 554	
5. Administrative expenditure	3 421	3 417	3 370	3 634	3 618		3 852	3 764	
6. Reserves	1 522	1 224	14	1 530	1 530		1 146	1 146	
Monetary reserve	1 000	1 000	0	1 000	1 000		500	500	
External action :									
— loan guarantees	313	15	14	318	318		323	323	
— emergency aid	209	209	0	212	212		323	323	
Commitment appropriations — Total	72 021	70 408	69 026	73 486	73 444		76 571	76 328	
Payment appropriations — Total	68 611	66 858	64 493	70 352	70 014		72 982	72 349	

⁽¹⁾ Including transfer of ECU 209 million from the emergency aid reserve.

Chart 9






Comparison between financial perspective, budget and outturn (1993 to 1995)
(commitments)



(ECU million)

1993	1994	1995			
Financial perspective	72 021	Financial perspective	73 486	Financial perspective	76 571
Budget	70 408	Budget	73 444	Preliminary draft	76 328
Outturn	69 026	Outturn	—	Outturn	—

Map 2
Structural Funds for the period 1994 to 1999 : Eligible regions

-  Objective 1
-  Objective 2
-  Objective 2 (in part)
-  Objective 5 b)
-  Objective 5 b) (in part)

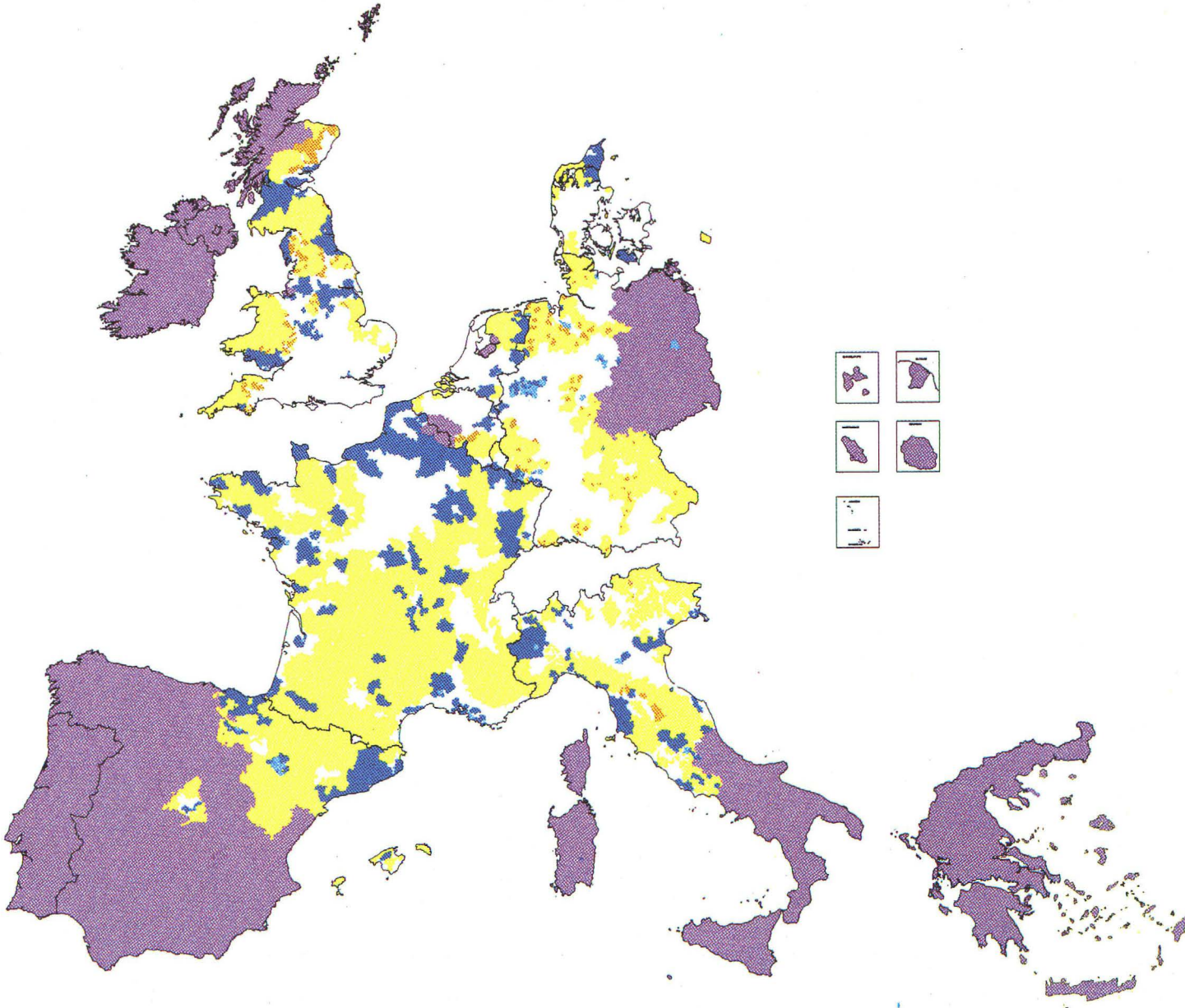


Table 18
Summary of own resources by Member State from 1993 to 1995

(ECU million)

	Outturn 1993		Budget 1994		Preliminary draft 1995	
	Amount	%	Amount	%	Amount	%
Belgium	2 394,9	3,7	2 764,0	4,0	2 819,7	3,9
Denmark	1 206,5	1,9	1 376,8	2,0	1 441,5	2,0
Germany	19 076,4	29,8	21 100,3	30,4	22 025,2	30,7
Greece	1 011,2	1,6	1 019,1	1,5	1 115,2	1,6
Spain	5 192,6	8,1	5 654,1	8,1	5 037,8	7,0
France	11 545,5	18,0	13 442,6	19,3	13 221,9	18,4
Ireland	567,4	0,9	542,5	0,8	652,3	0,9
Italy	10 265,0	16,0	9 843,3	14,2	9 256,2	12,9
Luxembourg	167,0	0,3	148,7	0,2	171,0	0,2
Netherlands	4 030,6	6,3	4 379,1	6,3	4 399,1	6,1
Portugal	909,4	1,4	1 139,6	1,6	1 075,4	1,5
United Kingdom	7 626,6	11,9	8 087,5	11,6	10 612,0	14,8
Total ⁽¹⁾	63 993,2	100	69 497,7	100	71 827,4	100

⁽¹⁾ The total revenue figure also includes surpluses and miscellaneous revenue (see Table 4).

Part IV
1994 budget

1994 budget

1994 BUDGET

The general budget of the European Communities for 1994 was adopted on 16 December 1993. The budget adopted complies with the ceilings of the revised financial perspective contained in the new Interinstitutional Agreement signed on 29 October 1993 (see '*Financial perspective 1993 to 1999*', p. 57). Totalling ECU 73 344 million in commitment appropriations and ECU 70 013 million in payment appropriations (4,3 % and 4,7 % higher than in 1993), it leaves an overall margin of ECU 41,7 million : ECU 10 million in heading 3, ECU 15,3 million in heading 4 and ECU 16,4 million in heading 5. Tables 19 and 20 and Chart 11 compare the 1993 and 1994 allocations in each heading of the financial perspective and in each subsection.

The broad lines of the budget are as follows (classified by heading of the financial perspective) :

- The total in **heading 1** takes up the full amount of the agricultural guideline (ECU 36 465 million) auguring strains on the budget in the course of the financial year. The appropriations required are significantly higher than in 1993, the reasons being that the common agricultural policy reform decided in May 1992 will take effect in the 1993/94 marketing year and the budgetary impact of the currency realignments must be accommodated. Another factor is the cost of measures adopted by the Council and the impact of the prices package adopted in May 1993. At the same time the 1994 agricultural guideline remains very close to its 1993 level because of the slackening in economic growth. It has since turned out that there will probably be considerable savings in the implementation of appropriations with the result that the budget adopted will cover all the cost of the currency realignments. It will not therefore be necessary to draw on the monetary reserve and it may even be possible to bring forward some of the expenditure planned for 1995, thus easing the constraints faced that year while producing a surplus for 1994.
- Appropriations for all structural operations covered by **heading 2** total ECU 23 176 million, an increase of 4,4 % over 1993. This is the exact amount agreed by the Edinburgh European Council. The ECU 1 853 million for the Cohesion Fund is what is specified in the Edinburgh decisions. It represents an increase of 18,4 % at current prices. A detailed budgetary structure has been introduced for Community initiatives, with token entries in the headings and the overall allocation entered in the reserve.
- The total appropriations for **heading 3** (ECU 4 360 million) are 6,15 % up on the 1993 budget. They cover research and technological development (ECU 2 767 million in commitment appropriations under Parliament's nomenclature, 1,2 % more than in 1993), the trans-European networks, which have been allocated ECU 289,8 million (30,8 % more) to reflect the priority given to them by the Treaty on European Union, and the other internal policies, which enjoy an overall increase of 13,2 % compared with 1993. Parliament has also entered ECU 45,5 million for the employment and growth initiative.
- The allocations under **heading 4** are slightly bigger than in 1993 (up by 4,4 %). Food aid and cooperation with developing countries in Asia and Latin America are allocated some 2,5 % more than in 1993. A significant effort is made for cooperation with Mediterranean countries, with a 10,6 % increase in allocations, and for other cooperation measures (up by 34,4 %). The allocation for emergency humanitarian aid for the countries of central and eastern Europe is up by ECU 50 million and that for the CIS is up by ECU 40 million. A new chapter covering Community measures in support of democracy and the protection of human rights has been allocated ECU 59,1 million. The headings relating to the aid programmes for the countries of central and eastern Europe (Phare) and the CIS (Takis) come to ECU 830 million and ECU 460 million respectively (including appropriations entered in the reserve). Finally, ECU 150 million has been allocated to cross-frontier cooperation with the countries of central and eastern Europe and ECU 50 million is provided to support the peace process in the Middle East.

— In **heading 5**, administrative expenditure has increased overall by 5,9 % compared with 1993. The increase in expenditure for each institution is as follows: 5,02 % for Parliament, 6,8 % for the Council (including the Economic and Social Committee and the Committee of the Regions), 5,94 % for the Court of Justice, 6,81 % for the Court of Auditors and 5,93 % for the Commission (including pensions for the staff of all institutions). For the Commission, this increase will allow some 400 posts to be filled and 330 new posts to be created by the conversion of appropriations.

— Under **heading 6**, as agreed by the Edinburgh European Council, three reserves are now entered in the budget, for which resources will be called in only if the need arises during the financial year. The first one is the monetary reserve for EAGGF guarantee expenditure (ECU 1 000 million), to which are now added the emergency aid reserve (ECU 212 million) and the guarantees reserve (ECU 318 million).

Table 19

Comparison between 1993 budget, 1994 financial perspective (FP) and 1994 budget

(ECU million)

	Budget 1993	PF 1994	Budget 1994	%	Amount
	1	2	3	4 = 3 : 1	5 = 2 - 3
Commitment appropriations					
1. Common agricultural policy	35 352	36 465	36 465	3,1	0
2. Structural operations	22 192	23 176	23 176	4,4	0
2.1. Structural Funds	20 627	21 323	21 323	3,4	0
2.2. Cohesion Fund	1 565	1 853	1 853	18,4	0
3. Internal policies	4 108	4 370	4 360	6,1	10
4. External action	4 115	4 311	4 296	4,4	15
5. Administrative expenditure	3 417	3 634	3 618	5,9	16
6. Reserves	1 224	1 530	1 530	25,0	0
Monetary reserve	1 000	1 000	1 000	0,0	0
External action :					
— loan guarantees	15	318	318	1 992,1	0
— emergency aid	209	212	212	1,4	0
Commitment appropriations — Total	70 408	73 486	73 444	4,3	42
Payment appropriations — Total	66 858	70 352	70 014	4,7	338
Total payment appropriations (% GNP)	1,20	1,20	1,19		
Margin (% GNP)	0,00	0,00	0,02		
Own resources ceiling (% GNP)	1,20	1,20	1,21		

Table 20
The 1994 budget by subsection

(ECU million)

	1994 budget				Change on 1993 budget (%)		Change on 1993 budget (amount)	
	Commitments		Payments		Commitments	Payments	Commitments	Payments
	Amount	%	Amount	%				
Commission (Section III)								
B1 : EAGGF Guarantee Section	37 465,0	51,0	37 465,0	53,5	3,1	3,1	1 113,0	1 113,0
B2 : Structural operations, other agricultural and regional operations, transport and fisheries	23 454,5	31,9	21 528,8	30,7	4,4	4,0	990,0	819,9
B3 : Training, youth, culture, audiovisual media, information and other social operations	560,6	0,8	539,5	0,8	4,7	15,4	25,1	72,1
B4 : Energy, Euratom nuclear safeguards and environment	185,9	0,3	174,5	0,2	32,3	6,0	45,4	9,9
B5 : Consumer protection, internal market, industry and trans-European networks	567,6	0,8	464,5	0,7	33,5	60,9	142,5	175,9
B6 : Research and technological development	2 767,4	3,8	2 555,4	3,6	1,2	4,6	32,6	113,3
B7 : Cooperation with developing countries and other third countries	4 507,7	6,1	3 348,3	4,8	4,2	11,5	183,6	346,0
B0 : Repayments, guarantees, reserves	318,0	0,4	320,0	0,5	1 992,1	2 005,3	302,8	304,8
Operating appropriations (Section III/B) — Total	69 826,7	95,1	66 395,9	94,8	4,2	4,7	2 835,9	2 954,9
Administrative appropriations (Section III/A) — Total	2 428,0	3,3	2 428,0	3,5	5,9	5,9	136,0	136,0
Commission — Total	72 254,7	98,4	68 823,9	98,3	4,3	4,7	2 971,9	3 090,9
Other institutions (Sections I, II, IV and V)	1 189,6	1,6	1 189,6	1,7	5,8	5,7	64,7	64,7
Grand total	73 444,3	100	70 013,5	100	4,3	4,7	3 036,5	3 155,6

Chart 10

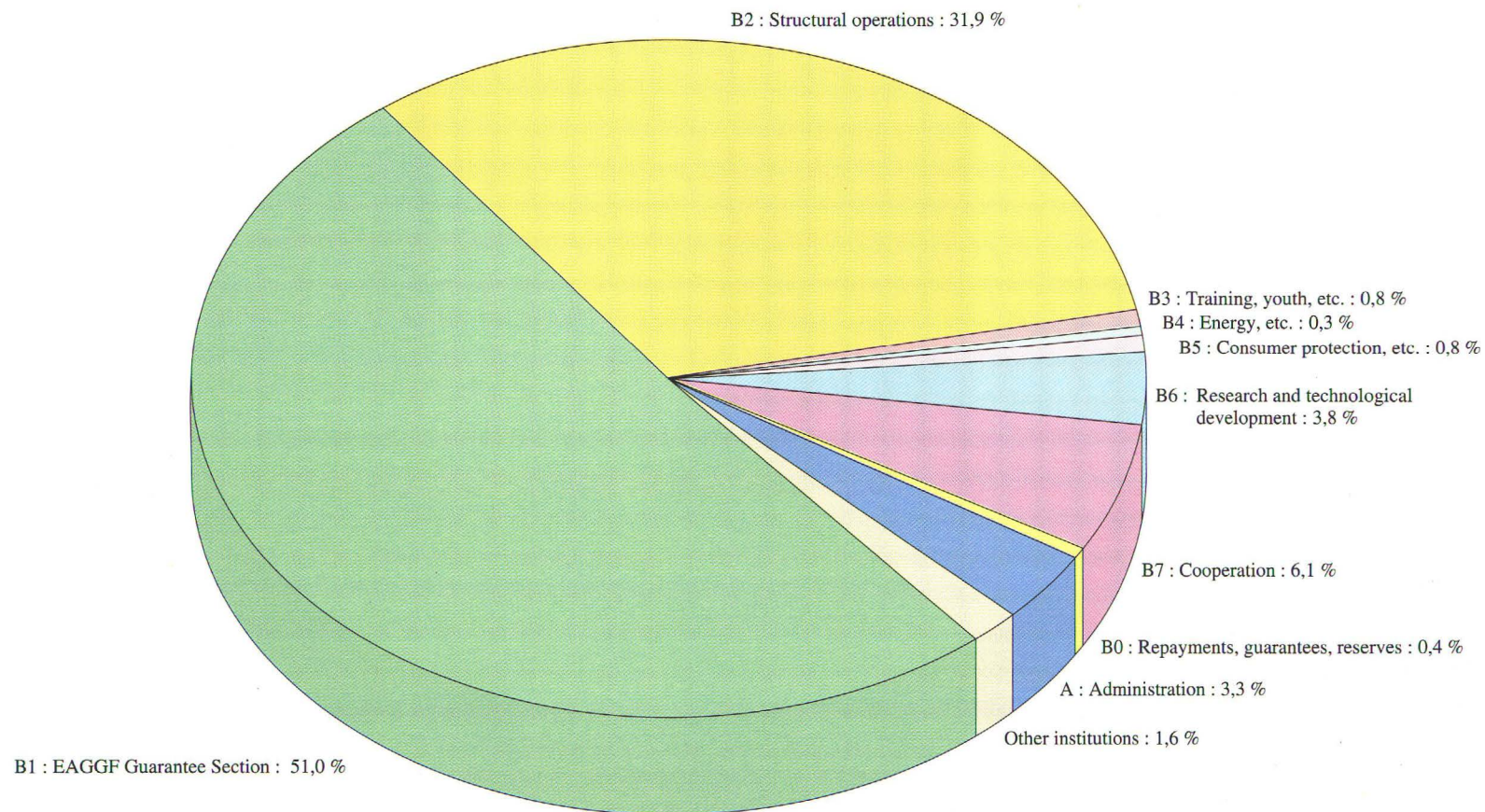
**The 1994 budget by subsection
(Commitments)**

Chart 11

**Breakdown of the increase in the 1994 budget over the 1993 budget by subsection
(appropriations for commitments)**

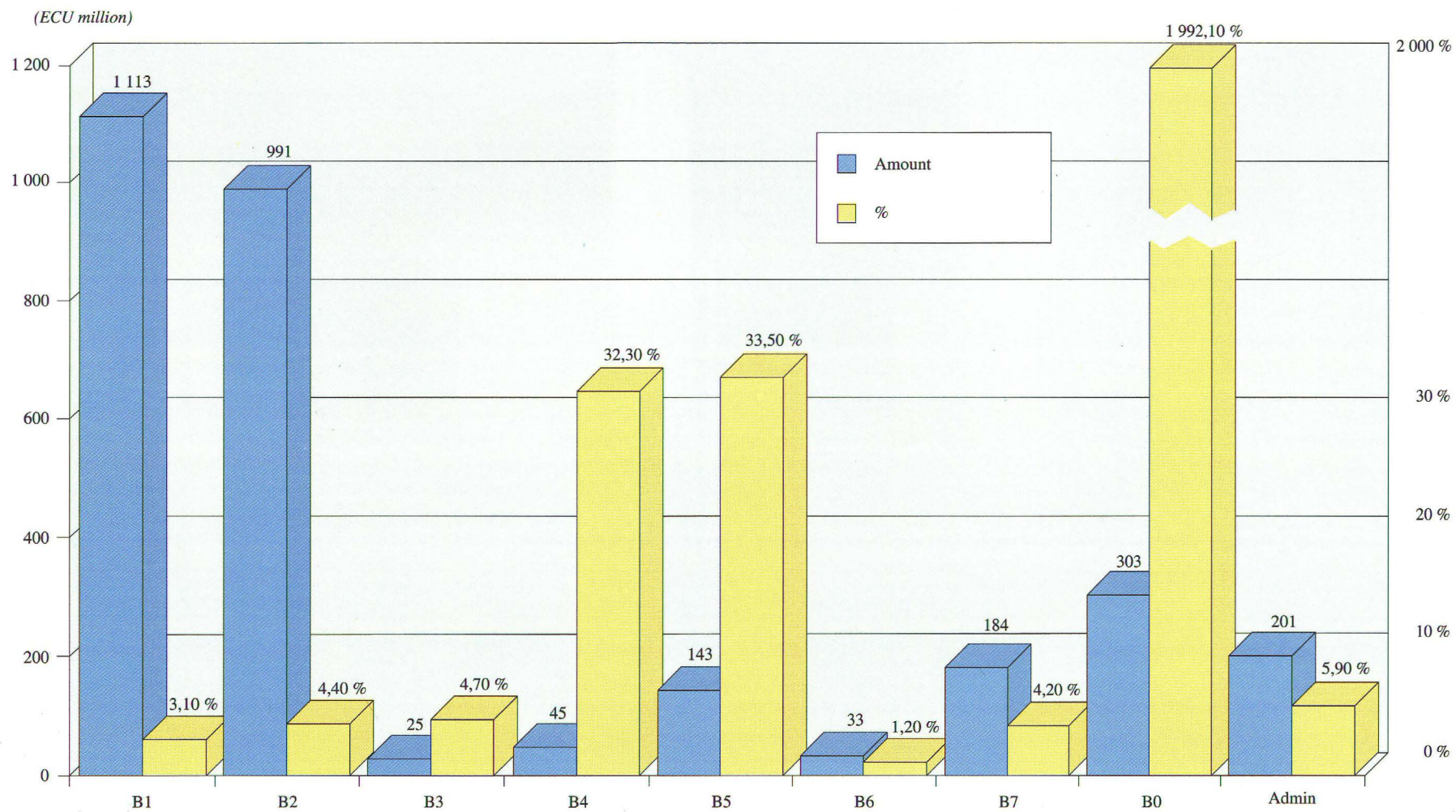


Table 21

The 1994 budget — EAGGF Guarantee Section (subsection B1)

(ECU million)

	Budget 1994 Commitments = Payments		Change on 1993 budget (%)
	Amount	%	
B1-1 : Plant products	23 616,0	63,0	12,1
— Arable crops	13 425,0	35,8	31,5
— Sugar	2 099,0	5,6	0,4
— Olive oil	1 999,0	5,3	- 13,2
— Dried fodder and dried vegetables	367,0	1,0	- 4,4
— Fibre plants and silkworms	808,0	2,2	- 8,2
— Fruit and vegetables	1 722,0	4,6	- 0,5
— Products of the vine-growing sector	1 567,0	4,2	- 5,9
— Tobacco	1 235,0	3,3	- 11,8
— Other	394,0	1,1	- 2,0
B1-2 : Animal products	11 181,0	29,8	- 9,7
— Milk and milk products	4 244,0	11,3	- 18,7
— Beef/veal	4 786,0	12,8	16,1
— Sheepmeat and goatmeat	1 587,0	4,2	- 30,0
— Pigmeat	194,0	0,5	- 28,4
— Eggs and poultrymeat	177,0	0,5	- 29,8
— Other animal product aid measures	156,0	0,4	- 26,4
— European Fisheries Guarantee Fund	37,0	0,1	12,1
B1-3 : Ancillary expenditure	1 065,0	2,8	- 35,5
B1-4 : Income aid	58,0	0,2	- 19,4
B1-5 : Accompanying measures	545,0	1,5	199,5
B1-6 : Monetary reserve	1 000,0	2,7	0,0
Subsection B1 — Total	37 465,0	100	3,1

Chart 12

Breakdown of subsection B1 : EAGGF Guarantee Section 1994

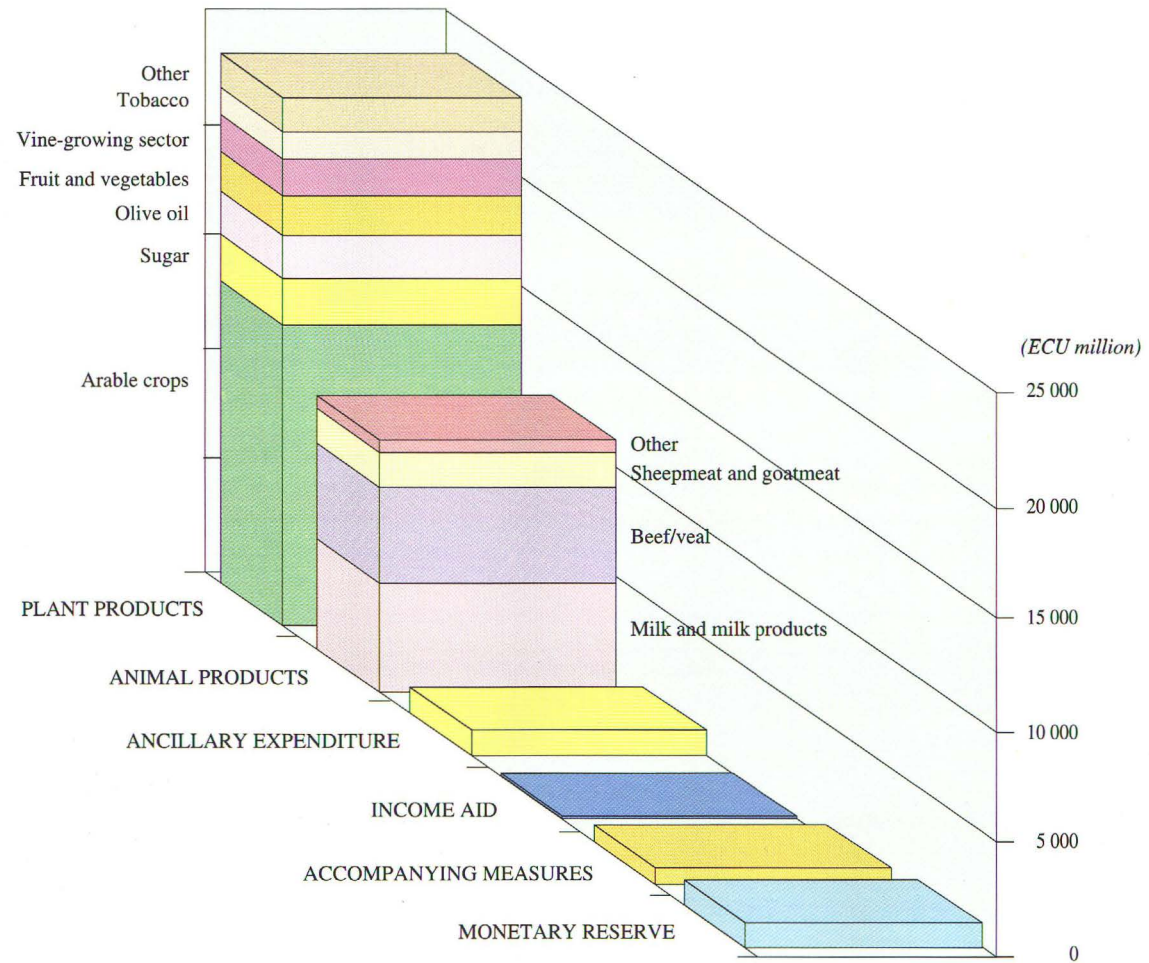


Table 22

The 1994 budget — Structural operations, other agricultural and regional operations, transport and fisheries (subsection B2)

(ECU million)

	1994 budget		Change on 1993 budget (%)	
	Commitments	Payments	Commitments	Payments
B2-1 : Structural Funds	21 323,0	19 416,0	3,4	1,0
— EAGGF Guidance Section	3 343,0	2 772,0	12,4	- 9,9
— FIFG	419,0	529,0	2,6	51,3
— ERDF	9 030,0	7 702,0	13,2	1,8
— European Social Fund	6 457,0	5 819,0	12,0	15,0
— Community initiatives	1 706,0	1 860,0	- 8,8	17,6
— Other	368,0	734,0	- 77,2	- 54,0
B2-2 : Other structural operations	0,0	209,2	- 100,0	- 20,9
B2-3 : Cohesion Fund	1 853,0	1 679,0	18,4	67,9
B2-5 : Other agricultural operations	205,8	133,5	1,0	5,0
B2-6 : Other regional operations	31,0	53,6	3,3	1,1
B2-7 : Transport	16,0	14,3	25,3	13,8
B2-9 : Other measures concerning fisheries and the sea	25,6	23,3	2,6	24,8
Subsection B2 — Total	23 454,5	21 528,8	4,4	4,0

Chart 13

Breakdown of subsection B2 : Structural operations, other agricultural and regional operations, transport and fisheries 1994
(appropriations for commitments)

STRUCTURAL FUNDS : 91 %
[Community support frameworks (CSFs)]

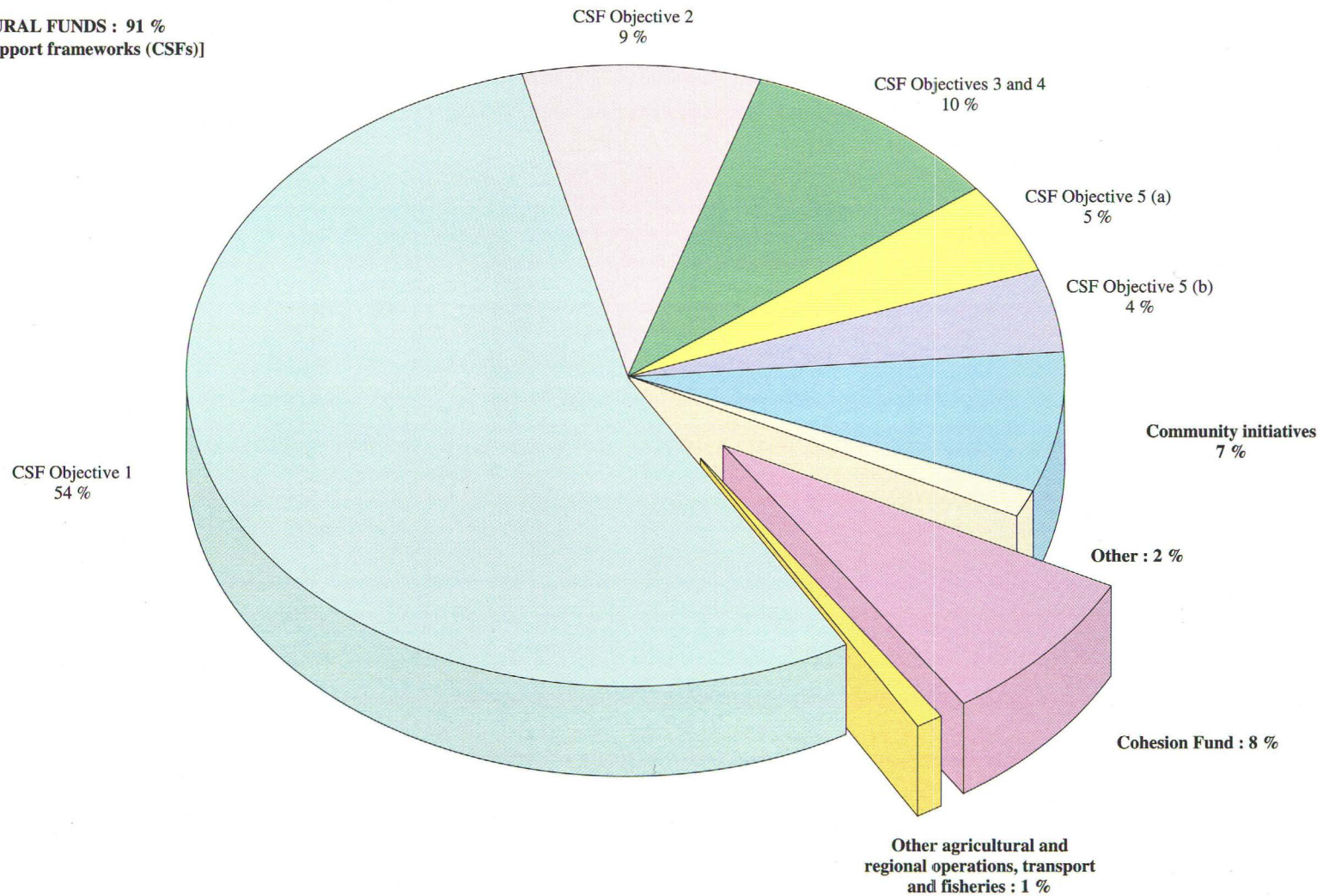


Chart 14

Breakdown of subsection B2 : Structural operations, other agricultural and regional operations, transport and fisheries 1994
 (appropriations for commitments)

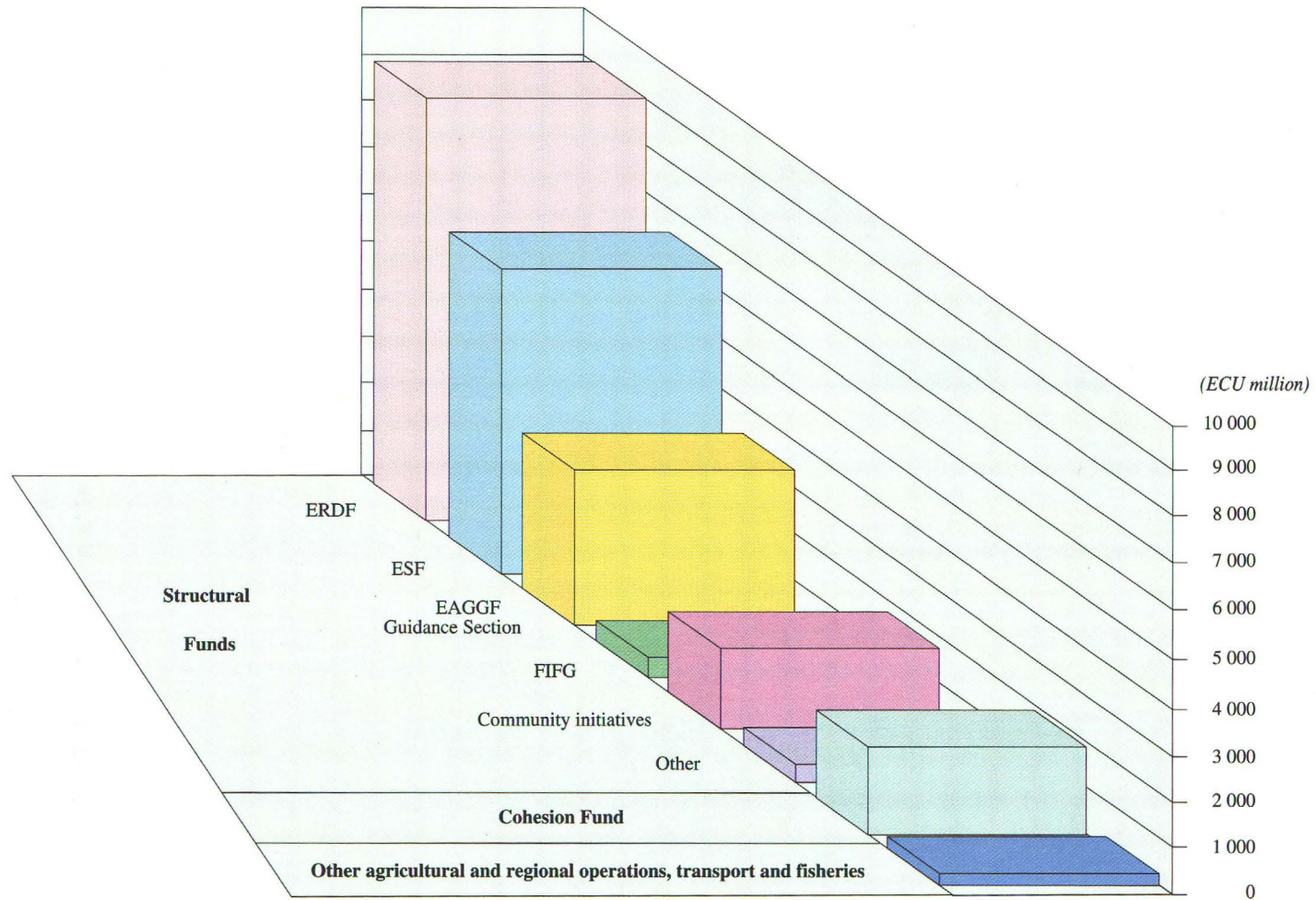


Table 23

The 1994 budget — Training, youth, culture, audiovisual media, information and other social operations (subsection B3)

(ECU million)

	1994 budget		Change on 1993 budget (%)	
	Commitments	Payments	Commitments	Payments
B3-1 : Education, vocational training and youth policy	287,5	263,9	6,6	4,4
B3-2 : Culture and audiovisual media	69,6	71,0	9,5	14,5
B3-3 : Information and communication	47,5	42,5	40,8	91,8
B3-4 : Other social operations	156,0	162,2	-7,5	24,4
Subsection B3 — Total	560,6	539,5	4,7	15,4

Table 24

The 1994 budget — Energy, Euratom nuclear safeguards and environment (subsection B4)

(ECU million)

	1994 budget		Change on 1993 budget (%)	
	Commitments	Payments	Commitments	Payments
B4-1 : Energy	33,0	45,3	16,6	-26,8
B4-2 : Euratom nuclear safeguards	19,5	16,5	69,4	124,4
B4-3 : Environment	133,5	112,7	32,5	18,2
Subsection B4 — Total	185,9	174,5	32,3	6,0

Table 25

The 1994 budget — Consumer protection, internal market, industry and trans-European networks (subsection B5)

(ECU million)

	1994 budget		Change on 1993 budget (%)	
	Commitments	Payments	Commitments	Payments
B5-1 : Consumer protection	16,0	15,8	0,0	58,2
B5-2 : Aid for reconstruction	9,3	9,3	-28,3	-25,8
B5-3 : Internal market	184,1	173,5	69,9	92,1
B5-4 : Industry	38,5	37,8	2,9	16,3
B5-6 : Statistical information	30,0	33,9	3,4	9,5
B5-7 : Trans-European networks	289,8	194,2	30,8	72,8
B5-8 : Cooperation in the fields of justice and home affairs	0,0	0,0	0,0	0,0
Subsection B5 — Total	567,6	464,5	33,5	60,9

Chart 15

Subsections B3 to B6 — Comparison between 1993 and 1994 budgets

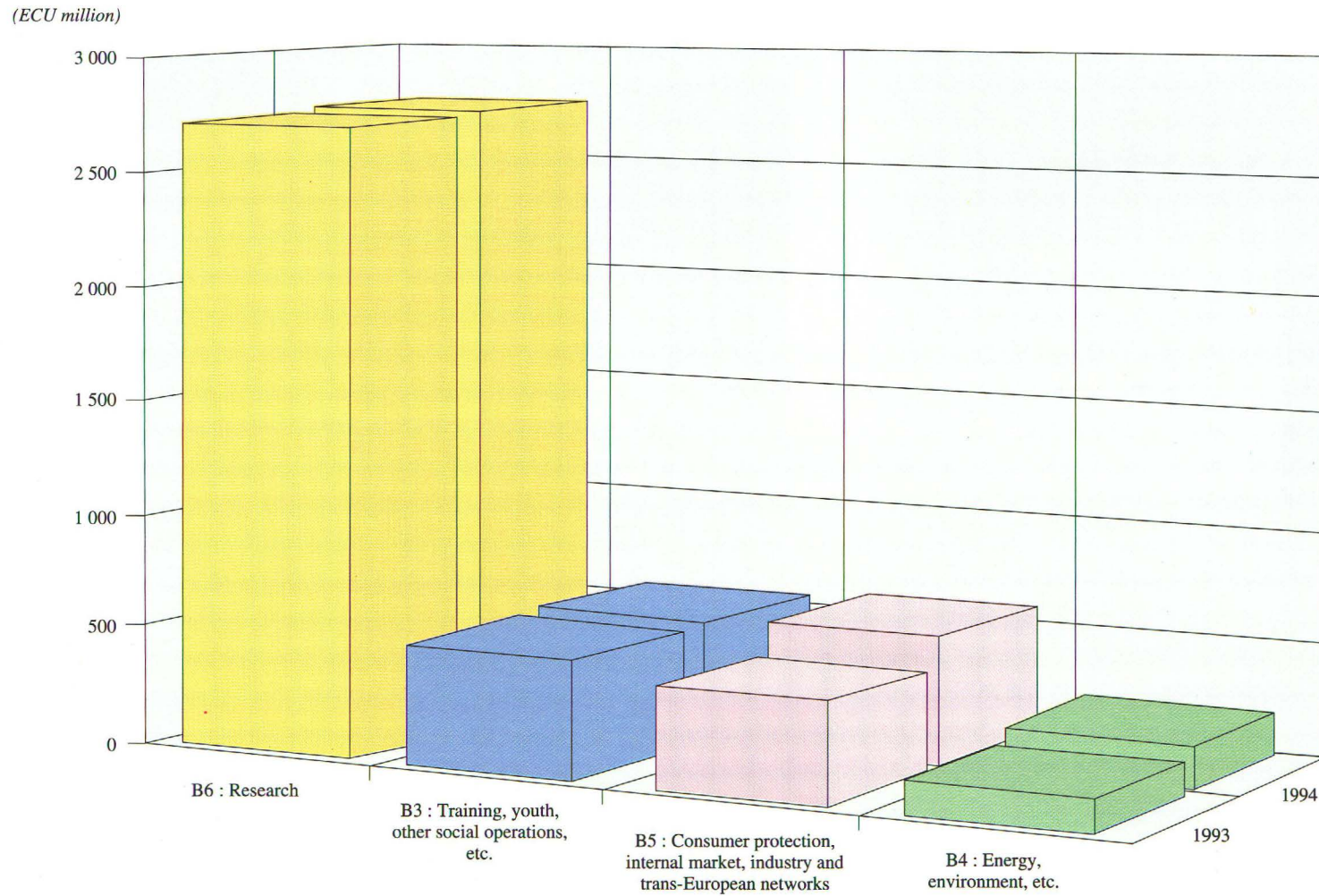


Table 26

**The 1994 budget — Research and technological development
(subsection B6)**

(ECU million)

	1994 budget		Change on 1993 budget (%)	
	Commitments	Payments	Commitments	Payments
B6-1 : Joint Research Centre — staff and resources	212,6	207,1	3,1	4,0
B6-3 : Joint Research Centre — direct operating appropriations — framework programme 1990 to 1994	45,6	38,3	26,5	41,5
B6-4 : Joint Research Centre — direct operating appropriations — activities in support of framework programme 1990 to 1994	18,6	21,6	9,5	52,8
B6-5 : Indirect action projects (shared-cost projects) and concerted action projects — framework programme 1987 to 1991	4,6	215,5	-70,9	-56,3
B6-6 : Indirect action projects (shared-cost projects), concerted action projects and supplementary programmes — framework programme 1990 to 1994	1 799,5	1 580,3	-12,3	14,3
B6-7 : Dissemination and exploitation activities — framework programme 1990 to 1994	19,2	17,2	-12,9	-8,5
B6-8 : Strategic analysis and preparatory measures for the framework programme 1994 to 1998	382,9	276,6	88,8	38,7
B6-9 : Exploitation of the industrial potential of Community research, technological development and demonstration policy	284,5	198,8	54,6	84,2
Subsection B6 — Total	2 767,4	2 555,4	1,2	4,6

Table 27

**The 1994 budget — Cooperation with developing countries
and other third countries (subsection B7)**

(ECU million)

	1994 budget		Change on 1993 budget (%)	
	Commitments	Payments	Commitments	Payments
B7-0 : Common foreign and security policy	1,0	1,0	∞	∞
B7-1 : European Development Fund	0,0	0,0	0,0	0,0
B7-2 : Food aid	589,1	527,0	2,6	-7,7
B7-3 : Cooperation with Asian and Latin American developing countries	648,7	364,5	2,3	2,9
B7-4 : Cooperation with Mediterranean countries	449,9	410,4	10,6	17,2
B7-5 : Other cooperation measures	849,9	685,7	34,3	36,1
B7-6 : Cooperation with countries of central and eastern Europe and the independent States of the former Soviet Union	1 463,0	840,0	-7,1	21,1
B7-7 : Cooperation with other third countries	0,0	14,7	0,0	-49,2
B7-8 : External aspects of certain Community policies	294,2	292,9	0,2	0,3
B7-9 : Emergency aid reserve	212,0	212,0	1,4	1,4
Subsection B7 — Total	4 507,7	3 348,3	4,2	11,5

Chart 16
Breakdown of subsection B7 : external action 1994

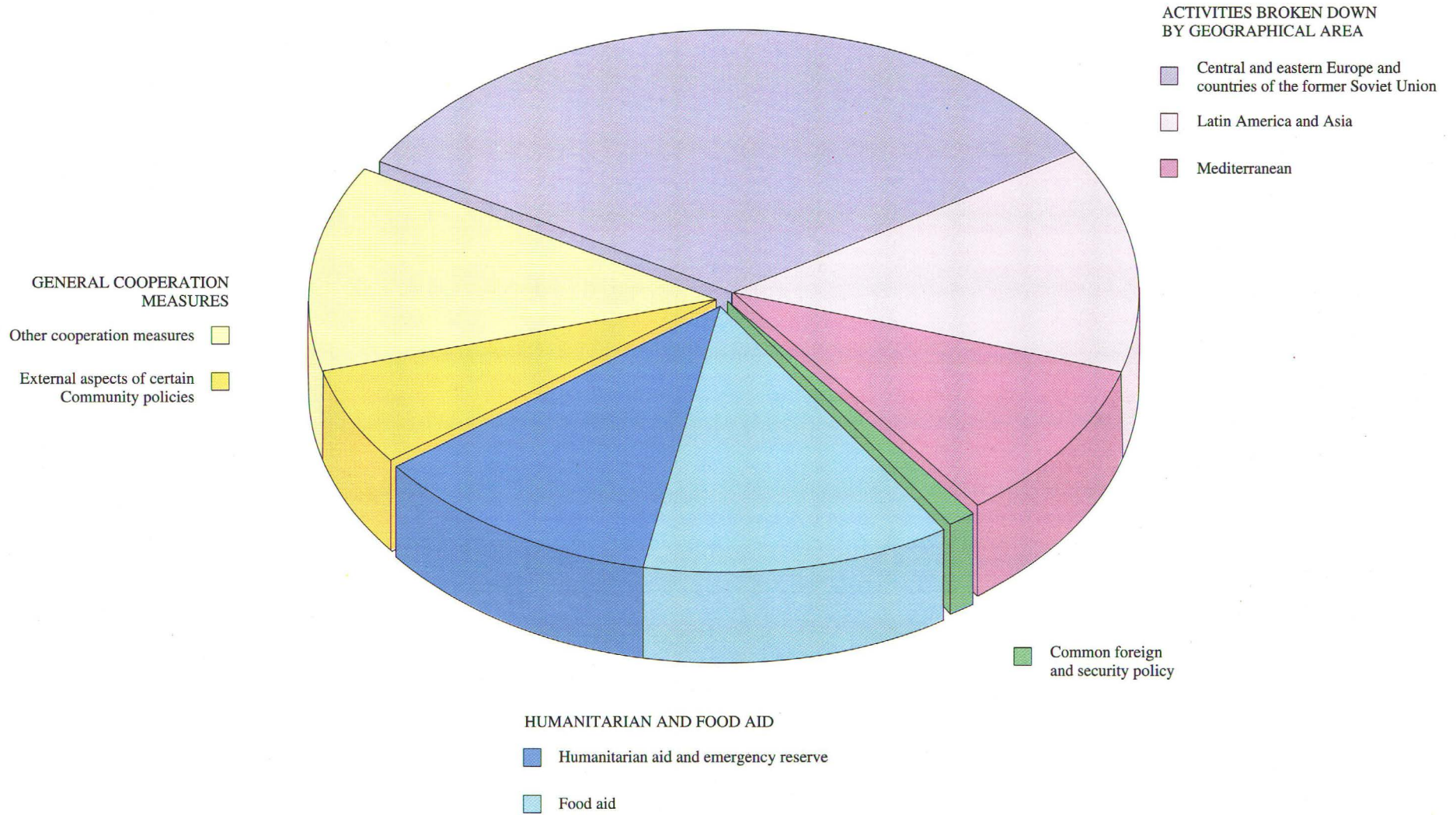


Table 28

The 1994 budget — Repayments, guarantees, reserves (subsection B0)

(ECU million)

	1994 budget		Change on 1993 budget (%)	
	Commitments	Payments	Commitments	Payments
B0-2 : Guarantees for borrowing and lending operations	318	320	1 992,1	2 005,3
B0-3 : Deficit carried over from previous year	0	0	0,0	0,0
B0-4 : Reserves and provisions	0	0	0,0	0,0
Subsection B0 — Total	318	320	1 992,1	2 005,3

Table 29

The 1994 budget — Commission administrative expenditure (section III/A)

(ECU million)

	1994 budget	Change on 1993 budget (%)
A-1 : Expenditure relating to persons working with the institution	1 599,8	8,3
A-2 : Buildings, equipment and miscellaneous operating expenditure	343,6	2,2
A-3 : Expenditure resulting from special functions carried out by the institution	204,6	8,5
A-5 : Data processing	92,2	-1,5
A-6 : Staff and administrative expenditure of European Community delegations	186,5	3,9
A-10 : Other expenditure	1,3	-92,5
Part A — Total	2 428,0	5,9

Table 30

The 1994 budget — Administrative expenditure of all the institutions

(ECU million)

	Amount	%	Change on 1993 budget (%)
Parliament	665,9	18,4	5,0
Council	314,9	8,7	4,3
Economic and Social Committee	57,7	1,6	2,9
Committee of the Regions	12,0	0,3	500,0
Commission	1 960,1	54,2	4,8
Common expenditure	467,9	12,9	11,1
Pensions (A-1 9)	334,8	9,3	12,8
European Schools (A-3 2 7)	89,3	2,5	9,6
Publications Office (A-3 4 2)	43,9	1,2	2,0
Court of Justice	95,9	2,7	5,9
Court of Auditors	43,3	1,2	6,8
Total	3 617,6	100	5,9

Chart 17

Administrative expenditure of all the institutions

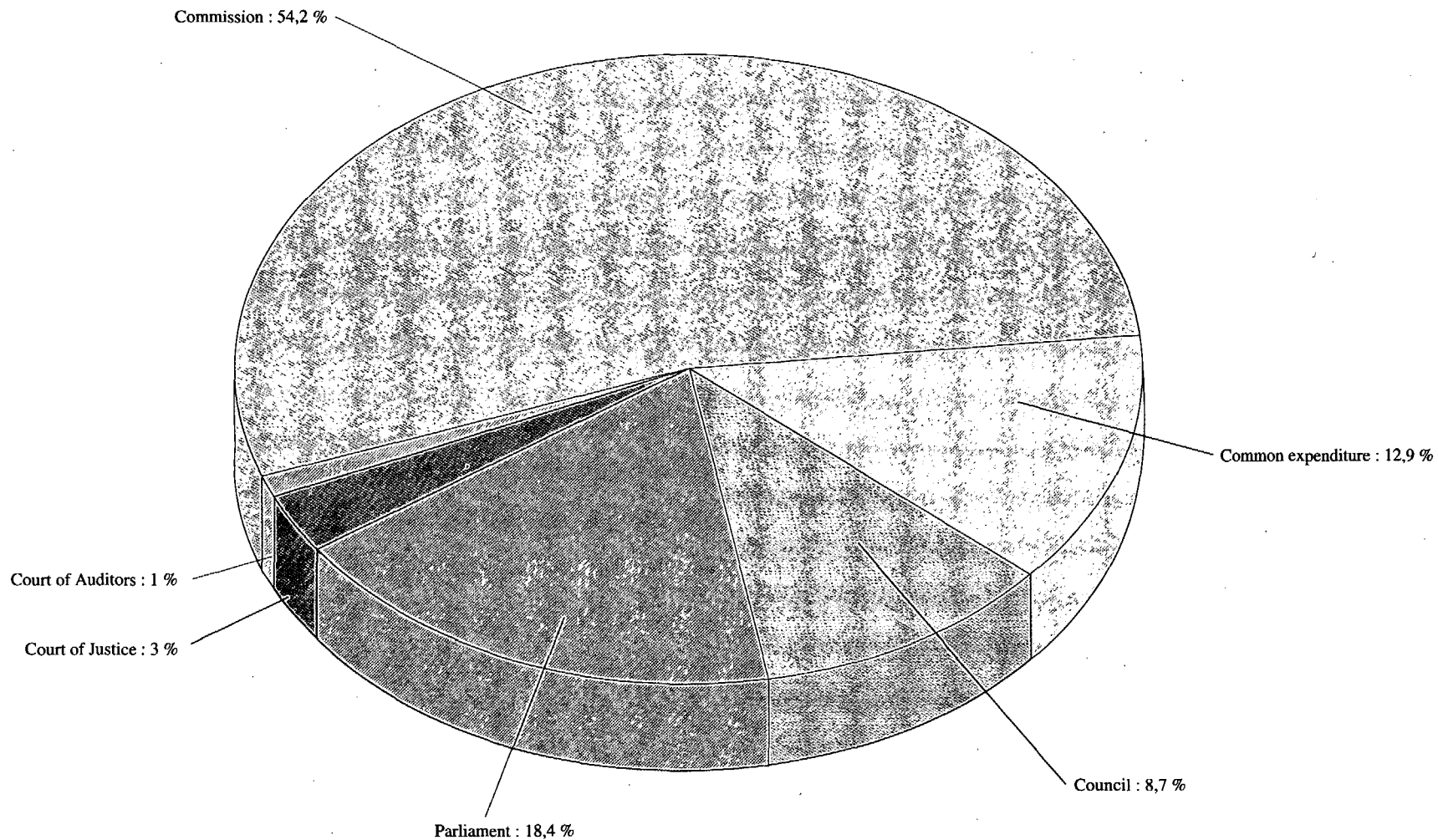


Table 31

Summary of the financing of expenditure from the 1994 general budget

(ECU million)

	Agricultural levies	Customs duties	VAT	Fourth resource	Total
Belgium	109,7	858,4	1 178,5	617,3	2 764,0
Denmark	44,0	270,0	666,1	396,6	1 376,8
Germany	449,0	3 780,0	11 357,8	5 513,5	21 100,3
Greece	32,4	184,5	562,0	240,1	1 019,1
Spain	183,3	566,5	3 361,6	1 542,7	5 654,1
France	383,9	1 620,0	7 710,7	3 728,1	13 442,6
Ireland	14,7	144,5	268,6	114,8	542,5
Italy	322,7	1 050,3	5 428,6	3 041,7	9 843,3
Luxembourg	0,2	14,9	93,6	40,0	148,7
Netherlands	162,4	1 462,5	1 859,0	895,3	4 379,1
Portugal	117,8	154,1	607,9	259,8	1 139,6
United Kingdom	219,1	2 513,7	2 755,9	2 598,8	8 087,5
Other					515,9
Total	2 039,0	12 619,4	35 850,5	18 988,8	70 013,5

Table 33

Summary of the financing of expenditure from the 1994 general budget

(in %)

	Agricultural levies	Customs duties	VAT	Fourth resource	Other	Total
Belgium	4,0	31,1	42,6	22,3		100
Denmark	3,2	19,6	48,4	28,8		100
Germany	2,1	17,9	53,8	26,1		100
Greece	3,2	18,1	55,2	23,6		100
Spain	3,2	10,0	59,5	27,3		100
France	2,9	12,1	57,4	27,7		100
Ireland	2,7	26,6	49,5	21,2		100
Italy	3,3	10,7	55,2	30,9		100
Luxembourg	0,1	10,0	62,9	26,9		100
Netherlands	3,7	33,4	42,5	20,4		100
Portugal	10,3	13,5	53,3	22,8		100
United Kingdom	2,7	31,1	34,1	32,1		100
Total	2,9	18,0	51,2	27,1	6,4	100

Table 32

Summary of the financing of expenditure from the 1994 general budget

(in %)

	Agricultural levies	Customs duties	VAT	Fourth resource	Total
Belgium	5,4	6,8	3,3	3,3	3,9
Denmark	2,2	2,1	1,9	2,1	2,0
Germany	22,0	30,0	31,7	29,0	30,1
Greece	1,6	1,5	1,6	1,3	1,5
Spain	9,0	4,5	9,4	8,1	8,1
France	18,8	12,8	21,5	19,6	19,2
Ireland	0,7	1,1	0,7	0,6	0,8
Italy	15,8	8,3	15,1	16,0	14,1
Luxembourg	0,0	0,1	0,3	0,2	0,2
Netherlands	8,0	11,6	5,2	4,7	6,3
Portugal	5,8	1,2	1,7	1,4	1,6
United Kingdom	10,7	19,9	7,7	13,7	11,6
Other					0,7
Total	100	100	100	100	100

Chart 18

Financing of expenditure from the general budget by Member State

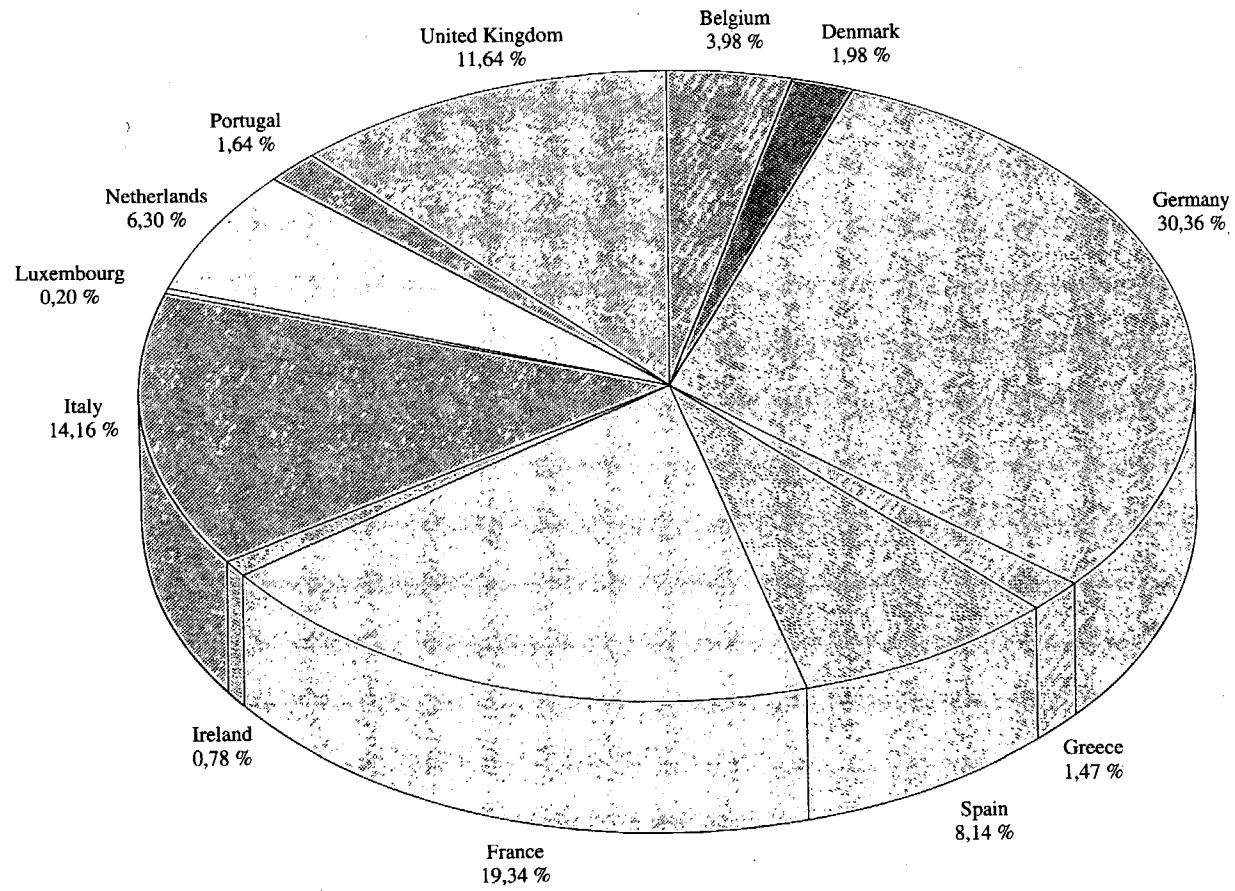
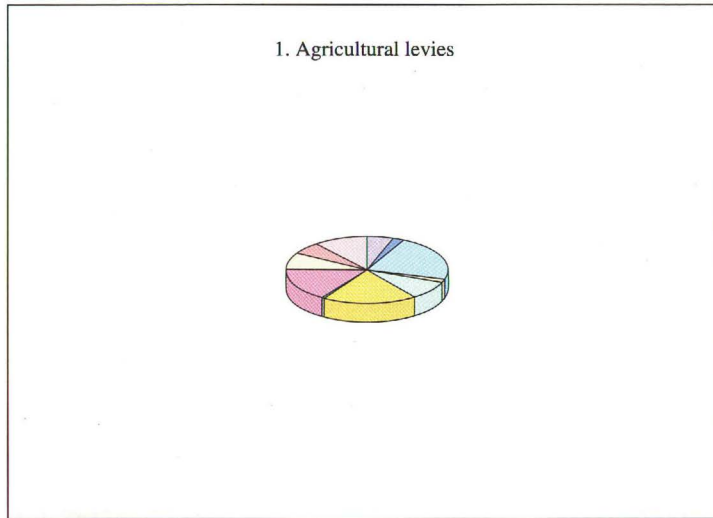
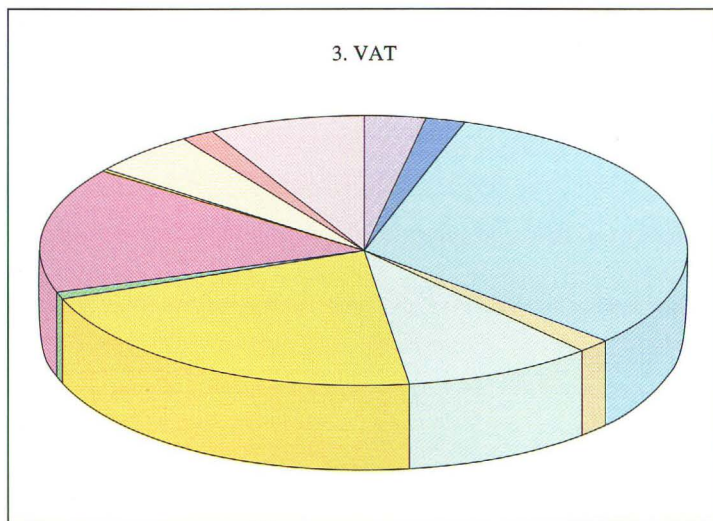
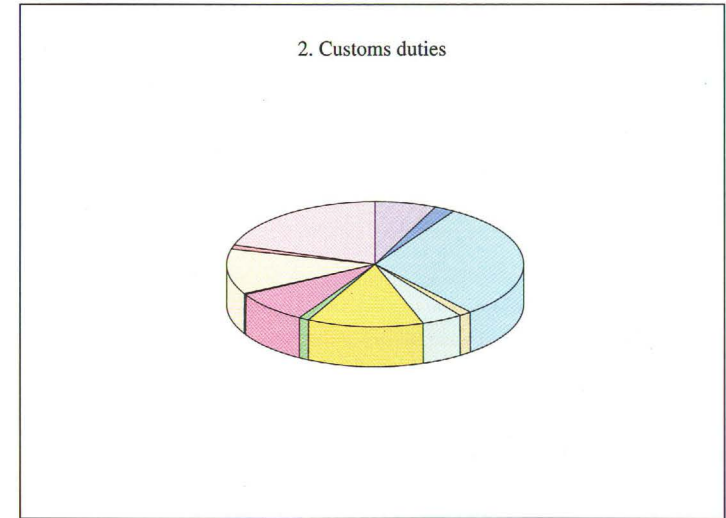


Chart 19
Summary of the financing of expenditure from the 1994 general budget



%		%
5,4	Belgium	6,8
2,2	Denmark	2,1
22,0	Germany	30,0
1,6	Greece	1,5
9,0	Spain	4,5
18,8	France	12,8
0,7	Ireland	1,1
15,8	Italy	8,3
0,0	Luxembourg	0,1
8,0	Netherlands	11,6
5,8	Portugal	1,2
10,7	United Kingdom	19,9



%		%
3,3	Belgium	3,3
1,9	Denmark	2,1
31,7	Germany	29,0
1,6	Greece	1,3
9,4	Spain	8,1
21,5	France	19,6
0,7	Ireland	0,6
15,1	Italy	16,0
0,3	Luxembourg	0,2
5,2	Netherlands	4,7
1,7	Portugal	1,4
7,7	United Kingdom	13,7

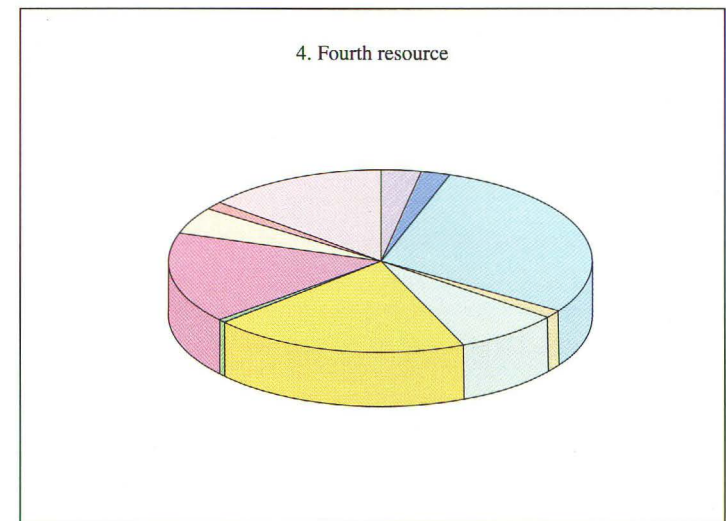


Table 34

ECSC operating budget 1994

(ECU million)

Requirements	Forecast	Change on 1993 budget (%)	Resources	Forecast
1. Administrative expenditure	5	0,0	1. Current resources	
2. Aid for redeployment	157	- 15,1	1.1 Yield from levy at 0,23 %	102
3. Aid for research	45	- 63,4	1.2 Net balance	150
3.1. Steel	34	- 41,4	1.3 Fines and surcharges for late payments	2
3.2. Coal	10	- 80,0	1.4 Miscellaneous	p.m.
3.3. Social	1	- 93,3	2. Cancellation of commitments not likely to be implemented	50
4. Interest subsidies	65	52,0	3. Resources from 1993 not used	67
4.1. Investment	p.m.	- 100,0	4. Drawings on contingency reserve	p.m.
4.2. Conversion	65	- 38,1	5. Exceptional resources	22
5. Social measures connected with restructuring of steel industry	86	43,3		
6. Social measures connected with restructuring of coal industry	35	- 30,0		
7. Damages and interest	p.m.	0,0		
Total	393	- 28,3	Total	393

Table 35
**European Development
 Fund 1994 (1)**

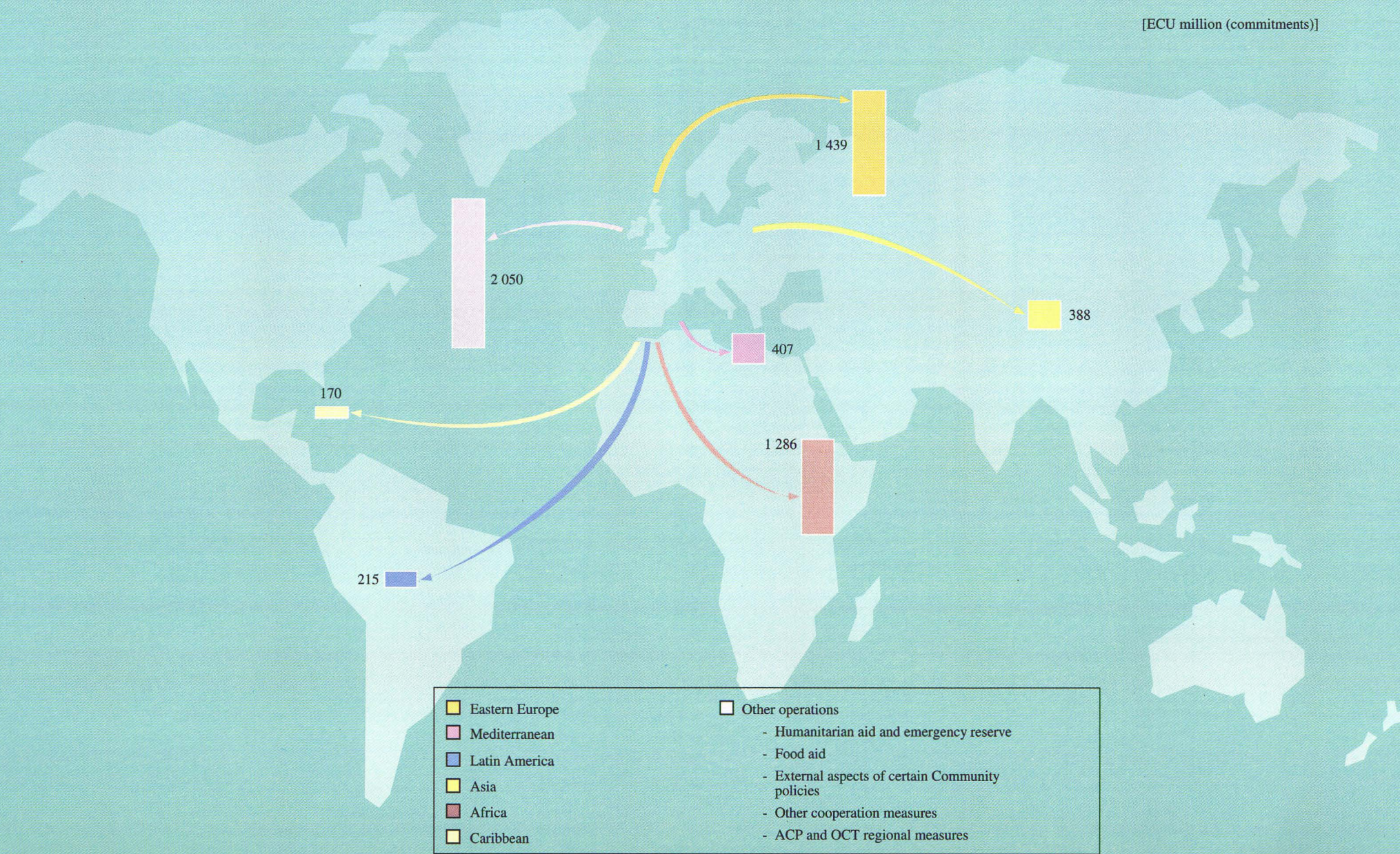
(ECU million)

	1994 appropriations		Change on 1993 appropriations (%)	
	Commitments	Payments	Commitments	Payments
Cooperation with African, Caribbean and Pacific States	2 160,7	1 944,5	- 3,7	1,0
of which :				
Programmable aid	1 360,6	1 023,3	10,3	0,1
Structural adjustment	101,6	281,8	- 75,2	- 17,4
System for stabilizing export earnings	266,4	281,9	- 12,9	4,8
Stabilization system for mining products (Sysmin)	167,7	64,4	150,0	- 18,4
Risk capital	143,1	167,5	3,6	45,6
Interest subsidies	57,2	49,5	131,8	49,4
Emergency aid	39,5	36,5	0,0	1,2
Aid for refugees	24,7	39,6	0,0	35,4
Cooperation with overseas countries and territories associated with the Community	29,3	25,6	0,0	2,3
Total	2 190,0	1 970,0	- 3,7	1,0

(1) Indicative amounts.

Map 3
Breakdown of Community aid in the world
 (General budget and European Development Fund)

[ECU million (commitments)]



- | | |
|---|--|
| <ul style="list-style-type: none"> Eastern Europe Mediterranean Latin America Asia Africa Caribbean | <ul style="list-style-type: none"> Other operations <ul style="list-style-type: none"> - Humanitarian aid and emergency reserve - Food aid - External aspects of certain Community policies - Other cooperation measures - ACP and OCT regional measures |
|---|--|

Part V

1995 preliminary draft budget

1995 preliminary draft budget

PRELIMINARY DRAFT BUDGET FOR 1995

The 1995 budgetary procedure will be the first in which the new reference framework introduced by the Interinstitutional Agreement of 29 October 1993 fully applies (see *'Financial perspective 1993 to 1999'*, page 57).

In accordance with the Agreement, there has been a technical adjustment of the ceilings for the various headings expressed at 1993 prices in line with the increase in gross national product and prices (see Table 14). From 1994 to 1995 appropriations for commitments may now increase by 4,1 % and appropriations for payments by 3,66 %. To conform to the ceilings on the own resources needed to finance the appropriations for payments (expressed as a percentage of GNP), a 'saving' of around ECU 260 million is required in the figures contained in the adjusted financial perspective for 1995 following the reduction in the GNP estimates for 1995.

In relation to this adjusted financial perspective, which represents the maximum expenditure possible for the financial year, the preliminary draft budget for 1995 has been drawn up with substantial margins left beneath the ceilings. At present, a total margin of ECU 185 million is available — ECU 47 million in heading 3, ECU 50 million in heading 4 and ECU 88 million in heading 5.

The financial framework for the 1995 budget is based on the assumption that the own resources decision will be ratified (see *'Revenue of the European Union'*, page 18) and a decision taken on the treatment of balances before the end of 1994 (because of the economic recession the VAT and GNP-based resources are lower than estimated in 1993; unless an alternative solution is devised, the surpluses paid by some Member States will have to be refunded in 1995).

The expenditure proposals contained in the preliminary draft budget for 1995 total ECU 76 328 million in commitment appropriations and ECU 72 349 million in payment appropriations. These figures are up by 3,9 % and 3,3 % respectively on 1994.

The revenue required to finance these estimates is compatible, if miscellaneous revenue of ECU 522 million is included, with a forecast level of own resources of 1,21 % of GNP. The

new own resources decision will also change the revenue structure by capping the VAT base in stages and gradually reducing the call-in rate. The 1995 call-in rates are 1,2254 % for VAT (compared with 1,2673 % in 1994) and 0,3760 % for the GNP-based resource (compared with 0,3247 % in 1994). The contributions towards financing the 1995 budget are 20 % for traditional own resources, 49 % for the VAT resource and 31 % for the fourth (GNP-based) resource (compared with 21 %, 51 % and 27 % respectively in 1994).

The following comments can be made on the expenditure proposals under the various headings:

1. Agricultural expenditure (Heading 1)

The budgetary situation for 1995 will be very tight. The current estimate of appropriations required of ECU 38 308 million is up by 5,1 % on the ECU 36 465 million adopted for 1994.

The factors behind this trend in foreseeable expenditure are as follows :

- continued implementation of the reform of the CAP (increase in unit rates of per hectare aid and premiums in the beef sector) and the accompanying measures, for which the pace of expenditure has accelerated sharply,
- the new legislation adopted by the Council (Agriculture) in December 1993 after the 1994 budget had been adopted, and in particular the changes concerning arable crops,
- trends on the agricultural markets and in particular the foreseeable deterioration of the beef market.

At the same time the agricultural guideline increases only slightly over 1994 (ECU 529 million) because of the slackening of economic growth and does not cover the expected rise in expenditure.

Foreseeable expenditure will thus be ECU 1 314 million above the agricultural guideline of ECU 36 994 million. At all events, the preliminary draft budget adopted complied with the guideline so that it may be necessary to draw on the monetary reserve (reduced to ECU 500 million with effect from 1995) unless the expenditure planned for 1995 can be reduced by means of savings.

While it is true that the budget situation for 1995 gives cause for concern, it must be borne in mind that this is largely because of the level of the agricultural guideline, which in real terms is ECU 1 500 million less than was envisaged at the Edinburgh European Council in December 1992 and ECU 2 800 million less than the estimate made when the financial impact of the CAP reform was evaluated.

2. Structural actions (Heading 2)

Commitment appropriations for all structural actions total ECU 25 264 million, an increase of 9,01 % in nominal terms in relation to the 1994 budget. This total corresponds exactly to the figure of ECU 23 480 million (1992 prices) agreed at the Edinburgh European Council and contained in the financial perspective annexed to the Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure.

The ECU 23 112 million for the Structural Funds proper are, at current prices, 8,39 % up on the 1994 budget.

The ECU 2 152 million earmarked for the Cohesion Fund is found by strict application of the Edinburgh decisions (ECU 2 000 million at 1992 prices), with a 16,14 % increase on the previous budget.

3. Internal policies (Heading 3)

Total appropriations for the entire heading (ECU 4 605 million) are 5,9 % up on 1994 but still leave a margin of ECU 47 million beneath the ceiling.

This heading covers three large categories of expenditure for which a balanced growth path is charted up to 1999. These categories are as follows :

(a) *Research and technological development (RTD)*

Commitment appropriations for RTD (ECU 2 819 million) are 7,5 % up on 1994 (the comparable base is ECU 2 622 million). This would provide budgetary cover for the effective start-up of the fourth framework programme, scheduled for early 1995. The appropriations

proposed for 1995 are fully compatible with the overall budget of ECU 12 300 million for the framework programme up to 1998. The fourth framework programme and the appropriations proposed for 1995 will cover all research and demonstration activities, including the former support activities and the continuation of the Thermie programme with the exception of the projects to demonstrate economic viability and measures to disseminate energy technology with a view to the opening of markets, which will be financed under the energy policy (ECU 30 million in Title B4-1).

In addition some operations which used to be covered by RTD and are now incompatible with the fourth framework programme will in future be budgetized outside RTD; the principal ones are the advanced television services action plan, the Impact programme, Systran, codes and standards in nuclear safety and assistance to the States of the former Soviet Union in the field of nuclear safety.

(b) *Trans-European networks*

The priority attached by the European Union to trans-European networks, in particular by the December 1993 Brussels European Council in the White Paper on Growth, Competitiveness and Employment, is reflected in the significant increase in the appropriations proposed, up from ECU 290 million in 1994 to ECU 356 million in 1995 (+23 %).

This total for 1995 breaks down into three parts :

- Infrastructure networks in the areas specifically mentioned in Article 129b of the Treaty, for which the Commission proposed on 2 March 1994 a horizontal regulation laying down general rules for financing by the Community budget. In accordance with Article 129c of the Treaty these are projects of common interest linked to transport, energy and telecommunications infrastructure and total ECU 216 million, ECU 15 million and ECU 30 million respectively. Community aid will take the form in particular of feasibility studies, loan guarantees and interest subsidies.
- The Community's 1995 contribution to the European Investment Fund (ECU 30 million for the callable portion of the subscribed capital).
- Networks for the interchange of data between administrations (IDA) for which the Commission proposed a legal basis on 12 March 1993. With effect from 1995 these networks will come under a single article (B5-7 2 1). The amount envisaged for 1995 (ECU 65 million) is 42 % up on 1994 (ECU 46 million), so that the interchange of data

between administrations can be used to improve the operation of the internal market, fraud prevention and the transparency of public procurement.

(c) Other internal policies

Within heading 3, because of the priority given to research and technological development (RTD) and the trans-European networks and the introduction of some new chapters, appropriations elsewhere have remained at the same level and in some cases have even dropped substantially in relation to the 1994 budget (average fall of 0,4 %). However, an exception has been made for three policies : information and communication (up by 22,1 %), education, vocational training and youth (up by 12,6 %) and expenditure connected with implementation of the policy of cooperation in the fields of justice and home affairs.

4. External action (Heading 4)

Expenditure proposals for areas coming under heading 4 total ECU 4 554 million. The margin left beneath the ceiling for this heading in the financial perspective is ECU 50 million. The overall increase over 1994 is ECU 248 million, or 5,7 %.

The priorities set for the Community's external action relate to cooperation with the Mediterranean countries, the countries of central and eastern Europe and the republics of the former Soviet Union. The proposed allocations for cooperation with Mediterranean countries are up by over 9,4 %. This will allow the 3rd and 4th protocols with the southern Mediterranean countries to continue being implemented normally. Special priority is given to measures to promote job creation in the Maghreb countries. Similarly, in view of the distinct improvement in the way in which the Phare and Tacis programmes are being managed and the consolidation of operations in progress, the preliminary draft budget incorporates an increase in the overall allocation for this region of 9,2 % in relation to 1994. This will make it possible to start a new phase in stepping up cooperation with these countries.

There are more moderate increases in the other policies under this heading :

- Food aid rises slightly, by around 0,5 % in relation to the 1994 allocations. The amount proposed has been calculated on the basis of the reference prices in the Interinstitutional

Agreement. It will guarantee that the quantities proposed last year can be rolled over and takes account of changes in prices of some products not covered by the Agreement.

- The appropriations for humanitarian aid have been reduced slightly (by some ECU 30 million), given that the reserve to cover emergency aid is raised to ECU 323 million (up by ECU 111 million on 1994). Appropriations available for humanitarian aid would thus increase by an overall 17 % or ECU 81 million.
- Cooperation with developing countries in Asia and Latin America enjoys an increase of around 3,4 %, which will allow development aid operations to continue and economic cooperation with these countries to be stepped up.
- The overall allocation for other cooperation measures, which was increased in the 1994 budget by far more than the Commission had requested in its preliminary draft, is practically rolled over for 1995. Priority is given to rehabilitation and reconstruction measures for developing countries (up by 22,7 % on 1994) and to payments of compensation to ACP banana-producing countries (up by 66 % on 1994).
- The increase in appropriations for the external aspects of certain Community policies would be only 2 %. For fisheries agreements the amount proposed is ECU 290 million.

Finally, ECU 50 million is to finance action under the common foreign and security policy. Part of this amount (ECU 25 million) is the allocation for Article B7-0 1 0 (Operating expenditure for the common foreign and security policy) and the remainder (ECU 25 million) is held in a reserve chapter. This reserve is for transfer to Article B7-0 1 0 for common action under the common foreign and security policy or to items where the resources for support action will be mobilized.

5. Administrative expenditure (Heading 5)

The heading 5 ceiling rises by 6 % between 1994 and 1995. After allowing for expenditure on pensions the ceiling on administrative expenditure, excluding pensions, for all the institutions rises by 5,9 %.

The basis for the proposals for the Commission's administrative expenditure (excluding pensions) has been an overall increase of 6,5 %. This gives scope for the creation of 422 posts in 1995. The policy of converting appropriations into posts will continue and will apply to 400 posts in 1995. There will be a very significant increase in the resources of the external delegations, which will allow five new delegations to be opened.

For the other institutions the principal factor is that the completion of the Council building in 1994 will mean a sharp drop in 1995 in the Council's expenditure on buildings. Apart from this purely cyclical decline, the financial programming of the other institutions' expenditure points to an increase in their allocations of around 6 %. Their expenditure has thus been estimated at around ECU 1 200 million.

In aggregate, the expenditure proposals in the preliminary draft budget will leave a margin of some ECU 88 million beneath the ceiling, essentially a reflection of the fall in the Council's expenditure on buildings.

6. Reserves (Heading 6)

This heading contains three reserves to be entered in the preliminary draft budget for which resources will be called in only if the need arises during the financial year :

- The monetary reserve for EAGGF Guarantee Section expenditure (ECU 500 million).
- The emergency aid reserve (ECU 323 million).
- The guarantees reserve (also ECU 323 million).

Table 36

Comparison between 1994 budget, 1995 financial perspective and 1995 PDB

(ECU million)

	1994 budget	1995 FP	1995 PDB	4=3-1 (%)	5=3-1	5=2-3
	1	2	3			
Commitment appropriations						
1. Common agricultural policy	36 465	37 052	36 994	1,5	529	58
2. Structural operations	23 176	25 264	25 264	9,0	2,088	0
2.1. Structural Funds	21 323	23 112	23 112	8,4	1,789	0
2.2. Cohesion Fund	1 853	2 152	2 152	16,1	299	0
3. Internal policies	4 360	4 652	4 605	5,6	245	47
4. External action	4 296	4 605	4 554	6,0	259	51
5. Administrative expenditure	3 618	3 852	3 764	4,1	147	88
6. Reserves	1 530	1 146	1 146	-25,1	-384	0
Monetary reserve	1 000	500	500	-50,0	-500	0
External action :						
— loan guarantees	318	323	323	1,6	5	0
— emergency aid	212	323	323	52,4	111	0
Commitment appropriations — Total	73 444	76 571	76 328	3,9	2,884	243
Payment appropriations — Total	70 014	72 982	72 349	3,3	2,336	633

Table 37
1995 preliminary draft

(ECU million)

	Appropriations for commitments		Appropriations for payments		Change on 1994 budget			
					Amount		%	
	Amount	%	Amount	%	C	P	C	P
Commission (section III)								
B1 : EAGGF Guarantee Section	37 994,0	49,1	37 494,0	51,8	29,0	29,0	0,1	0,1
B2 : Structural operations, other agricultural and regional operations, transport and fisheries	25 535,3	33,5	22 726,1	31,4	2 080,8	1 197,3	8,9	5,6
B3 : Training, youth, culture, audiovisual media, information and other social operations	665,1	0,9	584,6	0,8	21,6	2,9	3,4	0,5
B4 : Energy, Euratom nuclear safeguards and environment	212,5	0,3	190,8	0,3	-23,4	-3,7	-9,9	-1,9
B5 : Consumer protection, internal market, industry and trans-European networks	637,4	0,8	516,1	0,7	69,1	47,2	12,2	10,1
B6 : Research and technological development	2 818,6	3,7	2 716,0	3,8	196,2	235,2	7,5	9,5
B7 : Cooperation with developing countries and other third countries	4 877,5	6,4	4 034,6	5,6	359,1	678,9	7,9	20,2
B0 : Repayments, guarantees, reserves	323,0	0,4	323,0	0,4	5,0	3,0	1,6	0,9
Operating appropriations (section III/B) — Total	72 563,5	95,1	68 585,0	94,8	2 737,8	2 198,8	3,9	3,3
Administrative appropriations (section III/A) — Total	2 564,4	3,4	2 564,4	3,5	135,7	135,7	5,6	5,6
Commission — Total	75 127,9	98,4	71 149,4	98,3	2 873,1	2 325,4	4,0	3,4
Other institutions (sections I, II, IV and V)	1 200,0	1,6	1 200,0	1,7	10,4	10,4	0,9	0,9
Grand total	76 327,9	100	72 349,4	100	2 883,5	2 335,8	3,9	3,3

Chart 20

**Breakdown of the increase in the 1995 PDB over the 1994 budget by subsection
(appropriations for commitments)**

(ECU million)

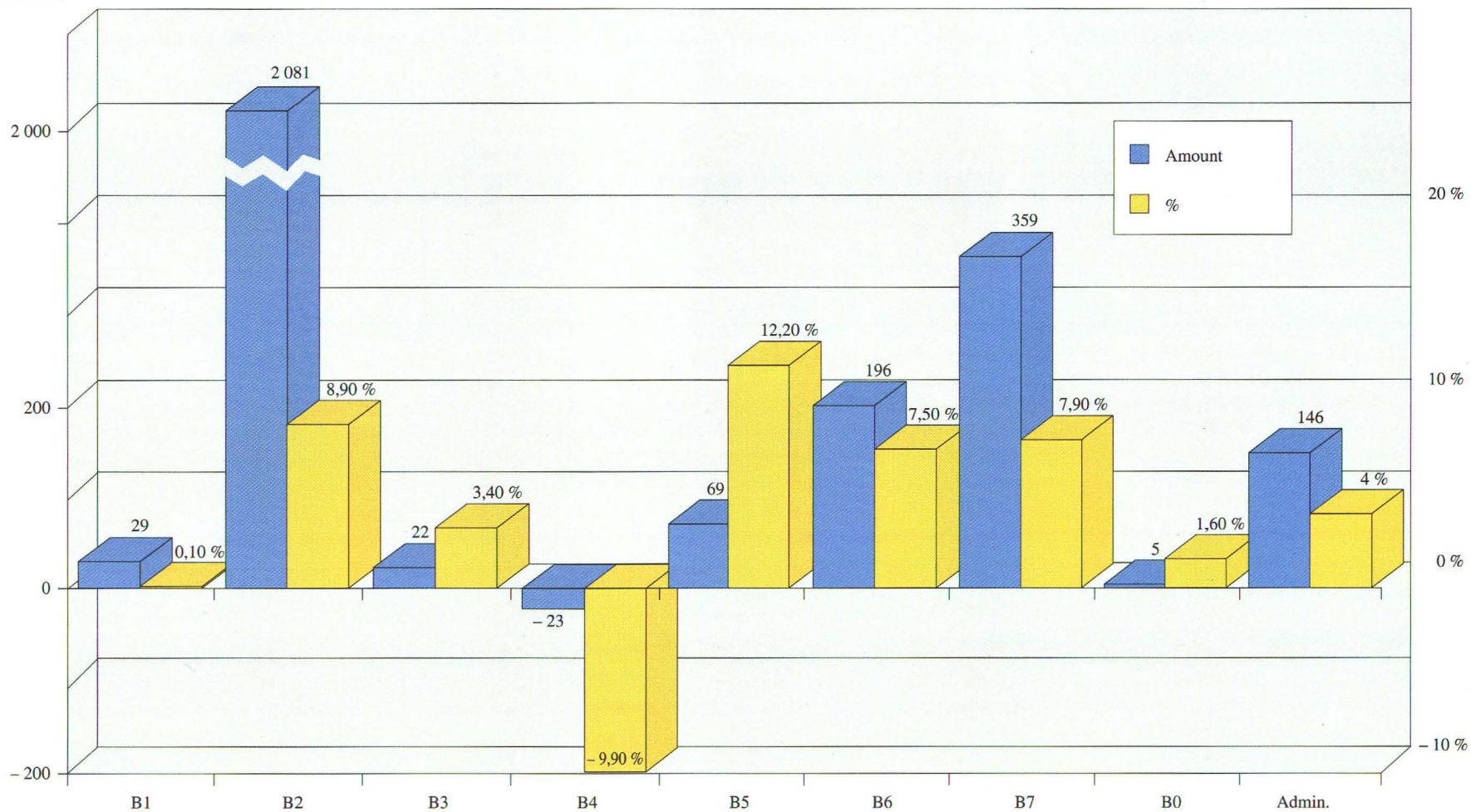


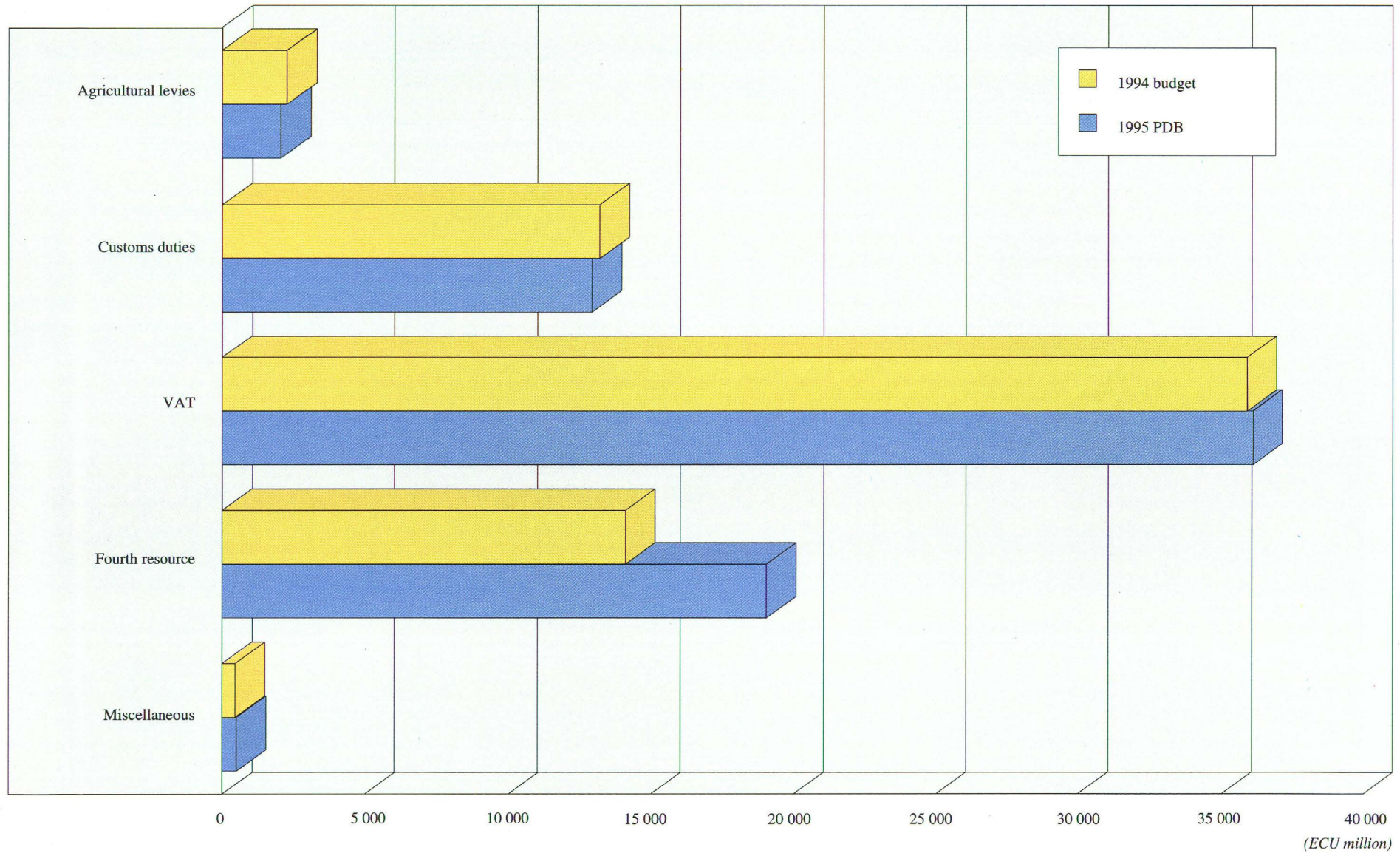
Table 38
Financing the general budget 1994 to 1995

(ECU million)

Type of revenue	1994 budget		1995 PDB	
	Amount	%	Amount	%
Agricultural levies	2 039,0	2,9	1 901,4	2,6
Customs duties	12 619,4	18,0	12 340,9	17,1
VAT	35 850,5	50,2	35 107,9	48,5
Fourth resource	18 988,8	27,1	22 477,2	31,1
Miscellaneous	515,9	0,7	522,0	0,7
Total	70 013,5	100	72 349,4	100

Chart 21

Community revenue — Comparison between 1994 budget and preliminary draft budget for 1995



Glossary

Abbreviation or acronym	Meaning		
ACP	African, Caribbean and Pacific countries	EEC	European Economic Community
Altener	Specific actions for greater penetration for renewable energy sources	EIB	European Investment Bank
Bridge	Biotechnology research for innovation, development and growth in Europe	Erasmus	European Community action scheme for the mobility of university students
CAP	Common agricultural policy	ERDF	European Regional Development Fund
CE	Compulsory expenditure	ESF	European Social Fund
CFSP	Common foreign and security policy	Esprit	European strategic programme for research and development in information technology
CIS	Commonwealth of Independent States	Euratom	See EAEC
COM	Reference to official Commission publications	Eures	European employment services
Comett	Action programme of the Community in education and training for technology	FIGF	Financial instrument for fisheries guidance
CSF	Community support framework	Force	Continuing vocational training
EAEC	European Atomic Energy Community (Euratom)	FP	Financial perspective
EAGGF Guarantee	European Agricultural Guidance and Guarantee Fund, Guarantee Section	GDP	Gross domestic product
EAGGF Guidance	European Agricultural Guidance and Guarantee Fund, Guidance Section	GNP	Gross national product
ECSC	European Coal and Steel Community	HDTV	High-definition television
ECU	European Currency Unit	Helios	Handicapped people in the European Community living independently in an open society
EDF	European Development Fund	IDA	Interchange of data between administrators
		IMP	Integrated Mediterranean programmes
		Impact	Information market policy actions
		JET	Joint European Torus
		LIFE	Financial instrument for the environment

Media	Measures to promote the development of the audiovisual industry	RTD	Research and technological development
NCE	Non-compulsory expenditure	SAB	Supplementary and amending budget
NCI	New Community instrument	SAVE	Specific actions for vigorous energy efficiency
PDB	Preliminary draft budget	Systran	Machine translation system
PDSAB	Preliminary draft supplementary and amending budget	Tacis	Technical assistance to the Commonwealth of Independent States
Phare	Poland-Hungary : aid for restructuring of the economy	TEN	Trans-European networks
p.m.	Pour mémoire (token entry)	Thermie	European technologies for energy management
RACE	Research and development in advanced communication technologies for Europe	VAT	Value added tax

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