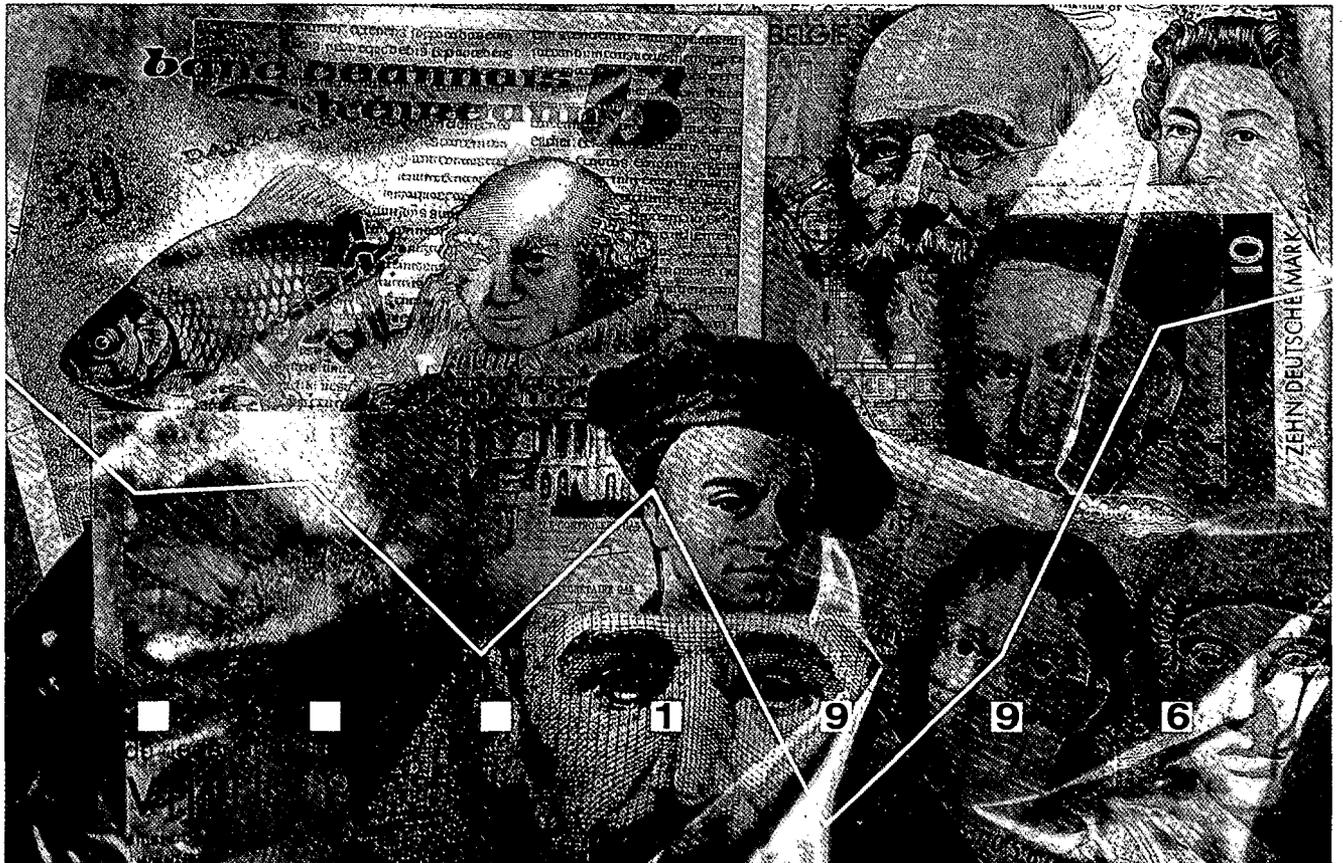




PRELIMINARY DRAFT
GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1996

OVERVIEW



**PRELIMINARY DRAFT GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1996**

CONTENTS

	Pages
Foreword	3
I. General framework	4
II. The broad lines of the 1996 preliminary draft general budget	7
III. Expenditure	18
1. Agricultural expenditure (heading 1)	18
2. Structural operations (heading 2)	21
3. Internal policies (heading 3)	24
4. External action (heading 4)	28
5. Administrative expenditure (heading 5)	30
6. Reserves and compensation (headings 6 and 7)	30
IV. Revenue	31

FOREWORD

The preliminary draft budget adopted by the Commission on 26 April 1995 fits into the financial framework adopted at the Edinburgh European Council and adjusted following enlargement. Despite the room for manoeuvre which has been regenerated as a result of growth, the three institutions have agreed that it would not be appropriate to revise the framework.

This preliminary draft budget is marked by austerity; although 8 % up on the 1995 budget, this increase is due to the sharp rise in the Structural Funds (+10,4 %) and in agricultural spending (+10,6 %). In the first case this is the result of the need to honour the commitments entered into at the Edinburgh European Council as regards economic and social cohesion. The considerable increase in agricultural expenditure — compared with the particularly low level in 1995 — is due to the completion of the reform of the common agricultural policy, changes in parity between the US dollar and the ecu and the effects of enlargement.

On the other hand, although there is no more than a moderate rise in the ceilings for headings 3, 4 and 5, the Commission is proposing that considerable margins be left in order to ensure that the budget adopted will comply with the 1993 Interinstitutional Agreement, to guard against exchange rate risks in heading 5 and to allow the budgetary authority to accommodate its own priorities.

Nevertheless, the preliminary draft budget does set a number of priorities: as regards external action, the emphasis, as already announced, is placed on the development of cooperation with the non-member Mediterranean countries and the countries of Central and Eastern Europe. The choice was more difficult for internal policies since a smaller margin had to be distributed between a larger number of options. A special effort has thus been made in the case of research, development of the trans-European networks, education, training and culture and development of the new agencies.

There is a serious threat hanging over the agricultural section of the budget: requirements, estimated on the basis of available or foreseeable parameters, exceed the agricultural guideline by almost ECU 900 million. This figure could rise even higher because of the cost of recent movements between the Community currencies. It is therefore highly likely that the Edinburgh mechanisms will have to be brought into operation in the course of implementation.

To throw light on the priorities chosen by the Commission, the financial statements will be updated in the working paper as agreed in the joint declaration of 6 March 1994. Special attention will be paid to considerations of cost-effectiveness.

Finally, the preliminary draft budget adopted assumes that the new own resources decision will be ratified before the Council's first reading. Although this decision does not effect the volume of own resources needed to finance the preliminary draft — which remains within the current own resources ceiling — it is, however, of considerable importance as regards the make-up of the resources.



Erkki LIIKANEN

Member of the Commission with responsibility for budgets

OVERVIEW

I. GENERAL FRAMEWORK

The 1996 budgetary procedure will be the first to apply, from the preliminary draft stage onwards, to a European Union consisting of fifteen Member States. It falls within the framework of the Interinstitutional Agreement approved by last December's decision on the adjustment of the financial perspective to take account of enlargement and the new decision on own resources which was adopted on 31 October 1994 and is now being ratified.

1. The financial framework for 1996

The financial perspective attached to the Interinstitutional Agreement of 29 October 1993 on budgetary discipline was adjusted to allow for the enlargement of the Union by a joint decision of the three institutions on 13 December 1994.

In accordance with paragraph 9 of the Interinstitutional Agreement the financial framework, which is expressed in 1992 prices, has been adjusted to take account of changes in prices and GNP.

Except for the amounts which are expressed in current prices in the original table, the ceilings for the various expenditure headings are adjusted by the percentage change in the GNP deflator in ecus between 1992 and 1996. As compared with last year, the aggregate deflators for the period have been revised downwards by almost 2 percentage points, so that between 1995 and 1996 there has been an appreciable reduction in the actual increase in the financial perspective ceilings at current prices. As a result, particularly tight budgetary constraints will be a feature of 1996, especially in the case of headings 3 and 4 where the ceilings at current prices will be lowered by some ECU 100 million as

compared with the figures based on earlier economic forecasts.

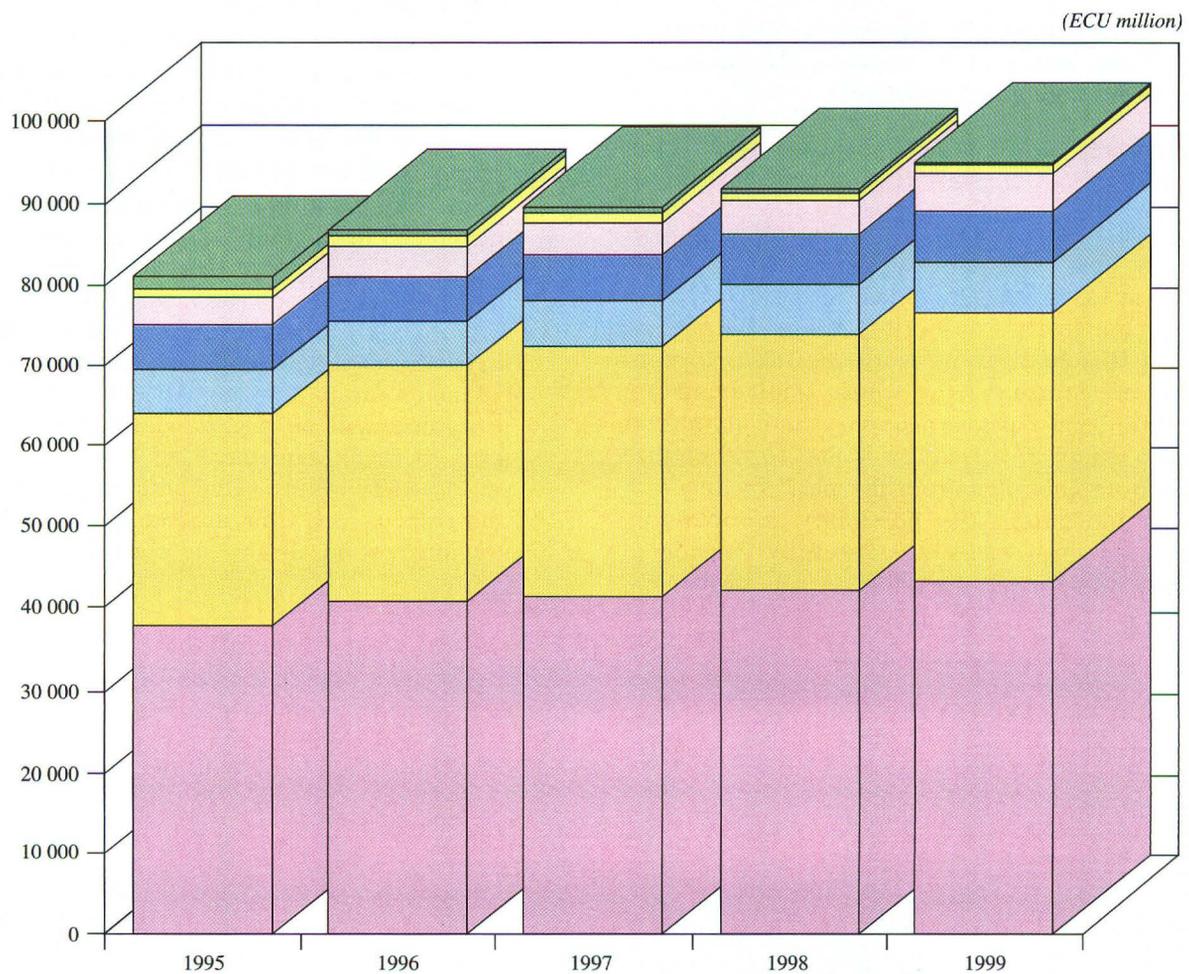
The agricultural guideline incorporates not only the change in the GNP deflator but is also limited to 74 % of the rate of real economic growth. In this case the upward revision of the growth forecasts since last year offsets the impact of the downward adjustment of the deflators.

The financial perspective has also been adjusted in the light of the conditions of implementation pursuant to paragraph 10 of the Interinstitutional Agreement :

- the ceiling on heading 2 (commitments) is raised by ECU 869 million in 1996 and 1997, the Structural Fund appropriations lapsing in 1994 being transferred to the two years concerned,
- the overall ceiling on payments is raised by ECU 935 million in 1996, with two aims in view. Firstly, account must be taken of the additional requirements for payments (estimated at ECU 435 million) resulting from the transfer of the commitments for the Structural Funds; this has also necessitated raising the ceiling on payments in subsequent years, on the basis of a schedule for meeting commitments. Secondly, the overall ceiling should be raised by ECU 500 million in view of the low rate of implementation for all payments under the 1994 budget; this has meant a much greater increase than forecast in the amounts payable in subsequent years.

The adjusted financial perspective is set out in Figure 1. These ceilings represent the financial framework for the preliminary draft budget for 1996 and must not be exceeded at any stage in the budgetary procedure.

Figure 1
Financial perspective 1995-1999



Heading	Current prices		Prices 1996 (indicative)		
	1995	1996	1997	1998	1999
<i>Commitment appropriations</i>					
1. Common agricultural policy	37 944	40 797	41 545	42 313	43 100
2. Structural operations	26 329	29 131	30 827	31 783	33 614
Structural Funds	24 069	26 579	28 004	28 906	30 790
Cohesion Fund	2 152	2 444	2 715	2 769	2 824
EEA financial mechanism	108	108	108	108	0
3. Internal policies	5 060	5 337	5 557	5 789	6 010
4. External action	4 895	5 264	5 576	5 981	6 465
5. Administration expenditure	4 022	4 191	4 316	4 380	4 445
6. Reserves	1 146	1 152	1 152	1 152	1 152
Monetary reserve	500	500	500	500	500
Guarantee reserve	323	326	326	326	326
Emergency aid reserve	323	326	326	326	326
7. Compensation	1 547	701	212	99	0
Total commitment appropriations	80 943	86 573	89 185	91 497	94 786
Total payment appropriations	77 229	82 192	85 013	87 669	90 418

OVERVIEW

2. Application of the Interinstitutional Agreement

The 1993 Interinstitutional Agreement lays down a number of rules designed to improve the budgetary procedure and financial management.

This preliminary draft budget has therefore been drawn up in the light of the following provisions :

— a legal basis is required before the utilization of budgetary appropriations can be used for important measures. In its communication of 6 July 1994 to the budgetary authority the Commission proposed that realistic measures be taken to convert one-off measures, for whose implementation no specific legal basis is necessary, into important measures requiring a legal basis and to rationalize the situations inherited from the past. In line with this communication, the possibility of obtaining the required legal bases was carefully considered when the preliminary draft budget was drawn up,

- as far as possible, items carrying insignificant amounts of expenditure on operations should not be entered in the budget,
- a significant margin should be left available beneath the ceilings for the various headings 'so that, if necessary, additional appropriations can be entered in the course of the financial year without the financial perspective having first to be revised',
- a new interinstitutional collaboration procedure is introduced in the budgetary sector. First, a meeting of the triologue is held to examine the priorities for the following year's budget (this took place on 4 April 1995). Between the adoption of the preliminary draft budget and the establishment of the Council's draft budget, an ad hoc conciliation procedure will be organised to allow the institutions to reach agreement on the amount of compulsory expenditure to be entered in the budget. In this respect, the Commission has not changed its previous proposals for the classification of expenditure.

II. THE BROAD LINES OF THE 1996 PRELIMINARY DRAFT BUDGET

The expenditure proposals contained in the preliminary draft budget were drawn up with special attention to the criterion of cost-effectiveness. They total ECU 86 280 million in commitments and ECU 81 928 million in payments. These figures are up by 8,1 % and 8,6 % respectively on 1995 (supplementary and amending budget No 1/1995 included).

The revenue required to finance this preliminary draft budget is compatible, if miscellaneous revenue of ECU 574 million is included, with a forecast level of own resources of 1,188 % of GNP (on the assumption that the new own resources decision will be ratified). The uniform VAT rate is 1,0875 % (compared with a call-in rate of 1,3292 % in 1995) and the rate for the GNP-based resource is 0,4670 % (compared with 0,2387 % in 1995). The contributions towards financing the 1996 budget are 18,1 % for traditional own

resources, 42,2 % for the VAT resource and 39 % for the fourth (GNP-based) resource (provisional figures).

Figure 2 compares the ceilings of the financial perspective for 1996 at current prices, the major areas of expenditure in the preliminary draft budget for 1996 and the corresponding appropriations in the 1995 budget (including supplementary and amending budget No 1/1995).

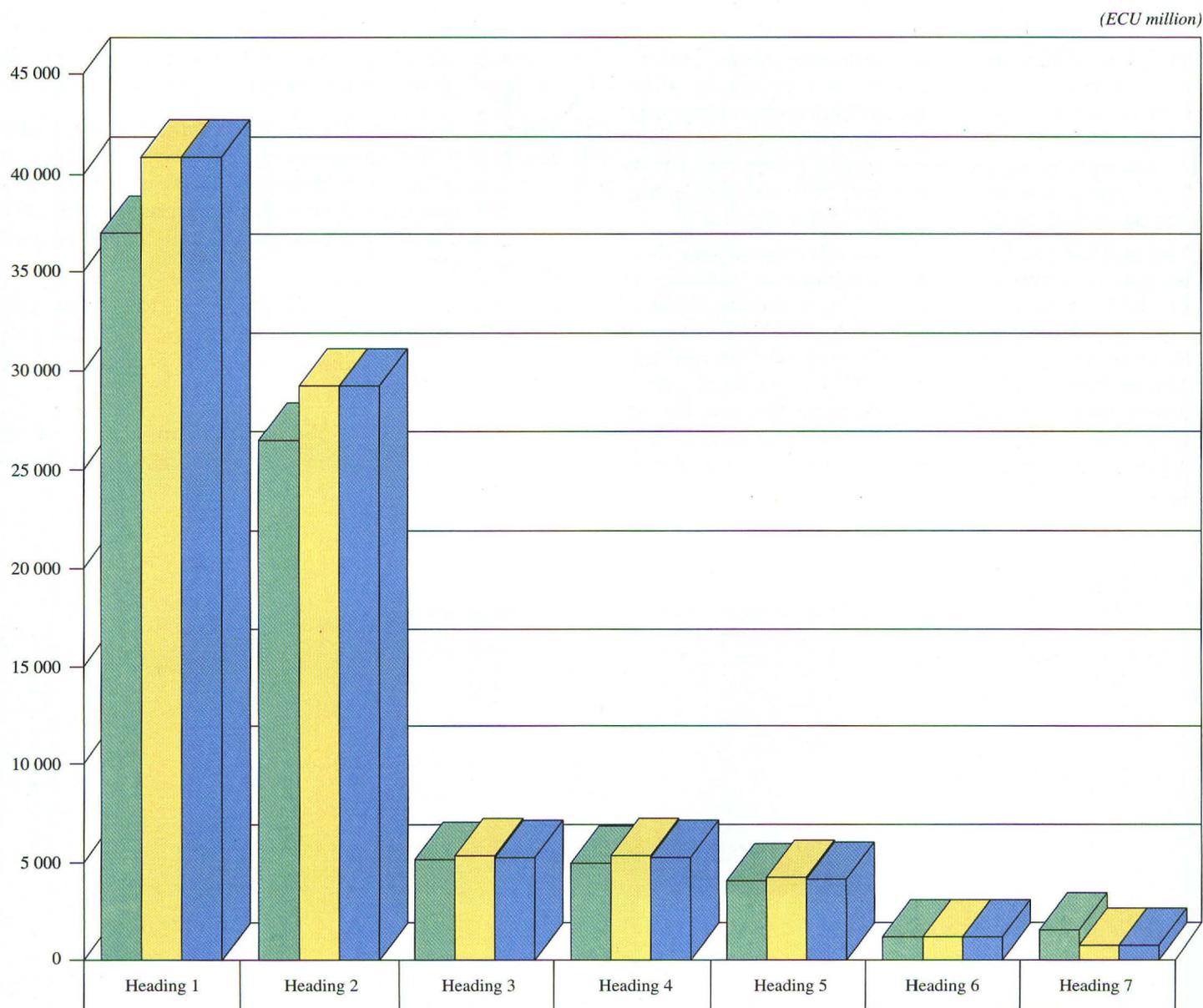
The following tables compare the 1995 and 1996 allocations in accordance with the budget nomenclature and in accordance with the headings of the financial perspective.

Figure 3 gives a breakdown, by subsection, of the expenditure proposed in the preliminary draft budget for 1996.

OVERVIEW

Figure 2

1995 budget, financial perspective and preliminary draft budget for 1996
(appropriations for commitments)



Heading	Budget 1995	Financial perspectives 1996	Preliminary draft budget 1996
1. Common agricultural policy	36 897	40 797	40 797
2. Structural operations	26 329	29 131	29 131
3. Internal policies	5 053	5 337	5 267
4. External action	4 874	5 264	5 157
5. Administrative expenditure	3 999	4 191	4 075
6. Reserves	1 146	1 152	1 152
7. Compensation	1 547	701	701
Total	79 846	86 573	86 280

Breakdown by heading in the financial perspective

Heading	Budget 1995	Financial perspective 1996 (ECU million)	Preliminary draft budget 1996	Difference	
				%	Amount
				3 : 1	3 - 1
Appropriations for commitments					
1. Common agricultural policy	36 897 000 000	40 797	40 797 000 000	+ 10,57	+ 3 900 000 000
<i>Margin</i>			—		
2. Structural operations :					
— Structural Funds	24 069 000 000	26 579	26 579 000 000	+ 10,43	+ 2 510 000 000
— Cohesion Fund	2 152 000 000	2 444	2 444 000 000	+ 13,57	+ 292 000 000
— EEA financial mechanism	108 000 000	108	108 000 000	—	0
<i>Total</i>	26 329 000 000	29 131	29 131 000 000	+ 10,64	+ 2 802 000 000
<i>Margin</i>			—		
3. Internal policies	5 053 082 000	5 337	5 266 975 000	+ 4,23	+ 213 893 000
<i>Margin</i>			70 025 000		
4. External action	4 874 323 000	5 264	5 157 333 000	+ 5,81	+ 283 010 000
<i>Margin</i>			106 667 000		
5. Administrative expenditure	3 999 233 452	4 191	4 075 132 000	+ 1,90	+ 75 898 548
<i>Margin</i>			115 868 000		
6. Reserves :					
— monetary reserve	500 000 000	500	500 000 000	—	0
— guarantee reserve	323 000 000	326	326 000 000	+ 0,93	+ 3 000 000
— emergency aid reserve	323 000 000	326	326 000 000	+ 0,93	+ 3 000 000
<i>Total</i>	1 146 000 000	1 152	1 152 000 000	+ 0,52	+ 6 000 000
<i>Margin</i>			—		
7. Compensation	1 547 000 000	701	701 000 000	- 54,69	- 846 000 000
<i>Margin</i>			—		
Total appropriations for commitments	79 845 638 452	86 573	86 280 440 000	+ 8,06	+ 6 434 801 548
<i>Margin</i>			292 560 000		
Appropriations for payments					
Total appropriations for payments	75 438 426 452	82 192	81 927 829 000	+ 8,60	+ 6 489 402 548
<i>Margin</i>			264 171 000		
Appropriation for payments (% GNP)			1,197 %		

OVERVIEW

**Breakdown by heading in the financial perspective
(with subdivisions)**

Heading	Budget 1995	Financial perspective 1996 (ECU million)	Preliminary draft budget 1996	Difference	
				%	Amount
				3 : 1	3 - 1
<i>Appropriations for commitments</i>					
1. Common agricultural policy					
— markets (Titles B1-1 to B1-3)	34 808 000 000		38 573 000 000	+ 10,82	3 765 000 000
— accompanying measures (Titles B1-4 and B1-5)	2 089 000 000		2 224 000 000	+ 6,46	135 000 000
Total 1	36 897 000 000	40 797	40 797 000 000	+ 10,57	+ 3 900 000 000
<i>Margin</i>			—		—
2. Structural operations					
— Structural Funds (Titles B2-1 and B2-2)	24 069 000 000	26 579	26 579 000 000	+ 10,43	+ 2 510 000 000
— Cohesion Fund (Title B2-3)	2 152 000 000	2 444	2 444 000 000	+ 13,57	+ 292 000 000
— EEA financial mechanism (Title B2-4)	108 000 000	108	108 000 000	—	0
Total 2	26 329 000 000	29 131	29 131 000 000	+ 10,64	+ 2 802 000 000
<i>Margin</i>			—		
3. Internal policies					
— research and technological development (Subsection B6)	2 991 696 000		3 228 100 000	+ 7,90	+ 236 404 000
— other agricultural operations (Title B2-5)	216 200 000		181 400 000	- 16,10	- 34 800 000
— other regional operations (Title B2-6)	51 800 000		22 000 000	- 57,53	- 29 800 000
— transport (Title B2-7)	24 500 000		36 000 000	+ 46,94	+ 11 500 000
— other measures concerning fisheries and the sea (Title B2-9)	28 200 000		35 500 000	+ 25,89	+ 7 300 000
— education, vocational training and youth (Title B3-1)	368 410 000		364 900 000	- 0,95	- 3 510 000
— culture and audiovisual (Title B3-2)	141 780 000		140 000 000	- 1,26	- 1 780 000
— information and communication (Title B3-3)	67 300 000		69 000 000	+ 2,53	+ 1 700 000
— other social operations (Title B3-4)	180 373 000		167 200 000	- 7,30	- 13 173 000
— energy (Title B4-1)	63 000 000		62 000 000	- 1,59	- 1 000 000
— Euratom nuclear safeguards (Title B4-2)	17 400 000		16 100 000	- 7,47	- 1 300 000
— environment (Title B4-3)	144 188 000		139 000 000	- 3,60	- 5 188 000

**Breakdown by heading in the financial perspective
(with subdivisions) (cont'd)**

Heading	Budget 1995	Financial perspective 1996 (ECU million)	Preliminary draft budget 1996	Difference	
				%	Amount
				3 : 1	3 - 1
— consumer protection (Title B5-1)	21 250 000		19 100 000	- 10,12	- 2 150 000
— aid for reconstruction (Title B5-2)	6 775 000		4 775 000	- 29,52	- 2 000 000
— internal market (Title B5-3)	172 780 000		173 200 000	+ 0,24	+ 420 000
— industry (Title B5-4)	120 300 000		120 200 000	- 0,08	- 100 000
— information market (Title B5-5)	13 930 000			- 100,00	- 13 930 000
— statistical information (Title B5-6)	37 000 000		38 000 000	+ 2,70	+ 1 000 000
— trans-European networks (Title B5-7)	381 000 000		445 000 000	+ 16,80	+ 64 000 000
— cooperation policy in the fields of justice and home affairs (Title B5-8)	5 200 000		5 500 000	+ 5,77	+ 300 000
Total 3 Margin	5 053 082 000	5 337	5 266 975 000 <i>70 025 000</i>	+ 4,23	+ 213 893 000
4. External action					
— common foreign and security policy (Title B7-0)	110 000 000		92 000 000	- 16,36	- 18 000 000
— European Development Fund (Title B7-1)					—
— food aid (Chapter B7-2 0)	591 900 000		540 900 000	- 8,62	- 51 000 000
— humanitarian aid (Chapter B7-2 1)	266 000 000		319 000 000	+ 19,92	+ 53 000 000
— cooperation with Latin American and Asian developing countries (Title B7-3)	700 500 000		719 500 000	+ 2,71	+ 19 000 000
— cooperation with the Mediterranean countries and the Middle East (Title B7-4)	539 900 000		700 000 000	+ 29,65	+ 160 100 000
— cooperation with central and eastern European countries (Chapters B7-6 0 and B7-6 1)	1 171 910 000		1 235 000 000	+ 5,38	+ 63 090 000
— cooperation with the Independent States of the former Soviet Union (Chapter B7-6 2)	506 850 000		528 000 000	+ 4,17	+ 21 150 000
— other cooperation measures (Title B7-5 and Chapters B7-6 3 and B7-6 4)	601 983 000		613 533 000	+ 1,92	+ 11 550 000
— European initiative for democracy and the protection of human rights (Title B7-7)	75 960 000		80 750 000	+ 6,31	+ 4 790 000
— international fisheries agreements (Chapter B7-8 0)	280 000 000		290 000 000	+ 3,57	+ 10 000 000
— common foreign and security policy and external aspects of certain Community policies (Title B7-0 and Chapters B7-8 1 to B7-8 6)	29 320 000		38 650 000	+ 31,82	+ 9 330 000
Total 4 Margin	4 874 323 000	5 264	5 157 333 000 <i>106 667 000</i>	+ 5,81	+ 283 010 000

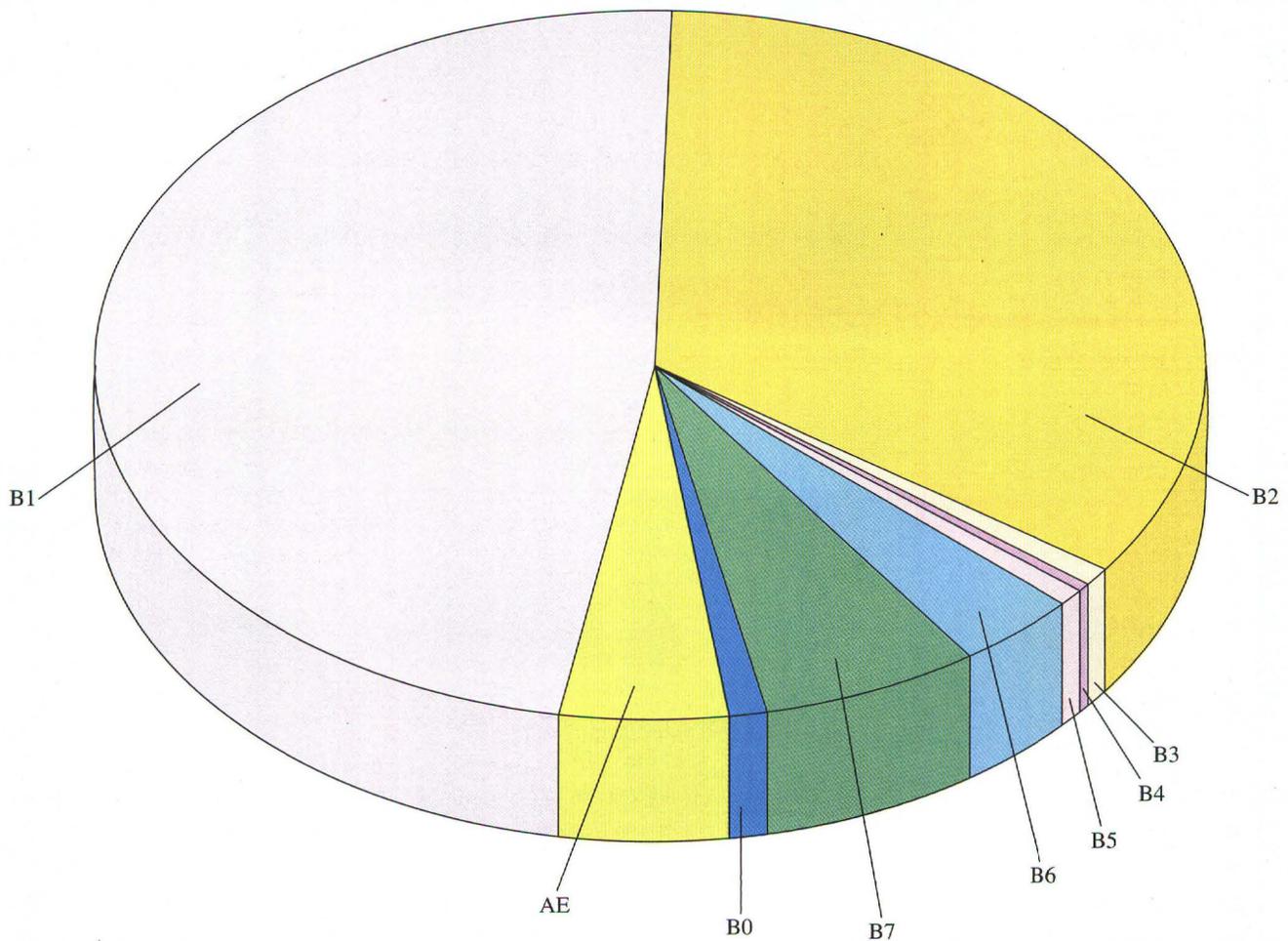
OVERVIEW

**Breakdown by heading in the financial perspective
(with subdivisions) (cont'd)**

Heading	Budget 1995	Financial perspective 1996 (ECU million)	Preliminary draft budget 1996	Difference	
				%	Amount
				3 - 1	3 - 1
5. Administrative expenditure					
— Part A (not including pensions)	2 235 820 356		2 348 026 000	+ 5,02	+ 112 205 644
— pensions	349 792 000		399 849 000	+ 14,31	+ 50 057 000
Commission — Total	2 585 612 356		2 747 875 000	+ 6,28	+ 162 262 644
Other institutions — Total	1 413 621 096		1 327 257 000	- 6,11	- 86 364 096
Total 5	3 999 233 452	4 191	4 075 132 000	+ 1,90	+ 75 898 548
Margin			<i>115 868 000</i>		
6. Reserves					
— monetary reserve (Title B1-6)	500 000 000		500 000 000	—	0
— emergency aid reserve (Title B7-9)	323 000 000		326 000 000	+ 0,93	+ 3 000 000
— guarantee reserve (Title B0-2)	323 000 000		326 000 000	+ 0,93	+ 3 000 000
Total 6	1 146 000 000	1 152	1 152 000 000	+ 0,52	+ 6 000 000
Margin			—		
7. Compensation	1 547 000 000	701	701 000 000	- 54,69	- 846 000 000
Margin			—		
Appropriations for commitments					
Grand total	79 845 638 452	86 573	86 280 440 000	+ 8,06	+ 6 434 801 548
Margin			<i>292 560 000</i>		
of which compulsory expenditure	40 392 302 000		43 385 420 000	+ 7,41	+ 2 993 118 000
of which non-compulsory expenditure	39 453 336 452		42 895 020 000	+ 8,72	
Appropriations for payments					
Appropriations for payments					
Grand total	75 438 426 452	82 192	81 927 829 000	+ 8,60	+ 6 489 402 548
Margin			<i>264 171 000</i>		
of which compulsory expenditure	40 371 302 000		43 393 420 000	+ 7,49	+ 3 022 118 000
of which non-compulsory expenditure	35 067 124 452		38 534 409 000	+ 9,89	

Figure 3

Preliminary draft budget for 1996
Breakdown of expenditure by subsection
(appropriations for commitments)



(ECU million)

Subsection	Amount	%
□ B1 : European Agricultural Guidance and Guarantee Fund, 'Guarantee' Section	41 297,0	47,9
■ B2 : Structural operations, other agricultural and regional operations, transport and fisheries	29 405,9	34,1
□ B3 : Training, youth, culture, audiovisual media, information and other social operations	741,1	0,9
■ B4 : Energy, Euratom nuclear safeguards and environment	217,1	0,3
□ B5 : Consumer protection, internal market, industry and trans-European networks	805,8	0,9
■ B6 : Research and technological development	3 228,1	3,7
■ B7 : External action	5 483,3	6,4
■ B0 : Guarantees, reserves, compensation	1 027,0	1,2
■ AE : Administrative expenditure (all institutions)	4 075,1	4,7
Total	86 280,4	100

OVERVIEW

General summary of appropriations for 1995 and 1996

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1995		Appropriations 1996		Difference 1996/1995	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
		PART A						
5	A-1	Expenditure relating to persons working with the institution	1 671 874 000	1 671 874 000	1 816 462 000	1 816 462 000	+ 144 588 000	+ 144 588 000
5	A-2	Buildings, equipment and miscellaneous operating expenditure	376 994 000	376 994 000	384 527 000	384 527 000	+ 7 533 000	+ 7 533 000
5	A-3	Expenditure resulting from special functions carried out by the institution	238 804 356	238 804 356	243 445 000	243 445 000	+ 4 640 644	+ 4 640 644
5	A-5	Data processing	94 762 000	94 762 000	97 456 000	97 456 000	+ 2 694 000	+ 2 694 000
5	A-6	Staff and administrative expenditure of European Community delegations	193 978 000	193 978 000	205 985 000	205 985 000	+ 12 007 000	+ 12 007 000
5	A-10	Other expenditure	9 200 000	9 200 000	0	0	- 9 200 000	- 9 200 000
		Part A — Total	2 585 612 356	2 585 612 356	2 747 875 000	2 747 875 000	+ 162 262 644	+ 162 262 644
		PART B						
		B1 European Agricultural Guidance and Guarantee Fund, Guarantee Section						
1	B1-1	Plant products	22 854 000 000	22 854 000 000	26 533 000 000	26 533 000 000	+ 3 679 000 000	+ 3 679 000 000
1	B1-2	Animal products	11 454 000 000	11 454 000 000	11 691 000 000	11 691 000 000	+ 237 000 000	+ 237 000 000
1	B1-3	Ancillary expenditure	499 500 000	499 500 000	349 000 000	349 000 000	- 150 500 000	- 150 500 000
1	B1-4	Income aid	45 500 000	45 500 000	20 000 000	20 000 000	- 25 500 000	- 25 500 000
1	B1-5	Accompanying measures	2 044 000 000	2 041 000 000	2 204 000 000	2 204 000 000	+ 160 000 000	+ 163 000 000
6	B1-6	Monetary reserve	500 000 000	500 000 000	500 000 000	500 000 000	—	—
		B1 — Sub-total	37 397 000 000	37 394 000 000	41 297 000 000	41 297 000 000	+ 3 900 000 000	+ 3 903 000 000
		B2 Structural operations, other agricultural and regional operations, transport and fisheries						
2	B2-1	Structural Funds	24 069 000 000	21 201 550 000	26 579 000 000	23 973 500 000	+ 2 510 000 000	+ 2 771 950 000
2	B2-2	Other structural operations	p.m.	40 000 000	p.m.	49 200 000	—	+ 9 200 000
2	B2-3	Cohesion Fund	2 152 000 000	1 750 000 000	2 444 000 000	1 919 300 000	+ 292 000 000	+ 169 300 000
2	B2-4	Structural and cohesion expenditure and expenditure for the financial mechanism relating to the accession of new Member States	108 000 000	489 450 000	108 000 000	108 000 000	—	- 381 450 000
3	B2-5	Other agricultural operations	216 200 000	153 450 000	181 400 000	146 150 000	- 34 800 000	- 7 300 000

General summary of appropriations for 1995 and 1996 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1995		Appropriations 1996		Difference 1996/1995	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
3	B2-6	Other regional operations	51 800 000	55 500 000	22 000 000	50 000 000	- 29 800 000	- 5 500 000
3	B2-7	Transport	24 500 000	18 200 000	36 000 000	30 500 000	+ 11 500 000	+ 12 300 000
3	B2-9	Other measures concerning fisheries and the sea	28 200 000	23 130 000	35 500 000	27 800 000	+ 7 300 000	+ 4 670 000
		B2 — Sub-total	26 649 700 000	23 731 280 000	29 405 900 000	26 304 450 000	+ 2 756 200 000	+ 2 573 170 000
		B3 Training, youth, audiovisual, culture, information and other social operations						
3	B3-1	Vocational training, education and youth policy	368 410 000	313 301 000	364 900 000	389 330 000	- 3 510 000	+ 76 029 000
3	B3-2	Culture and audiovisual	141 780 000	141 425 000	140 000 000	131 700 000	- 1 780 000	- 9 725 000
3	B3-3	Information and communication	67 300 000	47 950 000	69 000 000	70 150 000	+ 1 700 000	+ 22 200 000
3	B3-4	Other social operations	180 373 000	152 138 000	167 200 000	165 800 000	- 13 173 000	+ 13 662 000
		B3 — Sub-total	757 863 000	654 814 000	741 100 000	756 980 000	- 16 763 000	+ 102 166 000
		B4 Energy, Euratom nuclear safeguards and environment						
3	B4-1	Energy	63 000 000	56 450 000	62 000 000	55 500 000	- 1 000 000	- 950 000
3	B4-2	Euratom nuclear safeguards	17 400 000	18 050 000	16 100 000	15 350 000	- 1 300 000	- 2 700 000
3	B4-3	Environment	144 188 000	119 869 000	139 000 000	131 800 000	- 5 188 000	+ 11 931 000
		B4 — Sub-total	224 588 000	194 369 000	217 100 000	202 650 000	- 7 488 000	+ 8 281 000
		B5 Consumer protection, internal market, industry and trans-European networks						
3	B5-1	Consumer protection	21 250 000	20 810 000	19 100 000	18 900 000	- 2 150 000	- 1 910 000
3	B5-2	Aid for reconstruction	6 775 000	6 775 000	4 775 000	4 775 000	- 2 000 000	- 2 000 000
3	B5-3	Internal market	172 780 000	157 495 000	173 200 000	165 500 000	+ 420 000	+ 8 005 000
3	B5-4	Industry	120 300 000	82 682 000	120 200 000	103 592 000	- 100 000	+ 20 910 000
3	B5-5	Information market	13 930 000	14 050 000	—	6 000 000	- 13 930 000	- 8 050 000

OVERVIEW

General summary of appropriations for 1995 and 1996 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1995		Appropriations 1996		Difference 1996/1995	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
3	B5-6	Statistical information	37 000 000	32 700 000	38 000 000	40 000 000	+ 1 000 000	+ 7 300 000
3	B5-7	Trans-European networks	381 000 000	261 500 000	445 000 000	292 000 000	+ 64 000 000	+ 30 500 000
3	B5-8	Cooperation policy in the fields of justice and home affairs	5 200 000	2 600 000	5 500 000	4 500 000	+ 300 000	+ 1 900 000
		B5 — Sub-total	758 235 000	578 612 000	805 775 000	635 267 000	+ 47 540 000	+ 56 655 000
		B6 Research and technological development						
3	B6-1	Joint Research Centre — Staff and resources	194 066 000	191 413 000	196 091 000	199 750 000	+ 2 025 000	+ 8 337 000
3	B6-2	Joint Research Centre — Direct action — EC framework programme 1994 to 1998	32 332 000	10 083 000	30 141 000	28 394 000	- 2 191 000	+ 18 311 000
3	B6-3	Joint Research Centre — Direct action — EAEC framework programme 1994 to 1998	9 993 000	2 597 000	9 706 000	9 562 000	- 287 000	+ 6 965 000
3	B6-4	Joint Research Centre — Direct action — completion of former joint and supplementary programmes and other JRC activities	p.m.	35 070 000	p.m.	10 778 000		- 24 292 000
3	B6-5	Indirect action (Shared-cost projects) and concerted action — completion of earlier projects	2 200 000	1 680 887 000	p.m.	832 770 000	- 2 200 000	- 848 117 000
3	B6-7	Indirect action (Shared-cost projects), concerted action and supplementary programmes — EC framework programme 1994 to 1998	2 409 266 000	738 369 000	2 725 162 000	1 771 746 000	+ 315 896 000	+ 1 033 377 000
3	B6-8	Indirect action (Shared-cost projects), concerted action and supplementary programmes — EAEC framework programme 1994 to 1998	343 839 000	160 798 000	267 000 000	251 000 000	- 76 839 000	+ 90 202 000
		B6 — Sub-total	2 991 696 000	2 819 217 000	3 228 100 000	3 104 000 000	+ 236 404 000	+ 284 783 000

General summary of appropriations for 1995 and 1996 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1995		Appropriations 1996		Difference 1996/1995	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
	B7	External action						
4	B7-0	Common foreign and security policy	110 000 000	105 000 000	92 000 000	91 250 000	- 18 000 000	- 13 750 000
4	B7-1	European Development Fund	—	—	—	—	—	—
4	B7-2	Food and humanitarian aid	857 900 000	760 000 000	859 900 000	695 000 000	+ 2 000 000	- 65 000 000
4	B7-3	Cooperation with Latin American and Asian developing countries	700 500 000	385 000 000	719 500 000	409 000 000	+ 19 000 000	+ 24 000 000
4	B7-4	Cooperation with the Mediterranean countries and the Middle East	539 900 000	448 448 000	700 000 000	533 503 000	+ 160 100 000	+ 85 055 000
4	B7-5	Other cooperation measures	587 083 000	456 633 000	589 533 000	463 697 000	+ 2 450 000	+ 7 064 000
4	B7-6	Cooperation with countries of central and eastern Europe and the Independent States of the former Soviet Union	1 693 660 000	1 347 220 000	1 787 000 000	1 615 200 000	+ 93 340 000	+ 267 980 000
4	B7-7	European initiative for democracy and the protection of human rights	75 960 000	64 440 000	80 750 000	76 200 000	+ 4 790 000	+ 11 760 000
4	B7-8	External aspects of certain Community policies	309 320 000	307 160 000	328 650 000	315 500 000	+ 19 330 000	+ 8 340 000
6	B7-9	Reserve for emergency aid	323 000 000	323 000 000	326 000 000	326 000 000	+ 3 000 000	+ 3 000 000
		B7 — Sub-total	5 197 323 000	4 196 901 000	5 483 333 000	4 525 350 000	+ 286 010 000	+ 328 449 000
	B0	Guarantees, reserves, compensation						
6	B0-2	Guarantees for borrowing and lending operations	323 000 000	323 000 000	326 000 000	326 000 000	+ 3 000 000	+ 3 000 000
6	B0-3	Deficit carried over from previous year	p.m.	p.m.	p.m.	p.m.	—	—
	B0-4	Reserves and provisions (1)	p.m.	p.m.	p.m.	p.m.	—	—
7	B0-5	Budgetary compensation for the new Member States	1 547 000 000	1 547 000 000	701 000 000	701 000 000	- 846 000 000	- 846 000 000
		B0 — Sub-total	1 870 000 000	1 870 000 000	1 027 000 000	1 027 000 000	- 843 000 000	- 843 000 000
		Part B — Sub-total						
5		Other institutions	1 413 621 096	1 413 621 096	1 327 257 000	1 327 257 000	- 86 364 096	- 86 364 096
		Grand total	79 845 638 452	75 438 426 452	86 280 440 000	81 927 829 000	+ 6 434 801 548	+ 6 489 402 548

(1) The appropriations entered in Chapter B0-4 0 are included in the title concerned.

OVERVIEW

III. EXPENDITURE

The expenditure proposals in the 1996 preliminary draft budget for the various headings of the financial perspective call for the following comments :

1. Agricultural expenditure (heading 1)

The expenditure forecasts for 1996 are based, in the main, on relatively cautious assumptions as, for example, in the beef sector, where the reference production levels are within a low bracket compared with the expected upswing in production, or in the wine sector compared with yields in normal weather conditions. Even so, the estimate of appropriations required (ECU 41 687 million) is still well up on the total for 1995 (+ ECU 4 790 million).

There are a number of factors which account for this significant increase in requirements compared with 1995 :

- the change in the dollar/ecu parity (0,89 in supplementary and amending budget No 1/1995 and 0,79 in preliminary draft budget 1996), i.e. an additional cost of the order of ECU 600 million,
- completion of implementation of the reform of the CAP (29 % increase in unit rate of per hectare aid and premiums in the beef sector) (+ ECU 2 250 million),
- enlargement, since direct aid per hectare for arable crops and premiums in the beef sector will be paid for the first time in 1996 (+ ECU 1 250 million),
- a return to a normal level of expenditure in certain sectors, such as olive oil, for which no production

aid was paid under the 1995 budget (+ ECU 800 million),

- certain market cycles (+ ECU 300 million).

By contrast, lower levels of expenditure have been forecast in a number of sectors, partially offset by lower revenue levels following the accounts clearance procedure.

At the same time, the agricultural guideline increases fairly substantially compared with 1995 (+ ECU 2 853 million) because of the improvement in the economic situation and enlargement but will not be enough to cover the rise in expenditure caused by the factors referred to above.

Expenditure will thus be ECU 890 million above the agricultural guideline of ECU 40 797 million. It is worth noting, however, that if the recurrent budgetary costs of the currency realignments of 1992 and 1993 (an estimated ECU 1 772 million) are ignored, the appropriations required to finance market and accompanying measures are below the guideline.

At all events, the preliminary draft adopted will allow some (ECU 882 million) of the agrimonetary costs to be financed within the guideline. Expenditure which cannot be covered at that stage (strictly agrimonetary costs) would, barring savings during the year, have to be financed by the mechanisms agreed by the Edinburgh European Council, by drawing on the monetary reserve.

If the reserve, which will be reduced to ECU 500 million with effect from 1995, should prove inadequate to cover agrimonetary expenditure, the Council would then have to take appropriate steps to provide resources for the EAGGF Guarantee Section.

It should be noted that the estimate of requirements for 1996 is based on the real situation of European currency exchange rates recorded in late March 1995 and therefore takes account of the additional costs caused by the appreciation of some of those currencies (German mark, Dutch guilder, Belgian and Luxembourg franc, Austrian schilling) during the first quarter of 1995. On the other hand, no provision has yet been made for financing any measures which may be taken under the new agrimonetary regulations.

While it is true that the budget situation for 1996 gives

cause for concern, it must be borne in mind that this situation was anticipated during the negotiation of the new Interinstitutional Agreement. It was in fact to allow for the eventuality of requirements not being covered by the agricultural guideline that the Edinburgh European Council made provision for use of the mechanisms described in its conclusions within the limit of the cost to the budget of the monetary realignments within the EMS.

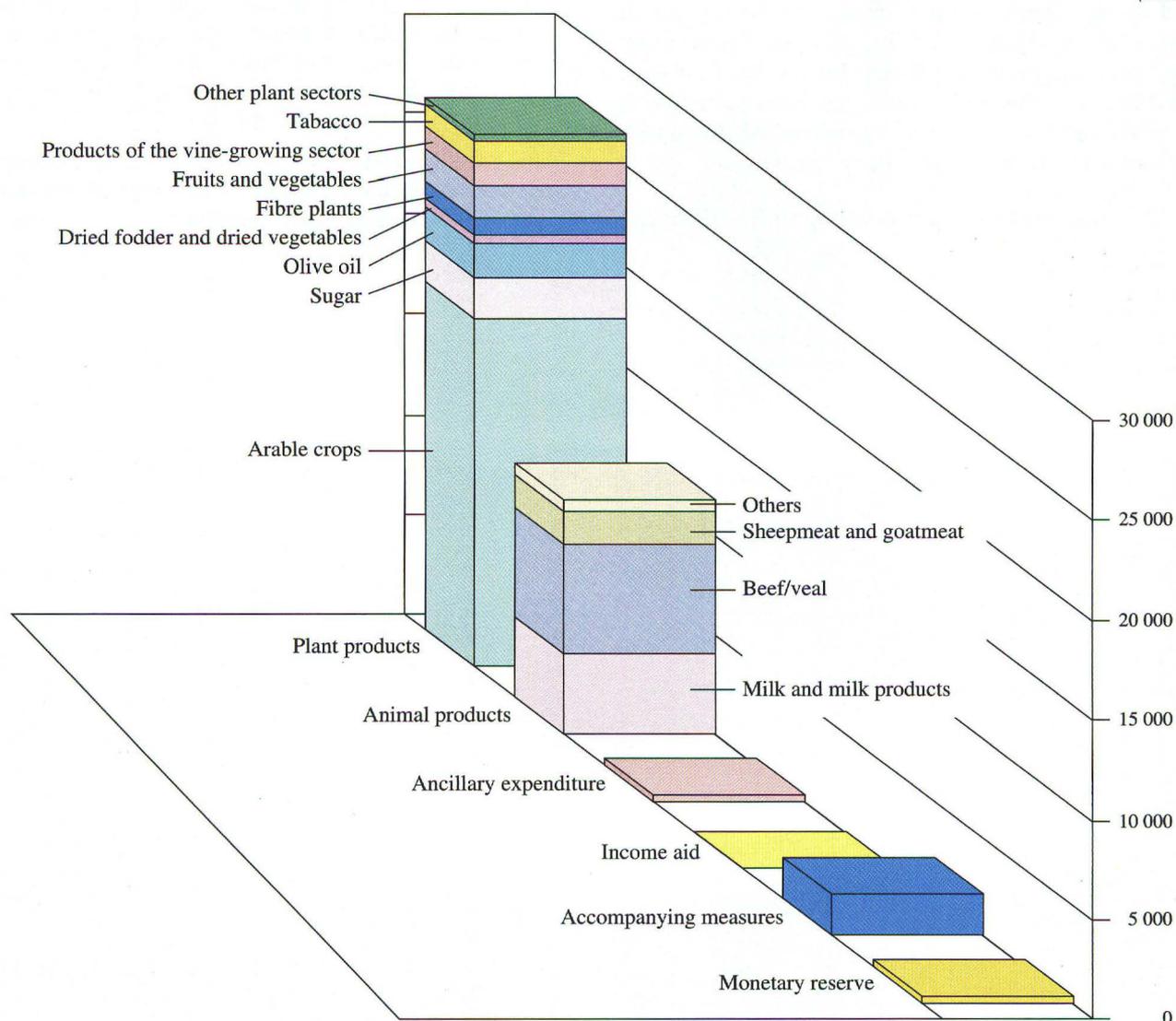
Figure 4 gives the breakdown of appropriations between the main categories of expenditure covered by the EAGGF Guarantee Section.

OVERVIEW

Figure 4

Preliminary draft budget for 1996
Heading 1 : Common agricultural policy (including monetary reserve)

(ECU million)



EAGGF Guarantee section	Amount	%	EAGGF Guarantee section	Amount	%
Plant products	26 533	64,3	Animal products	11 691	28,3
Arable crops	17 465	42,3	Milk and milk products	4 139	10,0
Sugar	1 891	4,6	Beef/veal	5 380	13,0
Olive oil	1 754	4,2	Sheepmeat and goatmeat	1 668	4,0
Dried fodder and dried vegetables	385	0,9	Pigmeat	168	0,4
Fibre plants	850	2,1	Eggs and poultrymeat	147	0,4
Fruit and vegetables	1 700	4,1	Other measures	142	0,3
Products of the vine-growing sector	1 092	2,6	Fisheries	47	0,1
Tabacco	1 087	2,6	Ancillary expenditure	349	0,8
Other plant sectors or products	309	0,7	Income aid	20	0,0
			Accompanying measures	2 204	5,3
			Monetary reserve	500	1,2
			Total	41 297	100

2. Structural operations (heading 2)

Heading 2 of the financial perspective encompasses expenditure under the Structural Funds and the Cohesion Fund and coverage by the Community budget of the financial contributions of the new Member States to the financial mechanism for the European Economic Area.

The commitments proposed for 1996 under heading 2 total ECU 29 131 million (up 10,64 % on 1995). Apart from the amounts resulting from the decisions of the December 1992 Edinburgh European Council relating to the Structural Funds and the Cohesion Fund for all the countries of a Union of twelve Member States (ECU 27 208 million), they include the amounts resulting from the enlargement of the European Union to include Austria, Finland and Sweden (ECU 946 million for the Structural Funds and ECU 108 million for the financial mechanism for the European Economic Area).

The preliminary draft budget also takes account of the adjustment of the financial perspective in line with the conditions of implementation, with the re-entry in the budget of ECU 869 million in commitments.

The amount allocated to the Structural Funds in the preliminary draft budget is ECU 26 579 million: ECU 24 695 million in respect of the pre-enlargement countries, which corresponds to the ECU 22 740 million at 1992 prices decided on at Edinburgh, ECU 1 015 million decided on in the adjustment of the financial perspective in connection with enlargement, including the Community initiative to support the Northern Ireland peace process and ECU 869 million for the re-entry of appropriations not used in 1994 (50 % of the ECU 1 738 million not used).

For the pre-enlargement countries, the appropriations

allocated to CSFs and SPDs have been distributed in accordance with the programming exercise in 1994 for each of the Objectives 1 to 5 b) for the entire period 1994-1999. In the case of the new Member States, the appropriations allocated to the CSFs and the SPDs account for 90 % of the amounts earmarked for the Structural Funds in the Treaty of Accession. The breakdown by objective reflects decisions taken by the Commission in the first quarter of the year. Distribution by Fund has been carried out provisionally in accordance with the same scales as for the pre-enlargement countries. The definitive amounts will not be known until the CSFs or SPDs relating to Austria, Finland and Sweden have been adopted, and corrections will probably be necessary.

In the case of both the pre-enlargement countries and the new Member States, the appropriations for Community initiatives account for 9 % of the total allocated to each objective. The appropriations have already been distributed by initiative and by Member State, but many decisions concerning the implementation of these initiatives still remain to be adopted.

The amount earmarked for the transitional measures and innovation schemes corresponds to 1 % of the total budget for the Structural Funds.

The amount proposed for the Cohesion Fund in the preliminary draft budget for 1996 derives directly from the conclusions of the Edinburgh European Council: ECU 2 250 million at 1992 prices for the year 1996, i.e. ECU 2 444 million at 1996 prices.

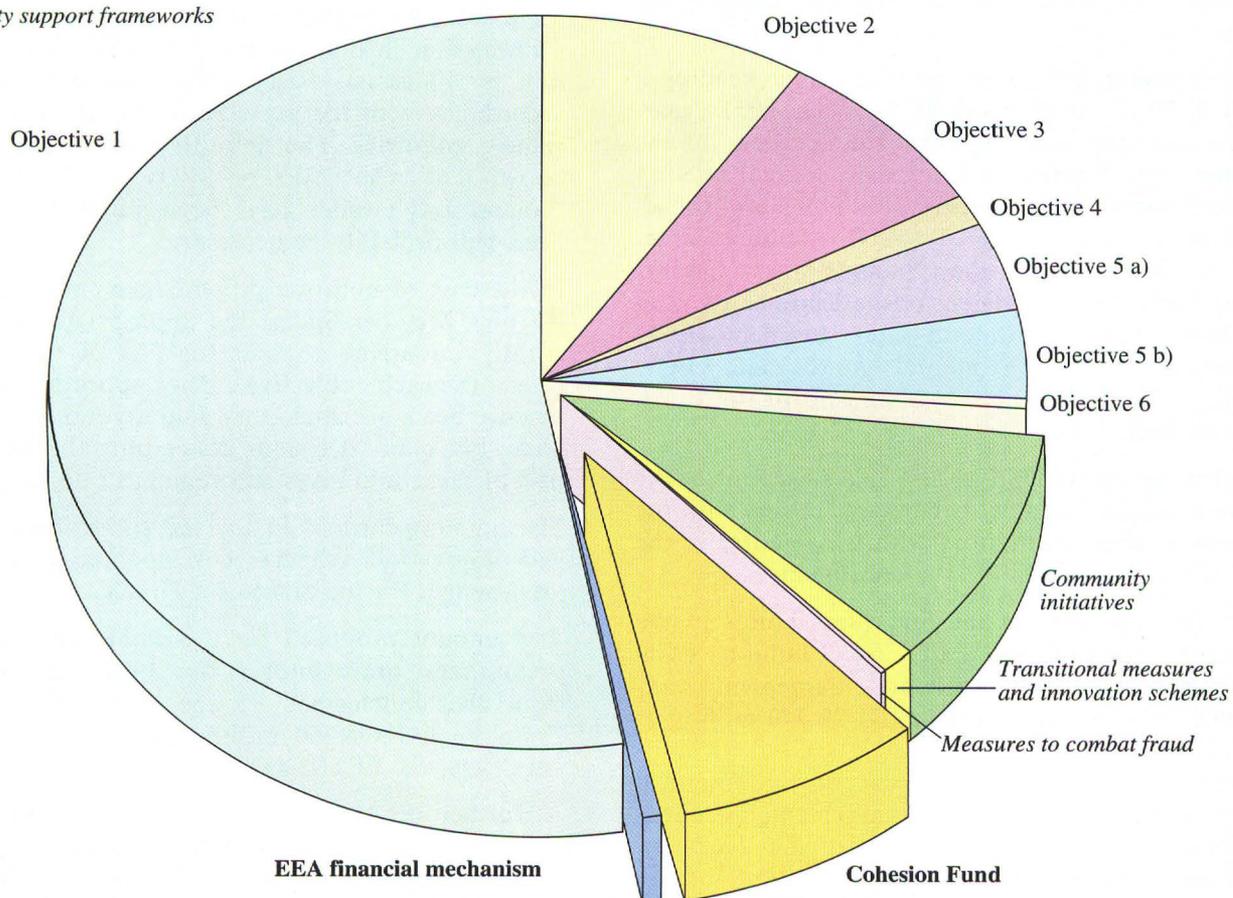
A further ECU 108 million is set aside for the coverage under the Community budget of the financial contribution of Austria, Finland and Sweden to the EEA Financial Mechanism.

Figures 5 and 6 give the breakdown between the various components of heading 2.

OVERVIEW

Figure 5

Preliminary draft budget for 1996
Heading 2 : Structural operations
(appropriations for commitments)

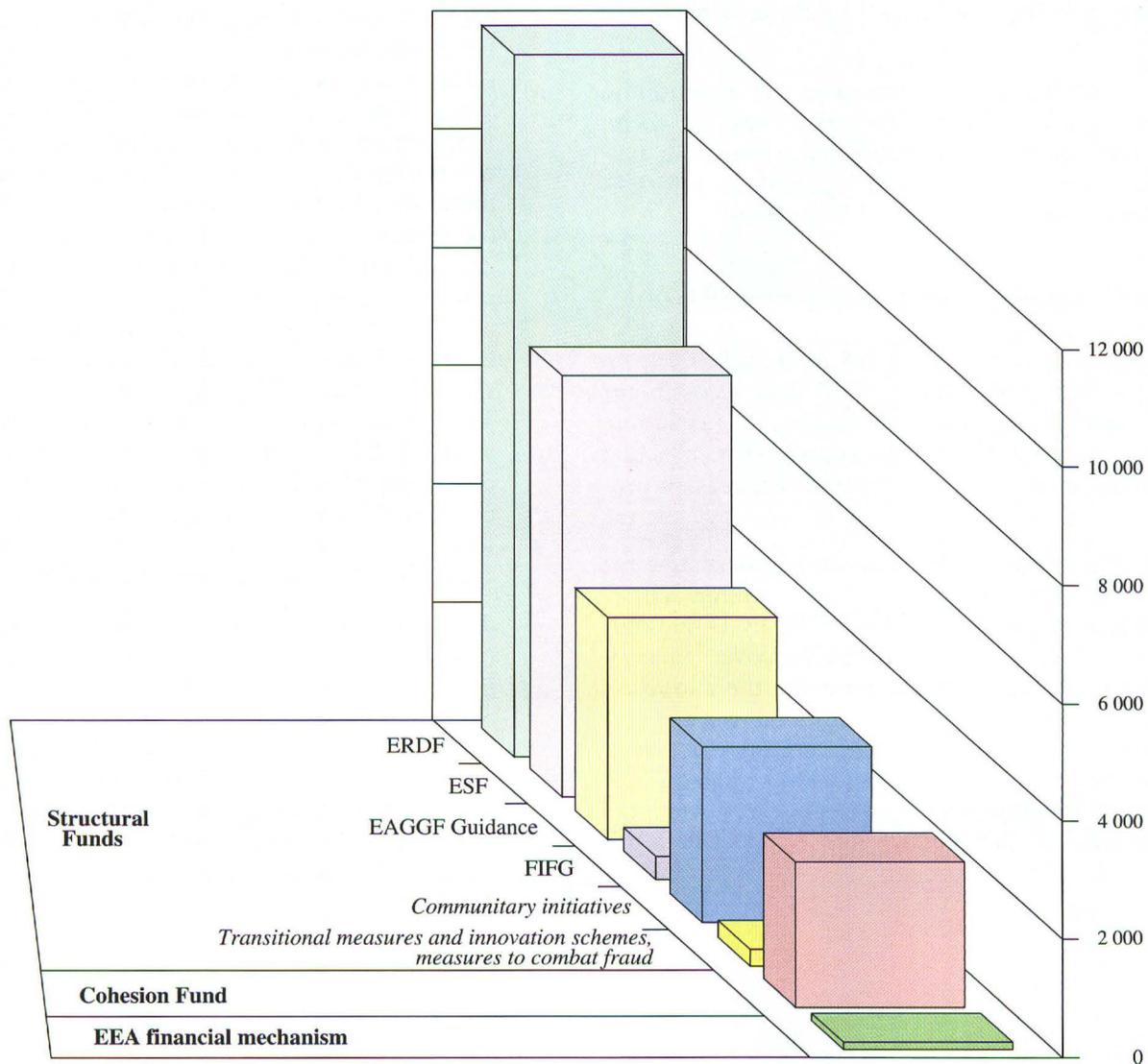
Structural Funds*Community support frameworks**(ECU million)*

Funds	Amount	%
Structural Funds	26 579	91,2
<i>Community support frameworks</i>	<i>23 253</i>	<i>79,8</i>
Objective 1	15 424	52,9
Objective 2	2 634	9,0
Objective 3	2 216	7,6
Objective 4	391	1,3
Objective 5 a)	1 115	3,8
Objective 5 b)	1 332	4,6
Objective 6	141	0,5
Community initiatives	3 030	10,4
Transitional measures and innovation schemes	296	1,0
Measures to combat fraud	1	0,003
Cohesion Fund	2 444	8,4
EEA financial mechanism	108	0,4
Total	29 131	100

Figure 6

Preliminary draft budget for 1996
Heading 2 : Structural operations
(appropriations for commitments)

(ECU million)



Funds	Amount	%
Structural Funds	26 579	91,2
<i>CSF (by Fund)</i>		
ERDF	11 884	40,8
ESF	7 146	24,5
EAGGF Guidance	3 772	12,9
FIGG	450	1,5
Community initiatives (all Funds)	3 030	10,4
Transitional measures and innovation schemes, measures to combat fraud	297	1,003
Cohesion Funds	2 444	8,4
EEA financial mechanism	108	0,4
Total	29 131	100

OVERVIEW

3. Internal policies (heading 3)

The total volume of appropriations entered for all the areas covered by this heading (ECU 5 267 million) represents an increase over 1995 of 4,2 %. Even so, there is still a margin of ECU 70 million beneath the ceiling.

Heading 3 covers three main areas of expenditure where trends are markedly different: two of them, research and the development of trans-European networks, have been repeatedly designated as priorities by the Commission, Council and Parliament.

(a) Research and technological development (RTD)

The amount proposed (ECU 3 228 million) is 7,9 % up on 1995 (+ ECU 236 million). RTD thus accounts for 61 % of total expenditure in heading 3 (excluding Portuguese textiles) in 1996, the second year of actual implementation of the fourth research framework programme.

The total allocation for the framework programme for 1995-1998 is currently ECU 13 161 million (ECU 12 300 million already decided plus the ECU 860 million proposed by the Commission to cover enlargement). The growth path which produces the allocation proposed in this preliminary draft allows for the constraints affecting heading 3 by adopting the overall rise in the ceiling for the heading rather than that of the sub-amount envisaged for 1995 and 1996 when the fourth framework programme was adopted in April 1994.

(b) Trans-European networks

The overall increase in amounts devoted to the trans-European networks (16,8 %, + ECU 64 million) covers two separate movements:

- the infrastructure networks (transport, energy and telecommunications), which are a top policy priority for the European Union as stated in the White Paper on Growth, Competitiveness and Employment and in the conclusions of a number of European Councils. This preliminary draft therefore contains an increase of ECU 77 million for transport networks, bringing the total to ECU 282 million, which should make it possible to provide an appropriate response in 1996 to the priority status given to specific projects by the Essen European Council, pending a possible revision of the financial perspective at some later date. The allocation for the telecommunications networks (ECU 62 million) also covers operations connected with the establishment and development of the information society, including INFO 2000, which is intended to stimulate the development of a European industry in multimedia content,
- data transmission networks between administrations, which cover the IDA and Edicom operations. The main reason for the proposed reduction of ECU 13 million in relation to 1995 is the delay in the adoption of the legal base for IDA proposed in March 1993 and the fact that the budgetary authority and the legislative authority have made it quite clear that they intend to restrict the allocation for this operation.

(c) The other internal policies

The top priority given to RTD and the trans-European networks despite the general constraints on heading 3 means that the total amount left for the 'other internal policies' in 1996 is appreciably reduced. The total available for this third category of expenditure in the preliminary draft is ECU 1 594 million, a reduction of ECU 87 million (nearly 5 %) on 1995.

However, despite this general trend, some relative priorities retain much the same level of appropriations. This applies in particular to operations which form part of multiannual programmes already adopted by the legislative authority, proposed by the Commission or in the process of being prepared, such as :

- education, training and youth (Title B3-1), where the adoption of the Socrates, Leonardo and Youth for Europe programmes reflects the importance attached by the institutions to these policies. The overall amount for the title drops only slightly (by about 1 %) compared with the allocations for 1995, which had been increased substantially,
- culture and audiovisual media (Title B3-2), for which the Commission proposed a series of multiannual programmes in 1994 and early this year: Kaleidoscope, Ariane and Raphael in the field of culture, with a total amount proposed for 1996-2000 of ECU 147 million, and Media II in the audiovisual field (with a proposed budget for the same period of ECU 400 million). For the title as a whole, the allocations planned for 1996 are down slightly (by 1,3 %) on 1995,
- energy (Title B4-1), where appropriations are down

by 1,6 % on 1995. Thermie II is allocated ECU 30 million in the reserve pending its adoption by the Council, and appropriations are proposed for the continuation of existing operations in the form of the new SAVE II and Synergy programmes for which proposals for legal bases are being prepared;

- environment (Title B4-3), for which the ECU 139 million proposed is slightly down on the 1995 level appropriations: a new LIFE programme will be launched in 1996, and the reduction in appropriations for this first year of operation is offset by increases on other items such as legislation and other general operations connected with the fifth environment programme.

Elsewhere there is a substantial increase in the Community subsidies granted to the satellite agencies, particularly those financed by a system of charges which will cover only part of the cost of investment in the start-up stage in 1996: + 60 % (ECU 16,2 million) for the Office for Harmonization in the Internal Market and + 38 % (ECU 14 million) for the Medicinal Products Agency.

In the transport sector, a special effort has been made for 'structural improvement in inland waterway transport': ECU 20 million is proposed to co-finance a major programme to reduce excess capacity with the Member States concerned and the industry.

Title B2-9 (Fisheries) receives a 26 % increase in relation to 1995, justified by the need to step up control, inspection and surveillance measures at sea.

There is a more moderate increase in appropriations for the information and communication policies (by 2,5 %) to cater for information measures for the general public, in particular with an eye to the Inter-governmental Conference.

OVERVIEW

In return, significant savings are made in other areas. Agricultural operations drop by 16 % from ECU 216 million in 1995 to ECU 181 million in 1996, mainly because allocations for disease eradication and control programmes have now returned to a normal level following the major effort in previous years to clear outstanding commitments. The 58 % reduction in appropriations for other regional operations is due to the fact that the financing of operations of this type is now covered by the Structural Funds. The reduction in the allocation for other social operations compared with the 1995 budget — which is nonetheless an 8 % increase on the 1995 preliminary draft — is the result of conflicting movements: the reduction in amounts allocated to operations for which requirements are by

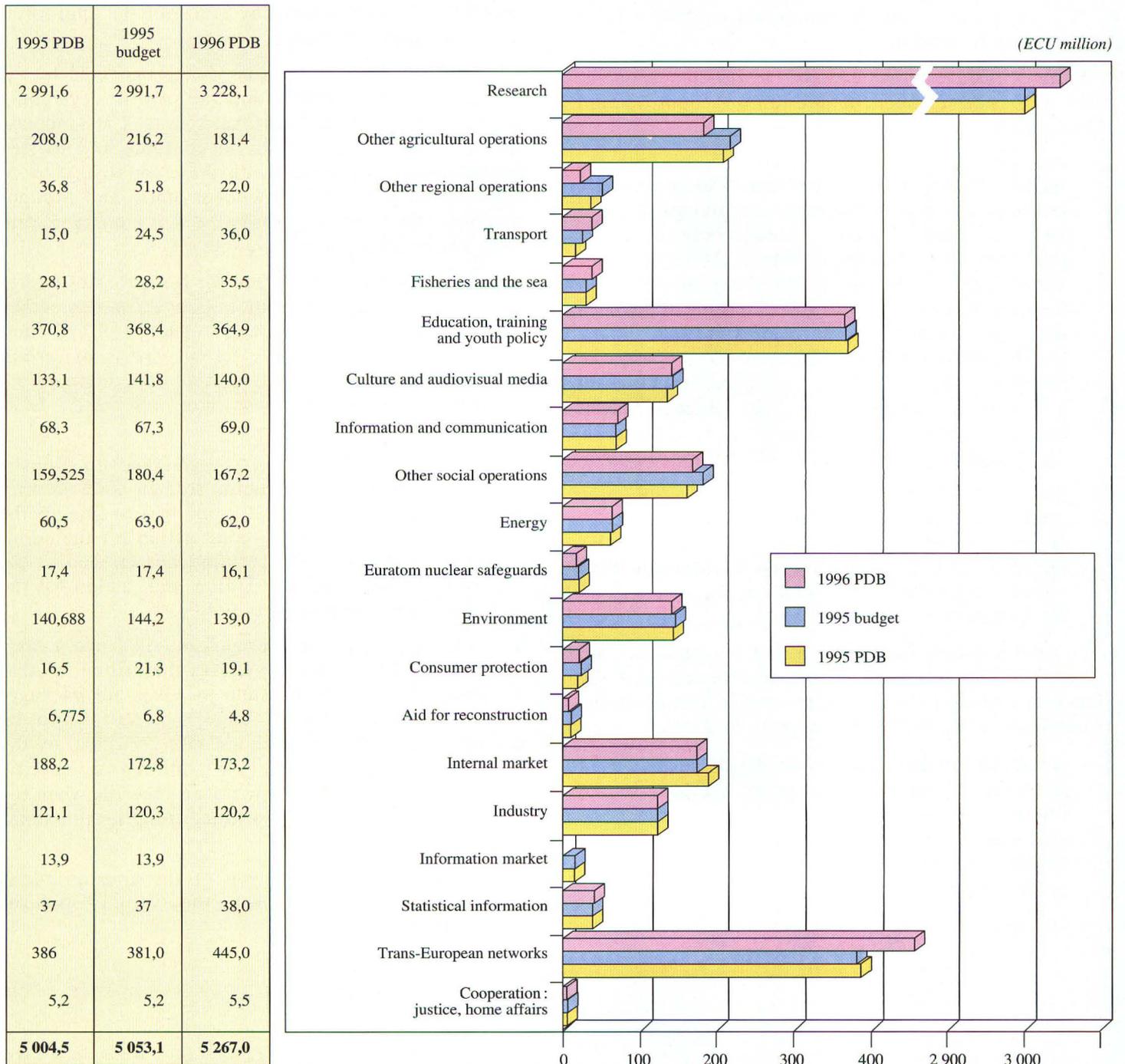
nature difficult to calculate with accuracy, counterbalanced by the allocations to operations such as health or equality of opportunity, for which programme proposals have been made or are being prepared.

These economy measures also affect the internal market (a token entry is made for tourism for methodological reasons connected with the current evaluation processes and the discussions on the options contained in the Green Paper on Tourism) and the information market (as the Impact programme, which was allocated ECU 14 million in 1995, will have ended, no appropriation is required).

Figure 7 shows the relative size of the various policies in the heading in 1996.

Figure 7

Preliminary draft budget for 1995, 1995 budget and preliminary draft budget for 1996
Heading 3 : Internal policies
(appropriations for commitments)



OVERVIEW

4. External action (heading 4)

Expenditure proposals for areas coming under heading 4 total ECU 5 157,3 million. Overall the allocations are up by ECU 283 million (5,8 %) on 1995. There is also an emergency aid reserve of ECU 326 million in heading 6.

The priority in external action is to develop cooperation with non-member Mediterranean countries and the countries of Central and Eastern Europe :

- the allocations proposed for cooperation with the Mediterranean countries and the Middle East are increased by 29,6 % reflecting the strengthening of the European Union's Mediterranean policy (Maghreb and Mashreq countries, Israel, Cyprus, Malta, Turkey and the Middle East), notably with the introduction of a Euro-Mediterranean partnership. An essential aspect of this strategy is the MEDA programme (Measures to accompany the reforms to the economic and social structures in non-member countries of the Mediterranean basin), for which the allocation rises from ECU 172,9 million in 1995 to ECU 412 million for 1996,
- the estimates concerning cooperation with the countries of Central and Eastern Europe are based on an increase in the overall allocation for this region of ECU 1 235 million (up by 5,4 % on 1995) notably to prepare these countries for accession to the European Union.

The total amounts for food aid and humanitarian aid (including the emergency aid reserve covered by heading 6 of the financial perspective) are at much the same levels as in 1995, rising slightly by 0,4 % :

- the allocation proposed for food aid, calculated on the basis of the reference prices adopted in the Interinstitutional Agreement, will cover the same quantities proposed last year and allows for changes in the prices of some products not covered by this agreement,
- the appropriations for humanitarian aid operations

include ECU 51 million to finance emergency food aid operations hitherto financed from conventional food aid.

The appropriations available for humanitarian aid and food aid (including the emergency aid reserve) total ECU 1 185,9 million, or 21,6 % of the appropriations proposed for external action.

The increases for certain other policies covered by the heading are fairly small : cooperation with developing countries in Asia and Latin America (a 2,7 % increase should allow aid operations to continue and to step up economic cooperation with these countries), cooperation with the new independent States and Mongolia under the Tacis programme (+ 4,2 % on 1995) and other cooperation measures (+ 0,5 %).

Significant increases are made for a number of operations such as the European initiative for democracy and the protection of human rights (+ 6,3 % compared with 1995) and the external aspects of certain Community policies (+ 32 % excluding international fisheries agreements: these are allocated ECU 290 million).

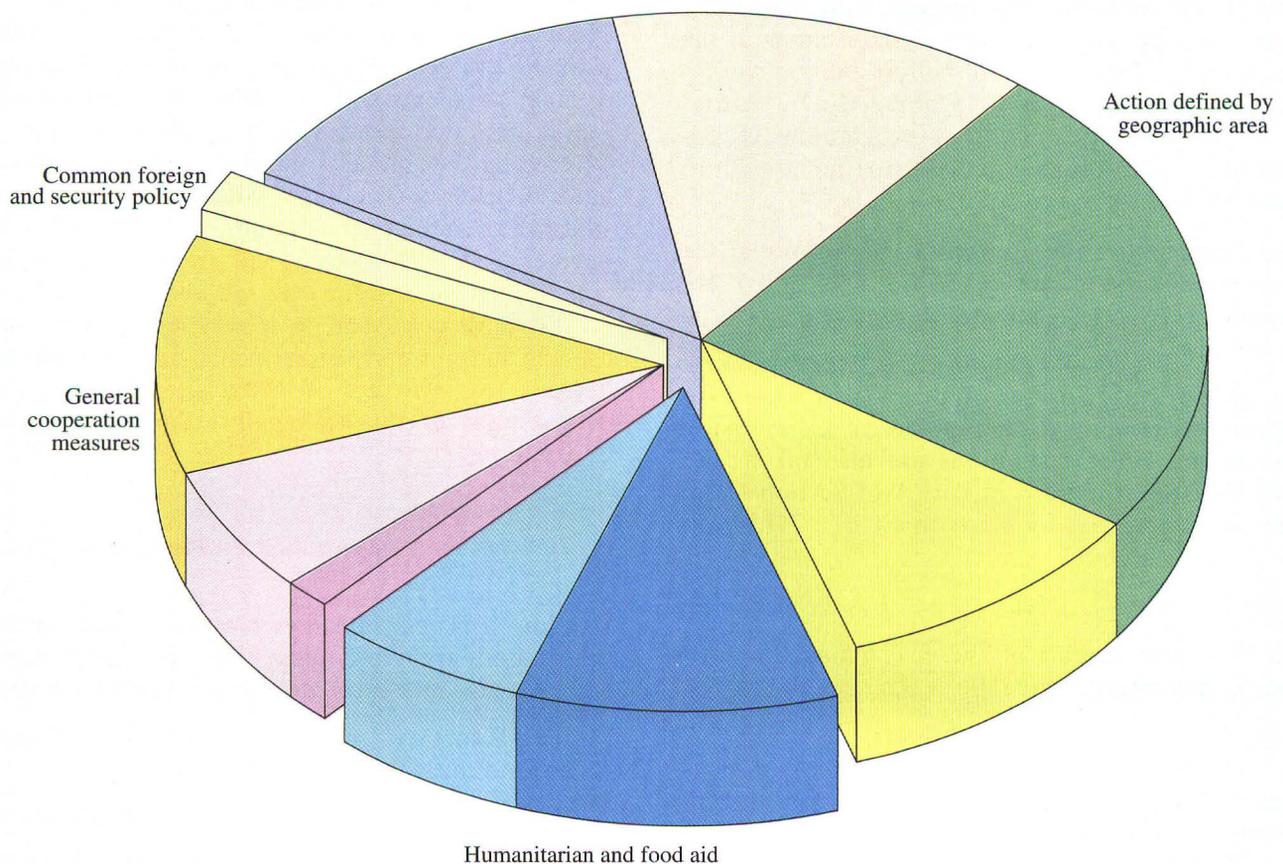
Finally, ECU 92 million is earmarked to finance operations under the common foreign and security policy. Of this total, ECU 32 million is to finance the continuation of the Union's joint action for the administration of Mostar. The remainder is entered in the reserve for other European Union joint action for the common foreign and security policy.

The total appropriations earmarked still leave a margin of ECU 106,7 million beneath the ceiling, so that if necessary it will be possible to cover aid packages in the Republics of former Yugoslavia that cannot be covered from the emergency aid reserve which, by the Interinstitutional Agreement, is confined to 'specific aid needs arising from events not foreseeable when the budget is established, with priority going to humanitarian aid'.

Figure 8 gives the breakdown of the appropriations proposed for 1996 between the various policies covered by the heading.

Figure 8

Preliminary draft budget for 1996
Heading 4 : External action
(appropriations for commitments)



(ECU million)

External action	Amount	%
Action defined by geographic area		
■ Cooperation with Asian and Latin American developing countries (Title B7-3)	719,5	14,0
■ Cooperation with the Mediterranean countries and the Middle East (Title B7-4)	700,0	13,6
■ Cooperation with countries of Central and Eastern Europe (Chapters B7-6 0 and B7-6 1)	1 235,0	23,9
■ Cooperation with the Independent States of the former Soviet Union (Chapter B7-6 2)	528,0	10,2
Humanitarian and food aid		
■ Food aid (Chapter B7-2 0)	540,9	10,5
■ Humanitarian aid (Chapter B7-2 1)	319,0	6,2
General cooperation measures		
■ European initiative for democracy and the protection of human rights (Title B7-7)	80,75	1,6
■ External aspects of certain Community policies (Title B7-8)	328,7	6,4
■ Other cooperation measures (Title B7-5, Chapters B7-6 3 and B7-6 4)	613,5	11,9
■ Common foreign and security policy (Title B7-0)	92,0	1,8
Total	5 157,3	100

OVERVIEW

5. Administrative expenditure (heading 5)

The heading 5 ceiling is raised from ECU 4 022 million in 1995 to ECU 4 191 million in 1996, an increase of 4,2 %. As expenditure on pensions grows by 14,3 % from ECU 349,8 million to ECU 399,8 million, the ceiling on administrative expenditure, excluding pensions, rises by only 3,2 % for all six sections of the general budget. If the ECU 120 million margin available beneath the ceiling in 1995 and used by Parliament to prefinance its buildings programme is discounted, there is fortunately more scope for growth in administrative expenditure.

For the Commission the appropriations proposed for administrative expenditure (excluding pensions) are based on a very strict estimate of requirements. The actual increase is 4,1 %.

If the growth in pensions and an adjustment of appropriations relating to the services of Commission interpreters for other institutions are also taken into account, the appropriations in Part A of Section III of the general budget rise by 6,3 % to ECU 2 747,9 million.

This increase covers :

- a 2,55 % depreciation of the ecu against the Belgian/Luxembourg franc ⁽¹⁾,
- a request for 307 additional posts, of which 267 are for headquarters departments (193 for enlargement, 59 for anti-dumping measures and 15 for financial management), 20 for the external service and 20 for the Publications Office (for enlargement),
- a request for a further 400 posts by conversion of appropriations.

⁽¹⁾ Calculated on the basis of the exchange rates on 1 February 1994 and 1 February 1995, used for the establishment of the 1995 and 1996 budgets.

As the estimates of the other institutions are not yet available, a figure of ECU 1 327,3 million has been taken on the basis of an increase in ordinary administrative expenditure of 4,1 %, the same as for the Commission.

The appropriations proposed in this preliminary draft total ECU 4 075,1 million and leave a margin of ECU 115,8 million in heading 5. If Parliament's building work in Brussels and Strasbourg progresses according to plan, payments will be due in 1997 and subsequent years with the result that for the last three years covered by the financial perspective the amounts available beneath the ceilings will be inadequate. As in 1995, all or some of the margin could be used to make payments in 1996 which will lighten the budgetary cost in later years. However, no decision can be taken on this until next year, as it may still be necessary to use the margin for requirements not covered by the budget, in particular if there should be a further depreciation of the ecu against the Belgian/Luxembourg franc ⁽²⁾.

6. Reserves and compensation (headings 6 and 7)

Heading 6 covers three reserves which are entered in the preliminary draft budget but for which resources are called in only if the need arises during the year :

- the monetary reserve for EAGGF Guarantee expenditure (ECU 500 million);
- the emergency aid reserve (ECU 326 million);
- the loan guarantee reserve (also ECU 326 million).

Heading 7 carries an amount of ECU 701 million for compensation due to the new Member States under the accession agreements.

⁽²⁾ In relation to the budget rate, the purchasing power of the ecu has already declined by some 2 %.

IV. REVENUE

The forecasts of own resources for 1996 set out below are based on the estimates adopted at the meeting of the Advisory Committee on Own Resources on 26 April 1995.

Total revenue comes to ECU 81 928 million, which breaks down as follows:

— *Agricultural and sugar and isoglucose levies*

The forecasts for 1996 are ECU 777,6 million and ECU 1 157,85 million respectively after the Member States' collection costs are deducted. They are calculated on the basis of the Commission's proposals for prices and related measures for the 1995/1996 marketing year. Agricultural levies would thus be lower than in 1995 because of the reform of the common agricultural policy and the impact of the GATT negotiations.

— *Customs duties*

The forecasts for customs duties assume lower customs tariffs than in 1995 and a slight drop in the value of imports from outside the Community as a result of a downward revision of the impact of enlargement on trade flows. The estimate of customs duties thus amounts to ECU 12 853 million, 15,6 % of the revenue in the 1996 budget after the Member States' collection costs are deducted.

— *VAT*

The Community VAT base for 1996 comes to ECU 31 918 million at the 1 % rate.

The uniform call-in rate is estimated at 1,0875 %.

The VAT resource comes to ECU 34 594 million, 42,2 % of the financing of the budget.

— *The additional resource*

The additional resource is based on the total GNP of Member States at market prices. It will increase by 5,5 % in 1996. The GNP base comes to ECU 68 458 million at the 1 % rate. The rate that will have to be applied to finance the part of the budget not covered by the other resources (i.e. 39 % of the total), including the European Agricultural Guidance and Guarantee Fund monetary reserve, the reserve to finance the Loan Guarantee Fund and the emergency aid reserve, is estimated at 0,4670 %. The GNP-based resource thus totals ECU 31 972 million.

— *Miscellaneous revenue*

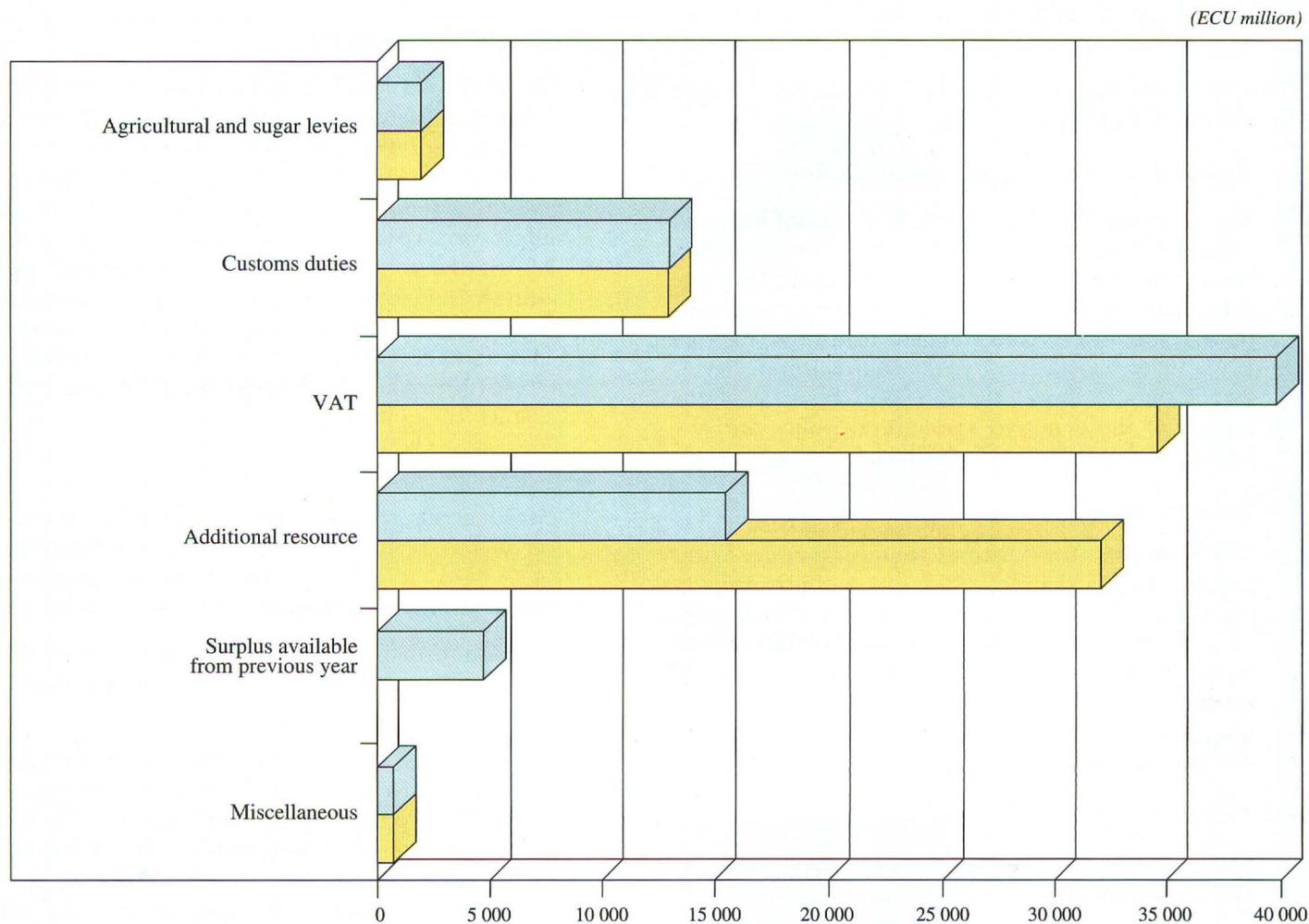
Miscellaneous revenue estimated at ECU 574 million comes from deduction from staff remunerations, bank interest, contributions to additional programmes and repayment of certain expenditure.

The proportion of financing accounted for by each of the main categories of resource in the 1995 budget and the 1996 preliminary draft is shown in figure 9.

The amount of the correction for the United Kingdom under the Council Decision of 31 October 1994 on the system of the Communities' own resources is estimated in 1996 at ECU 3 486 million. This correction is mainly based on the United Kingdom's share of expenditure, on its share of payments of VAT and additional resources and on the volume of the budget.

OVERVIEW

Figure 9

1995 budget and preliminary draft budget for 1996
Breakdown by type of revenue

Type of revenue	Budget 1995		Preliminary draft 1996	
	Amount	%	Amount	%
Agricultural and sugar levies	1 963,8	2,6	1 935,5	2,4
Customs duties	12 942,1	17,2	12 852,9	15,7
VAT	39 893,9	52,9	34 594,3	42,2
Additional resource	15 444,8	20,5	31 971,7	39,0
Surplus available from previous year	4 666,0	6,2	-	-
Miscellaneous	527,8	0,7	573,5	0,7
Total	75 438,4	100	81 927,9	100