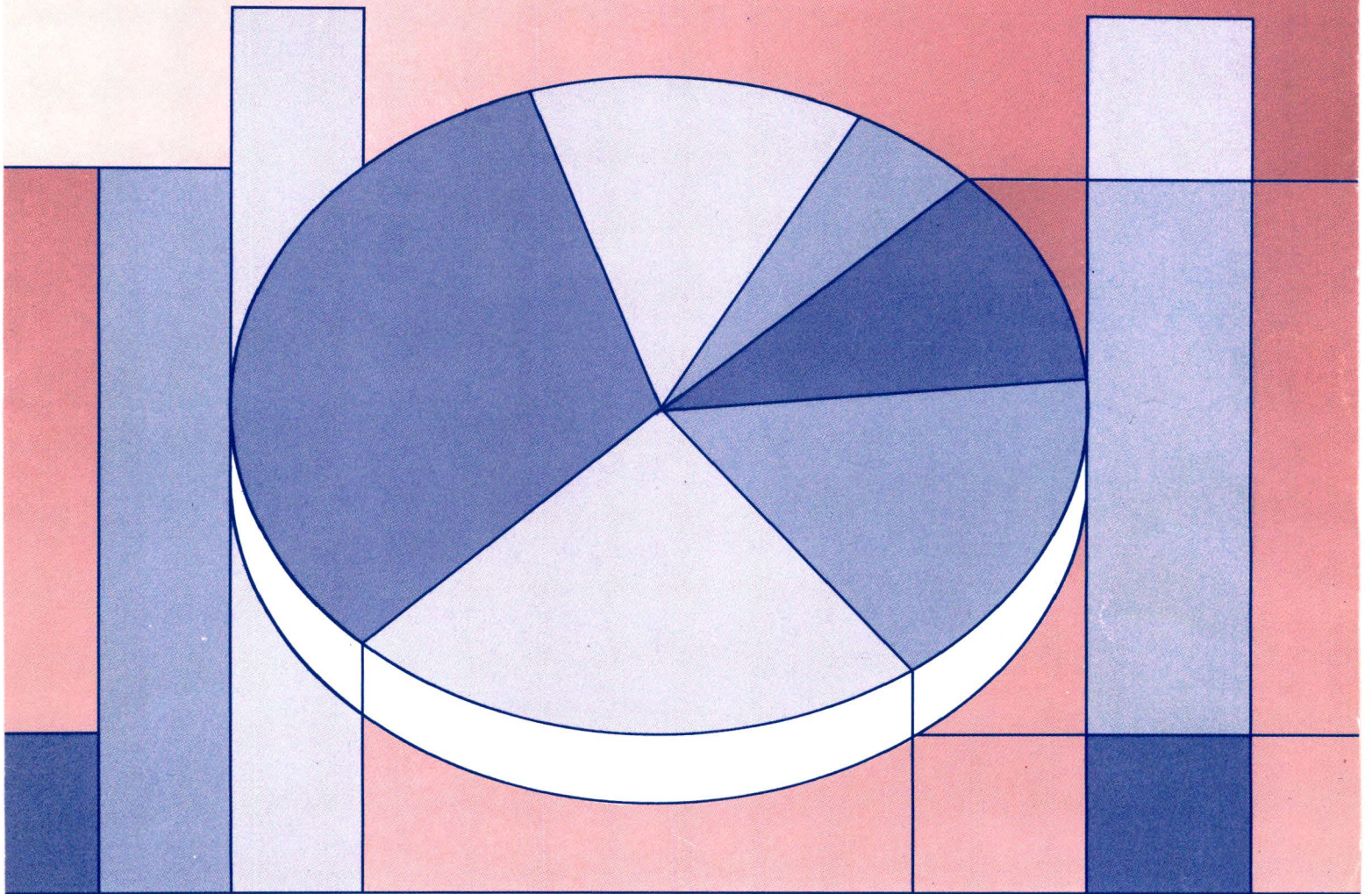




COMMISSION OF THE EUROPEAN COMMUNITIES

**Preliminary draft general budget
of the European Communities
for the financial year 1992**

OVERVIEW



**PRELIMINARY DRAFT GENERAL BUDGET
of the European Communities
for the financial year 1992**

OVERVIEW

**PRELIMINARY DRAFT GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1992**

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FOREWORD

The 1992 budget comes at a crucial point: it is the last budget to be drawn up under the current financial perspective (1988-1992) and at the same time will form a vital element in determining the financial perspective for 1993-1997. The value of the Interinstitutional Agreement and the financial perspective will be gauged against budgetary practice.

Budgetary discipline plays a major role in the 1988 reform of the Community's finances. The preliminary draft budget for 1992 is also directed at this objective. Past priorities have been reviewed impartially so that urgent new requirements may be covered by redeployed appropriations, albeit to a limited extent.

Foreign policy measures in Europe and elsewhere in the world — such as support for the process of restoring democracy and economic recovery in Central and Eastern Europe and assistance to countries in the Gulf and in the Mediterranean region — dominate the current political and budgetary debate. However, although the external policy sector is growing in importance, the Community budget still focuses on internal policy: 48 % of the additional appropriations in the preliminary draft are for the structural Funds. Other internal measures concern agriculture, research and the many policies contributing to the completion of the internal market. Expenditure in these sectors is also on the increase. Even with its increased responsibility as regards foreign policy, the Community still considers the strengthening of economic and social cohesion as a priority objective.

I hope that the budgetary authority — Council and Parliament — will take the Commission's preliminary draft as a basis for a 1992 budget which, while fully respecting budgetary discipline, will enable the Community to carry out its tasks and to assume its increased responsibility in both the internal and external sector.



Peter M. SCHMIDHUBER
*Member of the Commission
for budgetary matters*

OVERVIEW

I. GENERAL FRAMEWORK

New responsibilities and increased budgetary constraints have confronted the Community and its Member States as the rapid succession of international events has brought one change after another.

At the same time the Community has continued its integration measures, concentrating particularly on giving effect to the Single Act.

The preliminary draft budget for 1992 therefore aims at continuity and transparency as well as strict discipline and constraint.

- The preliminary draft budget for 1992 is the last one to be covered by the June 1988 Interinstitutional Agreement and financial perspective and complies with its objectives of containing agricultural expenditure, pursuing a policy of cohesion to promote the development of backward regions by doubling the size of the structural Funds and granting priority to operations which will be the foundations for the future, such as research or those connected with the completion of the internal market.

The financial perspective has been revised on a number of occasions in line with major changes in the Community's international position which could not possibly have been foreseen in 1988 : apart from the additional support for policies connected with the Single European Act, the ceilings for 1992 have been raised to provide assistance to the countries of Central and Eastern Europe, to step up cooperation with the developing countries of Latin America, Asia and the Mediterranean and to accommodate the impact of German unification.

- While a large proportion of resources are devoted to these priorities, the 1992 preliminary draft has been prepared with tighter budgetary discipline in mind.
 - The proposals for 1992 leave a margin below the ceilings of the financial perspective (ECU 925 million for Headings 1 to 4).
 - Keeping agricultural expenditure below the guideline figure will require considerable budgetary discipline.
 - By redeploying ECU 100 million for non-compulsory expenditure under Heading 4, the Commission has sought to ensure that operations such as assistance to the countries most affected by the Gulf crisis, technical assistance to the Soviet Union and the increase in emergency aid can continue in 1992, at least in part, although no provision is made for them in the current financial perspective.
 - The implicit ceiling for administrative expenditure under Heading 5 has limited their increase to 10,5 %. For various reasons explained below, even with this increase the institutions will still be operating on a shoestring.
 - The austerity marking the current budgetary procedure is further underlined by the added attention to cost-effectiveness in the preparation of the preliminary draft.

For 1992, the budgetary authority has still not acted on the Commission's proposal for a revision of the financial perspective (external operations); the Commission has also decided to present a proposal for revision of Heading 5. It is therefore likely that the 1992 preliminary draft budget will be amended later in the year.

II. PRELIMINARY DRAFT BUDGET FOR 1992 IN FIGURES

Compared with the ECU 58 572 million in the 1991 general budget ⁽¹⁾, the overall volume of the preliminary draft budget for 1992 is ECU 65 197 million (in appropriations for commitments), an increase of 11,3%. Appropriations for payments total ECU 62 059 million, as against ECU 55 593 million in 1991, representing around 1,13% of the Community's gross national product, compared with the maximum rate of 1,20% laid down for 1992 by the own resources Decision.

These expenditure proposals were made against the following macroeconomic background: for all the Member States together, the rate of increase in public sector expenditure is estimated at 6,3%, the gross national product growth rate (in real terms) at 2,5% and the rise in prices at 4,6%.

To finance the preliminary draft budget, the uniform call-in rate for VAT own resources is 1,25% slightly above the 1991 rate.

The uniform call-in rate for the gross national product-based resource (including cover for the monetary reserve) is 0,24%.

The table on the following pages gives an overall summary of the figures for the 1992 preliminary draft budget, comparing them with the 1991 budget, including the supplementary and amending budgets and the GDR transfer.

⁽¹⁾ Including supplementary and amending draft budget No 1 (Council's second reading).

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General summary of appropriations for 1991 and 1992

(ecu million)

Heading in the financial perspective	Subsection Title	Heading	Appropriations 1991		Appropriations 1992		Percentage change 1992/1991	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
		PART A						
5	A-1	Expenditure relating to persons working with the institution	1 092,650	1 092,650	1 231,367	1 231,367	12,70	12,70
5	A-2	Buildings, equipment and miscellaneous operating expenditure	222,542	222,542	237,006	237,006	6,50	6,50
5	A-3	Expenditure resulting from special functions carried out by the institution	185,941	185,941	208,351	208,351	12,05	12,05
5	A-4	Expenditure on support for expenditure resulting from special functions carried out by the institution	(8,863)	(8,863)	(10,749)	(10,749)	(21,28)	(21,28)
5	A-5	Expenditure on data-processing	43,563	43,563	48,060	48,060	10,32	10,32
5	A-6	Expenditure on staff and administration outside the Community	134,755	134,755	146,950	146,950	9,05	9,05
5	A-10	Other expenditure						
		Part A — Total	1 679,450	1 679,450	1 871,734	1 871,734	11,45	11,45
		PART B						
	B1	European Agricultural Guidance and Guarantee Fund, Guarantee section						
1	B1-1	Plant products	19 428,000	19 428,000	19 942,000	19 942,000	2,65	2,65
1	B1-2	Animal products	10 169,000	10 169,000	12 828,000	12 828,000	26,15	26,15
1	B1-3	Ancillary expenditure	1 819,000	1 819,000	1 710,000	1 710,000	- 5,99	- 5,99
1	B1-4	Set-aside	100,000	100,000	180,000	180,000	80,00	80,00
6	B1-5	Monetary reserve	1 000,000	1 000,000	1 000,000	1 000,000		
		B1 — Sub-total	32 516,000	32 516,000	35 660,000	35 660,000	9,67	9,67
	B2	Structural operations and fisheries						
2	B2-1	Structural Funds	14 367,400	12 851,000	17 540,000	16 017,000	22,08	24,64
2	B2-2	Other structural operations	436,600	428,700	425,255	416,545	- 2,60	- 2,84
3	B2-3	Integrated Mediterranean programmes	334,000	291,000	467,000	302,500	39,82	3,95
4	B2-5	Other agricultural operations	173,300	153,080	201,613	215,720	16,34	40,92

OVERVIEW

General summary of appropriations for 1991 and 1992 (cont'd)

(ecu million)

Heading in the financial perspective	Subsection Title	Heading	Appropriations 1991		Appropriations 1992		Percentage change 1992/1991	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
4	B2-6	Other regional operations	72,900	42,020	32,714	51,000	- 55,12	21,37
4	B2-7	Transport and tourism	140,450	104,450	155,044	124,362	10,39	19,06
4	B2-9	Common policy on fisheries and the sea	530,800	419,400	595,390	473,500	12,17	12,90
		B2 — Sub-total	16 055,450	14 289,650	19 417,016	17 600,627	20,94	23,17
		B3 Training, youth, culture, information and other social operations						
4	B3-1	Education, vocational training and youth policy	218,942	216,042	251,400	250,400	14,82	15,90
4	B3-2	Culture	10,300	10,300	11,698	11,698	13,57	13,57
4	B3-3	Information and communication	64,680	51,680	83,668	71,668	29,36	38,68
4	B3-4	Other social operations	111,742	113,740	122,397	146,682	9,54	28,96
		B3 — Sub-total	405,664	391,762	469,163	480,448	15,65	22,64
		B4 Energy, Euratom nuclear safeguards and environment						
4	B4-1	Energy	167,500	120,800	177,745	141,900	6,12	17,47
4	B4-2	Euratom nuclear safeguards	7,855	7,855	9,648	9,648	22,83	22,83
4	B4-3	Environment	118,950	86,325	118,950	82,539		- 4,39
		B4 — Sub-total	294,305	214,980	306,343	234,087	4,09	8,89
		B5 Consumer protection, internal market, industry and technological innovation						
4	B5-1	Consumer protection	14,471	15,321	10,805	11,170	- 25,33	- 27,09
4	B5-2	Aid for reconstruction	22,400	22,400	18,650	18,650	- 16,74	- 16,74
4	B5-3	Internal market	152,500	128,595	167,355	143,699	9,74	11,75
4	B5-4	Industry	67,100	49,240	64,597	64,440	- 3,73	30,87
4	B5-5	Innovation and information market	38,500	38,500	44,362	38,600	15,23	0,26
4	B5-6	Statistical information	4,200	41,100	49,368	44,600	11,69	8,52
		B5 — Sub-total	339,171	295,156	355,137	321,159	4,71	8,81

OVERVIEW

General summary of appropriations for 1991 and 1992 (cont'd)

(ecu million)

Heading in the financial perspective	Subsection Title	Heading	Appropriations 1991		Appropriations 1992		Percentage change 1992/1991	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
	B6	Research and technological development						
3	B6-1	Joint Research Centre — Staff and resources	189,417	189,146	202,988	199,265	7,16	5,35
3	B6-3	Joint Research Centre — Direct operating appropriations — Framework programme 1990 to 1994			37,369	15,131		
3	B6-4	Joint Research Centre — Direct operating appropriations — Activities in support of the 1987 to 1991 and 1990 to 1994 framework programmes	47,577	55,948	13,843	30,246	-70,90	-45,94
3	B6-5	Indirect action projects (shared-cost projects) and concerted action projects — Framework programme 1987 to 1991	1 140,191	1 223,126	203,700	889,758	-82,13	-27,26
3	B6-6	Indirect action projects (shared-cost projects), concerted action projects and supplementary programmes — Framework programme 1990 to 1994	660,665	214,000	1 636,135	516,248	147,65	141,24
3	B6-7	Dissemination and exploitation activities — Framework programme 1990 to 1994	p.m.	p.m.	25,000	5,425		
3	B6-8	Accompanying and support activities for the 1987 to 1991 and 1990 to 1994 framework programmes	93,950	62,360	114,012	97,886	21,35	56,97
		B6 — Sub-total	2 131,800	1 744,580	2 233,047	1 753,959	4,75	0,54
	B7	Cooperation with developing countries and other third countries						
4	B7-1	European Development Fund	p.m.	p.m.	p.m.	p.m.		
4	B7-2	Food aid	516,900	564,740	518,050	552,700	0,22	- 2,13
4	B7-3	Cooperation with Asian and Latin American developing countries	479,800	340,800	565,500	357,100	17,86	4,78
4	B7-4	Cooperation with Mediterranean countries	326,700	224,200	423,930	294,700	29,76	31,45
4	B7-5	Other cooperation measures	291,440	264,240	311,896	307,796	7,02	16,48
4	B7-6	Cooperation with countries of Central and Eastern Europe and the Soviet Union	803,000	335,000	1 073,000	653,000	33,62	94,93
4	B7-7	Cooperation with other third countries	500,000	500,000	40,000	20,000	-92,00	-96,00
		B7 — Sub-total	2 917,840	2 228,980	2 932,376	2 185,296	0,50	- 1,96

General summary of appropriations for 1991 and 1992 (cont'd)

(ecu million)

Heading in the financial perspective	Subsection Title	Heading	Appropriations 1991		Appropriations 1992		Percentage change 1992/1991	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
	B8	Expenditure in support of Community operations						
2, 3 and 4	B8-2	Expenditure in support of structural operations and fisheries	(21,275)	(21,275)	(23,845)	(23,845)	(12,08)	(12,08)
4	B8-3	Expenditure in support of training, youth, culture, information and other social operations	(22,910)	(22,910)	(25,268)	(25,268)	(10,29)	(10,29)
4	B8-4	Expenditure in support of energy, Euratom nuclear safeguards and environment	(15,086)	(15,086)	(17,399)	(17,399)	(15,33)	(15,33)
4	B8-5	Expenditure in support of operations in the fields of consumer protection, internal market, industry and technological innovation	(76,849)	(76,849)	(85,066)	(85,066)	(10,69)	(10,69)
4	B8-7	Expenditure in support of projects in the field of cooperation with developing countries and other third countries	(47,976)	(47,976)	(35,275)	(35,275)	(-26,47)	(-26,47)
		B8 — Sub-total	(184,096)	(184,096)	(186,853)	(186,853)	(1,50)	(1,50)
	B0	Repayments, guarantees, reserves						
5	B0-1	Repayments and refunds to Member States	1 262,369	1 262,369	892,000	892,000	-29,34	-29,34
5	B0-2	Guarantees for borrowing and lending operations	p.m.	p.m.	p.m.	p.m.		
5	B0-3	Deficit carried over from previous year	p.m.	p.m.	p.m.	p.m.		
4	B0-4	Reserves and provisions						
		B0 — Sub-total	1 262,369	1 262,369	892,000	892,000	-29,34	-29,34
		Part B — Sub-total	55 922,600	52 943,478	62 265,082	59 127,576	11,34	11,68
		Other institutions	969,931	969,931	1 060,100	1 060,100	9,30	9,30
		Grand total	58 571,981	55 592,859	65 196,916	62 059,410	11,31	11,63

III. EXPENDITURE

Analysis by heading in the financial perspective

The tables and charts on the following pages give an overview of the figures for the 1992 preliminary draft budget by reference to the headings in the financial perspective.

The tables provide a comparison with the 1991 budget, while the charts show the progression of the main categories of expenditure over the duration of the Interinstitutional Agreement, which is due to expire at the end of 1992.

Breakdown by heading in the financial perspective

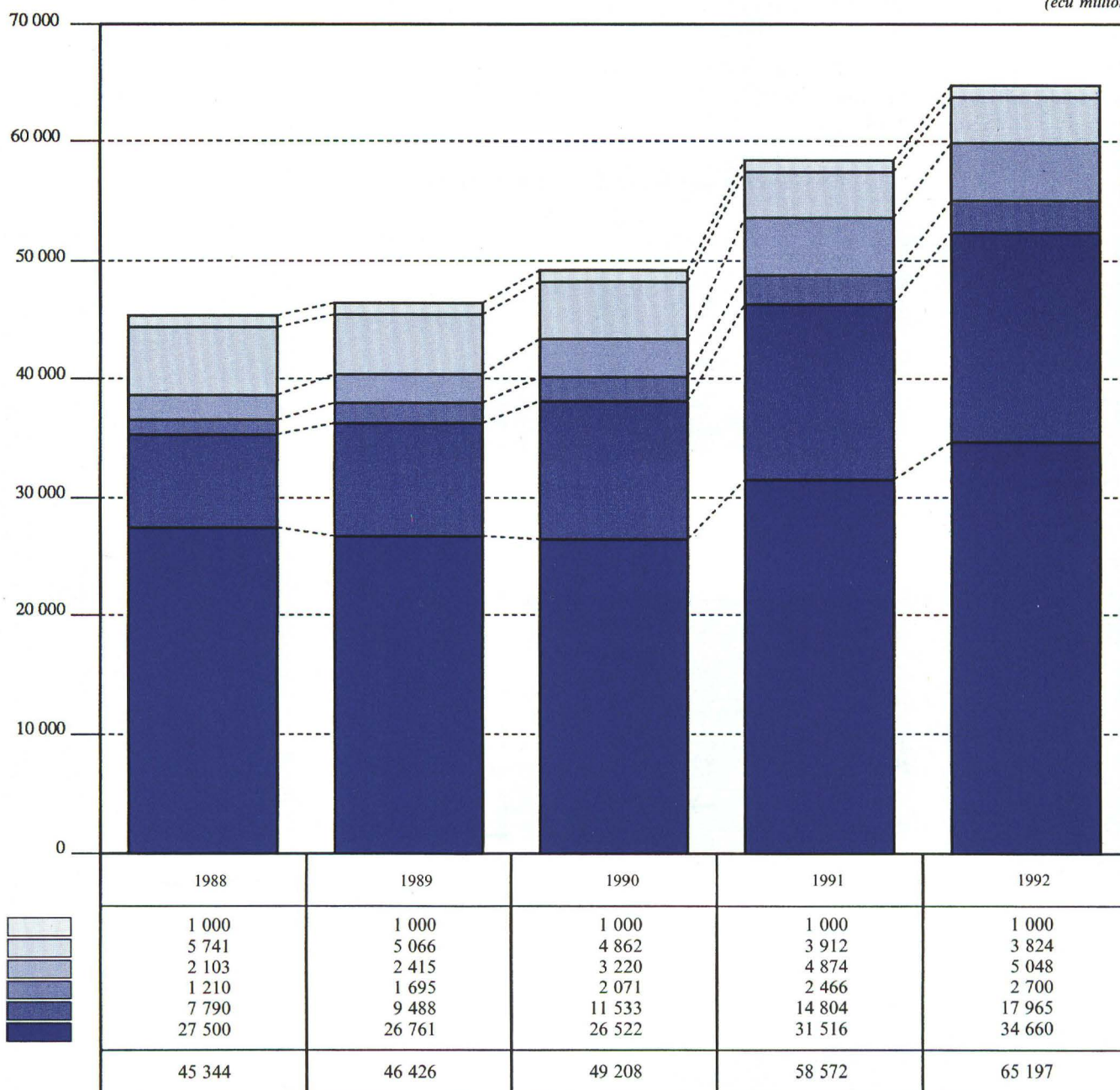
(ecu million)

Heading	Compulsory expenditure (CE) Non-compulsory expenditure (NCE)	Budget 1991	Financial perspective 1992	Preliminary draft budget 1992	Percentage difference	Difference
		1	2	3	3 : 1	2-3
Appropriations for commitments						
1. European Agricultural Guidance and Guarantee Fund, Guarantee section	CE	31 516,000		34 660,000	9,98	
	NCE					
Total 1		31 516,000	34 950,000	34 660,000	9,98	290,000
2. Structural operations	CE	387,000		348,000	- 10,08	
	NCE	14 417,000		17 617,255	22,20	
Total 2		14 804,000	18 009,000	17 965,255	21,35	43,745
3. Policies with multiannual allocations	CE					
	NCE	2 465,800		2 700,047	9,50	
Total 3		2 465,800	3 115,000	2 700,047	9,50	414,953
4. Other policies	CE	861,730	1 020,000	943,780	9,52	76,220
	NCE	4 012,700	4 204,000	4 104,000	2,28	100,000
Total 4		4 874,430	5 224,000	5 047,780	3,56	176,220
5. Repayments and administration	CE	1 509,619		1 182,786	- 21,65	
	NCE	2 402,132		2 641,048	9,95	
Total 5		3 911,751	4 205,000	3 823,834	- 2,25	381,166
6. Monetary reserve	CE	1 000,000		1 000,000		
	NCE					
Total 6		1 000,000	1 000,000	1 000,000		
		35 274,349	38 640,000	38 134,566	8,11	505,434
		23 297,632	27 863,000	27 062,350	16,16	800,650
Appropriations for commitments — Total		58 571,981	66 503,000	65 196,916	11,31	1 306,084
Appropriations for payments						
		35 236,849	38 580,000	38 061,936	8,02	518,064
		20 356,010	24 392,000	23 997,474	17,89	394,526
Appropriations for payments — Total		55 592,859	62 972,000	62 059,410	11,63	912,590

OVERVIEW

**Progression of expenditure by heading
in the financial perspective
1988-1992 ⁽¹⁾**

(ecu million)

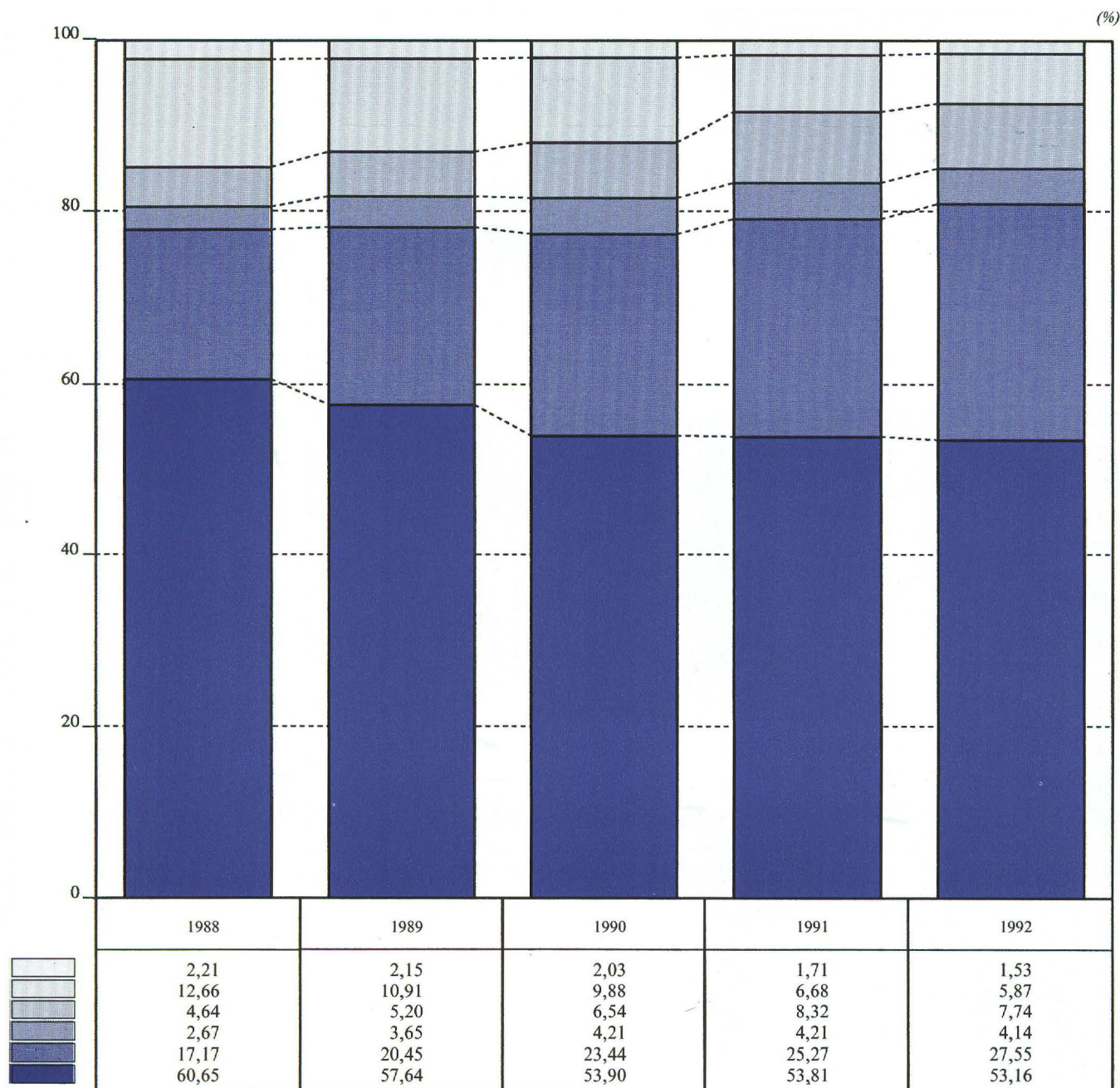


- Monetary reserve (Heading 6)
- Repayments and administration (Heading 5)
- Other policies (Heading 4)
- Policies with multiannual allocations (Heading 3)
- Structural operations (Heading 2)
- European Agricultural Guidance and Guarantee Fund, Guarantee Section (Heading 1)

⁽¹⁾ 1988-1991 : budget; 1992 : preliminary draft budget.

OVERVIEW

**Distribution of expenditure by heading
in the financial perspective
1988-1992 ⁽¹⁾**



- Monetary reserve (Heading 6)
- Repayments and administration (Heading 5)
- Other policies (Heading 4)
- Policies with multiannual allocations (Heading 3)
- Structural operations (Heading 2)
- European Agricultural Guidance and Guarantee Fund, Guarantee Section (Heading 1)

(1) 1988-1991 : budget; 1992 : preliminary draft budget.

OVERVIEW

**Breakdown by heading in the financial perspective
(with subdivisions) ⁽¹⁾**

(ecu million)

Heading	Compulsory expenditure (CE)	Budget 1991	Financial perspective 1992	Preliminary draft budget 1992	Percentage difference	Difference
	Non-compulsory expenditure (NCE)	1	2	3	3 : 1	3-2
<i>Appropriations for commitments</i>						
1. European Agricultural Guidance and Guarantee Fund, Guarantee Section (Sub-section B1)	CE	31 516,000		34 660,000	9,98	
Total 1		31 516,000	34 950	34 660,000	9,98	290,00
2. Structural operations :						
— structural Funds (Title B2-1)	CE	87,000		68,000	- 21,84	
	NCE	14 280,400		17 472,000	22,35	
— specific programme for the development of Portuguese industry (Chapter B2-2 0)	NCE	119,800		127,700	6,59	
— preparation and implementation of community support frameworks — Technical assistance and assessment (Chapters B2-2 1 and B8-2 4)	NCE	16,800		17,555	4,49	
— set-aside and income aid (Chapter B2-2 2)	CE	300,000		280,000	- 6,67	
Sub-total	CE	387,000		348,000	- 10,08	
Sub-total	NCE	14 417,000		17 617,255	22,20	
Total 2		14 804,000	18 009	17 965,255	21,35	43,75

(1) The figures in these tables include the amounts on operations support expenditure (Subsection B8); the full cost of each policy can thus be evaluated.

OVERVIEW

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

(ecu million)

Heading	Compulsory expenditure (CE)	Budget 1991	Financial perspective 1992	Preliminary draft budget 1992	Percentage difference	Difference
	Non-compulsory expenditure (NCE)					
		1	2	3	3 : 1	3 - 2
3. Policies with multiannual allocations :						
— integrated Mediterranean programmes (Title B2-3 and Chapter B8-2 8)	NCE	334,000		467,000	39,82	
— research and technological development (Subsection B6)	NCE	2 131,800		2 233,047	4,75	
Sub-total	NCE	2 465,800		2 700,047	9,50	
Total 3		2 465,800	3 115	2 700,047	9,50	414,95
4. Others policies :						
— expenditure in the agricultural sector (Chapters B2-5 1 and B8-2 5)	CE NCE	109,000 64,300		134,500 67,113	23,39 4,37	
— other regional operations (Title B2-6 and Chapter B8-2 6)	NCE	72,900		32,714	- 55,12	
— transports (Chapters B2-7 0 and B8-2 7)	NCE	136,250		150,682	10,59	
— tourism (Chapter B2-7 1)	NCE	4,200		4,362	3,86	
— common policies on fisheries and the sea (Title B2-9 and Chapter B8-2 9)	CE NCE	310,100 220,700		365,600 229,790	17,90 4,12	
— education, vocational training and youth policy (Title B3-1 and Chapter B8-3 1)	NCE	218,942		251,400	14,82	
— culture (Title B3-2 and Chapter B8-3 2)	NCE	10,300		11,698	13,57	
— information and communication (Title B3-3 and Chapter B8-3 3)	NCE	64,680		83,668	29,36	
— other social operations (Title B3-4 and Chapters B8-3 4, B8-3 5, and B8-3 6)	NCE	111,742		122,397	9,54	
— energy (Title B4-1 and Chapter B8-4 1)	NCE	167,500		177,745	6,12	
— Euratom nuclear safeguards (Title B4-2 and Chapter B8-4 2)	NCE	7,855		9,648	22,83	

OVERVIEW

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

(ecu million)

Heading	Compulsory expenditures (CE)	Budget 1991	Financial perspective 1992	Preliminary draft budget 1992	Percentage difference	Difference
	Non-compulsory expenditure (NCE)					
		1	2	3	3 : 1	3-2
4. Other policies (cont'd) :						
— environment (Title B4-3 and Chapters B8-4 3 and B8-4 5)	NCE	118,950		118,950		
— consumer protection (Title B5-1 and Chapter B8-5 1)	NCE	14,471		10,805	- 25,33	
— aid for reconstruction (Title B5-2)	NCE	22,400		18,650	- 16,74	
— internal market (Title B5-3 and Chapters B8-5 3, B8-5 4 and B8-5 5)	CE NCE	152,500		1,000 166,355	9,09	
— industry (Title B5-4 and Chapters B8-5 6 and B8-5 7)	CE NCE	0,200 66,900		0,250 64,347	25,00 - 3,82	
— innovation and information market (Title B5-5 and Chapter B8-5 8)	NCE	38,500		44,362	15,23	
— statistical information (Title B5-6 and Chapter B8-5 9)	NCE	44,200		49,368	11,69	
— food aid (Title B7-2 and Chapter B8-7 2)	CE NCE	116,900 400,000		88,200 429,850	- 24,55 7,46	
— cooperation with Asian and Latin American developing countries (Title B7-3 and Chapter B8-7 3)	NCE	479,800		565,500	17,86	
— cooperation with Mediterranean countries (Title B7-4 and Chapter B8-7 4)	CE NCE	305,700 21,000		336,230 87,700	9,99 317,62	
— other cooperation measures (Title B7-5 and Chapter B8-7 5)	CE NCE	1,830 289,610		311,896	- 100,00 7,70	
— cooperation with Central and Eastern European countries (Chapters B7-6 0, B7-6 1 and Chapter B8-7 6)	CE NCE	18,000 785,000		18,000 1 015,000	29,30	
— cooperation with the Soviet Union (Chapter B7-6 2)	NCE			40,000		
— financial assistance for the countries most directly affected by the Gulf Crisis (Chapter B7-7 0)	NCE	500,000		40,000		
Sub-total	CE	861,730	1 020	943,780	9,52	76,22
Sub-total	NCE	4 012,700	4 204	4 104,000	2,28	100,00
Total 4		4 874,430	5 224	5 047,780	3,56	176,22

OVERVIEW

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

(ecu million)

Heading	Compulsory expenditures (CE) Non-compulsory expenditure (NCE)	Budget 1991	Financial perspective 1992	Preliminary draft budget 1992	Percentage difference	Difference
		1	2	3	3 : 1	3 - 2
5. Repayments and administration :						
— stock disposal (Chapter B0-1 0)	CE	810,000	1 191	810,000		
— refunds and financial compensation (Chapter B0-1 1)	CE	452,369		82,000	- 81,87	
— Commission (Part A)	CE	247,249		290,786	17,61	
	NCE	1 432,201		1 580,948	10,39	
— other institutions	NCE	969,931		1 060,100	9,30	
Sub-total	CE	1 509,619		1 182,786	- 21,65	
Sub-total	NCE	2 402,132		2 641,048	9,95	
Total 5		3 911,751	4 205	3 823,834	- 2,25	381,17
6. Monetary reserve (Title B1-5)	CE	1 000,000		1 000,000		
Total 6		1 000,000	1 000	1 000,000		
Sub-total	CE	35 274,349	38 640	38 134,566	8,11	505,43
Sub-total	NCE	23 297,632	27 863	27 062,350	16,16	800,65
Appropriations for commitments — Grand total		58 571,981	66 503	65 196,916	11,31	1 306,08
Appropriations for payments						
Sub-total	CE	35 236,849	38 580	38 061,936	8,02	518,06
Sub-total	NCE	20 356,010	24 392	23 997,474	17,89	394,53
Appropriations for payments — Grand total		55 592,859	62 972	62 059,410	11,63	912,59

OVERVIEW

Heading 1 : European Agricultural Guidance and Guarantee Fund, Guarantee Section

At ECU 34 660 million, the European Agricultural Guidance and Guarantee Fund, Guarantee section appropriations for 1992 are 10 % higher than the 1991 figure, confirming the rise in 1991 after two years in which the market situation lent itself to the stabilization of agricultural expenditure.

Events in 1991 continue to affect the level of expenditure. Externally, there is the continuing weakness of world prices and of the dollar rate used for drawing up the preliminary draft budget; internally, there are major structural imbalances on some markets such as beef, milk products or cereals.

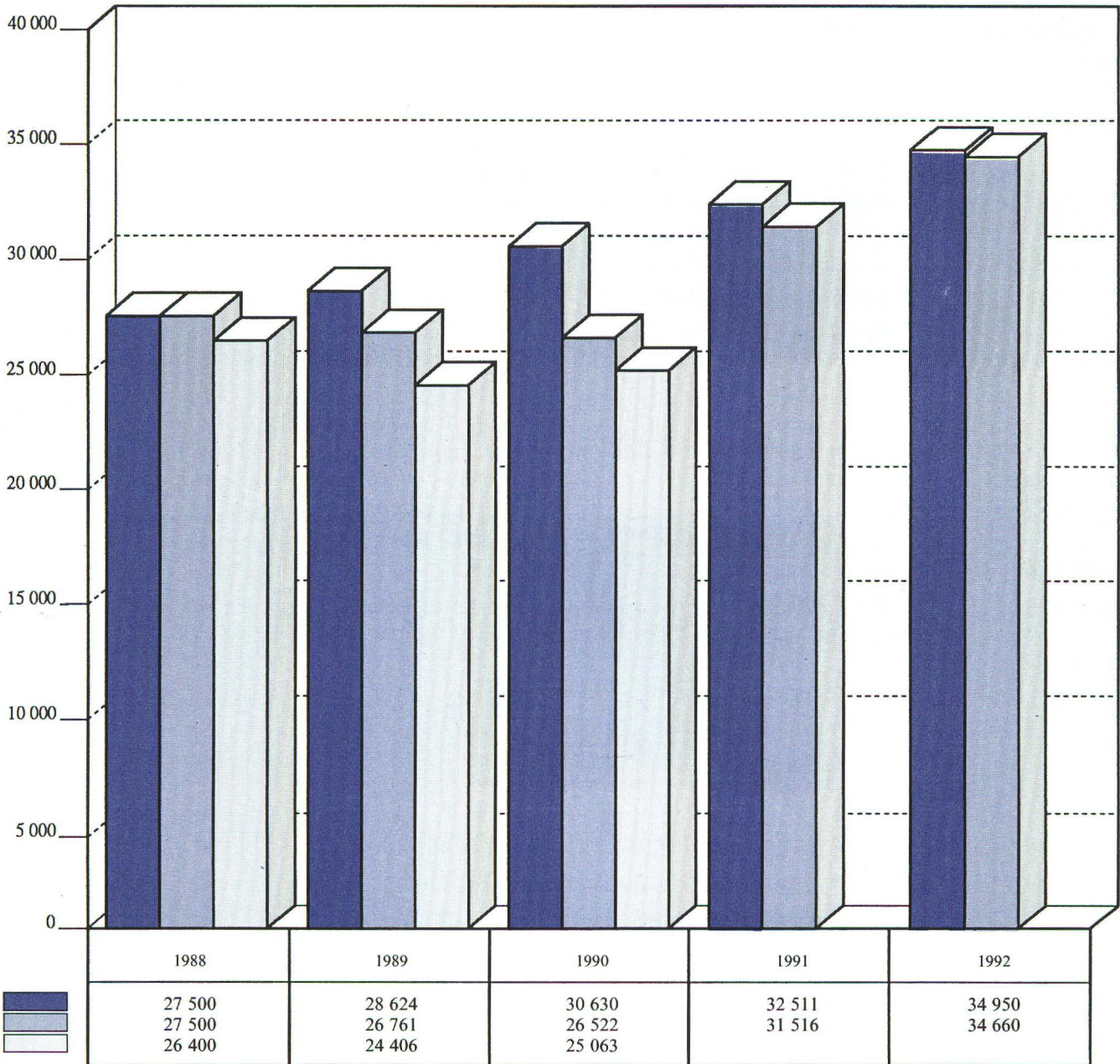
This situation leads to massive intervention buying, which is particularly expensive for the Community budget in view of the policy to write down the value of stocks systematically to world price levels.

Agricultural expenditure will not remain within the agricultural guideline (ECU 34 950 million for 1992) unless the major savings proposed as part of the 'prices' package are realized.

The chart on the following page compares the agricultural guideline, planned budgetary expenditure and actual budgetary expenditure over the period 1988-1992.

**European Agricultural Guidance and Guarantee Fund,
Guarantee section
1988-1992**

(ecu million)



- Agricultural guideline
- Budget
- Outturn

OVERVIEW

Heading 2 : Structural operations

At ECU 17 965 million, structural operations covered by Heading 2 constitute the area of Community expenditure which has recorded the largest increase over the 1991 budget (21,4 %, almost double the increase for the budget as a whole).

In particular, the allocation for the so called structural Funds comes to ECU 17 540 million as against ECU 14 367 million in 1991. This results from the application of Regulation (EEC) No 2052/88 on the reform of the structural Funds and takes account of the transfers made under Articles 10 and 11 of the Interinstitutional Agreement for 1990 (ECU 350 million) and 1991 (ECU 250 million) subject to their formal adoption by the budgetary authority.

It includes the amounts resulting from German unification (ECU 1 046 million when the ECU 1 000 million provided for in the 1990 revision of the financial perspective is updated to 1992 prices).

It also comprises of ECU 200 million designed to allow for the effects on the allocation in real terms to the structural Funds of the difference between the forecast rate of inflation and the actual rate.

The breakdown by objective and by Funds takes account, on the one hand, of the doubling of appropriations for the areas covered by Objective No 1 between 1988 and 1992 (requiring an overall budget of ECU 9 937 million at 1992 prices) and, on the other hand, the schedule of payments for the Community support frameworks and the Community initiative programmes.

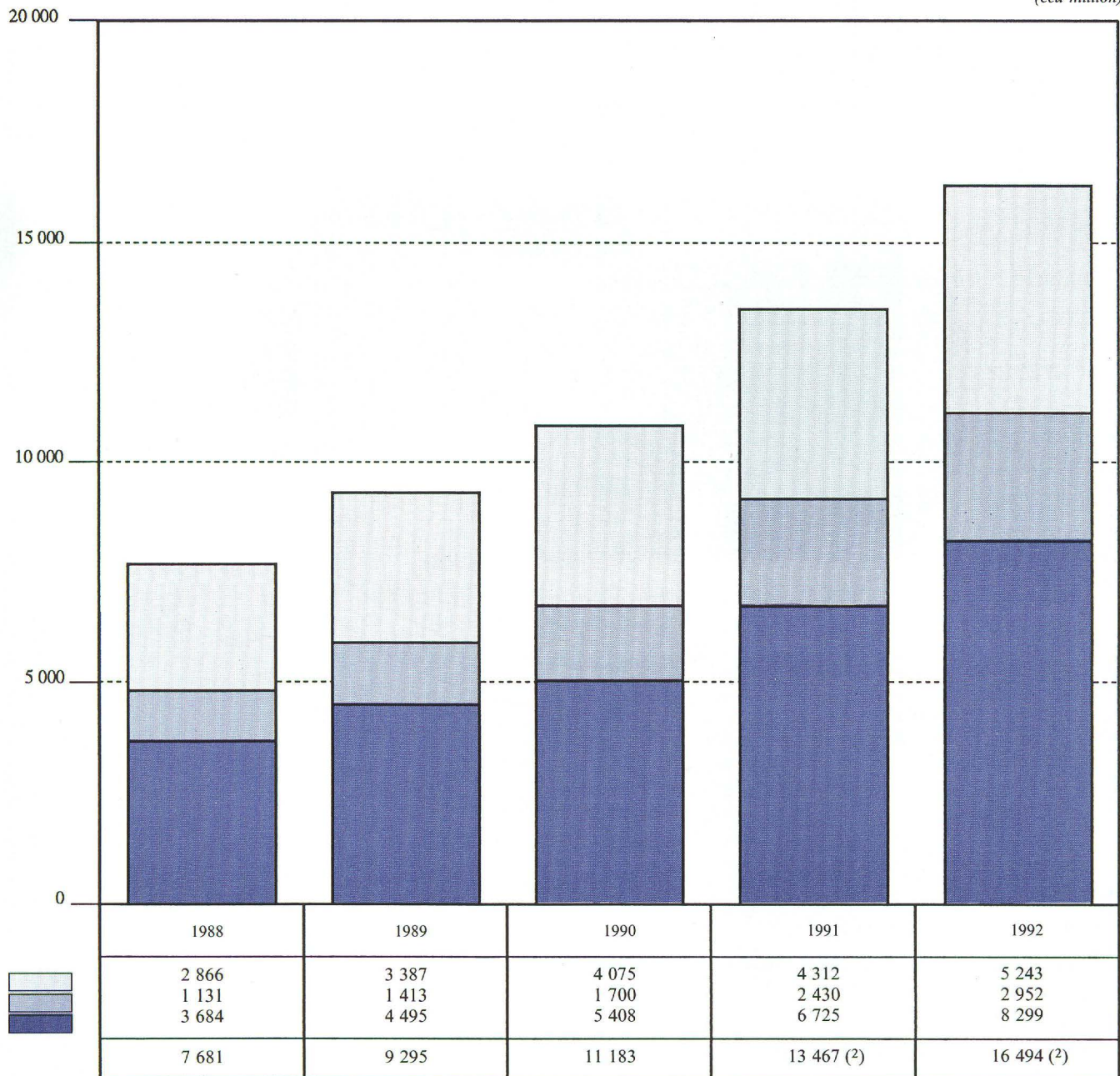
The chart on page 23 shows the development of structural Fund allocations and the breakdown by Fund between 1988 and 1992. The chart on page 24 shows the breakdown by objective in the preliminary draft budget for 1992.

As regards Pedip (specific programme for the development of Portuguese industry), for which 1992 is the last year of application, the ECU 127,7 million represents the balance of the overall budget set in 1988.

Taking into account the ECU 280 million for set-aside and income aid, expenditure under Heading 2 leaves a margin of ECU 44 million.

**Progression of the structural funds
1988-1992 (1)**

(ecu million)



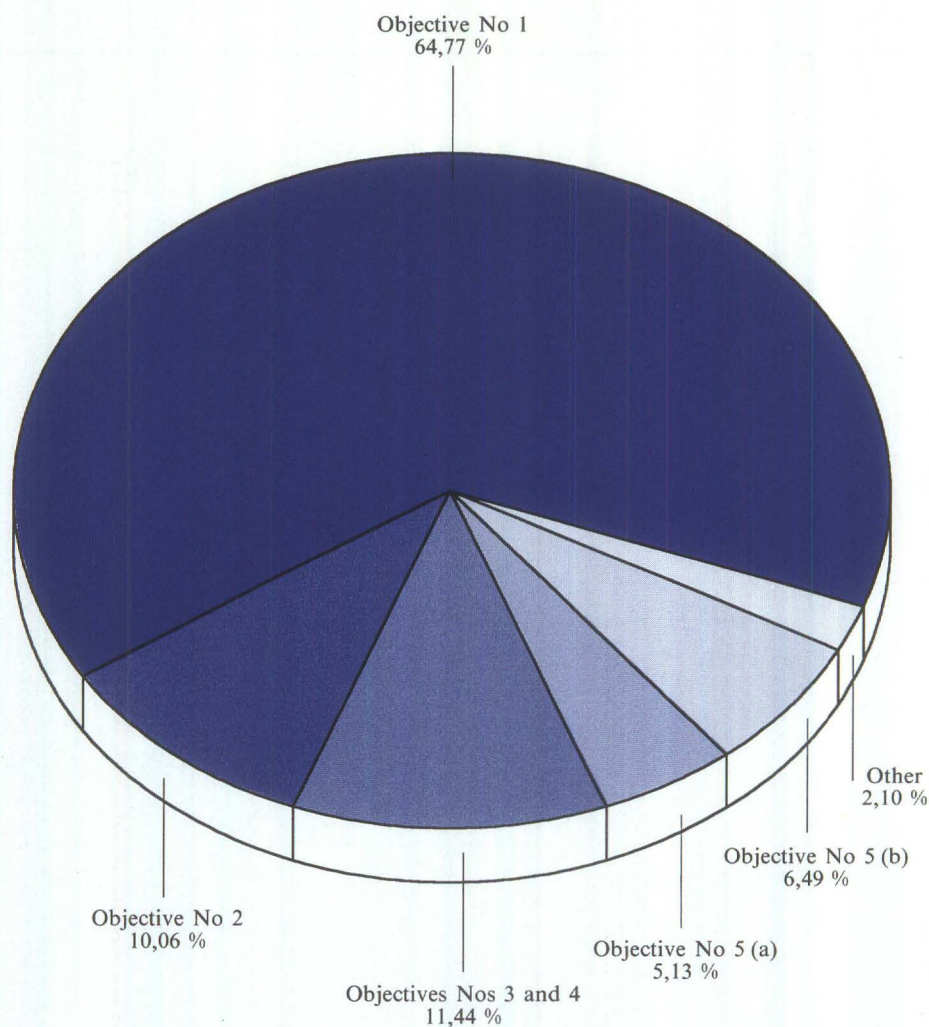
- European Social Fund
- Guidance Section of the European Agricultural Guidance and Guarantee Fund
- European Regional Development Fund

(1) 1988-1991 : budget; 1992 : preliminary draft budget.

(2) Plus ECU 900 million in 1991 and ECU 1 046 million in 1992 for the Community support framework in the former German Democratic Republic.

OVERVIEW

**Breakdown of appropriations by objectives for 1992
(appropriations for commitments)**



- Objective No 1 : promoting the development and structural adjustment of the regions whose development is lagging behind (ECU 10 683 million)
- Objective No 2 : converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline (ECU 1 660 million)
- Objective No 3 : combating long-term unemployment
- Objective No 4 : facilitating the occupational integration of young people } (ECU 1 887 million)
- Objective No 5 (a) : with a view to reform of the common agricultural policy, speeding up the adjustment of agricultural structures (ECU 846 million)
- Objective No 5 (b) : with a view to reform of the common agricultural policy, promoting the development of rural areas (ECU 1 071 million)
- Transitional measures and innovatory operations (other) (ECU 347 million)

Heading 3 : Policies with multiannual allocations

The proposals for Heading 3 come to a total of ECU 2 700 million 9,5 % higher than in the 1991 budget.

— The ECU 467 million entered in the budget for the integrated Mediterranean programmes is the balance of the overall budget of ECU 1 600 million adopted for a seven-year period from 1986.

— The ECU 2 233 million for research is based on the following factors :

(a) concerning the second framework programme (1987-1991) :

the amount (ECU 204 million) fits into an overall schedule for the total ECU 5 396 million judged necessary in the Council Decision of 28 September 1987;

(b) concerning the third framework programme (1990-1994) :

the ECU 1 839 million proposed for 1992 under the 1990-1994 programme forms part of the total budget of ECU 2 500 million provided for the period covered by the Interinstitutional Agreement;

(c) concerning the support operations outside the framework programme :

the ECU 190 million adopted for these operations is an increase of 16,6 % over the 1991 budget (ECU 163 million) and is based on a rationalization of these measures with emphasis on a few major objectives and in particular stronger action for high-definition television.

Overall, the expenditure proposed under the ceiling of the financial perspective under Heading 3 leaves a margin of ECU 415 million.

OVERVIEW

Heading : 4 Other policies

The ceiling of ECU 5 224 million for Heading 4 expenditure in 1992 will allow a total increase of ECU 350 million over the 1991 budget, of which ECU 158 million is compulsory expenditure and ECU 191 million in non-compulsory expenditure.

A large proportion of this margin (ECU 76 million) must be left unused in the case of compulsory expenditure in view of the strict approach adopted in drawing up the preliminary draft. Despite this limitation, for the operations covered by compulsory expenditure (see the table on page 13 showing the different headings of the financial perspective) there is an overall increase of 9,5 %.

The relatively small increase available for non-compulsory expenditure in Heading 4 is largely due to the ECU 500 million in aid to countries affected by the Gulf crisis in the budget for 1991 alone; the revision of the financial perspective in December 1990 did not allow for the possibility that Community aid might continue in 1992.

On 22 February 1991 the Commission presented a proposal for revision which, if adopted by the budgetary authority, will make possible an appropriate continuation in 1992 of the new external measures started in 1991. The Commission has already decided that within the current financial framework there should be a minimum of continuity for assistance to the Soviet Union (ECU 40 million in commitment appropriations) and to the countries affected by the Gulf crisis (ECU 40 million in commitment appropriations) and a more appropriate allocation for emergency aid (ECU 20 million on top of an initial allocation of ECU 19 million). These appropriations will have to be increased after the necessary revision of the financial perspective.

To finance the redeployment of ECU 100 million to the Community's external operations, the increase in the appropriations allocated to all policies in Heading 4 involving non-compulsory expenditure has been limited to a rate lower than would have been possible without this redeployment.

However, this does not rule out a substantial increase in the appropriations allocated to operations which were already treated as priorities during the budgetary procedure for 1991 and which prompted the revision of the financial perspective in June 1990.

(a) The rates of increase for internal policies since 1990 have been as follows :

(*ecu million*)

Policies	Budget 1990	Budget 1991 (¹)	Preliminary Draft Budget 1992	Percentage change 1992/1991	Average annual percentage change 1992/1990
Energy (Title B4-1)	58,6	167,5	177,7	+ 6,1	+ 74,2
Audiovisual section (Media) (Article B3-3 0 0)	12	33,0	46,0	+39,4	+95,8
Vocational training (Article B3-1 0 2)	14,7	35,3	52,3	+48,2	+88,9
Transport (Chapter B2-7 0)	67	136,3	150,7	+10,6	+50,0
Environment (Title B4-3)	52,2	119	119	—	+51,0

(¹) Including proposal for transfer No 1 (GDR).

OVERVIEW

Community action on the environment will not be limited to the amount shown in the table before : substantial amounts will also be devoted to environmental operations in other parts of the budget, notably the structural Funds (Community initiative programme — Envireg).

- (b) As regards the external policies, despite the effects of the redeployment referred to before, the most significant overall increases (compulsory and non-compulsory expenditure) are for aid to the countries of Central and Eastern Europe (28,6%), aid to Asian and Latin American developing countries (17,9%) and cooperation with Mediterranean countries (29,8%), confirming the importance which the Community attaches to these measures.

The overall increase (in compulsory and non-compulsory expenditure) on the policies which were not used as arguments in support of the revision of the financial perspective is 4,7%; this figure is kept low by the disappearance of the Perifra (Peripheral regions and destabilized activities) and Ehlass (European Home and Leisure Accident Surveillance System) programmes, which had been planned only for a limited duration.

The increase in the allocations for fisheries and food aid (which account for almost half the appropriations for these policies) call for special comment.

- The considerable increase of 12,2% (in compulsory and non-compulsory expenditure) on fisheries will, on the one hand, boost the modernization and restructuring of the Community fleet and, on the other hand, enlarge the scope the international fisheries agreements.
- The small increase of only 0,2% (in compulsory and non-compulsory expenditure) on food aid results from two opposing factors : the considerable drop in world prices for food products, largely offset by the considerable increase in transport costs, as the conditions for delivering the aid to its final destination become more and more difficult.

Overall, the Commission has left a margin of ECU 100 million in non-compulsory expenditure to allow the budgetary authority to choose its own priorities for policies covered by Heading 4. However, the budget adopted at the end of the year will probably contain substantially more appropriations than the preliminary draft budget for policies under this heading after the budgetary authority has made use of its margin.

OVERVIEW

Heading 5 : Repayments and administration

Under the accession agreements for Spain and Portugal, the repayments to these two countries in 1992 will concern only the financing of the compensation for Britain and the depreciation of agricultural surpluses. As regards the surpluses, the 1992 preliminary draft has merely to provide for the disposal of butter stocks; as in 1991, the amount required is estimated at ECU 810 million, leaving ECU 381 million within the sub-ceiling of the financial perspective which, however, cannot be used for any other purpose.

The 1992 preliminary draft must be drawn up within the framework of the existing financial perspective. Administrative expenditure cannot therefore be increased by more than 10,5 % in relation to 1991. High as this increase may seem, it must be judged in the light of the following factors :

- in view of the age structure of the staff of the European institutions a 23 % increase in pensions is necessary,
- the 1 % fall in the value of the ecu against the Belgian and Luxembourg franc between February 1990 and February 1991 causes an equivalent rise in administrative expenditure expressed in ecus but mostly paid in Belgian and Luxembourg francs,
- the new posts created in 1991 will have to be financed for a full year for the first time in 1992 whereas, in 1991, appropriations were required for only a few months,
- overall, it is essential that appropriations are restored to a suitable level in view to the considerable shortfall in allocations for 1991.

The situation appears particularly tight in these circumstances : for the Commission it rules out any creation of posts and will impose major restrictions on administrative expenditure.

Similarly no financial resources are available to cover the inevitable removal of the Commission and its departments from the Berlaymont to other buildings.

The Commission has therefore decided to present to the budgetary authority before summer a proposal for the revision of Heading 5 of the financial perspective.

IV. REVENUE

The 1992 budget will be financed entirely by the system of own resources agreed by the European Council in February 1988 and given substance by the Decision of 24 June 1988.

Categories of revenue

The main sources of revenue are :

- (a) agricultural levies (variable duties charged on imports of some agricultural products : ECU 1 353 million) and the levies paid by sugar and isoglucose producers (ECU 1 236 million),
- (b) common customs tariff duties and customs duties on coal and steel products covered by the ECSC Treaty (ECU 12 888 million),
- (c) resources from VAT calculated by applying a fixed 1,4 % rate to a VAT base determined in a uniform manner but limited, for each Member State, to 55 % of its gross national product at market prices (ECU 34 232 million),
- (d) an additional resource, also known as the 'fourth resource', obtained by applying a rate set each year during the budgetary procedure, to a base representing the sum of Member States' gross national products at market prices. This resource is the variable resource calculated to cover the part of expenditure not covered by the other sources of revenue (ECU 13 521 million).

To these can be added :

miscellaneous revenue (tax and other deductions from staff salaries, interest on bank deposits, etc.) which represent less than 1 % of total revenue (ECU 378 million).

Before paying over agricultural levies, sugar levies and customs duties, Member States will first deduct 10 % to cover collection expenses (ECU 1 549 million).

The resources required to finance the appropriation of ECU 1 000 million entered in Title B1-5 of the statement of expenditure (monetary reserve for the European Agricultural Guidance and Guarantee Fund, Guarantee Section) will be called in only if and when the monetary reserve is drawn upon.

Revenue ceilings

The own resources decision fixes overall ceilings for own resources which can be called on. It is 1,20 % of Community gross national product in 1992 for appropriations for payments.

The preliminary draft budget 1992 is well within this limit.

OVERVIEW

The correction for the United Kingdom

Under the Council Decision of 24 June 1988 on the system of the Communities' own resources, the United Kingdom is entitled to an adjustment of its payments to correct the imbalance in its budgetary situation. 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.

The amount to be granted in 1992 can be estimated at ECU 2 921 million.

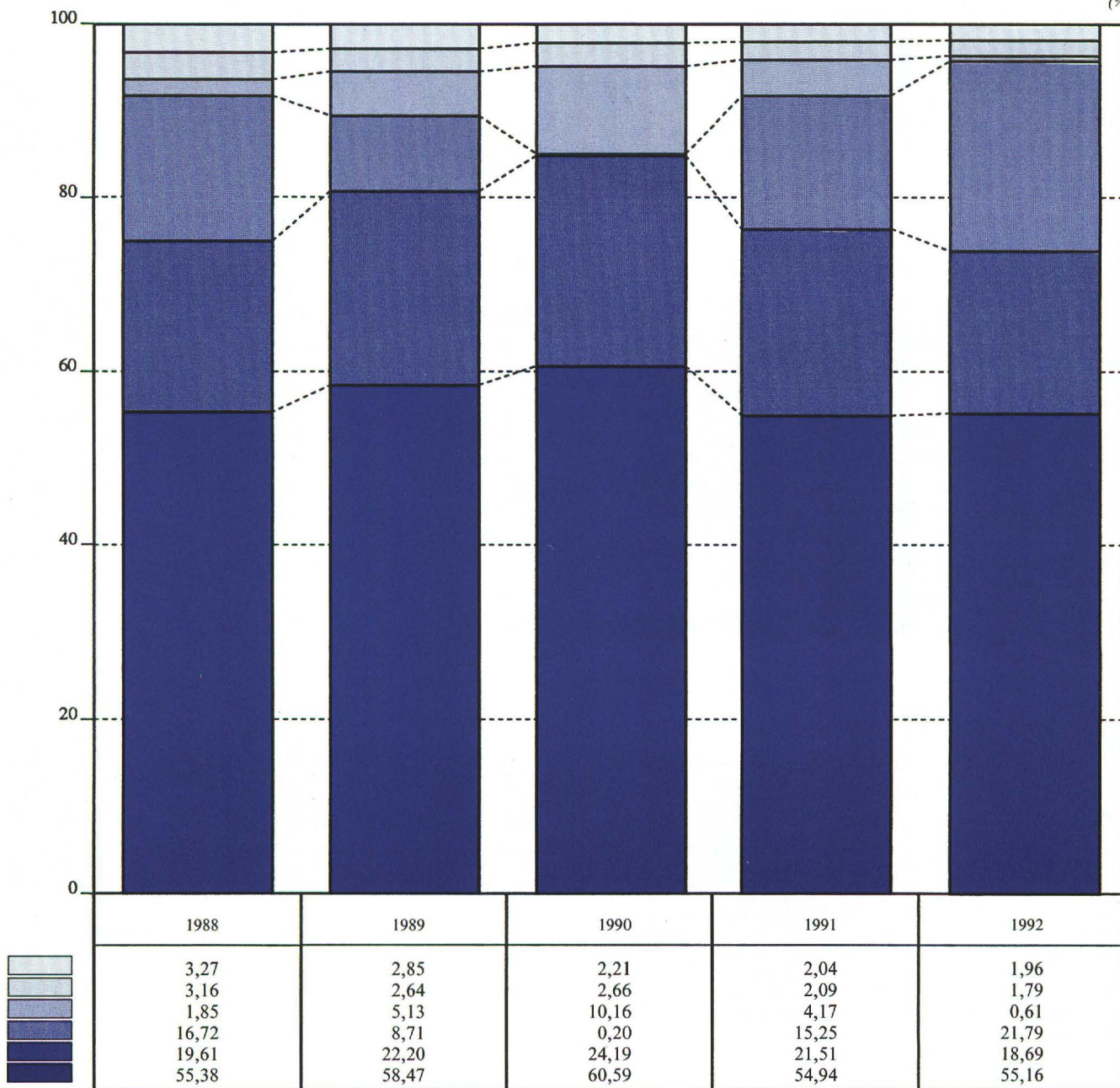
The results in figures

The payment appropriations to be covered in 1992 total ECU 62 059 million. The proportion of budget financing accounted for by each of the main categories of resource is shown in the chart on the next page, which also shows the breakdown from 1988 to 1992.

In 1992 the Community will be calling in ECU 12 521 million from the additional resource, not including the European Agricultural Guidance and Guarantee Fund monetary reserve.

Structure of Community budget financing
1988-1992 (1)

(%)



- Agricultural levies
- Sugar levies
- Miscellaneous
- Fourth resource
- Customs duties
- VAT

(1) 1988-1991 : budget; 1992 : preliminary draft budget.

OVERVIEW

ANNEX
Financial Perspective

(ecu million — current prices)

Description	1988	1989	1990	1991	1992
Appropriations for commitments					
1. European Agricultural Guidance and Guarantee Fund, Guarantee section (1)	27 500	28 613	30 700	33 000 (2)	34 950 (3)
2. Structural operations	7 790	9 522	11 555	14 804	18 009
3. Policies with multiannual allocations (4)	1 210	1 708	2 071	2 466	3 115
4. Other policies (1) <i>of which</i> : non-compulsory expenditure	2 103 (1 646)	2 468 (1 864)	3 229 (2 523)	4 920 (4 010)	5 224 (4 204)
5. Repayments and administration <i>of which</i> : financing of stock disposal	5 700 (1 240)	5 153 (1 449)	4 930 (1 523)	4 559 (1 378)	4 205 (1 191)
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	48 464	53 485	60 749	66 503
<i>of which</i> (5) :					
— compulsory expenditure	33 698	33 764	35 454	37 199	38 640
— non-compulsory expenditure	11 605	14 700	18 031	23 550	27 863
Appropriations for payments					
Appropriations for payments required	43 779	46 885	51 291	58 035	62 972
<i>of which</i> (5) :					
— compulsory expenditure	33 640	33 745	35 372	37 195	38 580
— non-compulsory expenditure	10 139	13 140	15 919	20 840	24 392
Appropriations for payments in relation to gross national product % (6)	1,09	1,07	1,09	1,12	1,14
Own resources ceiling in relation to gross national product %	1,15	1,17	1,18	1,19	1,20

(1) In accordance with the joint statement made by the three institutions when the revision of the Financial Regulation was adopted and in order to ensure the proper financing of food aid without having to revise the financial perspective, compliance with the ceilings for Headings 1 and 4 will not rule out the possibility of a transfer between the headings in Chapter B1-3 3 (refunds in connection with Community food aid measures) and Chapter B7-2 0 (food aid). This means that the amounts of these transfers will not count towards the totals of appropriations to be taken into consideration for the purpose of ensuring compliance with the ceilings in the financial perspective. The criteria for the examination of these transfers are those agreed by the Council, Parliament and the Commission in their statement of 12 February 1990.

(2) The updated agricultural guideline for 1991 is ECU 32 511 million.

(3) The amounts for sugar and isoglucose levies, food aid refunds and ACP sugar refunds used in the calculation of the agricultural guideline are evaluated on the basis of the Commission's proposals in the agricultural prices package for 1992.

(4) Chapter F on budget estimates of the European Council indicates a figure of ECU 2 400 million (1988 prices) for policies with multiannual allocations in 1992. The policies in question are research and technological development and integrated Mediterranean programmes. Only expenditure for which a legal basis exists may be financed under this budgetary line. The present framework programme provides a legal basis for research expenditure of ECU 863 million (current prices) for 1992.

The regulation on integrated Mediterranean programmes provides a legal basis for an estimated amount of ECU 300 million in 1992 (current prices).

The two arms of the budgetary authority undertake to respect the principle that further budget appropriations within this ceiling for 1990, 1991 and 1992 will require a revision of the existing framework programme, or, before the end of 1991, a decision on a new framework programme based on a proposal from the Commission in accordance with the legislative provisions in Article 130q of the European Economic Community Treaty.

(5) Based on the classification in the 1991 budget. Modifications resulting from decisions by the budgetary authority on changes of classification will be implemented as a technical adjustment, according to Article 9 of the Interinstitutional Agreement.

(6) On the basis of the gross national product figures and forecasts available at the time of the technical adjustment of the financial perspective for 1992 under Article 9 of the Interinstitutional Agreement.