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(Revised text - Only for the
English version)

(Table 1b, figure in column 6 for
France has to be read + 119 and
not - 119)

GENERAL BUDGET EXPENDITURE, FINANCING AND BALANCES AS BROKEN
DOWN BY MEMBER STATES : ESTIMATES AND RESULTS FOR 1979

(Commission Staff Paper)

General Budget Expenditure, Financing and Balances as broken down by
Member State: Estimates and Results for 1979

A. Introduction

In the Reference Paper on Budgetary Questions of September 1971¹ which the Commission sent the Council it tried to forecast what the breakdown by Member State would be for the 1979 and 1980 General Budgets' expenditure, receipts and net balances.

The object of the present paper is to compare estimates for 1979 with the results as shown in the figures currently available. (Comments concerning the figures used for 1979 are annexed).

Section B, which outlines briefly the methods used for the estimates, is based substantially on texts that have already appeared.

¹COM(79) 462 final, 12 September 1979

B. 1979 ESTIMATES: METHODS AND FIGURES

The method used to prepare the estimates for 1979 and 1980 has been described in the Factual Memorandum in support of the Reference Paper on Budgetary Questions².

I. Methods for estimating expenditure

The method adopted to estimate expenditure per Member State is outlined on page 1 and 2 of the Factual Memorandum, as follows:

The estimate of expenditure is based on:

- "1. The total appropriations for payments of the 1979 Budget (including the Second Supplementary Budget) and the Preliminary Draft Budget for 1980 (including the First Letter of Amendment);
2. The classification in five broad categories, each in a class of its own, of 21 types of expenditure suitable for breaking down by Member State:
 - I. FEOGA Guarantee Section (organization of the markets, MCAs),
 - II. Structural funds (Social Fund, FEOGA Guidance Section, including Chapter 86, ERDF, EMS interest rebates),
 - III. Other intervention appropriations broken down (research and investment, energy, industry),
 - IV. Refunds (10% of own resources, EMS compensatory payments to the United Kingdom, financial mechanism),
 - V. Administrative expenditure, the part which has been broken down: Commission: staff expenditure, expenditure on buildings and equipment, European Schools, Berlin Centre, Dublin Centre; expenditure by Parliament, the Council, the Court of Justice and the Court of Auditors.

The total of Categories I to V represents 95% of the total appropriations for payments in 1979 (and 93% in 1980).

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¹SEC(79) 1414, 13 September 1979

A sixth category covers all expenditure which has not been broken down. This means, in particular, the cost of development cooperation (without refunds in respect of food aid), allocation of which to specific Member States appeared inappropriate for the reasons given at II(A)(vi) of the Reference Paper on Budgetary Questions. Category VI also includes the administrative expenditure which has not been broken down, the expenditure under Title 3 not broken down and the reserves (Chapters 101-103) of the Commission Budget."

3. The breaking-down by Member State of expenditure in Categories I to V by:

- "- establishing and examining the Member States' shares in payments against appropriations for the financial year and against carry-overs in 1976-78;
- eliminating adventitious elements so as to bring out a "normal" breakdown; one way was to work out an average;
- taking into account specific information on future trends (example: changes in the "normal" breakdown of expenditure brought about by the entry into force of new measures benefiting specific regions);
- applying the percentages thus adjusted to the expenditure for each sector as estimated for 1979-80."

II. Method for estimating own resources

Estimating receipts in preparation for drafting the budget means determining each Member State's overall share in total receipts which, as provided in the Council Decision of 21 April 1970, comprise:

- the customs duties and agricultural levies evaluated for 1979, account being taken of 1976-78 trends;
- VAT payments calculated in accordance with the harmonized basis for assessment for each Member State, these bases being constructed from macro-economic forecasts.

For the financial year 1979 the overall shares were adjusted to allow for the payments made to new Member States outside the Budget pursuant to Articles 131 and 132 of the Act of Accession.

III. Estimate figures for 1979

The estimates for 1979 have been summarized in m EUA and % in the table on page 15 in the Reference Paper. The figures are reproduced in columns 1, 3 and 5 in Tables 1a and 1b of this paper.

IV. Impossibility of direct comparison with balances for cash operations

In the Factual Memorandum referred to above, the Commission emphasized that the balances thus obtained cannot be compared directly with the net transfers based on cash operations because:

- using the method adopted for the estimates, the balances "are based on an estimate of total appropriations for payments; they disregard certain expenditure, in particular development-aid expenditure (the financing side being diminished accordingly) and incorporate certain normalizing factors (removal of anomalies from expenditure for a specific year)";¹
- the net transfers, derived from movements of funds, "are based on cash operations: total payments against appropriations for the financial year and carry-overs, payments of own resources and GNP-based contributions."¹

C. RESULTS

I. Preliminary remarks

The figures currently available relating to the use of appropriations for FEOGA Guarantee Section are, as provided in Article 98 of the Financial Regulation of 21 December 1977, necessarily provisional²; with this reservation an initial comparison can be made between estimates and results for 1979.

If a valid comparison is to be made, the presentation of the results must as far as possible follow the same scheme as was used for the estimates.

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¹ SEC(79) 1414, p. 29

² Article 98 of the Financial Regulation of 21 December 1977 provides that expenditure by FEOGA Guarantee Section "shall be taken into account for a financial year on the basis of payments made up to 31 December ... provided that their commitment and authorization have reached the accounting officer not later than 31 March of the following year."

This means:

1. Defining effective 1979 expenditure. In establishing the estimate - in the absence of any other available basis - it was assumed that 1979 payments would correspond to the appropriations for payments in the 1979 Budget.

With regard to the results, expenditure could be defined either as payments against appropriations for the current year plus carry-overs to 1980 or as payments against appropriations for the current year plus payments against carry-overs from previous years. Since the breakdown by Member State for appropriations for payments carried over to 1980 is frequently not known, the second alternative was adopted. (As the expenditure estimates broken down by Member State took into account past trends in payments against appropriations for the current year and against carry-overs from previous years, this approach was consistent).

2. Determining effective expenditure (payment orders endorsed) for Categories I-V.

3. Recording the payments made towards own resources, correcting these figures to allow for payments outside the Budget pursuant to Article 131 and calculating each Member State's corrected share in financing.

As regards payments pursuant to Article 131, to the results of the clearing for the first three quarters of 1979 were added the net amount to be paid or received (in respect of the financial year 1979) during the first quarter of 1980.

4. Multiplying total payments in respect of Categories I-V by this corrected share, which gives a smaller payment figure that disregards the financing of expenditure not broken down by Member State (notably cooperation aid).

5. Calculating the balances.

The figures given show only the totals for Categories I-V, with some supplementary information on sectoral trends in the Analysis of differences.

II. Result figures and comparison with estimates

The overall results, compared with the estimates in the Reference Paper, are given in Table 1a. In this Table monetary compensatory amounts paid by exporting Member States on behalf of importing Member States have been re-charged, as the financial mechanism in fact provides.

Table 1b presents, without comment, the results before re-charging of the MCAs, for information purposes.

The estimate operation was chiefly concerned with balances, and the results show them to have been:

- correctly forecast as regards the "profit" or "loss" positions of the various Member States,
- more positive than expected in the case of Denmark, the Netherlands and Ireland in particular (and Belgium, to a lesser extent),
- less positive than expected, but still distinctly positive in the case of Italy,
- less negative than expected in the case of France, and
- more negative than expected in the case of Germany and the United Kingdom.

III. Analysis of differences

The differences between estimates and results are due to:

- a difference between the volume of expenditure forecast and effected at the level of the Community as a whole,
- differences between the forecast and actual shares of the various Member States in the expenditure and in total financing.

This distinction between the "volume" effect and the "share in the total" effect can also be found in sector-by-sector expenditure.

1. Overall view

Table 1 (a and b) shows that actual expenditure in 1979 (and the volume of financing needed) for the five big categories broken down by Member State amounted to some 14 thousand million EUA instead of the 13 thousand million

forecast. It is FEOGA Guarantee Section that is very largely responsible for this difference, its appropriations having been increased by 802 m EUA by the Third Supplementary Budget; the estimates in the Reference Paper were based on the 1979 appropriations including the Second Supplementary Budget.¹

The "volume" effect accounts for a considerable part of the differences in the total expenditures by Member State and for almost all the differences (except in the case of Denmark) in financing. In point of fact the actual shares in financing are very close to the estimates - thanks in part to the operation of Article 131, which compensated for more substantial customs duty payments by refunds outside the budget.

As for the balances on the other hand, the differences are due less to the change in volume (since this operates on both sides) than to differences between the actual and the forecast shares of the Member States in the total (differences relating essentially to expenses).

2. Supplementary information concerning sector-by-sector expense trends

(a) With regard to FEOGA Guarantee Section, the United Kingdom's share in the expenses was substantially lower than expected, due to the fact that the MCAs (paid by exporters on behalf for the United Kingdom) amounted to 400 m EUA instead of 730 m EUA as forecast.

Italy's and Germany's shares did not reach the level of the estimate, while the contrary - a distinctly higher figure - obtained in the case of France and Ireland.

(b) With regard to the Category "Structural funds", the Reference Paper's estimates had counted, in particular, on a considerable increase in Italy's share in the different Funds' payments as compared to previous years and on a certain drop in the United Kingdom's share for the Social Fund and FEOGA Guidance Section.

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¹ Another factor involved here (although of lesser importance) is the fact that total payments against appropriations for the current year and against carry-overs exceeded the 1979 appropriations in the case of the Social Fund, the ERDF and Chapter 37 (Industry).

The estimate predicting an increased share for Italy proved correct and was even exceeded with regard to the Social Fund, but it was only about half right for FEOGA Guidance Section and not at all in the case of the ERDF. There was also some delay in making use of the EMS interest subsidies.

The drop expected in the United Kingdom's share in payments by FEOGA Guidance Section in fact occurred and was even greater than predicted. The United Kingdom's share in Social Fund expenditure, on the other hand, has increased yet further.

According to the provisional results, the United Kingdom obtained a third of Social Fund and ERDF payments in 1979.

3. Particular remarks concerning Italy, the United Kingdom and Ireland

In the Reference Paper particular attention was devoted to the prospects of the three Member States whose GNP is lower than the Community average, namely Italy, the United Kingdom and Ireland. The main conclusion suggested by the estimates with regard to these Member States' balances was that the situation in Italy could be expected to improve, that the British balance was likely to remain extremely negative or even become worse, and that there would continue to be a fairly favourable trend in Ireland.

Bearing in mind the difficulties always involved in forecasting balances, the 1979 results can be said in the main to confirm the estimates.

In the case of Italy there is a very positive balance which amounts to about 70% of the figure predicted. The remaining difference - some 220 m EUA is due to a combination of the "volume" effect and the "share in the total" effect. A number of factors are involved: on the expenditure side Italy's share (as a %) in FEOGA Guarantee expenditure and in the body of measures to improve structures was lower than expected; furthermore, its share in financing was slightly higher than forecast (effect: approximately 50 m EUA).

The difference amounting to some 320 m EUA between the United Kingdom's expected and actual balance is very largely due to the fact that the MCAs actually paid for the United Kingdom were substantially lower than in the estimates.

In the case of Ireland the fact that the balance was more positive than expected is largely due to Ireland's larger share in expenditure by FEOGA Guarantee Section.

D. SUMMARY AND CONCLUSIONS

The provisional figures for the breakdown of expenditure and receipts for the 1979 General Budget enable an initial comparison to be made between the results and the estimates given in the Reference Paper on Budgetary Questions of September 1979.

To put it very briefly, the most important conclusions of the estimate operation have been confirmed: according to the definitions used, Italy showed quite a substantial positive net balance in 1979 (though less so, it is true, than expected), while the United Kingdom's balance appears even more negative than was forecast.

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Table 1a: Estimates and results for 1979 for expenditure, receipts and balances broken down by Member State (MCAs paid by exporting Member States on behalf of importing Member State re-charged to importing Member States)

COUNTRY	Expenditure for Categories I-V		Financing (including Art. 131)		Balance (Expenditure-Financing)	
	Estimate	Result	Estimate	Result	Estimate	Result
	1	2	3	4	5	6
A. In mEUA						
B	1,209	1,335 ¹	871	940	+ 338	+ 395
DK	551	709	327	329	+ 224	+ 380
D	2,837	2,858	3,992	4,288	- 1,155	- 1,430
F	2,285	2,730	2,607	2,808	- 322	- 78
IRL	463	647	98	102	+ 365	+ 545
I	2,333	2,279	1,579	1,745	+ 754	+ 534
L	269	233 ²	18	18	+ 251	+ 215
N	1,323	1,595	1,251	1,307	+ 72	+ 288
UK	1,764	1,597	2,291	2,446	- 527	- 849
Total	13,034	13,983	13,034	13,983	0	0
B. As %						
B	9.3	9.6	6.68	6.72	+ 2.6	+ 2.9
DK	4.2	5.1	2.51	2.35	+ 1.7	+ 2.8
D	21.8	20.4	30.63	30.67	- 8.8	- 10.3
F	17.5	19.5	20.00	20.08	- 2.5	- 0.6
IRL	3.6	4.6	0.75	0.73	+ 2.8	+ 3.9
I	17.9	16.3	12.11	12.48	+ 5.8	+ 3.8
L	2.0	1.7	0.14	0.13	+ 1.9	+ 1.6
N	10.2	11.4	9.60	9.35	+ 0.6	+ 2.0
UK	13.5	11.4	17.58	17.49	- 4.1	- 6.1
Total	100	100	100	100	0	0

¹ including 459 m EUA for European Community administrative expenses

² including 202 m EUA for European Community administrative expenses

Table 1b: Estimates and results for 1979 for expenditure, receipts and balances broken down by Member State (MCAs not re-charged)

COUNTRY	Expenditure for Categories I-V		Financing (including Art. 131)		Balance (Expenditure-Financing)	
	Estimate	Result	Estimate	Result	Estimate	Result
	1	2	3	4	5	6
A. In mEUA						
B	1,239	1,368	871	940	+ 368	+ 428
DK	782	837	327	329	+ 455	+ 508
D	2,974	3,002	3,992	4,288	- 1,018	- 1,286
F	2,517	2,927	2,607	2,808	- 90	+ 119
IRL	676	764	98	102	+ 578	+ 662
I	2,060	1,943	1,579	1,745	+ 481	+ 198
L	269	233	18	18	+ 251	+ 215
N	1,480	1,713	1,251	1,307	+ 229	+ 406
UK	1,037	1,196	2,291	2,446	- 1,254	- 1,250
Total	13,034	13,983	13,034	13,983	0	0
B. As %						
B	9.5	9.8	6.68	6.72	+ 2.8	+ 3.1
DK	6.0	6.0	2.51	2.35	+ 3.5	+ 3.7
D	22.3	21.5	30.63	30.67	- 7.8	- 9.2
F	19.3	20.9	20.00	20.08	- 0.7	+ 0.8
IRL	5.1	5.4	0.75	0.73	+ 4.4	+ 4.7
I	16.3	13.9	12.11	12.48	+ 3.7	+ 1.4
L	2.1	1.7	0.14	0.13	+ 2.0	+ 1.6
N	11.4	12.2	9.60	9.35	+ 1.7	+ 2.8
UK	8.0	8.6	17.58	17.49	- 9.6	- 8.9
Total	100	100	100	100	0	0

¹ including 459 m EUA for European Community administrative expenses

² including 202 m EUA for European Community administrative expenses

ANNEX

Notes concerning the statistics used for 1979

The figures are in all cases provisional.

1. FEOGA Guarantee Section.

1979 expenditure (for the "2nd category" expenditure in December 1979: estimate)

2. Expenditure for Research and Investment (Chapter 3)
Breakdown by Member State partially estimated.

3. Administrative expenses, the part broken down
Breakdown still very summary and provisional (estimate).