

European Communities

Financial report

1987

ACKNOWLEDGEMENT

In the production of this volume, the Commission's departments have been advised on format and presentation by Deloitte Haskins & Sells, a firm with wide experience in both public and private accounting. They were not, however, retained to audit our accounts, which is the function of the Court of Auditors of the European Communities.

PREFACE

The year 1987 was, in many ways, a year of transition and change for the European Communities. The far-reaching implications of such major European events as the passing and implementation of the Single European Act intended to redefine the powers and duties of the institutions, the resolution of the worst budgetary crisis in the Communities' history and the preparations for the opening-up of markets by 1992 form a dramatic backdrop to the year in which the Commission has begun a procedure of modernization and internal change. It is in the same spirit of change and improvement that the present volume has been produced.

1987 was also a year of innovation in that the Heads of State or Government in the European Council prepared the decision to introduce an additional financing mechanism for the budget based on gross national product (GNP). This decision, which provides the stable and sufficient resources for the Communities that the Commission had called for in its documents COM 100 and 101, together with measures taken to clarify the budget and improve financial discipline, provide a context in which it should be possible to avoid the recurrent budgetary difficulties of earlier years.

In fact, in the early part of 1987, adverse currency movements accentuated fears of a substantial overspending in agriculture and a major shortfall in revenue. The Commission responded by introducing a supplementary budget which called in all remaining resources of revenue beneath the 1.4% VAT ceiling, while postponing some payments due to Member States. The potential overspend on agriculture was eliminated by amending the regulations to provide for a two-

month postponement in the payment of the monthly advances. These measures enabled us to finish the year with a small surplus and avoided the very substantial cuts in other programmes which had previously seemed inevitable.

In addition, measures introduced to improve the monitoring and management of budgetary expenditure have resulted in a better take-up of appropriations available for the various Community programmes.

We do not intend to replace the form of published accounts required by the Financial Regulation, but we aim to present the essential information about the implementation of the 1987 budget in a form which is, we hope, more readily accessible to those who take a personal or professional interest in Community affairs.

H. Christophersen

Henny Christophersen



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THE FINANCING OF THE EUROPEAN COMMUNITIES

Introduction

The budget and accounts of the European Communities have a unique character derived from a mingling of the legislative and financial traditions of the different Member States. The accounts for 1987 should therefore be placed in their proper perspective and the concepts and procedures that lie behind them fully explained.

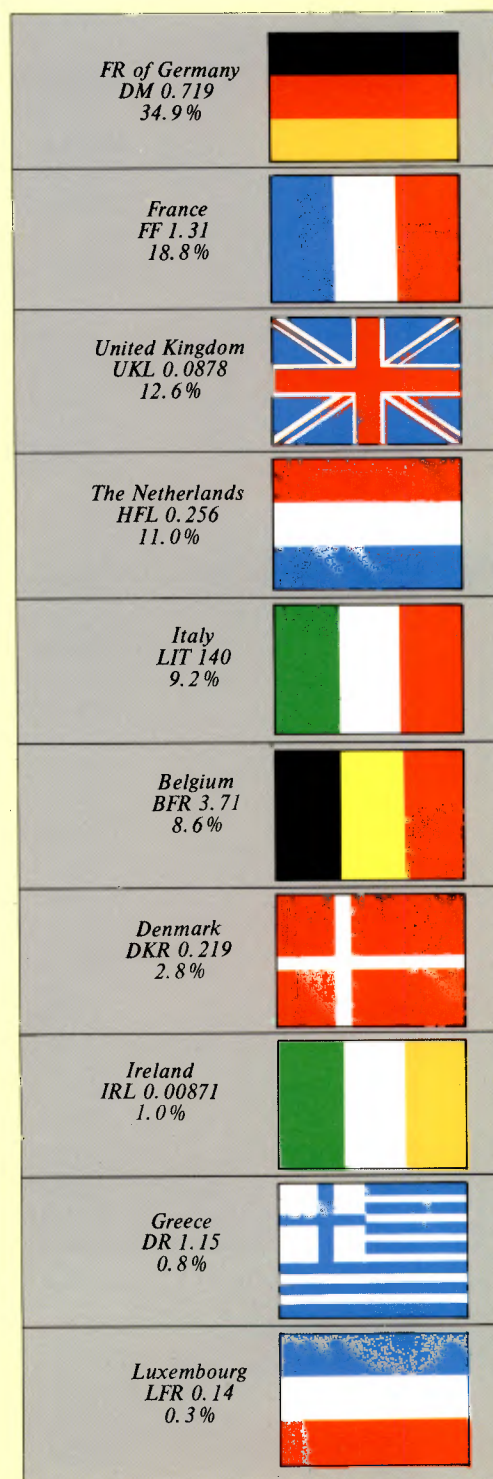
It is important to remember that the Community budget represents no more than 3% of the combined budgets of the individual Member States or about 1% of their total GNP. Two-thirds of the Community budget is absorbed by agriculture, which means that the remainder must be sharply focused on key areas of Community policy.

The ECU

The Communities' unit of currency is the ECU (European currency unit) which is made up of a 'basket' of 10 EC currencies, the amount of each currency reflecting its economic and financial strength (Fig. 1). The value of the ECU is calculated on a daily basis using representative market rates for each country provided by the Central Bank of the Member State concerned.

Some important sections of the budget including research and energy policy are now implemented in ECU and the Communities also invite offers in ECU for the provision of services to the institutions. The financial sector, attracted by the ECU's stability relative to most national currencies, is now a frequent user, for example for issues of bonds.

FIGURE 1
THE COMPOSITION OF THE ECU



The budgetary process

No Community institution can make financial commitments or payments except through a budget duly adopted by the budgetary authority. The two arms of the budgetary authority, as they are called, are the Council of Ministers and the Parliament. The Council has particular responsibility for 'compulsory expenditure', i.e. expenditure flowing directly from the provisions of the Treaty or derivative legislation, whereas Parliament has primary responsibility for 'non-compulsory expenditure' which includes most expenditure other than agriculture and certain protocols with Mediterranean countries.

The Commission starts the process by preparing a preliminary draft budget using estimates of expenditure provided by its own departments, the other institutions and its own calculations of revenue, which is sent to the Council. The Council may endorse or amend the preliminary draft budget before passing it, on majority vote, to the Parliament

as a draft budget. The Parliament, similarly, may endorse or amend the draft budget, but if amendments are made, they must be returned to the Council for endorsement. When the Council and the Parliament are in agreement, the President of the Parliament signs the budget (Fig. 3, p. 9), an act which constitutes its formal adoption.

Implementing the budget

Responsibility for the implementation of the budget rests with the Commission which has two main objectives: firstly to deploy the resources voted by the budgetary authority in order to implement the Communities' financial programmes and secondly to control any significant imbalance that may develop between expenditure and available revenue. At times of financial stringency, of which 1987 provided a significant example, a conflict can arise between these two objectives.

FIGURE 2
COMMITMENT APPROPRIATIONS OUTSTANDING 1000 million ECU

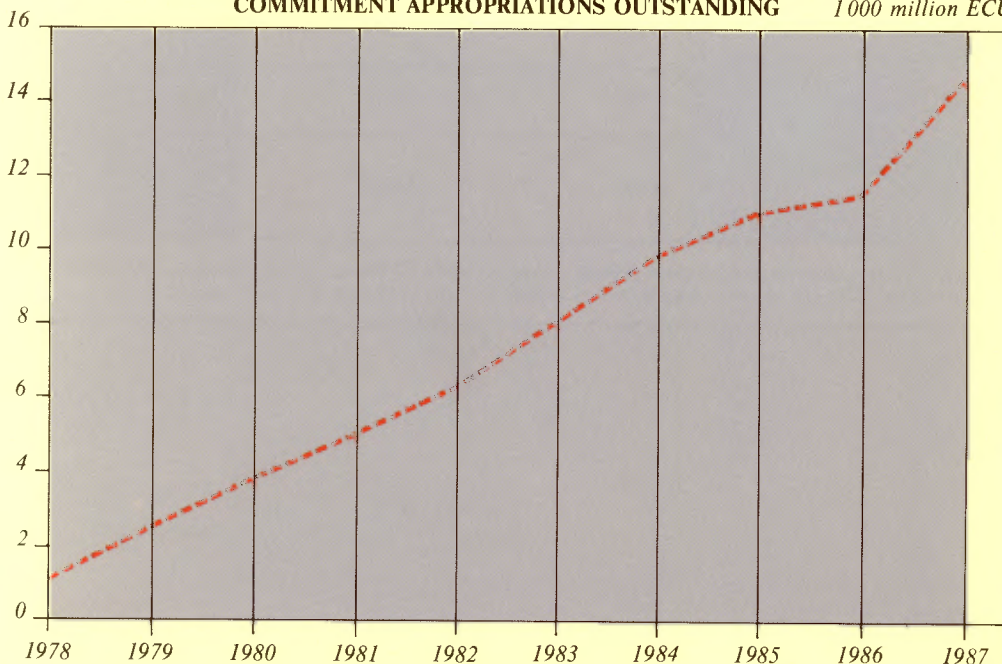


TABLE 1

Implementation of the budget

(million ECU)

	Differentiated appropriations (multiannual operations)		Non-differentiated appropriations (administration and annual operations)		Total	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Available appropriations						
Budget 1987	9 220.2	7 934.8	28 235.8	28 235.8	37 456.0	36 170.6
Carried forward from 1986	2 345.5	949.9	23.9	455.3	2 369.4	1 405.2
Total available	11 565.7	8 884.7	28 259.7	28 691.1	39 825.4 ¹	37 575.8 ¹
of which:						
used in 1987	10 866.1	7 834.1	27 642.8	27 490.3	38 508.9	35 324.4
cancelled	281.1	233.2	600.2	657.7	881.3	890.9
carried forward into 1988	418.5	817.4	16.7	543.1	435.2	1 360.5
% used	94%	88%	98%	96%	97%	94%
Commitments in hand at 1.1.1987	12 458.1		431.4		12 889.5	
of which:						
cancelled	(1 259.3)		(57.5)		(1 316.8)	
paid	(3 871.5)		(373.9)		(4 245.4)	
Remaining at 31.12.1987	7 327.3		—		7 327.3	
Commitments made in 1987	10 866.1		27 642.8		38 508.9	
Payments on 1987 commitments	(3 962.6)		(27 116.4)		(31 079.0)	
In hand at 31.12.1987	6 903.5		526.4		7 429.9	
Total commitments in hand at 31.12.1987	14 230.8		526.4		14 757.2	

¹ Figures for commitment and payment appropriations in Annex 1 exclude non-automatic carryovers of 23.9 million ECU and payment appropriations further exclude carryovers of 1 381.3 million ECU.

The Community budget is based on the principle of annuality, which requires that all payments made in any financial year must be entered in and charged to the budget of that year. The budget is also based on a distinction between appropriations for commitments and for payments. Commitment appropriations are intended to cover the full amount of financial obligations to be entered into by the Community during the year. Payment appropriations authorize the payments to be made on existing and new commitments during the same period.

In addition, the appropriations voted may be differentiated or non-differentiated.

Differentiated appropriations, which are used for multiannual operations such as the European Regional Development Fund, research and certain development aid programmes, provide separate allocations of commitments and payments according to the requirements of any particular year. The payment appropriations must, of course, cover the servicing of existing commitments as well as the payments on new commitments.

Non-differentiated appropriations are used for administrative expenditure in all institutions, for the Agricultural Guarantee sector and for certain other annual operations. The commitments must be taken within the financial year and the corresponding payments, which are tied to individual commitments, must be completed during the following year.

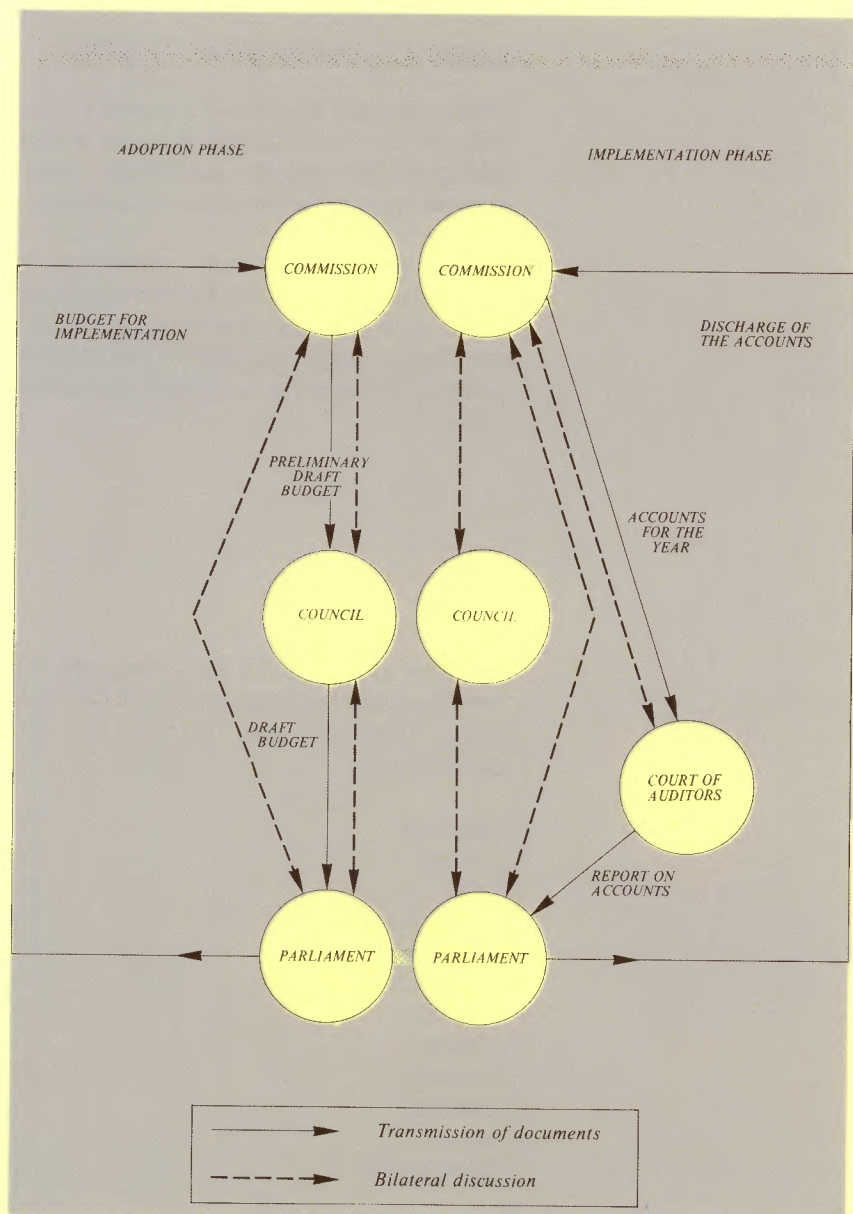
Carry-overs of appropriations to the following year are permitted within certain limits which the European Council has decided to restrict even further in the interests of firmer budgetary discipline.

Table 1 shows the use of the available commitment and payment appropriations during the year. Appropriations available include those brought forward from 1986 as well as those voted in the 1987 budget. The table shows the payment appropriations for

the year used to service commitments in hand from previous years.

The total of commitments in hand at 31 December 1987 amounted to 14 757 million ECU, most of which represents the payments on multiannual programmes which fall due in future years.

FIGURE 3
THE BUDGETARY PROCEDURE



THE INSTITUTIONS

The institutions consolidated within this financial report are:

- the Parliament
- the Council of Ministers (and the Economic and Social Committee)
- the Commission (and the Publications Office)
- the Court of Justice
- the Court of Auditors

each of which is responsible for its own personnel and administrative expenditure.

Of the five, the Commission accounts for the bulk of the Community budget, as it also manages the various expenditure programmes approved by the budgetary authority.

The employee costs and administrative expenditure of each of the institutions are set out in Table 2 in summary form and, for the five principal institutions, in more detail in the tables accompanying the paragraphs which follow.

The Parliament

Members of Parliament are directly elected every five years by the people of each Member State. There are 518 members in all, representing:

Germany	81
France	81
Italy	81
United Kingdom	81
Spain	60
The Netherlands	25
Belgium	24
Greece	24
Portugal	24
Denmark	16
Ireland	15
Luxembourg	6
	<hr style="width: 50px; margin-left: 0;"/>
	518

These members sit in political groups rather than by Member State. They are supported by a secretariat of some 2 900 officials and form 18 parliamentary committees.

In financial matters, the Parliament takes part in the legislative and budgetary processes which authorize the major items of Community expenditure. As one arm of the budgetary authority, it has a role with the Council in the process of taking the Commission's preliminary draft budget through the stage of a draft budget adopted by the Council to its adoption as the definitive budget for the year, to be signed by the President of the Parliament. During this process, the Parliament has considerable powers, particularly in relation to non-compulsory expenditure.

The Parliament also follows the implementation of the budget closely and, after consulting the Council, gives or withholds the discharge to the Commission on the basis of the annual report from the Court of Auditors.

The Financial Regulation and other legislation governing the preparation and implementation of the budget is also adopted or amended in consultation with the Parliament, as is the implementing legislation for each of the main spending programmes.

The main costs of the Parliament are staff and members' allowances and employment costs. However, property costs are also significant, at 37.9 million ECU, reflecting the network of offices in Luxembourg, Strasbourg, Brussels and the other Community capitals.

The Council of Ministers

The Council of Ministers sits in Brussels and, for part of the year, in Luxembourg. It is responsible for the policy framework of the Communities and comprises ministers representing each Member State. The ministers take the role of president for six

months in turn. They meet in different groups, each representing an area of policy, in addition to the General Affairs Council comprising Foreign Ministers of Member States.

The Council of Ministers meets regularly to consider proposals made by the Commission, which they adopt by unanimity or by qualified majority, according to the Treaty article concerned. Germany, France, Italy and the United Kingdom each have ten votes; Spain has eight; Belgium, Greece, the Netherlands and Portugal have five; Denmark and Ireland have three and Luxembourg two. A qualified majority is three to one, or 54 votes of the available 76.

The Council is supported by the Committee of Permanent Representatives (Coreper), which coordinates the preparatory work behind Community decisions, meetings of senior officials from the Member States, and by a secretariat of some 2 000 officials.

Since 1975 a European Council, bringing together Heads of State or Government and representatives of the Council and the Commission, has met two or three times a year to provide an important impetus and direction to Community affairs. This gathering, in meetings at Copenhagen and Brussels, has taken the decision in principle to create a new financial resource based on the gross national products of the Member States. This measure, designed to overcome the recurrent budgetary crises of recent years, will be implemented in full in the budget of 1989, but the same principles will be applied from 1988.

The Economic and Social Committee advises the Council on proposals put forward by the Commission. It has 189 members representing employers, trade unions, consumers, farmers and other special interest groups.

The major item of Council expenditure is staff salaries and the underspend as compared with the budget corresponds broadly to the level of

vacancies experienced during the year. However, additional resources were allocated this year to language and professional training.

Property costs have fallen since 1986, despite average rental increases of 4.5%, because refurbishment was only half of its 1986 level. Despite this reduction, improvements this year have included the first floor typing pools of Wing B of the Charlemagne building and the extension of the access gallery to the Taciturne wing so as to improve the conditions for journalists. 1.9 million ECU carried over from 1986 was used to build two new meeting rooms at the back of the Charlemagne building in Brussels.

Subsidies and financial contributions were used in their entirety this year for the contract between Belgium and the Council for the construction of a new building to house Council services in Brussels.

The Commission

The Commission includes at least one representative of each Member State and two from Germany, France, Spain, Italy and the United Kingdom. Members are appointed by the governments of Member States for a four-year term. They are required to act in the interests of the Communities, taking no instruction from individual governments, but being ultimately responsible to the Parliament. Although members concentrate on particular policies within the Commission, decisions are taken collectively.

The 12 000 staff of the Commission are based mainly in Brussels and Luxembourg, with information offices in Member States and delegations in most non-Community countries. They are divided into 22 Directorates-General with about a quarter of all staff engaged in language work. In addition, there are approximately 3 000 staff based in a number of research establishments, whose costs are borne by the research budget.

Staff costs have risen by approximately 10% in 1987, but pensions have risen by 30% to 135.9 million ECU. This figure will rise as Commission staff progress to retirement, as no separate pension fund is retained (Table 5).

The majority of the Commission's property costs derive from rentals and associated expenditure. However, a sum of 4 million ECU was spent in 1987 on construction work at 120 rue de la Loi, Brussels.

Under the heading of special functions, a new expenditure category was introduced this year to cover the preparation and dissemination of economic and statistical analyses.

The Court of Justice

The Court of Justice of the European Communities, based in Luxembourg, has 13 judges and six Advocates-General, each appointed for a six-year term.

The Court has relatively little involvement in the financial and budgetary process, unless there is a dispute between institutions or the legality of the budgetary process is challenged. In such cases it may give a ruling, as it did in 1986.

The Court's expenses are detailed in Table 6.

The Court of Auditors

The 12 members of the Court of Auditors are each appointed for a six-year term by the Council of Ministers. Their role is to monitor the implementation of the budget. The Court has extensive powers to verify the legality and regularity of the Communities' revenue and expenditure, to investigate their financial management and to make reports. They are also consulted in the course of development of the financial legislation governing the preparation and implementation of the budget.

A detailed report on each year's accounts is submitted to the Parliament before a discharge can be given to the Commission.

The Court's expenses appear alongside those of the Court of Justice in Table 6.

The European Investment Bank

The Bank is not covered by the Community budget, although Community taxes applied to the salaries of its directors and officials are included in the budget.

TABLE 2

Employee costs and administration of the institutions in 1987

(million ECU)

	Employee costs	Administration and other	Total
Parliament	233.3	104.4	337.7
Council (including Economic and Social Committee)	118.4	73.7	192.1
Commission (including Publications Office)	765.8	354.2	1 120.0
Court of Justice	35.4	8.6	44.0
Court of Auditors	21.8	3.4	25.2
Total	1 174.7	544.3	1 719.0

TABLE 3

Expenditure of the Parliament

	1987 appropriations available (million ECU)	utilized %	Expenditure	
			1987 (million ECU)	1986 (million ECU)
<i>Employee costs</i>				
Members	65.1	94	61.5	57.1
Staff	155.8	98	153.0	140.1
Pensions and miscellaneous allowances	5.3	87	4.6	3.7
Mission and duty expenses	12.4	99	12.3	10.3
Socio-medical infrastructure	0.7	94	0.6	0.4
Training	1.2	68	0.8	0.9
Social welfare	0.5	96	0.5	0.5
	241.0	97	233.3	213.0
<i>Administration</i>				
Property costs, including rentals	40.3	97	38.0	30.3
Movable property	16.1	97	15.6	12.0
Administration	9.8	96	9.4	7.7
Entertainment and representation	0.3	92	0.3	0.3
Meeting expenses	0.9	99	0.8	0.8
Studies, surveys and consultations	0.3	99	0.3	0.1
Publishing and information	12.8	99	12.3	10.8
Subsidies and financial contributions	6.6	96	6.4	4.6
	87.1	97	83.1	66.6
<i>Special functions</i>	21.5	99	21.3	17.3
	108.6	99	104.4	83.9
Total expenditure	349.6	97	337.7	296.9

Note: All percentages have been calculated on exact figures, before rounding. They represent the extent to which 1987 appropriations available have been absorbed by book commitments during the year.

TABLE 4

Revenue and expenditure of the Council

	1987 appropriations available (million ECU)	utilized %	Expenditure	
			1987 (million ECU)	1986 (million ECU)
Revenue	16.0	96	15.4	14.5
Expenditure				
<i>Employee costs</i>				
Staff	96.9	95	92.0	83.6
Pensions and miscellaneous allowances	1.7	84	1.4	0.5
Mission and duty expenses	1.7	92	1.6	1.7
Socio-medical infrastructure	0.4	96	0.4	0.4
Social welfare	0.3	99	0.3	0.3
Entertainment and representation	0.5	84	0.4	0.3
	101.5	95	96.1	86.8
<i>Administration</i>				
Property costs, including rentals	16.7	98	16.3	17.5
Movable property	4.8	99	4.8	3.8
Administration	16.5	99	16.4	15.1
Post and telecommunications	1.8	100	1.8	1.6
Meeting expenses	9.8	100	9.8	9.5
Publishing and information	5.5	100	5.5	11.1
Subsidies and financial contributions	6.2	100	6.2	3.0
	61.3	99	60.8	61.6
Contingency reserve	1.0	0	—	—
Total expenditure	163.8	96	156.9	148.4

Note: All percentages have been calculated on exact figures, before rounding. They represent the extent to which 1987 appropriations available have been absorbed by book commitments during the year.

TABLE 5

Employee and administrative costs of the Commission

	1987 appropriations available (million ECU)	utilized %	Expenditure	
			1987 (million ECU)	1986 (million ECU)
<i>Employee costs</i>				
Members	6.3	96	6.0	6.0
Staff	601.1	98	586.2	536.0
Pensions and miscellaneous allowances	137.9	99	135.9	104.9
Mission and duty expenses	15.2	100	15.2	13.9
Exchange programmes	3.3	97	3.1	2.3
Socio-medical infrastructure	3.1	99	3.1	2.2
Social welfare	0.6	98	0.6	1.3
Entertainment and representation	0.7	100	0.7	0.7
	768.2	98	750.8	667.3
<i>Administration</i>				
Property costs, including rentals	104.9	99	103.6	101.3
Data processing	34.1	100	34.1	36.0
Movable property	17.0	100	17.0	13.7
Administration	9.7	99	9.6	8.9
Post and telecommunications	22.1	100	22.1	22.2
Meeting expenses	17.8	98	17.5	15.7
Studies, surveys and consultations	3.4	100	3.4	13.1
	209.0	99	207.3	210.9
<i>Special functions</i>				
Subsidies for balancing budgets	4.3	92	3.9	3.7
Administration of international agreements	2.4	97	2.3	2.0
Youth and education	62.6	100	62.5	54.3
Information	17.5	100	17.5	16.9
Publishing (shown separately)	—	—	—	—
Economic and statistical analysis	12.7	99	12.5	—
	99.5	99	98.7	76.9
Total expenditure	1 076.7	98	1 056.8	955.1

Note: All percentages have been calculated on exact figures, before rounding. They represent the extent to which 1987 appropriations available have been absorbed by book commitments during the year.

TABLE 6

Revenue and expenditure of the Court of Justice and the Court of Auditors

(million ECU)

	Court of Justice		Court of Auditors	
	1987	1986	1987	1986
Revenue	5.9	5.3	3.7	3.4
Expenditure				
<i>Employee costs</i>				
Members	4.9	4.8	2.1	2.0
Staff	29.6	24.8	18.7	16.0
Pensions and miscellaneous allowances	0.4	0.2	0.2	0.1
Mission and duty expenses	0.1	0.1	0.5	0.5
Socio-medical infrastructure	0.1	0.1	0.1	0.1
Social welfare	0.3	0.1	0.1	0.1
Entertainment and representation	—	—	0.1	0.1
	35.4	30.1	21.8	18.9
<i>Administration</i>				
Property costs, including rentals	3.7	3.8	1.6	1.5
Movable property	1.8	1.6	0.7	0.6
Administration	0.5	0.4	0.4	0.2
Post and telecommunications	0.5	0.5	0.2	0.2
Meeting expenses	0.2	0.2	—	—
Studies, surveys and consultations	—	—	0.1	0.1
Publishing and information	1.8	1.6	0.4	0.4
Subsidies and financial contributions	0.1	—	—	—
	8.6	8.1	3.4	3.0
Total expenditure	44.0	38.2	25.2	21.9

REVENUE

Sources of finance

The Community budget was financed from a number of sources in 1987, in the proportions displayed in Figure 4:

- (i) the traditional own resources established by the Member States:
 - (a) customs duties
 - (b) agricultural and sugar levies;
- (ii) own resources accruing from VAT;
- (iii) financial contributions from Member States;
- (iv) miscellaneous revenue, including tax and other deductions from staff remuneration, bank interest, contributions to research programmes, repayments of unused Community aid and other adjustments.

Traditional own resources

The Communities receive customs duties in respect of trade with non-member countries,

based on the Common Customs Tariff. Although there has been some growth in the annual revenue from customs duties in absolute terms, it has not been sufficient to make a significant impact on the actual growth included in each year's budget. In percentage terms, therefore, customs duties are a declining proportion of Community revenue.

Agricultural levies are charged when a Member State imports agricultural products from a non-member country. The intention is to offset differences between world prices and the Community price level. As the Member States have become increasingly self-sufficient in agricultural products, the total of agricultural levies and customs duties has declined as a proportion of total resources.

Sugar and isoglucose producers pay levies on production to cover market support arrangements. A system of equalization of sugar storage costs has been introduced, to ensure that marketing of sugar occurs regularly throughout the year. Although tending to increase over time, these levies too

FIGURE 4
REVENUE OF THE COMMUNITIES IN 1987 1000 million ECU

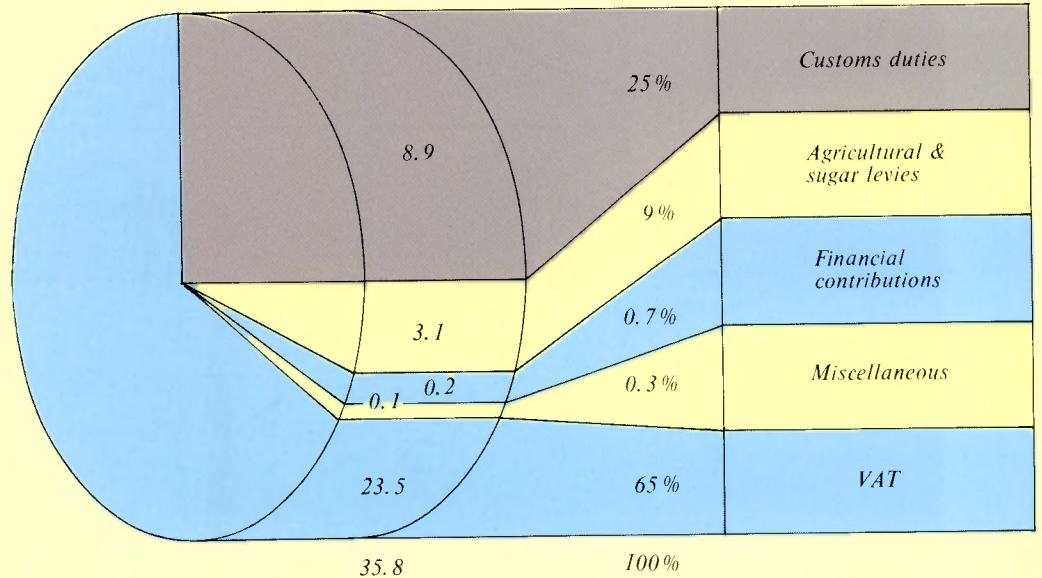
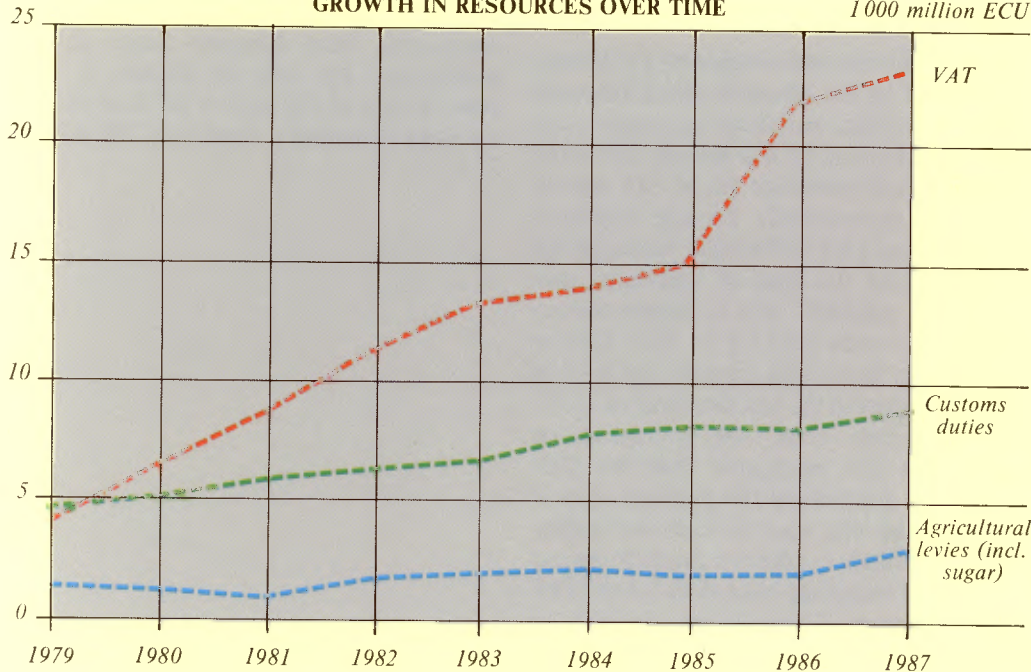


FIGURE 5
GROWTH IN RESOURCES OVER TIME 1 000 million ECU



are small and do not contribute significantly to Community resources.

Own resources : VAT and financial contributions from certain Member States

Financial contributions from Member States have been progressively replaced by the traditional own resources (agricultural levies and customs duties), with the balance provided since 1979 by a percentage of the imputed yield of VAT in each Member State, calculated on a common base. The percentage was not to exceed 1%, raised at the Fontainebleau Summit of June 1984 to 1.4% for most Members, with adjustments for the United Kingdom and Germany.

The new financing mechanism decided by the European Council provides for a growth in available resources of 1.3% of gross national

product (GNP) in commitments and 1.2% in payments by 1992. One disadvantage of the VAT resource system is that it tends to reflect economic activity only through its effect on consumption. The new system will mean that own resources are linked more closely with the relative prosperity of Member States and their ability to pay.

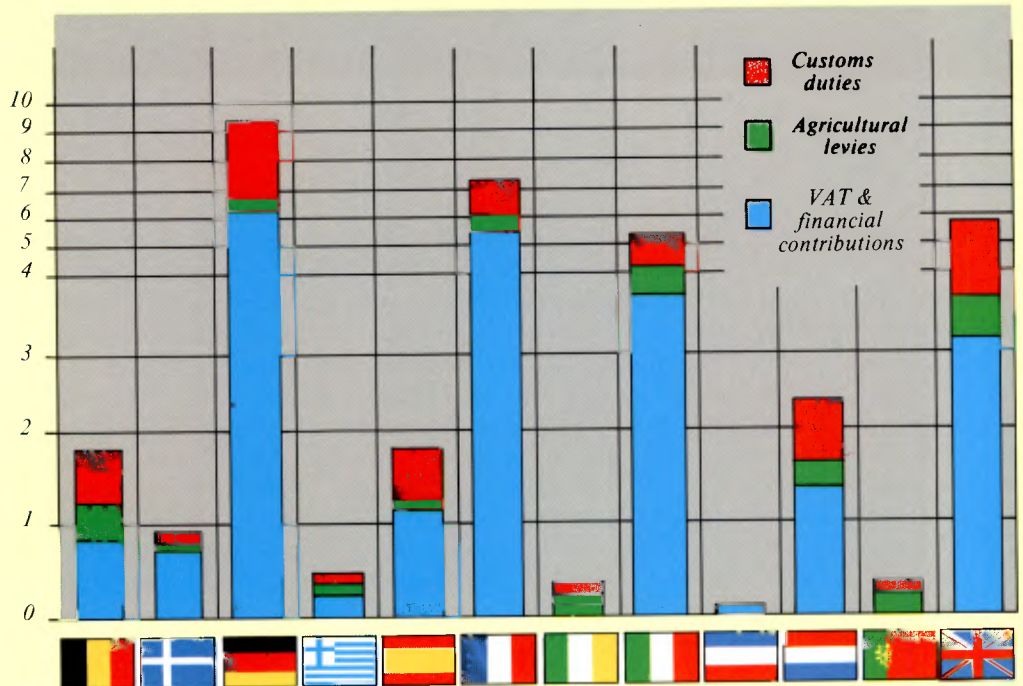
Before accession, some Member States did not operate a VAT system and had therefore to make an alternative contribution to Community resources, generally based on their share of the Community GNP. In 1987, only Portugal did not pay VAT in accordance with a harmonized system, although it had introduced a national system of VAT in January 1986. Portugal benefits from a temporary exemption from VAT-based payments, valid until 1989. Greece did not introduce VAT until January 1987 and in 1986 paid financial contributions on the basis of the amount which would have been due if VAT had been introduced.

The 1987 budget

The 1987 budget was adopted by Parliament and signed by the President on 19 February 1987. It provided authority for commitment appropriations of 37 414 million ECU and payment appropriations of 36 313 million ECU. It subsequently became apparent, however, that a fall in the dollar exchange rate would reduce the total of traditional own resources collected, and a supplementary budget was submitted on 14 May 1987 to reduce this figure and increase the level of VAT resources to the full threshold of 1.4%. At the same time, the overspend on agriculture was eliminated from the 1987 budget by postponing the payment date of advances by two months and 443 million ECU in refunds to Member States in respect of costs of collection were deferred to 1988. The European Council has decided on measures to correct these imbalances in future years. Commitment and payment appropriations were revised to 37 456 and 36 171 million ECU respectively. Actual

revenue for the year was 35 783 million ECU, contributed from Member States in the proportions set out in Figure 6, but cancellations of 701 million ECU resulted in the achievement of a surplus of 521 million ECU.

FIGURE 6
REVENUE BY MEMBER STATE IN 1987 1 000 million ECU



TREASURY REPORT

The Commission holds accounts with the Treasuries and/or Central Banks of Member States which are used for the bulk of transactions with the States. The flow of receipts and expenditure into and out of these accounts is not uniform throughout the year and, when expenditure after taking account of the possibility of anticipating the receipt of own resources temporarily outruns the contributions paid in, the balance is treated as an overdraft with the Member States as happened in 1987 (see Fig. 7).

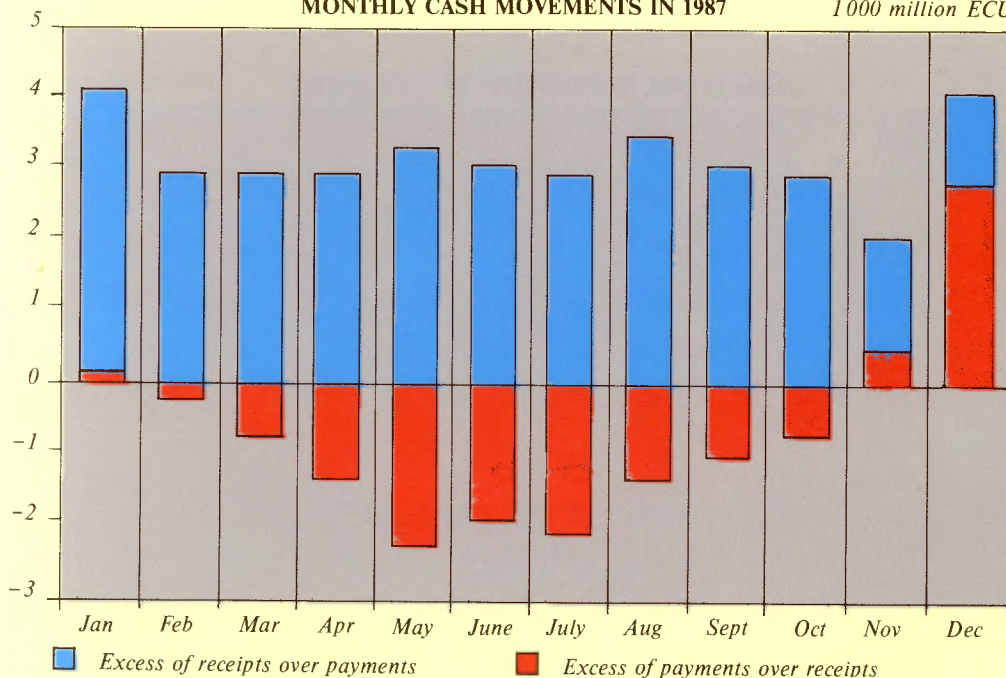
of positive balances are not allowed and no interest is receivable or payable on balances with Member States.

In addition to these accounts with Member States the Commission, in its capacity as treasurer for the other institutions and also to cover the daily needs of its own services, maintains bank accounts with local commercial banks. These however must always be in credit.

Positive or negative balances are spread over the Member States in proportion to their contributions to the budget. As these accounts are kept in national currencies, exchange transactions are frequent.

A rolling forecast of cash-flow is used to monitor, control and coordinate these currency transactions. Cash-flow management is however very strictly regulated: borrowing to make good deficits and lending

FIGURE 7
MONTHLY CASH MOVEMENTS IN 1987 1 000 million ECU



■ Excess of receipts over payments

■ Excess of payments over receipts

Note: Payments and negative balances (in red) and receipts and positive balances (in blue) are overlaid in this figure, such that net positive balances appear above the line and net negative balances below.

EXPENDITURE

Each heading and subheading of the Community budget is separate and distinct and these accounts have analysed expenditure in the traditional way. It has been a feature of the new Single Act, however, that programmes are becoming more integrated and some traditional Community concerns, such as the environment, are now quite properly taken into consideration wherever relevant.

In 1987 operational and administrative expenditure of the Communities increased by 4% as compared with 1986 and income increased by 6% (2 000 million ECU), with the result that a surplus of 521.5 million ECU was achieved and will be carried forward. Agriculture continues to absorb a large proportion of the budget. This, and the other categories of operational expenditure, are set out in Figure 8.

AGRICULTURE AND FISHERIES

The 1987 budget for the European Agricultural Guidance and Guarantee Fund (EAGGF) was 22 960 million ECU. However,

the Commission emphasized from the earliest stage of the budgetary process that this sum could prove insufficient, not least because of the dollar with regard to the ECU.

In fact, it very soon became apparent that a considerable overspend could be expected. The Council approved the Commission's proposal to modify the existing system of advances so that, whereas previously the Commission had made advances to Member States for eligible expenditure under the EAGGF, in future Member States would finance payments and recover them from the Commission. The introduction of this system gave the Commission a once and for all timing benefit of two months, since the last two months constituted the first expenditure of 1988.

Before the real increase of 1987 expenditure over 1986 can be calculated, we must put back into its year of origin expenditure transferred from 1986 to 1987 (693 million ECU). Secondly, in order to have 12 months of expenditure in 1987, the last two months have to be added. On this basis, the increase over 1986 expenditure rises from approximately 4% to 17%.

FIGURE 8
OPERATIONAL EXPENDITURE BY TYPE IN 1987 1 000 million ECU

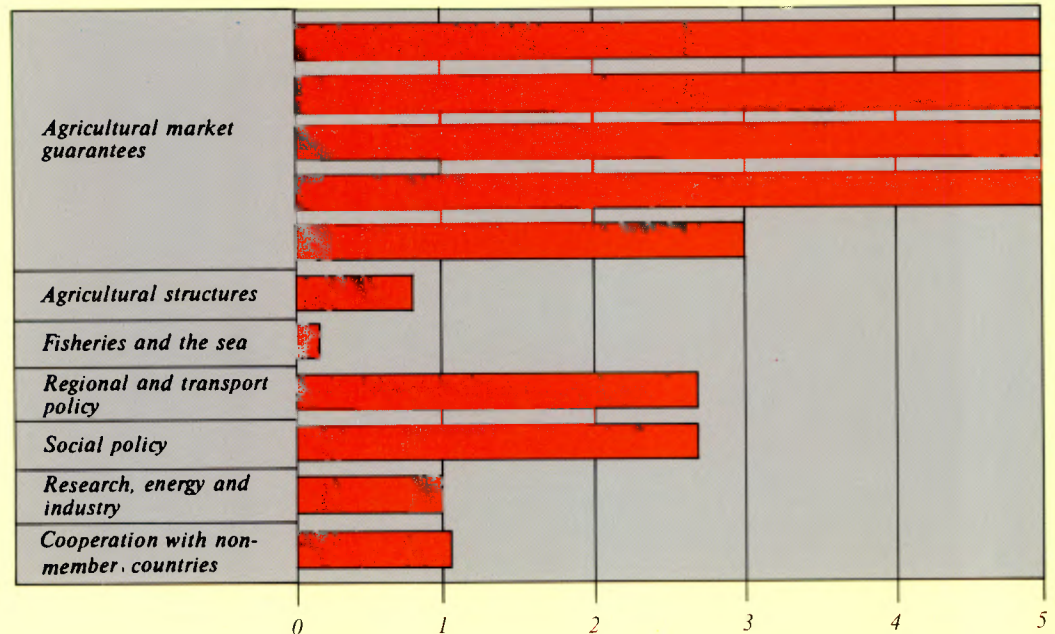


Figure 9 contrasts 1987 (cash-based) expenditure with 1986 and with the budget of February 1987.

The Commission has introduced new accounting arrangements for intervention stocks, in accordance with the conclusions of the European Council of Brussels (11-12 February 1988), which are set out in the section 'Liabilities to be settled in future years'. In future, the revenue and expenditure account will recognize the costs of maintaining produce in long-term storage, and in doing so provide the incentive and the means for its better management. The real expenditure in each financial year will be charged to the budget of that year. However, the budget is then more exposed to the effects of varying production, which reinforces the need to monitor closely all categories of agricultural spending. Although the policy is a new one, its favourable effects are already visible in the first months of 1988.

Cereals and rice, which increased by 843.2 million ECU in 1987, were particularly badly hit by falling world prices and the associated high levels of premium and the falling dollar. A similar combination of circumstances affected sugar and isoglucose.

Olive oil increased by 534.9 million ECU, reflecting the higher cost of incentives for production and consumption but also as a result of delays in payment in 1986 made good in 1987. The higher costs of incentives are a function of increased quantities eligible for benefit, but also of a general fall in prices necessitating a higher level of premium.

Increased harvests also led to increases in guarantees paid on vegetable oils and wine, and to an increase in the quantity of wine distilled.

The reduction in guarantee expenditure on milk and milk products (although the total represents 10 as against 12 months' expenditure in 1986) has been achieved by:

- (i) a reduction in the overall quantity guaranteed, especially in respect of skimmed milk following the growth of a more effective market for the product;
- (ii) the disposal of a large quantity of butter, the costs of which will not be charged until 1989;
- (iii) the cessation of aid to small producers.

Higher costs have also been experienced:

- (i) a growth in exports and in the level of premium on certain cheeses;
- (ii) payment of premiums for reductions in milk production;
- (iii) costs of distribution of free butter and milk products to the disadvantaged following the cold spell in 1987.

The beef sector achieved a significant reduction in 1987, as planned in the initial budget, due largely to lower sales from intervention storage and a reduction in the quantity eligible for export benefit. However, a result of the reduction in milk quotas has been an increase in the number of animals slaughtered, so that the internal market is again saturated, with less opportunity for export in 1987 than in 1986.

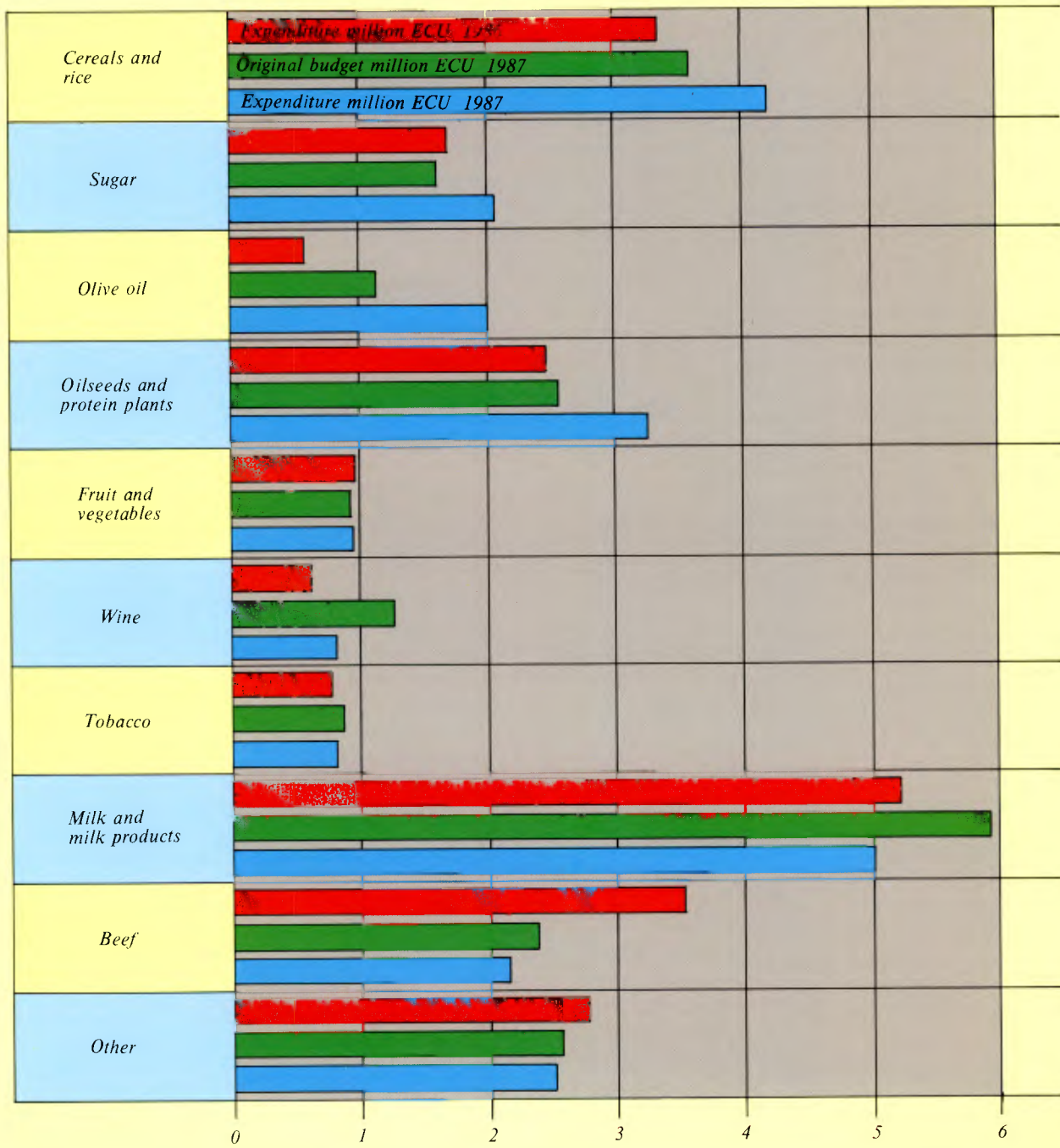
Agricultural structures

Structures expenditure has a number of varying objectives: to improve agricultural structures, to assist less-favoured areas and to develop the common organization of the market. It is the strategic element of expenditure on the development of a common market.

Fisheries

Although the cost of intervention in the fisheries market is falling, expenditure on fisheries agreements with developing

FIGURE 9
 AGRICULTURAL GUARANTEE EXPENDITURE IN 1987



countries is increasing, largely because a number of agreements made by Spain and Portugal have now been adopted by the Communities. The level of take-up for a scheme offering subsidies for fishing boats withdrawn or taken permanently out of service has been lower than expected, leading to a reduction in expenditure on fishery structures.

REGIONAL AND TRANSPORT POLICY

Since the adoption of the Single Act, regional policy has taken its rightful place in the Treaty. The reduction of regional disparities, the development of less-favoured areas and the rehabilitation of industrial areas in decline are seen as essential to reinforce economic and social cohesion.

The Regional Development Fund (RDF) is forward looking, approving specific future programmes and projects for Community assistance. Two of the first Community programmes to be established under the new integrated objectives are STAR, an advanced telecommunications programme, and Valoren, an energy project. Approval was given on the basis of proposals put forward by the Member States concerned (Spain, France, Greece, Ireland, Italy, Portugal and the United Kingdom) in the sum of 777 million ECU for STAR and 393 million ECU for Valoren.

The Commission succeeded in almost fully utilizing the commitment appropriations for 1987, but payment appropriations fell behind, because programmes already approved were not completed to schedule by the Member States. A similar delay in the achievement of the regional and social programme in favour of Greece led to a lower than expected level of payments and some of the appropriations carried over and available during 1987 had to be cancelled at the end of the year.

Many of the features, and problems, of the Mediterranean areas are common to a

number of Member States. As a result a series of integrated Mediterranean programmes are in progress. Seven French programmes (Aquitaine, Corsica, Languedoc-Roussillon, Provence-Alpes-Côte d'Azur, Midi-Pyrénées, Ardèche and Drôme) and six Greek programmes (information technology, western Greece-Peloponnese, northern Greece, Attica, the Aegean islands and eastern and central Greece) have been approved, joining the Cretan programme approved in 1986. Preparatory work on the 17 Italian programmes is under way and they are scheduled for approval in 1988.

Transport

Transport policy has as its objective a free market for services and the elimination of distortions in competition. 1987 has been a successful year, with major changes introduced in air travel to the benefit of citizens and of the industry. New measures cover tariffs, capacity, access to the market and competition and are expected to encourage the development of new services and the introduction of new routes.

The adoption by the Council of an implementing regulation enabled a new infrastructure package amounting to 53 million ECU in commitments to be contracted at the end of the year.

SOCIAL POLICY

Social policy covers a wide range of Community concerns and interests, including unemployment, especially long-term unemployment and unemployment among young people, education, environmental and consumer protection and health and safety at work.

Community concern over unemployment among young people has ensured that 2 360 million ECU of expenditure to assist those under 25 has been approved in 1987. Of this, about 45% will be spent in less-favoured regions. Actual spending this year was 1 950

million ECU, of which 41% was in less-favoured regions.

Two new programmes in the education field have been introduced, Comett and Erasmus. Comett provides for cooperation between industry and the universities and training in the new technologies. Erasmus is concerned with cooperation between universities and the mobility of students and teachers. Erasmus carries a budget of 85 million ECU over three academic years, of which 31 million has been set aside for cooperation between universities to bring about the wider recognition of academic diplomas and periods of study, and 54 million is to provide student grants.

Environmental and consumer protection programmes are, individually, relatively small (expenditure of 31.6 million ECU in 1987) but are among the better known Community initiatives. 1987 was the European Year of the Environment and saw the introduction of a more integrated approach under which environmental issues will be considered as part of policy initiatives in other fields, such as agriculture and regional development. The Montreal Protocol on the protection of the ozone layer was concluded by the Commission and 24 nations, and at home the Council issued directives on the level of lead in petrol and the exhaust emissions of private cars and heavy goods vehicles. Other spending during the year was concentrated on the development of clean technologies, environmental protection in designated areas, the Community-wide information system on the condition of the environment and protection of the seas. Although relatively small, consumer protection also has a high priority in view of the introduction of a single European market by 1992.

Health and safety at work expenditure aims to improve working conditions, remove inequalities between men and women at work, facilitate the integration of handicapped people into the working and social communities and improve the living

and working conditions of migrant workers. Expenditure for the year, which is included in miscellaneous social expenditure, amounted to 32 million ECU.

Aid to disaster victims within the Communities (37.8 million ECU in 1987) is provided by direct aid and by means of loans on advantageous terms, the cost of which is charged to each succeeding year's budget. Current loans outstanding are in respect of earthquakes in Italy and Greece in 1980 and 1981.

RESEARCH, ENERGY AND INDUSTRY

1987 was a landmark in research and technology policy. The five-year plan 1987-91 was launched in September, the first under the Single Act, and by the end of the year proposals had been received for 75% of the estimated total of about 5 000 million ECU. Five programmes have already been adopted by the Council :

- (i) medical research, concentrating on cancer and AIDS;
- (ii) research into fisheries;
- (iii) telecommunications (RACE);
- (iv) the second programme for research and technology connected with development;
- (v) a programme on protection against radioactivity, revised 'post Chernobyl'.

Existing programmes continued during the year. A field in which the Communities play an important world role is thermonuclear fusion and nuclear fission (300 million ECU in 1987). Large-scale research continued in the fields of information technology (213 million ECU) and, to a lesser extent, industrial and biotechnology. Information technology is also well represented in spending on industry and the internal market.

Much of the Communities' research is carried out by the Joint Research Centre, which has bases at Ispra in Italy, Karlsruhe in Germany, Petten in the Netherlands and Geel in Belgium. Whilst retaining its full Community role, in future the Centre will be encouraged to take on work for external customers, for example, for individual Member States or European industries.

In the field of energy policy, the Communities support new energy technologies, financing demonstration and pilot projects and encouraging energy conservation.

COOPERATION WITH NON-MEMBER COUNTRIES

The scope of Community activities in external relations is evidenced by the 130 accredited diplomatic missions to the Communities. One of its major manifestations is the series of Lomé Conventions between the Communities and 66 African, Caribbean and Pacific States. During 1987 Spain and Portugal became parties to the third Convention and a special programme of aid totalling 100 million ECU was agreed for the poorest and most indebted of the sub-Saharan nations. This expenditure is not budgetized.

Approximately half of the 1 063.2 million ECU spent on cooperation from the budget is allocated to food aid. The remainder fulfils a number of policy objectives including cooperation with developing countries in Latin America and Asia (284 million ECU), with other developing countries (60 million ECU), special aid (57 million ECU) and Mediterranean countries (55 million ECU). The Communities also support a number of delegations based in non-member countries.

Expenditure under this heading can tend to be unpredictable as a result of variations in food prices, delays in completion of projects or in the signing of agreements. As a result, the utilization of 90% of the year's commitment

appropriations represents an improvement on 1986 levels, although the take-up of payment appropriations was only 53% and 21% of those brought forward were lost.

LIABILITIES TO BE SETTLED IN FUTURE YEARS

Liabilities of the Communities at 31 December 1987

It is a feature of the accounting system of the Communities that sums due but unpaid at 31 December are not in all cases accrued in the balance sheet and charged to the revenue and expenditure account for the year. Those normally accrued include:

- (i) revenue to be transferred to other bodies;
- (ii) interest and other sums due in relation to the New Community Instrument (NCI) and the European Atomic Energy Community (Euratom);
- (iii) payments authorized in December 1987 and paid between 1 and 15 January 1988;
- (iv) payment appropriations available for carryover to the following year.

The purpose of this section of the report is to set out those liabilities, potential liabilities and other contingencies which are not provided within the consolidated accounts at 31 December 1987.

The Communities have a number of known financial obligations to be settled in 1988 and future years, which have normally been presented outside the balance sheet. In addition, the Communities have other potential liabilities which may never arise, or can only be roughly estimated at 31 December 1987.

To offset these liabilities, however, there are potential receipts. For instance, on discovering a fraud or irregularity relating to sums paid under the European Agricultural Guidance and Guarantee Fund, a Member State notifies the Commission and takes steps to recover the sums paid on its behalf. The sums likely to be recovered can only be estimated at present on the basis of amounts notified. The date of their receipt, likewise, cannot be estimated with any certainty.

The amounts of financial obligations, other potential liabilities and potential receipts are set out in Table 7. The total of 7 388.2 million ECU represents liabilities of the Com-

munities as at 31 December 1987, which, under a régime of accruals accounting, would be charged in whole or in part to the revenue and expenditure account and included in the balance sheet at 31 December 1987. The liabilities set out in Table 7 are, therefore, provided as information supplementary to the consolidated accounts of the Communities.

The Commission wishes to begin to make provision for its liabilities as set out above and, accordingly, has sought and received approval from the Council to set up a provision against losses anticipated on existing intervention stocks. It has been agreed that amounts will be set aside annually and charged to the revenue and expenditure account as repayments to Member States. The sums to be set aside will total 6 800 million ECU over the next five years, as follows:

1988 : 1 200 million ECU
1989-92 : 1 400 million ECU each year

By 1992, therefore, the Commission anticipates that losses on existing stocks will be fully provided. In addition, the Council has determined that provision should be made in each year's budget for losses on stocks newly purchased for intervention. The sum has been fixed for 1988 at 835 million ECU. For 1989 to 1992 the provision will represent potential losses on all new stocks to be purchased.

By 1992, therefore, the Commission intends that losses on all intervention stocks will be fully provided.

Sums falling due in future years

It is part of the budgetary process that, in order for a payment to be made, it must fall within the scope of both a commitment appropriation and a payment appropriation. (These terms are explained and their respective roles in the budgetary process are set out in the chapter on the financing of the European Communities.)

Commitment appropriations may cover multiannual programmes but the matching payment appropriations will be allocated separately in each year's budget. This means that at any one time there are commitments in hand which must be met from the budgets of succeeding years as they fall due. At 31 December 1987, the commitments in hand on differentiated appropriations amounted to 14 231 million ECU. An analysis of this sum, together with an analysis of the years in which it is expected to fall due for payment, appears in Annex 2 to the consolidated accounts.

A second category of sums falling due in future years comprises policies and programmes of expenditure approved by the Council in principle, but not yet legally committed or entered in the budget. These sums, described here as policy objectives determined, are set out in Table 11. In certain cases, there is an intention that the money should be spent within a given period and the applicable years are set out in the table. In at least one case, agricultural structures, there has not been the desired level of take-up of the available funds and there is some doubt as to whether the objective will be met in full.

	<i>(million ECU)</i>	
	1987	1986
Commitment appropriations outstanding	14 230.8	12 458.0
Policy objectives determined (Table 11)	16 870.1	13 392.0
	31 100.9	25 850.0

Contractual commitments (Non-revenue)

NCI and Euratom have considerable borrowing and lending operations. At 31 December 1987 a number of borrowing and lending transactions were in course of completion. These transactions, if presented within the accounts, would affect only the

balance sheet and not the revenue and expenditure account.

	<i>(million ECU)</i>			
	Due by NCI/EUR	Due to NCI/EUR	Net 1987	Net 1986
Loans signed but not paid	338.4	—	338.4	(41.6)
SWAP operations	752.0	649.3	102.7	38.7
Bank deposits to cover coupons and bonds	136.5	—	136.5	58.8
Deferred purchase of bonds	15.0	—	15.0	—
	1 241.9	649.3	592.6	55.9

Contingent liabilities

The Communities have identified a number of contingent liabilities, only some of which can be quantified.

Pension costs:

The Communities undertake to pay pensions to former employees on the basis of years of service. However, although contributions are made by employees, no separate fund is maintained from which the eventual liabilities will be met. There is, therefore, a liability for pension costs, which cannot be determined without an actuarial valuation.

Guarantees given:

The Commission guarantees loans to non-member countries granted by the European Investment Bank from its own funds. Not all loans are guaranteed at 100%, the average being 75%. The figures given below represent 75% of the capital value of loans guaranteed. Interest may also be guaranteed but is not quantified below.

	<i>(million ECU)</i>	
	1987	1986
At 75% of capital value	1 485	1 455

TABLE 7

Liabilities of the Communities at 31 December 1987

(million ECU)

	1987	1986
<i>Financial obligations</i>		
European Agricultural Guidance and Guarantee Fund (EAGGF):		
Exceptional operation to dispose of butter stocks:		
debts realized in 1987	1 534.8	—
debts to be realized in 1988 (1986:1989-92)	1 643.0	3 200.0
Following judgments by the Court of Justice, sums due to Member States on clearance of accounts	40.7	13.8
Expenditure deferred	—	693.0
Repayments to Member States:		
Collection charges deferred to 1988	442.7	—
	3 661.2	3 906.8
<i>Other potential liabilities</i>		
European Agricultural Guidance and Guarantee Fund (EAGGF):		
Difference between the guarantee price and sale price of agricultural stocks at 31 December 1987 (excluding butter stocks subject to the exceptional disposal operation and alcohol stocks on which only disposal costs will arise) (Table 8)	3 659.1	3 610.2
Judgments awaited from the Court of Justice on sums claimed by Member States relating to clearance of accounts (Table 9)	265.6	133.4
	3 924.7	3 743.6
<i>Potential receipts (Table 10)</i>	(197.7)	(130.8)
Total	7 388.2	7 519.6

TABLE 8

Agricultural products held in intervention stores at 31 December 1987

Products	Quantity (tonnes) ⁴	Guaranteed value ¹ (million ECU)	Loss per tonne ² (ECU/t)	Estimated sales price ³ (million ECU)	To be provided (million ECU)
Common wheat	2 392 486	526.3	155	155.5	370.8
Common wheat (not bread quality)	1 722 023	332.4	137	96.4	236.0
Barley	3 585 786	706.4	149	172.1	534.3
Rye	754 874	165.3	170	37.0	128.3
Durum wheat	2 027 472	577.8	195	182.5	395.3
Maize	22 296	4.1	134	1.1	3.0
Sorghum	8 205	1.6	151	0.4	1.2
Sugar	0	—	—	—	—
Olive oil	312 807	487.7	—	487.7	—
Colza	0	—	—	—	—
Sunflower	17 178	8.5	—	8.5	—
Leaf tobacco	2 158	1.4	461	0.4	1.0
Manufactured tobacco	19 044	14.2	546	3.8	10.4
Baled tobacco	20 740	25.1	1 106	2.1	23.0
Alcohol (hectolitres)	1 687 959	160.4	89	10.1	150.3
Skimmed-milk powder	593 590	1 136.7	400	899.3	237.4
Butter	888 376	2 941.7	1 115	1 951.2	990.5
Beef carcasses	537 209	1 475.5	1 601	615.5	860.0
Boned beef	216 615	805.4	1 424	496.9	308.5
Subtotal		9 370.5		5 120.5	4 250.0
Less: Butter disposals ⁴		1 755.0		1 164.1	590.9
Total ⁵		7 615.5 ⁵		3 956.4 ⁵	3 659.1 ⁵
Alcohol ⁶	4 841 525	464.8	89	33.9	430.9

¹ Calculated by reference to guaranteed prices at 30 September 1987.

² Calculated by reference to losses anticipated in December 1987 and used for preparation of the 1988 budget.

³ Calculated as the net of guaranteed value and loss per tonne.

⁴ Quantities as declared by Member States as at 30 September 1987, which are the latest figures available.

⁵ Figures represent the totals for butter after deduction of the tonnage to be disposed of through the exceptional disposal operation for which separate provision is made.

⁶ Shown separately, as only disposal costs and not financial or technical costs will fall to the Commission.

TABLE 9

Claims submitted to the Court of Justice at 31 December 1987

Member States	Claims on the Commission (national currencies)	1987 (million ECU)	1986 (million ECU)
Awaiting judgment of the Court:			
Belgium	—	—	0.3
Denmark	184.3	23.2	11.4
Germany	5.9	2.9	0.1
Greece	11 525.9	70.1	22.8
France	54.3	7.7	2.6
Ireland	—	—	4.3
Italy	47 370.8	31.1	14.8
Netherlands	150.9	65.1	61.7
United Kingdom	45.6	65.5	15.4
Total		265.6	133.4

TABLE 10

Potential receipts arising from frauds and irregularities notified at 31 December 1987

(million ECU)

Member States	Measures financed 100% by the EAGGF Guarantee	Measures financed partially ¹	Total	1986
Belgium	13.8	—	13.8	10.9
Germany	38.5	2.4	41.0	48.7
Denmark	0.5	1.4	1.8	1.0
Greece	—	—	—	1.3
Spain	—	—	—	—
France	5.4	0.3	5.7	6.3
Ireland	2.9	0.3	3.2	5.4
Italy	121.6	—	121.6	47.9
Luxembourg	—	—	—	—
Netherlands	2.6	0.2	2.8	1.9
Portugal	—	—	—	—
United Kingdom	7.3	0.5	7.8	6.2
Unclassified	—	—	—	1.2
Total	192.6	5.1	197.7	130.8

¹Premiums for non-production of milk and conversion of dairy herds are financed jointly out of EAGGF Guarantee and EAGGF structures budgets.

TABLE 11

Policy objectives determined

	Years applicable	Total programme (million ECU)	Committed to date (million ECU)	1987 Balance of programme (million ECU)	1986 Balance of programme (million ECU)
1. Agricultural structures	1985-89	6 350.0	2 650.0	3 700.0	3 504.0
2. Fishery structures	1987-92	800.0	122.4	677.6	800.0
3. European Regional Development Fund	1981-87				
Multiannual programmes		—	—	2 656.0	—
Multiannual programmes (non-quota section)		—	—	587.0	539.0
4. Integrated Mediterranean programmes	1986-92	1 600.0	203.0	1 397.0	1 600.0
5. Energy, research and technology, industry, nuclear safeguards, information market and innovation and the internal market					
Programme decisions taken		—	—	5 121.0	1 460.0
Framework programme for research and technological development		—	—	688.0	5 396.0
Other		—	—	1 578.0	—
6. Cooperation with developing and non-member countries	1986-91				
Mediterranean countries: development aid		—	—	465.5	93.0
				16 870.1	13 392.0

THE CONSOLIDATED ACCOUNTS OF THE COMMUNITIES

ACCOUNTING POLICIES

1. The accounts are prepared in accordance with the requirements of the Financial Regulation of 21 December 1977, as supplemented by implementing regulations issued by the Commission. The Financial Regulation is now being revised.

2. The European currency unit (ECU)

2.1. The accounts are stated in ECU, a unit of currency comprising the sum of the following amounts of Member States' currencies:

BFR	3.71	HFL	0.256
DKR	0.219	IRL	0.00871
DM	0.719	LFR	0.14
DR	1.15	LIT	140.0
FF	1.31	UKL	0.0878

2.2. Own resources and financial contributions are converted at the exchange rates applying on the day payment falls due. Advances paid in respect of food aid and the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are converted at the exchange rates applying on the 20th of the second month preceding payment, the date when the related advance becomes payable.

Some operations relating to staff are converted at special rates.

Other operations are converted at the monthly accounting rates in force when they are carried out.

2.3. The ECU conversion rate for 31 December 1987 has been used to prepare the balance sheet except as follows:

- (i) tangible assets, which are calculated at the accounting rate applying when they were purchased;
- (ii) appropriations carried over, some of which are to cover commitments in

national currencies converted into ECU at the monthly accounting rates for December.

2.4. The rates applying on 31 December 1987 for converting national currencies into ECU were as follows:

1 ECU =	BFR	43.1539	HFL	2.31762
	DKR	7.94457	IRL	0.777888
	DM	2.06034	LFR	43.1539
	DR	164.483	LIT	1 521.66
	ESC	169.467	PTA	140.566
	FF	6.98335	UKL	0.696793

3. Consolidation

3.1. The consolidated accounts comprise the accounts of various European institutions, including the Parliament, the Council, the Economic and Social Committee, the Commission (including the Publications Office and the Joint Research Centre), the Court of Justice and the Court of Auditors. They do not, however, include the accounts of the European Coal and Steel Community, European Development Fund or the European Investment Bank.

3.2. The assets and liabilities resulting from NCI and Euratom borrowing and lending operations are included in the appropriate items of the Communities' balance sheet.

3.3. 1987 accounts relating to NCI and Euratom borrowing and lending operations appear in Volume II (Section III) of the published accounts of the Communities.

3.4. Balances between the institutions are netted off on consolidation wherever possible. Any residual sums are included in current assets and creditors.

3.5. All figures are in millions of ECU, unless otherwise stated.

4. Revenue

4.1. Own resources and financial contributions are entered in the accounts on the basis of the amounts credited in the course of the year to the accounts opened in the name of the Commission by the governments of the Member States. The difference between the budget entries for VAT own resources and financial contributions and the amount actually due is calculated by 1 July of the following year and entered in an amending budget.

4.2. Other revenue is entered in the accounts on the basis of the amounts actually collected in the course of the year.

5. Expenditure

5.1. Expenditure for the year, as included in the revenue and expenditure account, represents payments against the year's appropriations for payments plus any appropriations for payments for the year which are unused and are carried over.

5.2. The payments against the year's appropriations for payments are those for which authorization reaches the Financial Controller not later than 31 December and which are effected by the Accounting Officer not later than 15 January of the following year.

5.3. Payments in respect of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and for food aid are those effected by the Member States up to 31 December, provided that the Accounting Officer is notified of the commitment and authorization not later than 31 March of the following year.

5.4. Appropriations for payments may be carried over to the following financial year:

(i) non-differentiated appropriations: the carry-over is generally automatic when it is to cover commitments outstanding; in

other cases the prior authorization of the budgetary authority is required;

(ii) differentiated appropriations: the carry-over is automatic for payment appropriations which have not been used by the end of the year. However, the European Council has decided that in future carry-overs should not be automatic, but should be decided by the Commission on clearly defined grounds.

6. Advances and accelerated payments

6.1. Advances for operational purposes, other than those paid in connection with the common agricultural policy and food aid, are included with the expenditure for the financial year and do not appear as assets in the balance sheet.

7. Tangible assets

7.1. The movable property of all the institutions (equipment and furniture) is valued at purchase price in national currency converted into ECU at the accounting rate in force at the time of purchase.

7.2. Buildings in Brussels, those of the external offices and delegations and those at the Geel, Karlsruhe and Petten establishments of the Joint Research Centre are included in the balance sheet at their purchase prices. The buildings at the Ispra establishment site are valued in accordance with the valuation conducted in 1982, increased in 1984 by 14% for buildings and by 20% for other infrastructure. In 1985, 1986 and 1987 the valuation was increased by the cost of additions in the year.

7.3. No depreciation is provided as the full purchase cost of tangible assets is written off to the revenue and expenditure account in the year of acquisition. The full value remains in the balance sheet until items are withdrawn from service, and is balanced by an exactly

equivalent figure which forms part of own capital.

8. Stocks

8.1. Stocks represent the consumable stores held by all the institutions, including certain nuclear materials held by the research centres. All items are valued for balance sheet purposes at purchase price, with the exception of nuclear material and heavy water which are valued at commercial valuation, net of reprocessing costs.

CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT
for the year ending 31 December 1987

	Notes	1987 million ECU	1986 million ECU
<i>Revenue</i>			
Own resources	1	35 497.9	32 615.0
Financial contributions	2	210.6	210.1
Adjustments to previous years' revenue	3	(359.3)	377.3
Other revenue	4	452.0	431.5
		<hr/>	<hr/>
<i>Total revenue</i>		35 801.2	33 633.9
		<hr/>	<hr/>
<i>Expenditure</i>			
<i>Operational expenditure</i>			
Agricultural market guarantees	5	22 950.3	22 119.4
Agricultural structures	6	825.6	797.6
Fisheries and the sea	7	163.5	150.7
Regional and transport policy	8	2 679.0	2 574.8
Social policy	9	2 722.9	2 652.5
Research, energy and industry	10	964.8	760.1
Cooperation with non-member countries	11	1 063.2	1 161.5
		<hr/>	<hr/>
		31 369.3	30 216.6
		<hr/>	<hr/>
<i>Other operating expenses</i>			
Staff costs	12	1 174.7	1 049.6
Administrative expenses	12	544.3	501.6
		<hr/>	<hr/>
		1 719.0	1 551.2
		<hr/>	<hr/>
<i>Repayments to Member States</i>	13	1 561.0	3 095.4
		<hr/>	<hr/>
<i>Total expenditure</i>	14	34 649.3	34 863.2
		<hr/>	<hr/>
<i>Surplus of revenue over expenditure for the year (1986: deficit)</i>		1 151.9	(1 229.3)
Deficit for the previous year (1986: surplus)	15	(819.9)	53.8
Appropriations carried over from previous year which lapse	14	189.5	355.6
		<hr/>	<hr/>
<i>Retained surplus for the year (1986: deficit)</i>		521.5	(819.9)
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET
as at 31 December 1987

	Notes	1987 million ECU	1986 million ECU
<i>Fixed assets</i>			
Tangible assets	16	538.5	503.1
Loans	17	9 862.9	9 652.8
		<hr/>	<hr/>
		10 401.4	10 155.9
<i>Long-term debtors</i>	18	95.8	102.9
<i>Current assets</i>			
Stocks	19	70.2	28.6
Amounts owed by Member States	20	102.0	109.4
Amounts owed by Community bodies	21	23.2	1.0
Debtors	22	608.2	530.2
Cash at bank and in hand	23	3 957.7	1 938.6
		<hr/>	<hr/>
		4 761.3	2 607.8
Less: Creditors due within one year	24	(4 231.0)	(3 733.0)
		<hr/>	<hr/>
<i>Net current assets</i>		530.3	(1 125.2)
<i>Total assets less current liabilities</i>		11 027.5	9 133.6
<i>Creditors due after more than one year</i>	25	(10 226.1)	(9 781.5)
<i>Provisions for liabilities and charges</i>	26	(28.8)	(19.2)
		<hr/>	<hr/>
		772.6	(667.1)
		<hr/>	<hr/>
<i>Fixed capital</i>			
Own capital	27	1 002.0	903.7
Deficit brought forward	28	(750.9)	(750.9)
Surplus for the year (1986: deficit)	28	521.5	(819.9)
		<hr/>	<hr/>
		772.6	(667.1)
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED ACCOUNTS

Notes to the consolidated revenue and expenditure account

1. Own resources	Budget reference	1987 million ECU	1986 million ECU
Agricultural levies		1 626.1	1 175.5
Sugar and isoglucose levies		1 471.8	1 043.2
Customs duties		8 936.5	8 172.9
VAT resources		23 463.5	22 223.4
	1	35 497.9	32 615.0
2. Financial contributions			
Financial contributions are made by Member States which enter the Communities without a compatible VAT system in force. They are calculated by reference to the Member State's gross national product.			
In 1987 financial contributions were receivable only from Portugal. (Budget reference: 2).			
3. Adjustments to previous years' revenue			
Balance of VAT own resources and adjustments to financial contributions for previous year		(477.6)	216.6
Corrections to the balance of own resources and adjustments to financial contributions for 1979 to 1985		118.3	160.7
	3	(359.3)	377.3
4. Other revenue			
Miscellaneous Community taxes, levies and dues	4	190.7	180.3
Revenue accruing from the administrative operation of the institutions	5	37.6	45.9
Contributions to Community programmes; repayments of expenditure and revenue from services rendered	6	176.7	103.6
Interest on late payments and fines	7	19.5	7.1
Borrowing and lending operations	8	6.9	3.2
Miscellaneous	9	2.7	70.9
Exchange gains		17.9	20.5
		452.0	431.5

5. Agricultural market guarantees

	Budget reference	1987 million ECU	1986 million ECU
Expenditure by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF)		22 967.7	22 137.4
Less: Expenditure on the common organization of the market in fishery products, included in fisheries (Note 7)	40B	(17.4)	(18.0)
	1B, 2B	22 950.3	22 119.4

6. Agricultural structures

Expenditure by the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF)		843.5	796.6
Less: Expenditure on fisheries policy, included in fisheries (Note 7)	46B	(53.2)	(46.3)
	30B to 33B	790.3	750.3
Expenditure in the agricultural sector	38B	35.3	47.3
		825.6	797.6

7. Fisheries and the seaExpenditure by the Guarantee and Guidance Sections
of the EAGGF:

Organization of the market (Note 5)	40B	17.4	18.0
Fisheries policy (Note 6)	46B	53.2	46.3
Other	4 B	92.9	86.4
		163.5	150.7

8. Regional and transport policy

European Regional Development Fund	50B, 51B	2 562.3	2 373.0
Other regional policy operations	54B	12.9	42.0
Mediterranean programmes	55B	76.8	133.0
Transport	58B	27.0	26.8
		2 679.0	2 574.8

9. Social policy	Budget reference	1987 million ECU	1986 million ECU
European Social Fund	60B, 61B	2 542.2	2 533.0
Environmental and consumer protection	66B	31.6	21.7
Aid to disaster victims in the Community	69B	37.8	36.8
Miscellaneous social expenditure	63B, 64B, 67B	111.3	61.0
		2 722.9	2 652.5

10. Research, energy and industry

Energy policy	70B	89.5	42.0
Nuclear safeguards	71B	4.1	3.9
Scientific and technological research	72B	—	3.3
Research and investment	73B	774.9	626.0
Information market and innovation	75B	23.7	18.3
Industry and the internal market	77B	70.6	66.6
Financial engineering	79B	2.0	—
		964.8	760.1

Research and investment also includes related staff and administrative expenditure incurred in the research centres of Ispra, Karlsruhe, Petten and Geel.

11. Cooperation with non-member countries

Food aid	92B	540.5	548.3
Other cooperation activities with developing and non-member countries	93B to 99 B	522.7	613.2
		1 063.2	1 161.5

A further 259.4 million ECU (1986 : 264.3 million ECU) of export refunds made in connection with food aid are included in EAGGF Guarantee Section expenditure.

In addition to the above amounts consolidated:

- (i) the European Development Fund made payments of 837.9 million ECU (1986: 846.5 million ECU) to developing countries;
- (ii) the European Investment Bank (EIB) grants loans to developing countries from its own funds, guaranteed by the Commission.

12. Other operating expenses

	Budget reference	1987 million ECU	1986 million ECU
<i>Staff costs</i>			
Parliament	1	233.3	213.0
Council	1	96.1	86.8
Economic and Social Committee	3	22.3	20.0
Commission	1A	750.8	667.3
Publications Office	3A	15.0	13.5
Court of Justice	1	35.4	30.1
Court of Auditors	1	21.8	18.9
		<hr/>	<hr/>
		1 174.7	1 049.6
		<hr/>	<hr/>
<i>Administrative expenses</i>	2, 3	544.3	501.6
		<hr/>	<hr/>

The costs of employees and administration at the various research establishments are included in research, energy and industry (Note 10).

Information on staff numbers within the larger institutions is provided in the chapter on the institutions.

13. Repayments to Member States

Flat-rate repayment of costs incurred in collecting own resources	80B	760.0	1 045.4
Refunds and financial compensation	86B	801.0	1 799.2
Reimbursement of advances granted in 1984	87B	—	250.8
		<hr/>	<hr/>
		1 561.0	3 095.4
		<hr/>	<hr/>

In order to prevent a deficit arising in 1987 a supplementary budget was approved, which provided for:

	1987 million ECU
(i) costs incurred in collecting own resources for 1987 not to be repaid to Member States after August;	<hr/> 442.7
(ii) reimbursement of the 1987 portion of the advances granted in 1984 to be deferred until 1988.	250.9
	<hr/>
	693.6
	<hr/>

14. Total expenditure

Operational expenditure

	Payments for the year million ECU	Carried over million ECU	Expenditure 1987 1986 million ECU million ECU	
Agricultural market guarantees	22 949.6	0.7	22 950.3	22 119.4
Agricultural structures	799.0	26.6	825.6	797.6
Fisheries and the sea	124.6	38.9	163.5	150.7
Regional and transport policy	2 479.8	199.2	2 679.0	2 574.8
Social policy	2 615.4	107.5	2 722.9	2 652.5
Research, energy and industry	803.1	161.7	964.8	760.1
Cooperation with non-member countries	481.4	581.8	1 063.2	1 161.5
	30 252.9	1 116.4	31 369.3	30 216.6

Other operating expenses

Staff costs	1 151.6	23.1	1 174.7	1 049.6
Administrative expenses	425.4	118.9	544.3	501.6
	1 577.0	142.0	1 719.0	1 551.2

Repayments to Member States

	1 461.2	99.8	1 561.0	3 095.4
	33 291.1	1 358.2	34 649.3	34 863.2

Breakdown of expenditure by institution

Commission:				
non-dissociated appropriations	25 732.5	488.7	26 221.2	26 743.0
dissociated appropriations	7 014.0	815.1	7 829.1	7 581.2
	32 746.5	1 303.8	34 050.3	34 324.2
Parliament	302.1	35.6	337.7	296.9
Council	177.0	15.1	192.1	182.0
Court of Justice	41.7	2.3	44.0	38.2
Court of Auditors	23.8	1.4	25.2	21.9
	33 291.1	1 358.2	34 649.3	34 863.2

Reconciliation with the budget

	Expenditure	
	1987 million ECU	1986 million ECU
Payment appropriations approved for the year	36 170.6	35 177.2
Less: Appropriations not used and which lapse	(701.4)	(314.0)
Deficit for the previous year	(819.9)	—
Expenditure for the year	34 649.3	34 863.2

Expenditure for the year comprises payments made against payment appropriations for the year plus the balance of payment appropriations available for carryover to the following year.

In accordance with the current regulations of the Commission, payment appropriations brought forward from the previous year which remain unused lapse, and are credited to the revenue account of the current year.

A more detailed analysis of payment appropriations and their use appears in Annex 1 to these Notes. Payments are presented in Annex 1 in the traditional format and include the 1986 deficit of 819.9 million ECU, which is excluded from payments for the year in this note.

15. Deficit for the previous year

In accordance with the accounting regulations of the Commission, the deficit arising in 1986 was included in a supplementary budget for 1987 and, in effect, charged to the 1987 revenue and expenditure account.

Notes to the consolidated balance sheet

16. Tangible assets

	Buildings		Furniture and equipment		Total	
	1987 million ECU	1986 million ECU	1987 million ECU	1986 million ECU	1987 million ECU	1986 million ECU
Parliament	1.4	1.4	32.7	28.3	34.1	29.7
Council			12.8	11.8	12.8	11.8
Economic and Social Committee			3.0	3.0	3.0	3.0
Commission	231.4	215.5	249.9	236.6	481.3	452.1
Court of Justice			5.7	5.1	5.7	5.1
Court of Auditors			1.6	1.4	1.6	1.4
Total	232.8	216.9	305.7	286.2	538.5	503.1

17. Loans

Loans granted from the budget

Loans on special terms (cooperation with non-member countries)	392.1	369.7
Loans in favour of migrant workers	0.7	0.8
Building loans to Communities' officials	0.5	0.6
	393.3	371.1

Loans granted from borrowed funds

Community loans for balance of payments support	2 226.7	1 890.0
Euratom loans	2 373.0	2 398.2
Loans to promote investment in the Communities (NCI)	4 869.9	4 993.5
	9 469.6	9 281.7
Total	9 862.9	9 652.8

Detailed tables showing all loans granted appear in the accounts of Euratom and NCI borrowing and lending operations, which are contained in Volume II (Section III) of the Communities' published accounts.

18. Long-term debtors

	1987 million ECU	1986 million ECU
Deposits, guarantees and working balances paid to third parties	4.5	1.6
Recoverable costs	91.3	101.3
	<hr/> 95.8	<hr/> 102.9

Recoverable costs arise on NCI and Euratom borrowing and lending operations as a result of the difference between the interest rates charged on loans granted and the lower interest rates paid on loans raised. They are recovered gradually over the lifetime of the borrowings.

19. Stocks

Parliament	1.4	1.4
Council	0.6	0.7
Economic and Social Committee	0.1	0.1
Commission ¹	67.8	26.1
Court of Justice	0.2	0.2
Court of Auditors	0.1	0.1
	<hr/> 70.2	<hr/> 28.6

¹ Includes nuclear materials held at research centres.

20. Amounts owed by Member States

Amounts receivable from Member States	18.5	67.7
Advances to Member States	83.5	41.7
	<hr/> 102.0	<hr/> 109.4

(a) *Receivable from Member States*

Own resources to be recovered
Taxes paid and to be recovered
Interest on late payments

	1987 million ECU	1986 million ECU
Own resources to be recovered	14.9	59.9
Taxes paid and to be recovered	3.2	2.2
Interest on late payments	0.4	5.6
	<hr/>	<hr/>
	18.5	67.7
	<hr/>	<hr/>

(b) *Advances to Member States*

The Commission pays advances to the Member States so that they can cover European Agricultural Guidance and Guarantee Section and food aid expenditure. For each Member State the balance of advances at 31 December 1987 is as follows:

(million ECU)

	EAGGF Guidance		EAGGF Guarantee		Food aid		Total	
	1987	1986	1987	1986	1987	1986	1987	1986
Belgium	—	—	—	2.4	3.1	4.0	3.1	6.4
Denmark	—	—	—	0.2	—	0.9	—	1.1
Germany	0.1	0.7	0.2	1.0	—	3.6	0.3	5.3
Greece	—	—	0.3	0.3	0.6	0.4	0.9	0.7
Spain	—	—	2.6	0.5	—	0.9	2.6	1.4
France	—	0.1	1.0	7.8	37.8	3.7	38.8	11.6
Ireland	—	—	0.2	—	0.4	0.4	0.6	0.4
Italy	—	—	0.4	1.6	22.8	7.9	23.2	9.5
Luxembourg	—	—	0.2	0.2	—	—	0.2	0.2
Netherlands	0.1	0.2	11.4	0.9	—	0.5	11.5	1.6
Portugal	—	—	—	—	—	—	—	—
United Kingdom	—	0.1	2.2	0.3	0.1	3.1	2.3	3.5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	0.2	1.1	18.5	15.2	64.8	25.4	83.5	41.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

21. Amounts owed by Community bodies

	1987 million ECU	1986 million ECU
Due to Parliament	0.6	—
Due to the Commission	22.6	1.0
	<hr/> 23.2	<hr/> 1.0

Community bodies include those Communities not consolidated, for example the European Coal and Steel Community (ECSC), and other connected bodies, for example the Medical Insurance Scheme.

22. Debtors

Debtors comprises sundry debtors relating to the institutions and balances relating to the borrowing and lending operations of NCI and Euratom.

Sundry debtors

Due from staff of the institutions	4.5	3.3
Due from third parties, including bank interest receivable	10.9	13.9
Advances to be settled	3.6	2.5
Receivable orders to be recovered	262.1	218.6
Prepayments ¹	16.2	18.3
Other	5.9	7.4
	<hr/> 303.2	<hr/> 264.0

NCI and Euratom

Accrued interest	274.6	260.8
Other	30.4	5.4
	<hr/> 305.0	<hr/> 266.2
	<hr/> 608.2	<hr/> 530.2

¹ Prepayments comprise sums paid during 1987 to be charged to the budget of the following year:

	1987 million ECU	1986 million ECU
Parliament	3.1	2.1
Council	—	2.7
Economic and Social Committee	0.1	0.1
Commission	13.0	13.4
	<hr/>	<hr/>
	16.2	18.3
	<hr/>	<hr/>

23. Cash at bank and in hand

In addition to the current and deposit accounts which the institutions have with banks in Community and non-Community countries to carry out their financial operations, the Commission also has accounts with each Member State. The amount of established own resources is credited by each Member State to an account opened for this purpose in the Commission's name with its Treasury or with the body it has appointed for the purpose. The Commission may draw on the sums credited to these accounts to the extent necessary to cover its cash requirements arising out of budget execution.

The institutions may establish imprest accounts to cover payment of certain types of expenditure, and particularly to permit the operation of information offices and delegations in non-member countries and to international organizations. The amounts advanced are to cover cash needs for a short period. The funds are reconstituted on presentation of expenditure vouchers.

The total of bank balances and cash is made up as follows:

Securities (held by NCI)	2.7	3.8
Fixed-term deposit accounts	161.7	60.6
Accounts with Treasuries of Member States	2 689.7	701.2
Accounts with Central Banks	71.1	303.9
Current accounts	969.4	852.3
Imprest accounts	17.8	16.5
Documentary credits	1.0	—
Cash in transit	44.0	—
Cash in hand	0.3	0.3
	<hr/>	<hr/>
	3 957.7	1 938.6
	<hr/>	<hr/>

The Commission holds all accounts with Treasuries and Central Banks. Its deposit and current accounts include 554.3 million ECU (1986: 246.4 million ECU) available from NCI and Euratom borrowing and lending operations. The breakdown of the amounts in the institutions' current accounts is as follows:

	1987 million ECU	1986 million ECU
Parliament	13.2	4.1
Council	5.7	5.2
Economic and Social Committee	4.2	2.7
Commission ¹	945.0	839.3
Court of Justice	1.2	0.9
Court of Auditors	0.1	0.1
	<hr/>	<hr/>
	969.4	852.3
	<hr/>	<hr/>

¹ Includes 396.7 million ECU (1986: 204.8 million ECU) for NCI and Euratom borrowing and lending operations in 1987.

24. Creditors: due within one year

Payable to Member States ¹	750.9	750.9
Less: proportion due in more than one year (Note 25)	(249.2)	(500.0)
	<hr/>	<hr/>
	501.7	250.9
Amounts owed to Community bodies ²		
Appropriations to be carried over ³	3.8	6.6
Sundry creditors ⁴	1 360.5	1 405.2
Revenue to be entered ⁵	26.1	282.6
Revenue to be collected ⁶	52.0	61.5
Accruals ⁷	280.9	285.9
Accrued interest (NCI and Euratom)	1 587.3	954.0
Bank balances ⁸	410.5	353.7
	8.2	132.6
	<hr/>	<hr/>
	4 231.0	3 733.0
	<hr/>	<hr/>

¹ This balance represents refundable advances paid by the Member States in 1984. The supplementary budget of 17 July 1987 deferred until 1988 the payment of 250.9 million ECU which was to have been paid in 1987.

² Amounts owed to Community bodies

	1987 million ECU	1986 million ECU
Due by the Commission	3.8	6.6

³ Appropriations to be carried over
1987 appropriations

Corresponding to commitments entered into	1 321.4	1 231.7
Other	36.8	169.5
	<hr/> 1 358.2	<hr/> 1 401.2

Appropriations brought forward

Research and investment appropriations corresponding to earmarked revenue which has been carried over	2.3	4.0
	<hr/> 1 360.5	<hr/> 1 405.2

⁴ Sundry creditors

Revenue to be transferred to other bodies	19.7	31.7
NCI and Euratom current liabilities on borrowing and lending operations	0.7	244.1
Other	5.7	6.8
	<hr/> 26.1	<hr/> 282.6

⁵ Revenue to be entered

EAGGF Guarantee operations	—	1.7
Miscellaneous revenue to be identified and booked to an item of account	14.7	29.5
Revenue available for re-use	37.3	30.3
	<hr/> 52.0	<hr/> 61.5

⁶ *Revenue to be collected*

This is an entry to balance those debtor balances which relate to revenue to be entered in the accounts of 1988.

⁷ *Accruals*

Payments made between 1 and 15 January 1988 but authorized before 31 December 1987 are recorded as expenditure of 1987 and appear in the balance sheet as accruals.

⁸ *Bank balances*

	1987 million ECU	1986 million ECU
Fixed-term deposit accounts (NCI)	0.5	—
Accounts with Treasuries of Member States	—	132.6
Current accounts (NCI)	5.5	—
Documentary credits	2.2	—
	<hr/>	<hr/>
	8.2	132.6

25. Creditors: due after more than one year

Loans raised

Community loans raised for balance of payments support	2 226.7	1 890.0
Euratom loans raised	2 499.9	2 168.4
Loans raised to promote investment in the Communities (NCI) ¹	5 250.3	5 223.1
	<hr/>	<hr/>
	9 976.9	9 281.5
	<hr/>	<hr/>
Refundable advances due to Member States (Note 24)	249.2	500.0
	<hr/>	<hr/>
	10 226.1	9 781.5

¹ The NCI loans include 20.9 million ECU as a redemption premium.

26. Provisions for liabilities and charges

	1987 million ECU	1986 million ECU
NCI	17.9	9.7
Euratom	10.9	9.5
	<hr/>	<hr/>
	28.8	19.2
	<hr/>	<hr/>

These balances represent surpluses to be allocated by the Commission, and retained to cover costs not yet incurred or to be set against the assets item 'Recoverable costs' recorded in 'Long-term debtors' (see Note 18 above).

The detailed accounts of NCI and Euratom borrowing and lending operations are set out in Volume II (Section III) of the published accounts of the Communities.

27. Own capital

This is the contra-item to various assets which are recorded in the balance sheet after first being charged to budgetary expenditure. Like the corresponding assets, this item varies from one year to the next. The assets are tangible assets, loans granted from the budget and inventories.

28. Deficiency of revenue over expenditure

Deficit brought forward	(750.9)	(750.9)
Surplus for the year (1986: deficit)	521.5	(819.9)
	<hr/>	<hr/>

(a) In 1984 the Member States granted repayable advances to finance supplementary and amending budget No 1/84, which was prepared to prevent a deficit arising for that year. The amount remaining to be refunded to the Member States is contained in the balance sheet as a liability of the Communities (see Note 24).

(b) In accordance with the accounting treatment established by the Commission, the deficit brought forward, of 750.9 million ECU, will be reduced as repayments of the sum are made to the Member States. In effect, the deficit will be met by charges to the budget of the years in which payment is made.

(c) It is in general a requirement of the Communities' budgetary system that deficits are corrected by means of a supplementary budget in the following year. The 1986 deficit of 819.9 million ECU was covered in this way and is not, therefore, carried forward to the 1987 balance sheet.

CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT FIVE-YEAR SUMMARY

(million ECU)

	1983	1984	1985	1986	1987
Revenue					
Own resources	22 982.7	24 769.3	25 708.1	32 615.0	35 497.9
Financial contributions	217.7	222.5	260.9	210.1	210.6
Adjustments to previous years' revenue	(186.8)	(111.8)	111.8	377.3	(359.3)
Other	313.2	890.3	1 989.6	431.5	452.0
	23 326.8	25 770.3	28 070.4	33 633.9	35 801.2
Expenditure					
Agricultural market guarantees	15 785.8	18 330.8	19 728.1	22 119.4	22 950.3
Agricultural structures	645.2	666.3	747.3	797.6	825.6
Fisheries and the sea	44.4	85.0	94.3	150.7	163.5
Regional and transport policy	2 380.7	1 461.7	1 697.0	2 574.8	2 679.0
Social policy	1 418.7	1 635.3	1 620.2	2 652.5	2 722.9
Research, energy and industry	1 382.9	1 692.5	685.5	760.1	964.8
Cooperation with non-member countries	980.9	1 031.6	1 091.8	1 161.5	1 063.2
	22 638.6	24 903.2	25 664.2	30 216.6	31 369.3
<i>Operational expenditure</i>					
<i>Repayments to Member States</i>	1 050.1	1 082.5	1 071.5	3 095.4	1 561.0
<i>Other operating expenses</i>					
Staff costs	759.4	829.1	907.9	1 049.6	1 174.7
Administrative expenses	360.3	394.5	406.5	501.6	544.3
	24 808.4	27 209.3	28 050.1	34 863.2	34 649.3
<i>Surplus of revenue over expenditure for the year (deficit)</i>	(1 481.6)	(1 439.0)	20.3	(1 229.3)	1 151.9
Surplus for the previous year (deficit)	1 486.7	307.1	(172.5)	53.8	(819.9)
Appropriations carried over from previous year which lapse	302.1	287.4	127.3	355.6	189.5
Other, including <i>virement</i> of appropriations carried over	(0.1)	17.2	1.0	—	—
<i>Retained surplus for the year (deficit)</i>	307.1	(827.3)	(23.9)	(819.9)	521.5

Appropriations for 1987

Annex 1

(million ECU)

Sector	Commitments				Payments			
	Final appropriations	Commitments entered into	Appropriations		Final appropriations	Payments made	Appropriations	
			Available for carry-over	Cancelled			Available for carry-over	Cancelled
Staff								
Commission	783.2	765.8		17.4	783.2	753.7	12.1	17.4
Parliament	240.9	233.3		7.6	240.9	224.4	8.9	7.6
Council	124.0	118.4		5.6	124.0	117.0	1.4	5.6
Court of Justice	36.9	35.4		1.5	36.9	35.0	0.4	1.5
Court of Auditors	22.3	21.8		0.5	22.3	21.5	0.3	0.5
Administration								
Commission	356.0	354.2		1.8	356.0	278.7	75.5	1.8
Parliament	108.6	104.4		4.2	108.6	77.7	26.7	4.2
Council	75.6	73.7		1.9	75.6	60.0	13.7	1.9
Court of Justice	8.9	8.6		0.3	8.9	6.7	1.9	0.3
Court of Auditors	3.5	3.4		0.1	3.5	2.3	1.1	0.1
Agricultural market guarantees	22 960.8	22 950.3		10.5	22 960.8	22 949.6	0.7	10.5
Agricultural structures	1 067.8	979.2	59.0	29.6	830.1	799.0	26.6	4.5
Fisheries and the sea	295.3	232.4	6.5	56.4	174.0	124.6	38.9	10.5
Regional and transport policy	4 119.4	3 931.9	149.7	37.8	2 679.5	2 479.8	199.2	0.5
Social policy	3 758.1	3 694.2	18.8	45.1	2 724.8	2 615.4	107.5	1.9
Research, energy and industry	1 448.8	1 336.2	103.1	9.5	965.9	803.1	161.7	1.1
Repayments to Member States	2 869.0	2 380.9		488.1	2 869.0	2 281.1	99.8	488.1
Cooperation with non-member countries	1 407.2	1 265.4	98.1	43.7	1 097.4	481.4	581.8	34.2
Provisional appropriations and reserve	115.2			115.2	109.2			109.2
Total	39 801.5	38 489.5	435.2	876.8	36 170.6	34 111.0	1 358.2	701.4

Breakdown by institution

Commission, of which:	39 180.8	37 890.5	435.2	855.1	35 549.9	33 566.4	1 303.8	679.7
non-differentiated appropriations	27 615.1	27 024.4	16.7	574.0	27 615.1	26 552.4	488.7	574.0
differentiated appropriations	11 565.7	10 866.1	418.5	281.1	7 934.8	7 014.0	815.1	105.7
Parliament	349.5	337.7		11.8	349.5	302.1	35.6	11.8
Council	199.6	192.1		7.5	199.6	177.0	15.1	7.5
Court of Justice	45.8	44.0		1.8	45.8	41.7	2.3	1.8
Court of Auditors	25.8	25.2		0.6	25.8	23.8	1.4	0.6
Total	39 801.5	38 489.5	435.2	876.8	36 170.6	34 111.0	1 358.2	701.4

Commitments from differentiated appropriations still to be settled at 31 December 1987

Budget Title	Heading	Year in which the commitments were entered into										Totals	Foreseeable schedule of payment					
		1977	1978	1979	1980	1981	1982	1983	1984	1985	1986		1987	1988	1989	1990	1991	Subsequent fin. years
3	Part 8 European Agricultural Guidance and Guarantee Fund — Guidance Section, and specific agricultural measures	2.1	1.0	6.3	13.4	32.7	43.2	74.1	138.8	268.7	312.3	361.1	359.9	273.1	193.0	156.5	271.2	
4	Common policy on fisheries and the sea				0.5	2.2	3.5	14.6	23.7	87.9	122.9		102.7	102.8	49.6	0.2		
5	Operations in the regional and transport sectors	2.6	12.3	41.4	81.1	213.6	274.9	336.6	693.5	1 024.2	1 452.3	2 849.7	2 439.6	1 629.6	981.0	763.1	1 168.9	
6	Operations in the social sector				1.9	0.9	16.7	27.2	54.7	278.1	1 803.2		1 055.3	721.4	403.6	2.4		
7	Operations in the energy, industry and technology, research, nuclear safeguards and information market and innovation sectors			0.9	8.2	5.6	14.4	26.4	66.0	168.5	398.5	960.6	722.3	406.0	368.0	66.1	86.7	
9	Cooperation with developing and non-member countries	2.4	4.3	15.9	25.9	60.3	61.0	89.0	183.0	201.6	434.5	829.9	817.0	307.8	241.5	176.5	365.0	
	Total	7.1	17.6	64.5	128.6	314.6	396.6	546.3	1 123.1	1 741.4	2 963.6	6 927.4	14 230.8	5 496.8	3 440.7	2 236.7	1 164.8	1 891.8



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