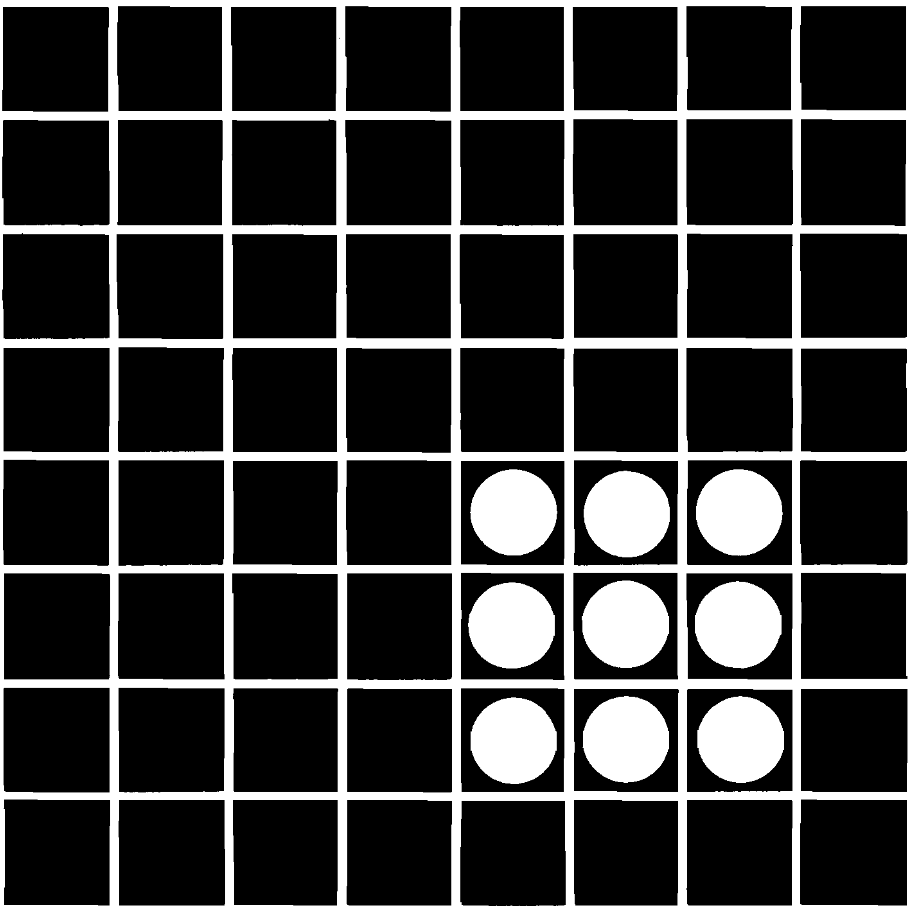
The European Community's financial system



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Towards community solidarity

A. The dimensions of the Community Budget

The Community's budget and financial system are frequent targets of criticism. Many aspects of this criticism are justified and the officials responsible for the Community's finances welcome it for the constructive part it can play in the further development of the EEC's financial system. Often, however, this criticism is merely emotional and uniformed and is prompted by the vast sums of money mentioned in connection with "Brussels".

These critics usually ignore the fact that these "vast sums of money" represent little more than approximately 2 per cent of the Member States' total public expenditure, or just under 0.7 per cent of their gross national product. The EEC budget for 1975 involves a per capita expenditure of 22 units of account, i.e. £9 [1].

This money does not go to waste in the administrative apparatus of the much-criticised "Eurocracy". Only 6.33 per cent of the 1975 budget is earmarked for administrative expenses while 5 400 million of the 5 800 million u.a. are spent — or, to be more accurate, re-distributed — with an eye to European integration following decisions taken by the Nine Member States themselves.

Financial adjustment between Member States

The redistribution of EEC funds involves a financial adjustment of considerable proportions which not only supports the process of integration, but also keeps it on the move, regardless of setbacks, by balancing the interests of all those involved in this process.

The Community's "own resources" system — in operation since 1 January 1975 — has begun to reduce the dependence of the supranational Community authority on the Member States at an earlier stage than occurred in states like the USA, Switzerland and Germany which developed historically on a federal basis.

[1] 1 budgetary u.a. = £0,416667. See annex, page 31.

In the United States, the central government and Congress — the products of the "Confederation of 1781" — did not obtain their own resources (except for some customs duties) until after the Civil War, i.e. more than eighty years later.

The German Confederation, which was set up in 1867 as a "customs federation" developing from the German Zollverein of 1834 and which was politically consolidated when the German Empire was proclaimed in 1871, did not become a complete "customs union" until 1888. Even in 1871 its member States refused to grant it the whole of the customs revenue. The German Empire had to go cap in hand to its member States up to 1913, and in some cases even to 1919.

The "own resources" system

In contrast to the usual method of financing international organisations, the original Member States of the European Community no longer make financial contributions according to a strict system of apportionment and include them in their national budgets, as was the case until 1971. Since then, national budgets have contributed less and less to the "own resources" accruing to the EEC budget. In 1975, for the first time, Member States had to transfer to the Community all revenue from customs duties and levies on imports from non-member countries. Special arrangements apply to the new member countries, whose contributions are limited until 1980 to a certain proportion of Community expenditure.

From 1 January 1975 onwards, the EEC budget will be financed completely from own-revenue of this type, following the Council of Ministers' decision of 21 April 1970 on the replacement of Member States' financial contributions by the Community's own resources.

Financial system with federalist elements

A decisive new phase has therefore been reached in the EEC's finances. The Community now operates a financial system which already clearly possesses federalist elements. This is underlined by the fact that it is no longer the Council of Ministers alone, but from 1975, the European Parliament which has the last word in budgetary procedure. The 1975 budget was the first which was no longer adopted and published in the Official Journal of the European Communities by the President of the Council of Ministers, but by the President of the European Parliament — although this cannot disguise the fact that the European Parliament has a genuine right of decision-making for only a fraction of the budget.

Alongside the revenue from custom duties and levies, "own resources" include in general a proportion of value-added tax (VAT) not exceeding one per cent of a uniform assessment basis. Despite claims to the contrary, this does not mean one per cent of each country's VAT revenue (this would not be adequate for the purpose and would also lead to distortion). It is a question instead of developing a uniform assessment basis in all nine countries, i.e. ensuring uniform fiscal calculations and utilisation of tax.

The Community's agreed percentage will involve the same relative economic or fiscal power in each country and also take into account the quicker or slower economic growth of each of the Member States. One per cent is the ceiling, but there will be no need to rise as high as this initially, as the Community does not yet require this maximum. A rate of approximately 0.5 per cent is expected at first. The Commission in fact considered 0.38 per cent sufficient if it had to take effect as early as 1975.

Irrespective of VAT rates, which do not need to be adjusted for this purpose, a country with a value-added tax of 18 per cent would retain 17.5 per cent. 0.5 per cent would accrue to the Community.

Each country is free to increase its VAT rates by the amount accruing to the EEC, thus making the consumer pay directly for the Community. However, the introduction of a uniform assessment basis proved so difficult that it was found impossible to meet the 31 December 1974 deadline. It will probably take a number of years yet to reach this point. Consequently, the situation necessitates application of the transitional regulation contained in Article 4 (3) of the Council Decision of 21 April 1970, which states that each Member State's financial contribution to the Community budget should be determined "according to the proportion of its gross national product to the sum total of the gross national products of the Member States". This reveals the new dimension. The drawing-up and implementation of the Community budget will be increasingly linked with the Member States' fiscal and budgetary policies.

The need for financial discipline

The EEC Commission is making every effort to take this fact into account. Claude Cheysson, EEC Commissioner responsible for budgets and financial control, has repeatedly warned against comparing the growth rates of the Community budget with those of a national budget, because the Member States reached maturity a long time ago, and the Community is still in its infancy and only gradually taking on expenditure. But he too concedes: "Despite all differences, the Community too — and above all the Community — is obliged to make an effective contribution to the fight against inflation. The Community is not concerned with victory at the next elections but purely and simply with survival. Along with narrow-minded nationalism, inflation has turned out to be the most dangerous threat to the process of integration."

The preliminary draft budget for 1975, drawn up according to a new and extremely stringent procedure, already reveals the new financial discipline to which the Commission has solemnly committed itself and which it is determined to observe.

It is easy to criticise the EEC's budget and financial system. Both are complicated because they reflect a combination of the very different budgetary and financial practices of the Member States, practices which evolved separately and which reflect the different administrative set ups — central or federal — of the Member States.

Confusion and uncertainty on the financial front are also encouraged by the fact that the financial regulations contained in the three treaties were drawn up at different points in time and have a varying legal basis.

If asked to clarify the issue, budget experts will provide a different picture from that given by lawyers or particularly economists. The criteria and opinions of all three groups also differ according to their various schools of thought.

What is more, the EEC budget published in the Official Journal (the 1975 budget is in OJ No. L 54 of 28 February 1975, pp. 591) is no more than the tip of the iceberg. The thousands of lists, tables and explanations remain beneath the surface. The budget is not exactly a model of lucidity and is scarcely intelligible to anyone without constant contact with budgetary questions, especially as its arrangement has been changed several times.

That too is linked with the way the budget has developed. A short historic outline is required if the subject matter is to be better understood.

B. Historical development

The ECSC levy - the first European tax

The Treaty establishing the European Coal and Steel Community (ECSC) — which was concluded on 18 April 1951 and took effect on 25 July 1952 — provided for a budget controlled solely by the four Presidents (of the High Authority, the Assembly, the Special

Council of Ministers and the Court of Justice). That was considered practical as the budget was only meant to cover administrative expenditure. In order to meet administrative and operational expenditure, the ECSC was given the power to impose a levy on coal and steel production (the "first European tax") and raise loans.

Apart from investment aid, the ECSC established under Article 56 a system of aids for vocational training, tideover allowances for redundant workers in the coal and steel industry until their re-employment and other accompanying measures. In addition, there was generous support for the building of homes for workers.

ECSC loans total 2 100 million u.a.

Before the ECSC High Authority was incorporated into the commom Commission for all three Communities on 1 July 1967, administrative expenditure had reached 186.6 million u.a. while approximately 250 million u.a. were spent on investment. Since then, the ECSC budget has only covered investment arising from the ECSC Treaty and financed from ECSC levies (0.29 per cent in 1974 and 1975) independently of the EEC budget. The new Member States have come into those revenue and expenditure arrangements since 1973.

The ECSC has acquired funds totalling 2 103 million u.a. since it started raising loans in 1954. Up to 31 December 1974 this money was used to finance loans totalling 1 999.34 million u.a.

The establishment of the ECSC profited from the pro-European mood prevalent in the early fifties. Although the oldest of the three Communities, it possesses the most progressive financial system from the point of view of integration, since it has its own resources as the recipient of tax revenue and has the power to raise loans. But the parliamentary right of approving the budget has continued to lag behind.

Neither the negotiations establishing the EEC and Euratom (1956-1957), nor the preparations to merge the institutions of the three Communities (1964-1965) managed to develop this embryo further. This was not achieved until 1970.

EEC and Euratom - identical financial systems with different keys

The financial provisions contained in the Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (EAEC, or Euratom) are largely identical as regards the principles and procedure for budgetary approval. The only differences in what are otherwise two identical financial systems result from the varying functions and the operating methods.

The Euratom Treaty established two budgets — an operating budget and an investment budget. A total of 72.93 million u.a. flowed through the operating budgets between 1958 and the merger of the Communities in 1967. A total of 731.5 million u.a. (known as commitment appropriations) went to long-term research programmes via the research budgets.

Financial contributions and the number of votes on the Council of Ministers were fixed at different levels:

	Operating budget [a]		Investment budget	
	Per cent	Votes	Per cent	Votes
Belgium	7.9	2	9.9	2
France	28	4	30	30
Germany (FR)	28	4	30	30
Italy	28	4	23	23
Luxembourg	0.2	1	0.2	1
Netherlands	7.9	2	6.9	7

[a] As in the EEC Treaty.

Although Article 173 of the Euratom Treaty rules that Member States' financial contributions may be replaced by the proceeds of levies, as in the ECSC, no use has ever been made of this possibility.

The general authorisation to raise loans contained in Article 172 (4) of the EAEC Treaty, which has no parallel in the EEC Treaty, was first used by the EEC Commission at the beginning of 1975 when it made a proposal to the Council of Ministers to raise 500 million u.a.

EEC - a single budget

The financial provisions of the EEC Treaty envisaged only one budget for all revenue and all administrative and operational expenditure. Only the Development Fund for granting financial aid to Member States' former overseas territories was placed beyond the scope of the budget. This remained the case with the second and third Development Funds set up in 1964 and 1971 for the now independent Associated African States and Madagascar (AASM). The Development Fund for developing nations in Africa, the Caribbean and the Pacific (the ACP countries) also remained beyond the scope of the budget, despite the Commission's initial endeavours.

Varying scales (with the same votes on the Council of Ministers) were fixed in the EEC Treaty for the General Budget with the Social Fund included in the budget as a special title :

	Administrative Budget Per cent	Social Fund Per cent	Votes
Belgium	7.9	8.8	2
France	28.0	32.0	4
Germany (FR)	28.0	32.0	4
Italy	28.0	20.0	4
Luxembourg	0.2	0.2	1
Netherlands	7.9	7.0	2

Before the "merger" of the three Communities in 1967, the EEC budget first grew at no more than normal pace as the administrative machine was built up and as the first Social Fund operations were carried out. The launching of the common agricultural policy in 1964 led to what some claim was an explosion of expenditure although in reality it represented the start of the Community's true operating expenditure.

THE COMMUNITY'S OPERATING EXPENDITURE (in million u.a.)

	Administrative Budget	Social Fund	Agricultural Fund
1958-1964	156.3	110.0	—
1965	34.5	19.6	102.6
1966	42.5	21.6	300.7
1967	46.7	19.8	537.4

Financing the Common Agricultural Policy: the three stages 1962-1965-1969

Regulation No. 25 of 4 April 1962 on the financing of the common agricultural policy (CAP) is considered to be the basis on which the common agricultural policy was founded. It originated during the first and, so far, longest agricultural debate in Brussels which lasted from mid-December 1961 to 14 January 1962 with minor interruptions (and for the first time without any time limits).

The debate ended with approval of regulations on the first agricultural market organisations.

The first principles of financing the common agricultural policy were established. The levies system was conceived as a means of rendering the market organisations effective.

Two forms of levy were required at first:

— "internal levies" were intended to level out the — still varying — national agricultural prices in trade between one Member State and another until the common agricultural prices took complete effect;

— "non-member country levies" were established to raise prices of imports from non-member countries to the level of Common Market prices. This principle was also accepted in the final regulation: the levies were to have an "educational" effect and ensure preferential treatment for purchases within the Common Market.

Import levies were later supplemented by a system of export levies imposed when prices in non-member countries are higher than EEC prices and the export of agricultural products is undesirable for reasons of security of supplies.

Along with its approval of regulations on the gradual establishment of uniform price levels for agricultural products, the Council of Ministers established the principle of financial solidarity among the Member States. The Commission stated the reasons justifying the transfer of own resources to the Community in its draft provisions for implementation of 6 April 1965: "The place where customs duties and agricultural levies are raised in a customs and agricultural union is, to an ever-diminishing extent, coincident with the place where the goods are consumed. This revenue can scarcely be credited to the Member State raising the duties and levies as the goods are frequently only in transit. The integration of the markets from 1 July 1967 requires that from that time onwards duties and levies should accrue to the Community as own resources. The transition from financial contributions by Member States to the Community's own resources should however take place in stages."

The Commission's proposals, which were also relatively far-reaching as regards the budgetary powers of the European Parliament (calling for the "democratic control of own resources"), precipitated the "vacant seat crisis" on 30 June 1965.

After this crisis was resolved, the question of "a definitive financial arrangement for the common agricultural policy" was first of all dropped. But the Treaty merging the institutions of the three Communities was ratified and took effect on 1 July 1967.

The merger

The Councils of Ministers and executives of the three Communities became "common institutions" when the three Communities were merged. The legal bases were partly standardised, as seen in Article 20 of the Merger Treaty which incorporated the administrative expenditure of the three Communities in a common EEC budget in accordance with the relevant provisions of the Treaty.

Since the subsequent incorporation of the EAEC research and investment budget in the overall budget, there have been three main finance sectors:

- the *EEC budget* containing:
  - the administrative expenditure of the three Communities;
  - the operational expenditure of the EEC (Social Fund, Agricultural Fund and, in future, the Regional Development Fund) and of the EAEC (research and investment budget) ;
- *the ECSC's operational expenditure ;*
- the *Development Fund* for the AASM and, in future, for the ACP countries.

Definitive financial arrangements

The need to fix the details of the definitive phase of Community finance grew with the approach of the end of the transitional period, set for 31 December 1969 by the EEC Treaty and subsequent agricultural regulations.

After months of negotiations by the Council of Ministers in the second half of 1969, the breakthrough was achieved at the Hague summit conference of 1 and 2 December of that year.

By combining the tasks of "completion, consolidation and enlargement", it opened the way for the start of entry negotiations. The start of these negotiations before mid-1970 was however made conditional on the establishment of a definitive financial arrangement. Point 5.2 of the final communiqué of the Hague Conference stated: "They (the Heads of State and Government) agree to replace gradually, within the framework of this financial arrangement, the contributions of member countries by the Community's own resources, taking into account all the interests concerned, with the object of achieving in due course the integral financing of the Communities' budgets in accordance with the procedure provided for in Article 201 of the Treaty establishing the EEC and of strengthening the budgetary powers of the European Parliament."

The definitive and at the same time irrevocable financial arrangement was negotiated and drawn up during intensive discussions lasting from December 1969 until April 1970. A special arrangement was drawn up for the current year of 1970 along with a ruling for adjustment purposes during the intermediate phase between 1971 and 1974 and rules governing the normal period from 1975 onwards.

The gradual transition to the system of own resources began on 1 January 1971 with the following arrangements:

1. The total revenue of Member States from levies and the equivalent duties raised on sugar were to be transferred to the Community budget from 1 January 1971.

2. Revenue from customs duties were to be transferred to the EEC budget on an increasing scale:

	1971:	50 per cent
	1972:	62,5 per cent
	1973:	75 per cent
	1974:	87,5 per cent
from	1975:	100 per cent

3. To balance the EEC budget, i.e. to cover that part of the Communities' requirements not covered by own resources, a new scale, based on the previous scale and Member States' share of overall gross national product, was fixed for the period between 1971 and 1974:

6.8 per cent:	Belgium
32.6 per cent:	France
32.9 per cent:	Germany (FR)
20.2 per cent:	Italy
0.2 per cent:	Luxembourg
7.3 per cent:	Netherlands

4. To avoid serious fluctuation in the share each Member State paid to the Community budget, the maximum variation was restricted to 1 per cent upwards and 1.5 per cent downwards, taking 1970 as the reference year.

The Agricultural Fund grows

Statistics on the financing of the common agricultural policy up to the time when these regulations took effect reveal its further development.

The Commission referred to this rapid increase in expenditure in its "Stocktaking of the common agricultural policy" (COM (75) 100) of 26 February 1975: "The main growth of the EAGGF took place between 1965 and 1970. Between 1965 and 1975 the initial appropriations included in the Community budget under the heading of common agricultural policy rose from 103 million to 4 305 million u.a.

THE EUROPEAN AGRICULTURAL GUIDANCE
AND GUARANTEE FUND (EAGGF) (Expenditure in million u.a.)

Year	Guarantee Section [a]	Guidance Section [b]
1965	77	25.6
1966	225	75
1967	403	134
1968	1 683	153+208 [c]
1969	2 058	356+140
1970	4 087	524+ 69
1971	2 727	757
1972	2 882	839
1973 [d]	3 806	350
1974	3 513	325
1975	3 980	325

[a] Guarantee Section: responsible for financing export refunds and interventions to regulate internal markets (storage, etc.).
[b] Guidance Section: responsible for granting Community aid for the financing of projects to improve agricultural structures in the Member States.
[c] Additional expenditure to reduce the effects of grain price alignment in those countries which previously had higher grain prices.
[d] Enlarged Community from 1973.

The rapid increase in expenditure during that period originated largely in the gradual transfer to the Community of the market support expenditure hitherto borne by Member States."

The transfer took place in two ways:

1. the gradual establishment of the common organisation of markets (cereals in 1962, milk products in 1965, oils and fats in 1967) and the progressive use of the supplementary aid system for various products;

2. the gradual assumption by the Community budget of expenditure eligible for refund by the Guarantee Section: from one sixth in 1962-1963 to 100 per cent at 1 July 1967 (1969 budget).

Since the EAGGF first featured in the 1965 budget with expenditure resulting from the application of the regulations on the common market organisations, there has been, after the initially rapid expansion as a result of the reasons listed above, a clear tendency towards stabilisation since 1971 (taking into account enlargement in 1973).

Two facts must be stressed at this point:

a) In an overall calculation for the Member States and the Community, the funds flowing via the EEC budget, especially those for the common agricultural policy, do not represent additional expenditure. If those sections of individual countries' expenditure covered by the

EEC's agricultural fund were not so financed, they would have to be financed from national budgets. Expenditure on a national basis would probably even be much higher if every country had to pursue its own agricultural policy — inevitably to the detriment of its neighbours. The integrating effect on agricultural expenditure is immediately recognisable in qualitative terms, though it is not measurable quantitatively.

Where the economy as a whole is concerned, it is accompanied by the large number of direct and indirect advantages the larger market has for all sectors of the economy and, to an ever-increasing extent, everyday life. It is not possible to draw up a quantified balance-sheet for each country with any claim to objectivity. The malleable nature of statistics makes it possible to substantiate any pet theory. But today almost no aspect of life in the nine countries remains untouched by the effects of integration, and this fact must therefore be considered when making an assessment.

b) There is a considerable discrepancy between the budgetary estimates for the market-linked EAGGF Guidance Section at any given time and the actual expenditure. Forecasts are bound to differ from results, even with the most modern electronic methods. This is understandable considering that the estimates, while taking into account all available data, cannot overcome the fact that agriculture, by its very essence, is not susceptible to reliable forecasts.

Depending on the weather and other influences, there can be unforeseen variations in production of up to five per cent with grain and two per cent with milk. An increase of 1 per cent in milk production today would mean additional expenditure of 88 million u.a. or 6.3 per cent of the appropriations for milk products in 1974, the Commission states in its "stocktating of the common agricultural policy".

But as the Commission adds, the habit of referring only to appropriations exaggerates the budgetary cost of the common agricultural policy. In fact between 1965 and 1974, the EAGGF used only 68 per cent of its appropriations. Appropriations of 21 600 million u.a. were drawn upon for actual expenditure of only 14 900 million u.a.

The financial burden resulting from the common agricultural policy for the Community as a whole and for each Member State in particular can be assessed in terms of known economic data, and in relationship thereto.

To this end, the Commission document expresses market support expenditure as a proportion of European expenditure on foodstuffs and total agricultural expenditure as a proportion of the Community's gross domestic product:

RELATIVE MAGNITUDE OF EAGGF TO EXPENDITURE IN THE ORIGINAL COMMUNITY

Years	Expenditure of Guarantee Section of the EAGGF as a percentage of food expenditure	Total EAGGF expenditure as percentage of gross domestic product
1968	1.73	0.34
1969	2.16	0.40
1970 [a]	3.64	0.65
1971	1.98	0.35
1972 [b]	2.35 [c]	0.40 [c]
1973 [b]	—	0.45 [c, d]

[a] The 1970 financial year covers 18 months.
[b] Financial years adjusted to 12 months.
[c] Estimate.
[d] Enlarged Community.

This financial "burden" is not to be confused with the transfer which takes place from consumers to producers and vice versa.

Enlargement

Common agricultural policy and the way it is financed did not play such an important role in the 1971 entry negotiations as in the negotiations of 1962 and January 1963. The main reason was the United Kingdom's decision to abandon its deficiency payments system which it had stubbornly defended in the 1962 negotiations, and to adapt its agricultural policy to the Community system.

This obviated the need for tough negotiations on agricultural finance, like those conducted in 1962. Tideover and special provisions were merely required for a number of specific problems.

The three new Member States requested and were granted a transitional period before having to make full financial contributions.

Complicated formulae

The new scale for financial contributions was based on the scale fixed for the six members from 1971 to 1974 by the Council Decision of 21 April 1970:

6.8 per cent: Belgium	20.2 per cent: Italy
32.6 per cent: France	0.2 per cent: Luxembourg
32.9 per cent: Germany (FR)	7.3 per cent: Netherlands

This 100 per cent total was expressed as 77.61 of the new scale and the remaining 22.39 per cent apportioned among the new Member States, thus: Denmark: 2.46 per cent, Ireland: 0.61 per cent, United Kingdom: 19.32 per cent.

In addition, the new Member States were granted a reduction on their financial contributions during their initial years of membership. Article 130 of the Documents of Accession stated that the Communities' own resources and also the financial contributions and, where appropriate, the contributions to the research budget should be due from the new Member States at the following rates:

45.0 per cent in 1973
56.0 per cent in 1974
67.5 per cent in 1975
79.5 per cent in 1976
92.0 per cent in 1977

These States would not pass the full contribution rate until 1978. Agreement was also reached on clauses postponing full application in 1978 and 1979 if this entailed any abrupt increase in a country's contributions.

This resulted in the following percentage scale for Member States' contributions:

5.2775 Belgium
2.4600 Denmark
25.3007 France
25.5337 Germany (FR)
0.6100 Ireland
15.6772 Italy
0.1552 Luxembourg
5.6655 Netherlands
19.3200 United Kingdom

The following post-adjustment quotas for the 1973 to 1975 budgets are derived from the final scale which will not take effect until 1978 or 1981:

	1973 Per cent	1974 Per cent	1975 Per cent
Belgium	7.3	7.1	6.9
Denmark	1.1	1.4	1.7
France	24.5	24.3	23.0
Germany (FR)	29.1	28.5	28.1
Ireland	0.3	0.4	0.4
Italy	19.3	18.2	17.2
Luxembourg	0.2	0.2	0.2
Netherlands	9.4	9.0	8.9
United Kingdom	8.8	11.0	13.6

This also takes into consideration the fact that the new Member States are also granted a reduction on the gross national product scale for contributions towards expenditure not covered by own resources.

It is therefore interesting to compare the actual GNP scale with the one applying to the 1975 budget:

	GNP [a] Per cent	GNP scale [b] Per cent
Belgium	4.1101	4.5053
Denmark	2.5272	1.7059
France	22.9853	25.1954
Germany (FR)	29.8747	32.7473
Ireland	0.6668	0.4501
Italy	14.7716	16.1919
Luxembourg	0.1625	0.1781
Netherlands	5.2648	5.7710
United Kingdom	19.6370	13.2550

[a] Average gross national product for 1970-1972 at market prices then current based on figures published in the EEC Statistics Office's National account figures.
[b] The three new Member States had their rates of contribution reduced to 67.5 per cent for 1975.

Corrective mechanism

This outline of only a few of the numerous calculations and conversions required to determine each country's share of the budget demonstrates how much more complicated it will be to carry out the additional calculations necessary after 1978 as a result of agreements concluded by the European Council in Dublin on 11 March 1975 on the corrective mechanisms to be put into effect if a country gets into difficulties.

The unit of account as a special problem

There can be no more than passing reference to other problems arising from the replacement of the rates of conversion of the budgetary unit of account, unchanged since 1971, by new rates.

	1975 Market exchange rates [a] Per cent	1975 Budget rates of exchange Per cent
Belgium	7.3	6.9
Denmark	1.7	1.7
France	22.7	23.0
Germany (FR)	32.9	28.1
Ireland	0.3	0.4
Italy	13.8	17.2
Luxembourg	0.2	0.2
Netherlands	9.9	8.9
United Kingdom	11.2	13.6

COM (74) 1800, Tables VII and VIII.
[a] Rates for September 1974.

Reference need only be made here to the Commission's report on the Community's economic and financial situation since enlargement (COM) (74) 1800 of 27 October 1974). This report shows that considerable differences arise in calculating a Member State's relative share of the Community budget if current market exchange rates and not budget rates of exchange are used as a basis. The share of costs would then be as indicated on page 17.

The problem of choosing exchange rates is only of significance as long as a proportion of value-added tax does not become own resources along with agricultural levies and customs duties. Once this final stage is reached, the discrepancy between budget rates of exchange and current market exchange rates will only be an internal bookkeeping problem. The contributions will then no longer depend on predetermined relative shares but will derive directly from the own resources collected in each country in national currency.

C. The 1975 Budget - from theory to practice

The 1975 budget was the first based on the amended Article 203 of the EEC Treaty contained in the "Treaty amending certain budgetary Provisions" of 22 April 1970 to ensure adjustment to the gradual transfer of own resources decided upon on the previous day. A transitional article (203*a*) was put into effect until the 1974 budget.

New procedure

Preparation of the 1975 budget, its examination by the budgetary authority and the conduct of budgetary procedure therefore took place within a different framework. First of all, a new internal procedure had to be introduced and a start was made in November 1973.

Compulsory and non-compulsory expenditure

The most important change arose from the new budgetary provision distinguishing between compulsory and non-compulsory expenditure. This is of decisive significance as the European Parliament now has its own budgetary powers "in respect of expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith".

To establish gradually a link with the economic development of the Community, a maximum rate of increase must be observed every year in respect of non-compulsory expenditure. Under Article 203(8) this is calculated on the basis of:

— the trend, in terms of volume, in the gross national product within the Community;

— the average variation in the budgets of the Member States; and

— the trend in the cost of living during the preceding financial year.

The European Parliament's powers

The Commission calculated a maximum rate of increase of 14.6 per cent for the 1975 financial year on the basis of these criteria. Expressed in simpler terms, the complicated provisions of Article 203 state that the European Parliament can itself increase non-compulsory expenditure by up to half the maximum rate if the actual rate of increase in the draft budget drawn up by the Council is over half the maximum rate.

The Commission submitted the preliminary draft of the 1975 budget to the Council of Ministers on 13 August 1974 and prompted a storm of criticism, most of it unconsidered, as it provided for a 38 per cent increase over the previous year's budget, raising expenditure to 7 122 million u.a.

But, in fact, the Commission had also included expenditure expected to result from Council decision before or during the financial year. Its estimate in respect of the Regional Development Fund, for example, proved 650 million u.a. too high. The meeting of heads of government in December 1974 decided to provide 300 million u.a. for 1975. The second instalment (covering 1975) of the UN special fund for particularly poor developing nations (the "Cheysson Fund") had already been decided upon in principle however.

The resulting controversy should be one good reason for arriving at a fundamental solution to this problem. If budgetary policy is meant to be comprehensible, it is difficult to see why expenditure which will obviously be part of the EEC budget should not feature in the estimates right away instead of being included later during the first few months of the financial year by means of a large supplementary budget, as occurred in 1975.

The preliminary draft on its way through the institutions

The way estimates of expenditure developed from the appropriations contained in the 1974 budget via the preliminary draft for 1975 and the readings in the Council of Ministers and the European Parliament to the final adoption on 12 December 1974 can be seen in the table, page 21, taken from the Eighth General Report.

The table also reveals the continuing dominant role of agricultural expenditure. However, its relative share has dropped compared with past years, as the costs of the common agricultural policy have tended to stabilise and the EEC budget is having to finance an increasing number of additional policies.

	1974 Appropriations Per cent	1975 Preliminary draft Per cent	1975 Budget Per cent
Administrative expenditure by the Commission	4.5	4.9	5.0
Intervention expenditure	87.8	87.9	86.5
of which agricultural costs	71.9	62.6	73.9
Other institutions	1.6	1.5	1.7

Revenue

The budget is financed from the following revenue:

Own resources	3 868 878 236 u.a.	=	66.42 per cent
Contributions	1 899 242 885 u.a.	=	32.60 per cent
Deductions from staff remuneration	28 251 869 u.a.	=	0.48 per cent
Share of yield from ECSC levies	18 000 000 u.a.	=	0.31 per cent
Miscellaneous revenue	10 910 370 u.a.	=	0.19 per cent
	5 825 283 360 u.a.	=	100 per cent

Revenue from own resources will be appreciably higher in 1975 than in 1974, the greatest increase being that for customs duties:

(Million u.a.)

Own resources	1974	1975
Customs duties	2 767.1	3 338.4
Agricultural levies	231.2	423.8
Sugar levies	89.9	106.7
Total	3 088.2	3 868.9

The 20.6 per cent increase in customs revenue is the result of several factors:

GENERAL BUDGET OF THE EUROPEAN COMMUNITIES
COMPARISON BETWEEN THE BUDGET FOR 1974 AND THE BUDGET DRAWN UP FOR 1975 (IN U.A.)

Destination	Appropriations for 1974 (including supplementary and amending budget No 1/ 1974)	Preliminary draft budget for 1975 (including correcting letters Nos 1 and 2)	Draft budget for 1975			1975 Budget As adopted by Parliament 12 December 1974	Comparison between 1974 and 1975 Col. 6 / Col. 1 in per cent
			As drawn up by Council on 23 September 1974 (including correcting letters Nos 1 and 2)	As amended by Parliament on 14 November 1974	As amended by Council on 28 November 1974		
	1	2	3	4	5	6	
I. *Commission*							
Operating appropriations							
Staff	168 146 400	240 572 300	203 734 300	206 114 308	204 064 780	204 064 780	+21.36
Administrative expenditure	52 857 213	69 002 770	63 384 800	64 241 800	64 241 800	64 241 800	+21.54
Information	4 742 000	5 920 000	5 150 000	6 300 000	6 300 000	6 300 000	+32.86
Aids and subsidies	12 503 000	36 725 000	17 043 300	17 043 300	17 043 300	17 043 300	+36.31
	238 248 613	352 220 070	289 312 400	293 699 408	291 649 880	291 649 880	+22.41
Intervention appropriations							
Agriculture	3 754 288 500	4 512 221 750	4 307 805 250	4 635 705 251	4 307 805 250	4 307 805 250	+14.74
Social	331 116 000	417 673 200	338 810 500	378 865 200	378 365 200	378 365 200	+14.27
Regional	token entry	650 000 000	token entry	300 000 000	—	—	—
Research, technology, industry, energy	113 608 819	157 158 905	124 244 490	137 508 490	124 644 490	125 888 490	+10.81
Cooperation and development	387 936 000	607 752 000	229 797 000	292 797 000	229 797 000	229 797 000	−40.76[b]
	4 586 949 319	6 344 805 855	5 000 657 240	5 744 875 941	5 040 611 940	5 041 855 940	+ 9.92
Contingency reserve	2 500 000	5 100 000	3 500 000	3 500 000	3 500 000	3 500 000	+40.00
Repayment to the Member States of 10 % of the amounts paids as own resources	315 375 819	406 259 020	386 234 829	396 948 916	386 917 060	386 887 824	+22.67
Total	5 143 073 751	7 108 384 945[a]	5 679 704 469	6 439 024 265	5 722 678 880	5 723 893 644	+11.29
II. *Other institutions*	81 899 220	103 539 964	95 631 304	101 346 252	101 346 252	101 389 716[c]	+23.80
Grand total	5 224 972 971	7 211 924 909	5 775 335 773	6 540 370 517	5 824 025 132	5 825 283 360	+11.49

[a] Provision was originally made in the preliminary draft budget for appropriations totalling 6 852 119 845 u.a. This amount has been increased pursuant to: Correcting letter No 1, 185 400 u.a.; Correcting letter No 2, 247 375 000 u.a.; Impact on Chapter 29, 8 704 700 u.a.

[b] This reduction results from the fact that the 1974 appropriations include 40 million u.a. for the Sahel and 124.5 million u.a. for the Cheysson fund, no provision has so far been made in the 1975 budget for these purposes.

[c] European Parliament: 41 597 229 u.a.; Council of Ministers: 42 663 600 u.a.; Economic and Social Committee: 7 764 274 u.a.; Audit Board and ECSC Auditor: 44 593 u.a.; Court of Justice: 9 320 020 u.a.

a) the increase in the value of goods due to inflation;

b) the removal of limits on the reference amount and 100 per cent payment of customs duties in 1975 as opposed to 87.5 per cent in 1974 ;

c) the increase in the relative share of the United Kingdom and Ireland, which under the financial provisions of the Act of Accession (Articles 128-131) are to pay their contributions in the form of customs duties and agricultural levies only.

A short explanation of this third factor is perhaps required. Customs departments in the United Kingdom and Ireland raise fiscal duties along with customs duties. These fiscal duties are thus equated with customs duties and as a result, there is a considerable increase in these duties from the two countries, amounting to approximately 87 per cent of customs duty in the United Kingdom and 89 per cent in Ireland.

Country-by-country revenue

Table 9 of the 1975 budget record indicates the effects of this on each Member State's share of the 1975 budget after the numerous conversions have been made: the United Kingdom and Ireland make their contributions exclusively and entirely from compulsorily transferable revenue.

CONTRIBUTIONS OF THE MEMBER STATES TOWARDS FINANCING THE 1975 BUDGET EXCLUDING THE AMOUNTS FINANCED ACCORDING TO SPECIAL SCALES

States	Relative share of the Member States after adjustment		Breakdown of the modified relative shares into		Relative share of the Nine Per cent
	Per cent	Amount (u.a.)	Own resources (u.a.)	Contributions (u.a.)	
Belgium	8.2407	399 703 875	293 400 000	106 303 875	6.9448
France	27.2780	1 323 082 057	691 300 000	631 782 057	22.9885
Germany (FR)	33.3028	1 615 306 736	988 600 000	626 706 736	28.0659
Italy	20.4626	992 510 408	627 600 000	364 910 408	17.2448
Luxembourg	0.1915	9 288 446	4 100 000	5 188 446	0.1614
Netherlands	10.5244	510 471 618	374 300 000	136 171 618	8.8694
Total	100.0	4 850 363 140	2 979 300 000	1 871 063 140	84.2748
Denmark		99 442 033	83 970 000	15 472 033	1.7278
Ireland		24 650 436	24 650 436	—	0.4283
United Kingdom		780 957 800	780 957 800	—	13.5691
Grand total		5 755 413 409	3 868 878 236	1 886 535 173	100.0

Own resources now cover 66 per cent

The proportion of own resources financing the budget has risen as follows since 1971 in line with the agreed scale of increase in customs duties and levies to be transferred:

	Proportion of customs revenue to be transferred Per cent	Proportion of own resources in budget Per cent
1971	50	34.28
1972	62.5	42.34
1973	75	50.73
1974	87.5	60.36
1975	100.0	66.41

Expenditure

Though staff costs, as Title 1, occupy first place in the statement of expenditure contained in the budget record, they have made up a relatively small proportion of expenditure since the budget has had to finance functional operations. They amounted to approximately 2.9 per cent of the total budget between 1968 and 1972. After the enlargement, they rose to 3.3 per cent (1973), 4.2 per cent (1974) and 4.4 per cent (1975). But this was due in part to the adoption of two new official languages and the need for supplementary interpreting and translation staff.

The need for a large number of interpreters and translators must not be forgotten when comparing staff costs of national administrations with those of the multilingual EEC administration.

Growing range of Community responsibilities

Though the budget is dominated by large groups of operations leading automatically to expenditure on the basis of the treaties and subsequent legislation and the need for appropriations arising from their application, a number of other appropriations are equally important because they provide an index of the growing range of Community policy.

Some of these responsibilities arise directly from the existence of the Institutions, like the European schools in Brussels, Luxembourg, Mol, Varese, Karlsruhe and Bergen (12.3 million u.a.).

In other cases, this expenditure is linked with the execution of specific responsibilities by the Commission.

Research

Expenditure on research and investment, listed under Chapter 33 of the budget, now contains the former EAEC research and investment budget. The classified list contained in Annex 1 of the 1975 budget accounts for no fewer than 170 pages of the 590-page document.

Social Fund

With its allocation of 369 million u.a., the European Social Fund's 1975 budget is 11 per cent higher than last year. The Commission asked for 404 million u.a. in the preliminary draft to enable it to make a greater contribution to eliminating structural unemployment with the funds at its disposal.

Social Fund grants are not merely intended to help eliminate long-term structural unemployment and underemployment (mainly by means of vocational training). They are also used to aid the disabled and help find jobs for other underprivileged groups of workers. Following a special Council Decision, the funds are also used to train workers leaving sectors like agriculture and textiles or groups such as the handicapped and migrant workers.

A record of grants made since 1960 and since May 1972, when the enlarged Social Fund began to take effect, gives an impression of the extent of the Social Fund's activities.

SOCIAL FUND GRANTS (in milion u.a.)

	Old Social Fund (1960-1973)	Enlarged Social Fund (from 1 May 1972)
Belgium	12 693	20 573
Denmark	—	17 250
France	52 826	107 114
Germany (RF)	155 515	137 825
Ireland	—	26 610
Italy	140 754	154 837
Luxembourg	3	73
Netherlands	15 589	15 392
United Kingdom	—	119 400

Regional Fund

The European Regional Development Fund (Regional Fund) will in future make an even greater contribution to creating and safeguarding jobs in the Community. The Commission allocated 650 million u.a. to the Fund in its preliminary draft of the 1975 budget but this was deleted during the course of the budgetary negotiations as the Council of Ministers had not reached its final decision.

The heads of government did however decide at their Paris conference on 10 December 1974 to start the Regional Fund on 1 January 1975 and allocated it 1300 million u.a. over a three-year trial period — 300 million in 1975 and 500 million in both 1976 and 1977.

The heads of government also fixed a method for distributing these resources among Member States in order to ensure that those countries with particular regional problems should receive more from the Regional Fund than they contribute to it via the budget:

40 per cent	Italy	15 per cent	France
28 per cent	United Kingdom	6.4 per cent	Germany (FR)
6 per cent	Ireland	1.7 per cent	Netherlands
(plus 6 million u.a., to be deducted from the share of the other Member States, with the exception of Italy)		1.5 per cent	Belgium
		1.3 per cent	Denmark
		0.1 per cent	Luxembourg

The Regional Fund's resources for 1975 are provided by means of a supplementary budget. The heads of government arranged however for 150 million u.a. to be drawn from unused appropriations for the Guidance Section of the Agricultural Fund.

Agricultural Fund

With an allocation of 3 980 million u.a. for 1975, the Guarantee Section of the Agricultural Fund (responsible for refunds and intervention) has 13.3 per cent more at its disposal than last year. The most important sectors are (in million u.a) :

Appropriations	1975	1974
Milk and milk products	1 526.8	1 577.7
Cereals	606.5	615.0
Beef and veal	395.0	20.5
Oils and fats	342.0	308.9
Tobacco	166.4	141.0
Sugar	135.6	166.2
Pigmeat	130.0	88.5
Wine	99.2	41.1
Accession compensation amounts	248.8	200.0
Expenditure due to the monetary situation	105.4	171.5

The Commission's third financial report on the EAGGF for 1973 provides information about the transfer of finance within the Guarantee Section.

The tables contained in the financial report indicate for instance that

Denmark, as an exporter of agricultural products, managed to become the major net recipient during its first year of membership.

Appropriations totalled 3 659 million u.a. and the following balances resulted (in million u.a.) :

Denmark	+ 254	Luxembourg	— 1
France	+ 197	Belgium	— 75
Netherlands	+ 185	Italy	— 82
Ireland	+ 79	United Kingdom	— 169
		Germany (FR)	— 388

The EAGGF Guidance Section has been allocated 325 million u.a. for 1975, the same total as last year. The Guidance Section has provided grants for 3 998 projects for improving production and marketing structures since the EAGGF was first set up.

As book-keeping entries are often backdated over a number of financial years, a "profit and loss balance" can only be drawn up after a long interval.

The following grants were made between 1964 and 1972:

290 million u.a. in 11 regions of Italy
242 million u.a. in 10 regions of Germany
191 million u.a. in 8 regions of France
68 million u.a. in 4 regions of the Netherlands
62 million u.a. in 3 regions of Belgium

Development aid

Title 9 of the EEC budget has only been included in recent years and is rapidly growing in importance as "expenditure on cooperation with the developing countries". The most important item is food aid. The dimensions attained by the EEC's contributions to mitigate food-supply problems in those over-populated developing nations without raw materials of their own can be seen from the increase since 1970:

Over five hundred million units of account on food aid

1970: 16 million u.a.
1971: 20 million u.a.
1972: 102 million u.a.
1973: 60 million u.a.
1974: 135 million u.a. + 124.5 million u.a. via the United Nations
1975: 226 million u.a. + 82.9 million u.a. via the United Nations

These figures of which aid for the Sahel countries is only part, merely cover what the Community itself spends. When the Member States own contributions are considered, the EEC's aid assumes much larger proportions.

D. Other financial instruments

The Development Fund

The Commission failed in its attempt to include the new development fund in the budget after the agreement reached with the 46 developing nations in Africa, the Caribbean and the Pacific (the ACP countries). Like the first three development funds for the Associated African States and Madagascar (AASM), it will remain a separate entity in the new time span between 1 March 1975 and 28 February 1980. The need for this arose after a new scale of contributions was established and a sum fixed when defining a "unit of account" with a different basis from that of the still unchanged budgetary unit of account. The Council of Ministers decided on 18 March 1975 that the new "basket evaluation" for converting national currencies into EEC units of account should be employed for the first time in the case of the new development fund.

2 200 million u.a. from 1958 to 1975

The EEC allocated a total of 2 211.25 million u.a. to the AASM under the first three development funds between 1958 and 31 January 1975. The European Development Fund (EDF) was responsible for distributing development funds throughout the associated States.

New development fund totals 3 150 million u.a.

The extension of the geographical area covered by the agreement to the developing nations of the Commonwealth — which were given the opportunity in the Accession Treaty to develop in this way — and to independent African States in a comparable economic situation, led to a very considerable increase in financial aid in January 1975. Greater priority was attached to genuine economic cooperation, and the aid was to be spent as follows:

2 100	million u.a. non-repayable subsidies,
430	million u.a. special-condition loans,
95	million u.a. equity capital in small and medium-sized firms,
375	million u.a. "Stabex" system of stabilising export earnings of the ACP countries
3 000	million u.a.
150	million u.a. for those overseas countries and territories that are still dependent
3 150	million u.a. = 4th development fund

This sum is financed outside the budget according to the following scale:

25.95 per cent	Germany (FR)	6.25 per cent	Belgium
25.95 per cent	France	2.40 per cent	Denmark
18.70 per cent	United Kingdom	0.60 per cent	Ireland
12.00 per cent	Italy	0.20 per cent	Luxembourg
7.95 per cent	Netherlands		

European Investment Bank

The European Investment Bank (EIB) will provide the ACP countries with a further 390 million u.a. in the form of normal loans as financial aid supplementary to the developement fund.

This is nothing new for the EIB, which was set up in the EEC Treaty and is the Community's most important financial instrument after the budget. It has already provided 70 and 100 million u.a. respectively as supplements to the 2nd and 3rd development funds, most of it in the form of normal operations and special operations involving preferential interest rates.

The importance of the EIB's role is indicated by its more recent statistics: between 1959 and 1973 it granted loans totalling 3 658 u.a. In addition there was the record sum of 995.3 million u.a. in 1974. The EIB made exclusive use of the capital market to finance its lending. In 1973 it issued bonds worth 608 million u.a. and in 1974 raised 841 million u.a. from 17 bond issues. The majority were private loans. In view of the poor state of capital markets in the EEC, the Bank turned to other sources, notably in the Middle East, and provided a modest example of sensible recycling.

Broken down into countries and economic sectors, EIB activities from 1959 to 31 December 1974 appear as follows:

Breakdown according to countries (million u.a.)

Normal operations including:	4 228.5	Ireland [1]	70.3
Italy	1 909.2	Greece (until 1967)	69.2
France	944.3	AASM + overseas countries and territories	158.4
Germany (FR)	648.1	Special operations including:	424.8
Belgium	82.2	Turkey	322.9
Netherlands	72.7	AASM + overseas countries and territoires	101.9
Luxembourg	9.0		
UK [1]	220.8		
Denmark [1]	25.1	Total	4 653.4

Breakdown by economic sectors (million u.a.)

Infrastructure	2 600.8	Agriculture	155.3
Industry	1 880.9	Various	16.4

[1] From 1973.

A quote to sum up

More than any other form of summing-up, the following quotation should serve to put observations on this subject into the right light. It comes from an article written in January 1974 by Dr Manfred Schüler, the then Secretary of State in the German Finance Ministry (now State Secretary in the Chancellor's Office). In this article, entitled "The fourth level: the EEC's budgetary and financial problems", published in *Europa Archiv* 2/74 of 15 January 1974 he wrote:

"Progressive integration towards economic and monetary union will increase the Community budget to dimensions that will rule out the possibility of considering it merely as an instrument for carrying out specific duties. Unlike other organisations receiving contributions to achieve their objectives, the Community is developing a "genuine" public budget.

In modern economies, the function of public budgets is not restricted to the "primary" sector of providing public services. Because of their size, they are an important factor in overall economic development. They therefore play a role in the distribution of income, in the provision of welfare, in influencing production, investment and savings and, not least, in controlling the trade cycle.

A complete transfer of responsibilities to the Community budget is inconceivable at the present state of integration for lack of the conditions necessary in the institutional sector. Parliamentary responsibility and control have not yet been developed within the Community. Tasks such as controlling the trade cycle, redistributing income and influencing production, investment and savings are not conducted solely through expenditure from public budgets. Tax measures — i.e. the way revenue is raised — can be of equal if not greater importance. But the Community does not have complete control over taxes.

Regardless of these facts, it must be noted that Community expenditure in the various branches of economic policy is already exerting an influence on the functional sectors listed. Common action in the structural policy sector (agricultural structure, regional and social policy) is not merely intended to influence national production and control investment, but also to have an effect on the redistribution of income and short-term economic policy. The effects are intentional and necessary if differences in the economic and social development of the various Community countries are to be reduced."

ANNEX

The European units of account

The attached table has been established in response to various inquiries concerning conversion rates of European units of account, central rates, parities, etc. utilized or declared by the different governments and institutions.

Due to the floating of various currencies and some modifications in their status, particular attention should be drawn to the fact that some of the figures indicated in column 1 of the table are not applied in pracice. By presenting these figures, the services of the Commission do not have the intention of taking any position in the juridical field.

CONVERSION RATES BETWEEN SOME CURRENCIES AND

In the first line, the value of each national currency unit is expressed in monetary

Monetary Unit :			I. Adjustable units				
			1	2	3	4	5
Currency : last changes (7 to 9, excluded)	Date	Col.	Last par value (p) or central rate (c) in terms of SDR (numeraire)[b] US-$ (before 18 February 1971) or EMUA (European Monetary Unit of Account)	EMUA/ UCME European Monetary Unit of Account of the European Fund for Monetary Cooperation (EMCF/ FECOM)	EUR EC statistical unit used by the Statistical Office of the EC (SOEC)	EC agricultural unit of account	CECA unit used within agreements of the European Coal and Steel Community [f]
Dkr	19. 3. 1973	10	0.131955 (c) **7.57831**	0.131955 **7.57831**	0.131955 **7.57831**	0.131956 [e] **7.57831**	0.131956 **7.57831**
DM	29. 6. 1973 3. 3. 1975	1 4	0.310580 (c) **3.21979**	0.310580 **3.21978**	0.310580 **3.21978**	0.279429 [e] **3.57873**	0.310580 **3.21978**
FB/ Flux	19. 2. 1973 3. 3. 1975	10 4	0.0205519(c) **48.6572**	0.0205519 **48.6572**	0.0205519 **48.6572**	0.0201450 [e] **49.6400**	0.0205519 **48.6572**
Fl	17. 9. 1973 3. 3. 1975	1 4	0.298056 (c) **3.35507**	0.298056 **3.35507**	0.298056 **3.35507**	0.292505 [e] **3.41874**	0.298056 **3.35507**
FF	1. 1. 1975 3. 3. 1975	5 4	0.180044 (p) **5.55419**	— —	0 169205 **5.91** [a]	0.177520 [e] **5.63317**	0.165813 **6.03089**
Lit	1. 1. 1975 3. 3. 1975	5 4	0.00158393(c) **631.343**	— —	0.00112613 **888** [a]	0.00116686 [e] **857.000**	0.00120518 **829.753**
£/Ir. £	1. 1. 1975 3. 3. 1975	4 5	2.40000 (p) **0.416667**	— —	1.71821 **0.582** [a]	1.96178 [g] **0.509741**	1.86261 **0.536880**
US$	12. 3. 1975 28. 3. 1975	4 2	0.828948 (p) **1.20635**	0.715308 [h] **1.39800**	0.70922 **1.41** [a]	0.712446 [f] **1.40362**	0.792864 **1.26125**

[a] Adjusted monthly, conversion rate for March 1975; to three significant figures.

[b] SDR: Special Drawing Right, Statutes of the IMF, art. XXI, Sect. 2; see also International Financial Statistics (IFS) par values and central rates; the SDR in its role as numeraire enables international and intertemporal comparisons to be made between currencies. For this purpose, 1 SDR equals 1 US-$ (1970) equals 1 EMUA, so that each of them can be used as an international reference unit.

[c] Conversion rates only for EC-currencies, furthermore only for tarifs expressed in terms of the u.a. of the EC; see O.J. L. 295, 1 November 1974.

[d] There are equal or similar u.a. definitions used in other fields of EC activities, for example, for the European Court of Justice, for the Association agreement with Turkey, and for the medium-term financial assistance.

[e] Only for conversion into EC-currencies of amounts fixed in u.a. related to the Community's common agricultural policy.

DIFFERENT MONETARY UNITS - SITUATION: 1st APRIL 1975

units; in the second line the value of the monetary units is stated in national currency

II. Parity units	III. Daily changing units			
6	7	8	9	10
EC budgetary units of account, also for common customs tarifs of EC [e], EC regional Fund, EC social Fund, other fields of EC [d]	EUA/UCE EC basket unit for the European Development Fund and the European Investment Bank	EURCO International loan unit based on a basket of the nine EC-currencies	SDR basket unit for determining the transaction value of the SDR between central banks	Remarks
0.133333 [c] **7.5**	0.140308 **7.12718**	0.139697 **7.15836**	0.146311 **6.83477**	
0.283224 [c] **3.66**	0.328009 **3.04870**	0.325136 **3.07564**	0.341829 **2.92544**	European group of stable rates between participants
0.0200000 [c] **50.0**	0.0221405 **45.1659**	0.0216635 **46.1603**	0.0230424 **43.3981**	
0.276243 [c] **3.62**	0.320739 **3.11780**	0.318224 **3.14244**	0.334202 **2.99220**	
0.180044 [c] **5.55419**	0.182415 **5.48201**	0.180907 **5.52771**	0.190882 **5.23883** [i]	Floating (19-1-1974/ 10-7-1975)
0.0016 [c] **625.00**	0.00121744 **821.398**	0.00120701 **828.495**	0.00126851 **788.323**	Floating (13-2-1973)
2.40000 [c] **0.416667**	1.84741 **0.541298**	1.83432 **0.54516**	1.92661 **0.519047**	Floating (23-6-1972)
0.828948 **1.20635**	0.770048 **1.29862**	0.762294 **1.31183**	0.801417 **1.24779**	Floating (19-3-1973)

[f] Rates of conversion for world market prices into u.a. used within the common agricultural policy on April 1st, 1975; conversion rates for floating currencies are revised weekly, only if their calculated weekly average value against the EC-currencies participating in the European Monetary Cooperation Fund (EMCF/FECOM) varies by approximately 1 per cent from their prevailing rate.

[g] Irish £ = 1.86151 (0.537198).

[h] Sole Community conversion rate between the EMUA/UCME and the US-$ for March 1975 for clearing operations between central banks participating in the EMCF/FECOM.

[i] Conversion rate of 2 April 1975.

[j] Conversion rate for the first six months of 1975.

Source: DG II.

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