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COMMUNITY BUDGET: THE COMMISSION'S PRELIMINARY DRAFT FOR 1981¹

The Commission has just adopted the preliminary draft budget for 1981. The first point to note is that it takes into account the accession of Greece to the Community. It is therefore the first budget for a ten-member Community.

Its overall volume is 21 731.8 million EUA in commitment appropriations and 20 051.4 million EUA in payment appropriations; compared with the 1980 budget these totals are up by 25.48% for commitment and 27.85% for payments.

When making a comparison it must be remembered that the 1980 budget has been substantially compressed - in the course of an unusually lengthy and difficult procedure - and that three factors which will particularly affect the 1981 budget account for part of the massive increase in the preliminary draft, namely the accession of Greece, the decisions of 30 May concerning agriculture and the British contribution of the budget. As the Commission has repeatedly pointed out, in 1981 the problem of the exhaustion of the own resources which the Community receives at present will become real. In the present political context, however, the Commission considers that its preliminary draft for 1981 must stay within the 1% VAT limit, even though this means that it is not possible to provide for all that is politically desirable. The Commission has therefore restricted overall expenditure to available resources, while keeping a safety margin of some 550 million EUA.

A. Expenditure: the main budget headings

1. Farm price support (EAGGF Guarantee), totalling almost 13 000 million EUA², is 12% higher than in 1980 (11 486 million EUA) - a slightly larger increase than in 1980 (10.6%) but a marked improvement on previous years when the average increase (1975 to 1979) was 23% per year.

This figure allows for foreseeable developments on both the Community and the world market but does not include any provision for estimates relating to the decisions to be taken on farm prices and related measures for the marketing year 1981/82.

Despite the relatively moderate growth rate, agricultural intervention expenditure still represents the lion's share of the preliminary draft budget, to such an extent that revision of expenditure programmes and prudent financial management are now imperative.

¹COM(80)210

²Including the expenditure on refunds for food aid and ACP sugar.

The lower rate of increase for agricultural expenditure can mainly be accounted for by three factors:

- (i) a higher co-responsibility levy for milk (additional savings of 400 million EUA over 1979);
- (ii) an improvement in the milk-powder stock situation and a regular reduction of refund rates;
- (iii) an improvement in the short-term situation on the sugar market.

The increases in appropriations for the other sectors are relatively moderate for 1981, though the level of foreseeable expenditure is still high for beef and veal, wine and fruit and vegetables.

Finally, the common organization of the sheepmeat market (Council Decision of 30 May) will result in expenditure of 225 million EUA in 1981 (as against 50 million for the budgetary year 1980).

2. As regards expenditure for structural purposes, meaning the Regional Fund, the Social Fund and the EAGGF Guidance Section, and also the "supplementary measures" for the United Kingdom under the Council Decision of 30 May 1980, the Commission is proposing 4 369.3 million EUA in commitment appropriations and 3.055 million EUA in payment appropriations. Commitment appropriations for the three major funds are 29.8% higher than in the 1980 budget.

- (a) In nominal terms, the increase for the ERDF alone is almost 37% (from 1 165 to 1 600 million EUA in commitment appropriations); but this sum includes a quota for Greece equal to 15% of the total Fund. Since the actual amounts available for the other Member States will not be reduced to provide the funds for this Greek quota, the overall volume of Fund has to be expanded. When allowance is made for inflation (reckoned at 9.6%) the 1 600 million EUA gives in real terms an increase of 7%.

The Commission is proposing 770 million EUA (including 20 million not subject to the quotas) in payment appropriations.

- (b) For the Social Fund the two main targets for operations remain young people and workers in regions in difficulty.

Given the present budgetary situation the Commission is proposing 1 000 million EUA in commitment appropriations (an increase of 10%) and 710 million EUA in payment appropriations.

- (c) The measures to assist the United Kingdom can be divided into:
 - (i) the payment under the adjusted financial mechanism, which, according to present estimates, will be 469 million EUA, and
 - (ii) the "supplementary measures", i.e. 1 074 million EUA, which includes an advance of 100 million EUA on the sum due for 1981.

These two sums (469 million and 1 074 million EUA) are gross figures to be entered into the budget, which should enable a net payment to be made to the United Kingdom of appreciably lower amounts (380 million and 880 million EUA).

Finally, a compensatory repayment of 25 million EUA will have to be made to Greece to offset its share of the reimbursement to the United Kingdom, since the decision of 30 May stipulates that the cost of reducing the British contribution will be borne by the other eight Member States.

B. Other expenditure

The other expenditure proposals reflect the policy priorities which the Commission has always endeavoured to show in its preliminary draft budgets. This applies, in particular, to:

1. Development aid policy

- (i) The Community and the Member States have undertaken to supply 1 650 000 tonnes of cereals as food aid, compared with 1 287 000 tonnes in 1980. Of this quantity 927 000 tonnes will be supplied by the Community as such, an increase of more than 200 000 tonnes compared with the 720 000 tonnes under the 1980 budget.
- (ii) Cooperation with non-associated developing countries (Art. 930): the Commission is proposing 200 million EUA in commitment appropriations for 1981, i.e. what it planned at the outset (the 1975 proposal stipulated a gradual increase from 100 to 200 million EUA between 1976 and 1980), which is fully justified by the needs of the countries concerned and by the fact that this Community aid is now well established.
- (iii) Special aid for Turkey: the Commission proposed that the 75 million EUA of special aid, approved by the Council in April 1979 be split into 40 million EUA for the 1980 budget and 35 million EUA for the 1981 budget. Thus, 35 million EUA has been entered as a payment appropriation for 1981.
- (iv) Financial cooperation with Portugal: the overall volume for the 1980, 1981 and 1982 budgets is 235 million EUA; the Commission is proposing 50 million EUA in payment appropriations for 1981 and 90 million EUA in commitment appropriations.

2. For certain sectors which are still regarded as requiring priority attention, the Commission has not been able, in the present circumstances, to enter appropriations in its preliminary draft for the implementation of policies for which the Council does not appear prepared to institute a legal base in the near future. This applies notably to various aids for the coal industry, support for transport infrastructure and assistance for industrial conversion; at this stage, these items bear only token entries in the preliminary draft.

The Commission nevertheless considers that its policies in these areas still deserve priority and hopes that the Council will give the go-ahead as soon as possible.

C. Revenue

In the light of estimates for the other own resources (customs revenue and agricultural levies) a VAT rate of 0.95% will be necessary to provide revenue to cover total expenditure of 20 051.4 million EUA. The margin available before the 1% VAT limit reached is roughly 550 million EUA.¹

D. Inclusion in the budget of lending and borrowing operations and the EDF

The Commission's proposal of June 1978 for amendments to the Financial Regulation to enable borrowing and lending operations to be included in the budget is still on the Council's desk. The Commission feels that these operations have taken on such importance that a decision is now imperative and it has therefore drawn up the preliminary draft once again on the assumption that a favourable decision will be taken.

¹With allowance being made for Greece's GNP-based contribution, as stipulated in the Act of Accession.

As in the past the Commission has set aside chapters 90 and 91 of the budget for the future inclusion of the EDF.

E. Growth rates, structure and relative size of the Community budget

With an overall volume of some 20 000 million EUA (in payment appropriations) the general budget, as proposed, would represent an increase of about 28% over the 1980 budget (16 265 million EUA).

A distinction should be made between the rate of increase of compulsory expenditure (agricultural and other), which would be 26%, and of non-compulsory expenditure (in particular, expenditure for structural purposes), which would amount to 38%. This reflects the substantial effort made to improve the structure of the budget.

In accordance with its instructions from the Council the Commission is going to examine what structural changes might be made to Community policies in order to secure a better balance in the financing. Although the rates of increase of the general budgets of recent years look large (between 21 and 23% from 1977 to 1979, it should be borne in mind that the volume of the Community budget in terms of the aggregate GDP of the Member States has scarcely changed: from 0.79% in 1978 to 0.81% for the 1981 preliminary draft.

A comparison between the Community budget and its national counterpart confirms that Community spending has increased only at the same pace as national spending. In 1978 the Community budget corresponded to 2.6% of the aggregate national budgets, in 1980 to 2.4% and in 1981 the relationship will probably be much the same (see table).

en MUCE

	BUDGET 1979		AVANT-PROJET 1980		BUDGET DEFINITIF 1980	
	CE (3)	CP (4)	CE (3)	CP (4)	CE (3)	CP(4)
I. CHIFFRES GLOBAUX	15.423,3	14.447,0	17.915,3	16.286,8	17.318,9	15.683,1
II. A. D0 (1)	<u>12.406,4</u>	<u>12.183,1</u>	<u>13.620,7</u>	<u>13.445,4</u>	<u>13.655,1</u>	<u>13.498,0</u>
1) FE0GA-garantie	10.384,1	10.384,1	11.212,9	11.212,9	11.485,5	11.485,5
2) Autres	2.022,3	1.799,0	2.407,8	2.232,5	2.169,6	2.012,5
B. DNO (*) (2)	<u>3.016,9</u>	<u>2.263,9</u>	<u>4.294,6</u>	<u>2.841,4</u>	<u>3.663,8</u>	<u>2.185,2</u>
1) FEDER	945,0	499,0	1.200,0	610,0	1.165,0	403,0
2) Fonds social	767,5	527,5	1.000,0	550,0	909,5	374,3
3) coopération PVD	164,5	81,0	195,3	63,3	210,0	88,2
4) Autres	1.139,9	1.156,4	1.899,3	1.618,1	1.379,3	1.319,7
III. TAUX TVA		0,7888		0,8866		± 0,72
IV. TAUX MAXIMUM DNO			+ 42,35	+ 25,50	+ 21,44	+ 3,48

(*) Selon classification du Conseil.

(1) Dépenses obligatoires

(2) Dépenses non-obligatoires

(3) crédits d'engagement

(4) crédits de paiement

	BUDGET DEFINITIF 1980		AVANT-PROJET 1981	
	CE	CP	CE	CP
<u>I. CHIFFRES GLOBAUX</u>	17.318,9	15.683,1	21.731,8	20.051,4
<u>II. A. DO</u>	<u>13.149,0</u>	<u>13.118,1</u>	<u>16.643,4</u>	<u>16.495,7</u>
1) FEOGA-garantie	11.485,5	11.485,5	12.941,5	12.941,5
2) Autres	1.663,5	1.632,6	3.701,9	3.554,2
<u>B. DNO (*)</u>	<u>4.169,9</u>	<u>2.565,0</u>	<u>5.088,4</u>	<u>3.555,7</u>
1) FEDER	1.165,0	403,0	1.600,0	770,0
2) Fonds social	909,5	374,3	1.000,0	710,0
3) Coopération PVD	270,9	117,2	416,0	237,0
4) Autres	1.824,5	1.670,5	2.072,4	1.838,7
III. TAUX TVA		± 0,72		± 0,95
IV. MARGE RESSOURCES PROPRES				± 550,0
V. TAUX MAXIMUM DNO			+ 22,03	+ 38,62

(*) Selon classification de la Commission

COMPARAISON ENTRE LE BUDGET GENERAL DES COMMUNAUTES EUROPEENNES, LES
BUDGETS DES ETATS MEMBRES ET LE PRODUIT INTERIEUR BRUT DE LA
COMMUNAUTE

Année	Unité	Budget général des Communautés européennes 1)			Budget des Etats membres (Etats centraux)	PIB Communauté européenne	Budget général des Communautés européennes par rapport aux	
		Total	Dont FEOGA Garantie	FEOGA Garantie en % du total			Budgets nationaux (2) : (5)	PIB Comm. europ. (2) : (5)
	1	2	3	4	5	6	7	8
1973	MUC	4.641	3.594	77,4 %	227.700	870.200	2,0 %	0,53 %
1974	"	5.037	3.390	67,3 %	268.300	987.900	1,9 %	0,51 %
1975	"	6.214	4.327	69,6 %	337.500	1.132.600	1,8 %	0,55 %
1976	"	7.993	5.710	71,4 %	387.900	1.315.100	2,1 %	0,61 %
1977	"	8.483	6.512	76,8	442.600	1.483.800	1,9 %	0,57 %
1977	MUCE ²⁾	8.500			405.400	1.405.000	2,1 %	0,60 %
1978	"	12.262	8.679	70,8 %	470.200	1.553.200	2,6 %	0,79 %
1979	"	14.373	10.387	71,0 %	527.300 ⁴⁾	1.742.000 ⁴⁾	2,7 %	0,83 %
1980	"	15.683,1	11.485,5 ³⁾	73,23 %	601.900 ⁵⁾	1.959.600 ⁵⁾	2,4 %	0,75 %
1981	"	20.051,4	12.941 ³⁾	64,54 %	6)	2.182.500 ⁷⁾	.	0,81 %

1) Crédits pour paiements 1973-1979 = dépenses sur crédits de l'exercice selon comptes de gestion (définition retenue pour le calcul des ressources propres)

1980 : nouvelle proposition budgétaire y compris la lettre rectificative à celle-ci.

2. Taux de conversion : 1977 et 1978 = taux moyens de l'année. 1979-80-81 : les budgets des CE sont établis aux taux du 1er février de l'exercice précédent. La conversion des autres agrégats a été effectuée :

- pour 1979 : au taux moyen de l'année
- pour 1980-81 : au taux du 1.2.1980.

3) Y compris restitutions pour l'aide alimentaire et sucre ACP.

4) Résultats provisoires.

5) Prévision

6) Il n'est pas possible d'établir une prévision au stade actuel

7) Prévision.

	AVANT-PROJET 1980		PROJET CONSEIL (en 2ème lecture) (rejeté)		NOUVELLE PROPOSITION (y compris lettre rectificative)		PROJET CONSEIL du 20.6.1980	
	CE	CP	CE	CP	CE	CP	CE	CP
I. CHIFFRES GLOBAUX								
II. A. DO	17.915,3	16.286,8	16.653,9	15.411,8	17.994,0	16.264,7	17.307,9	15.681,1
1) FEOGA-garantie	<u>13.620,7</u>	<u>13.445,4</u>	<u>13.235,8</u>	<u>13.098,7</u>	<u>13.941,3</u>	<u>13.870,2</u>	<u>13.655,1</u>	<u>13.498,0</u>
2) Autres	11.212,9	11.212,9	11.192,5	11.192,5	11.551,0	11.551,0	11.485,5	11.485,5
B. DNO (*)	2.407,8	2.232,5	2.043,3	1.906,2	2.390,3	2.319,2	2.169,6	2.012,5
1) FEDER	<u>4.294,6</u>	<u>2.841,4</u>	<u>3.418,1</u>	<u>2.313,1</u>	<u>4.052,7</u>	<u>2.394,5</u>	<u>3.652,8</u>	<u>2.183,1</u>
2) Fonds social	1.200,0	610,0	1.015,0	582,5	1.200,0	410,0	1.165,0	403,0
3) Coopération PVD	1.000,0	550,0	876,0	365,0	931,0	385,0	907,0	374,3
4) Autres	195,3	63,3	159,2	47,9	232,7	110,7	207,7	87,9
III. TAUX TVA	1.899,3	1.618,1	1.367,9	1.317,7	1.689,0	1.488,8	1.373,1	1.317,9
		0,8866		± 0,77		± 0,78		± 0,72
IV. TAUX MAXIMUM DNO	+ 42,35	+ 25,50	+ 13,30	+ 2,17	+ 26,65	+ 1,10	+ 21,08	- 3,57

(*) Selon classification du Conseil