



EUROPEAN COMMUNITIES

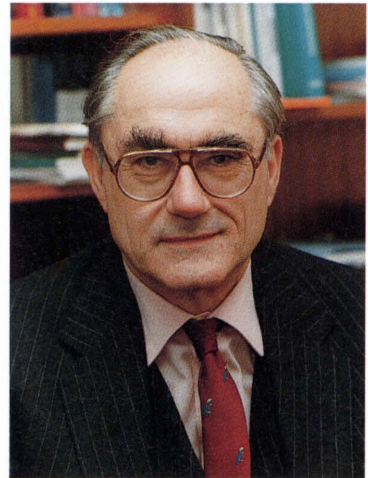
FINANCIAL REPORT 1993



Cover photograph: Antwerp, European City of Culture 1993 — The Grote Markt, the Brabo fountain.

EUROPEAN COMMUNITIES

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FOREWORD

1 993 was the first year of application of the new financial perspective covering 1993 to 1999.

The Edinburgh European Council agreed on a new financial framework with the main priority being structural measures to assist the least-favoured regions of the Community. Another focal point is the development of external action.

Building a European Union that is closer to its citizens, more democratic and more open is one of the main objectives of the new Treaty. Application of the subsidiarity principle, in budgetary matters as elsewhere, with the improvements it can make to the quality of Community action, is thus of utmost importance.

The entry into force of the Treaty also marks the beginning of a new era in which the Union will be able to exert more influence and speak with one voice on the international stage.

During 1993 this political will was given shape in the field of humanitarian aid where the range of Community action was broadened through the operations of the European Community Humanitarian Office.

In order to make the conclusions of the Edinburgh European Council fully operational, a new Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure was concluded in October 1993 between Parliament, the Council and the Commission.

The principles appearing in the earlier 1988 Agreement were, for the most part, retained. There were, however, some innovations:

- a new procedure was introduced for collaboration between the institutions at the various stages of the budgetary procedure with a view to facilitating consensus on budget priorities;
- additional principles have been laid down designed to secure stricter budgetary discipline by means of rules to optimize the allocation of available appropriations.

The 1993 budget, which is dealt with in this financial report, is an illustration of the Community's determination to adapt its budgetary resources to the main priorities of the process of European integration.

The appropriations available for commitments in 1993 totalled ECU 71 081.8 million, while appropriations for payments totalled ECU 66 966.1 million.



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ECONOMIC AND FINANCIAL FRAMEWORK

The basic budget principles

Six basic principles govern the budget of the European Communities:

Unity

This principle, which is enshrined in Article 199 of the Treaty, means that all Community expenditure and revenue must be incorporated in a single budget document.

In the early years of the Community, the autonomy of the institutions set up under the ECSC, EEC and Euratom Treaties resulted in up to five separate budgets being produced to cover any one year. Since the Treaty of Luxembourg of 22 April 1970, the Community's essential financial activities have tended to move towards a unified budget, and there are now only two budget documents, the general budget and the ECSC operating budget.

However, two categories of financial operation are still outside this structure: the EDF (European Development Fund) and borrowing and lending activities.

The EDF was set up by the EEC Treaty with a view to stepping up trade with associated developing countries and assisting them in carrying out economic and social development projects. The resources of the EDF are provided by contributions from the Member States. For largely political reasons, the Member States wish to retain their direct influence over certain development aid operations by maintaining an independent financial regime and management procedures which are not subject to the ordinary rules.

The EEC Treaty made no express provision for borrowing and lending operations. However, as the achievement of the Community's objectives made it necessary to lay down rules for operations on the capital market, borrowing and lending activities were finally authorized in 1975, on the basis of Article 235 of the EEC Treaty. Most borrowing and lending operations (with the exception of

ECSC operations) are included in the Community's balance sheet.

The two annexes to this report contain a summary of the budgetary and financial operations of the ECSC (operating budget and borrowing and lending operations) and the EDF.

Universality

This principle comprises two rules: the rule of non assignment, meaning that budget revenue must not be earmarked for specific items of expenditure, and the gross budget rule, meaning that revenue and expenditure are entered in full in the budget without any adjustment against each other.

Annuality

The budget for the year is cast at two levels: a commitment budget and a payment budget.

Commitment appropriations cover new commitments for the year, whereas payment appropriations must cover the amounts payable against both new and existing commitments.

Annuality means that a budget is adopted for a single year and that the appropriations it contains, both for commitments and payments, must be used during that year.

The principle does not rule out the possibility that certain commitments may last for more than one year. Clearly, in sectors such as the Structural Funds, research and external cooperation, the Community needs to enter into some commitments which exceed the period of one year. In these sectors, a mechanism known as 'differentiated appropriations' allows for a separate annual vote of commitments and payments.

Under certain clearly defined conditions, some unused appropriations may be carried over to the following year.

Equilibrium

Estimated revenue for the year must equal payment appropriations for that year. There is

no Community legal instrument authorizing borrowing to cover a budget deficit. Any surplus for the year is carried forward to the following year. A modest operating deficit can also be carried forward. On the other hand, a significant departure from the original budget during the year requires the adoption of a supplementary or amending budget.

Specification

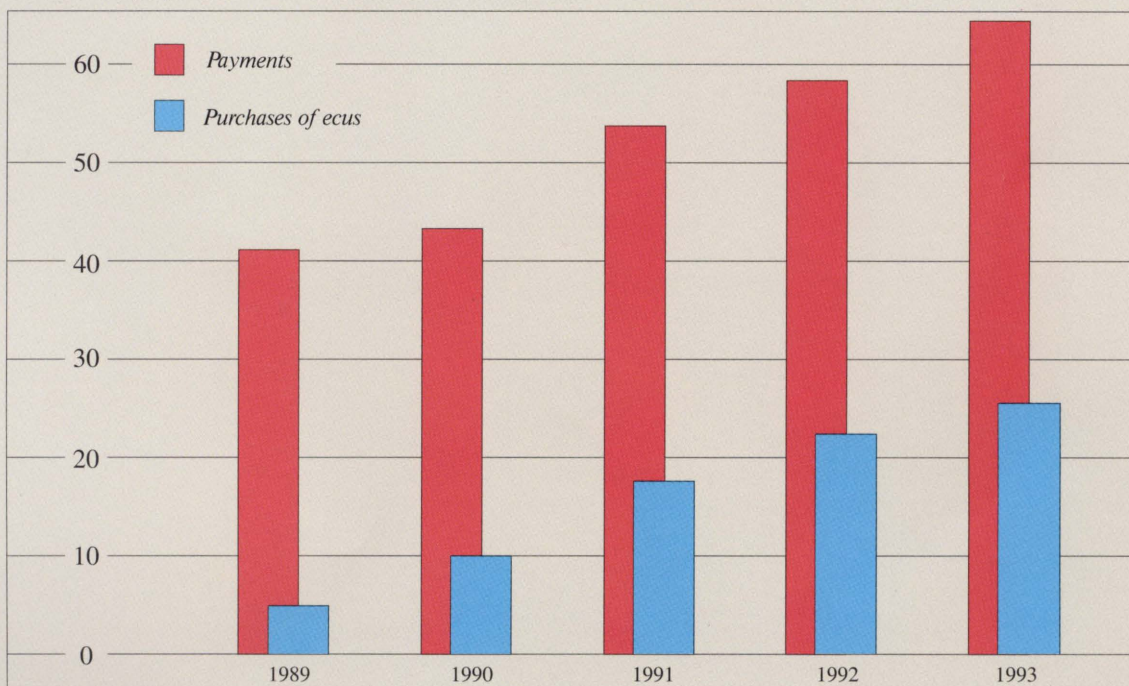
Specification means that each appropriation must have a given purpose and be assigned to a specific objective in order to prevent any confusion between appropriations, at both the authorization and the execution stage, and thus to ensure that the budget as established is quite unambiguous and that it is executed in accordance with the wishes of the budgetary authority.

The principle of specification determines the horizontal structure (distinction between the statement of revenue and the statement of expenditure, and subdivision of the statement of expenditure into five individual sections for each of the institutions) and the vertical structure of the budget (the budget nomenclature distinguishes appropriations according to their nature and purpose by subdividing sections — and in particular section III, which contains all Community expenditure on operations — into titles, chapters, articles and items).

A certain flexibility in the application of the rule of specification is achieved by means of transfers of appropriations, which, subject to certain conditions, allow appropriations to be moved to headings other than those to which they were assigned when the budget was established. The Treaty itself makes provision

FIGURE 1
Volume of payments and purchases of ecus, 1989-93

(billion ECU)



for transfers, the object being to ensure the best possible utilization of budget appropriations.

The use of the ecu

The currency unit of the European Communities is the ecu, which is made up of a basket of the 12 Community currencies in the proportions shown in Table 2, which should remain unchanged until the introduction of the single currency.

Since 1992 the Commission has been using ecu-denominated accounts at the French and Irish Treasuries.

The Commission promotes the adoption of the ecu as the single currency by using it as much as possible in the execution of the budget. Most Community programmes, other than EAGGF Guarantee operations, are implemented in ecus. In 1993 40% of the budget was implemented in ecus.

The economic situation in the Community in 1993

The decelerating phase of Community growth, which started in the second half of 1990, turned into an outright recession in 1992 and 1993. Real GDP declined by an average of 0.3% for a full year, but this fall hides the reversal of the downward trend in economic activity in the course of the year. The trough of the recession was reached in the spring, and since then a moderate recovery has taken place. After a fall of 3.1% in the first quarter of the year (annualized rate), real GDP in the Community grew at an annual rate of between 1 and 1.5% during the last three quarters. As the year progressed the relative weight of the growth-depressing factors — responsible for the gradual deterioration in the economic situation in the Community — started to fade, thus giving rise to a mild recovery. These factors included a loosening of the monetary stance, a progressive pick-up in confidence first by businessmen and later by consumers, and a

strong improvement in the Community's external environment.

In 1993 the positive contribution of net exports counterbalanced to some extent the considerable fall in domestic demand (1.5%). The slackening of domestic demand, combined with a substantial depreciation of EC currencies in nominal effective terms, produced a slump in imports (decline of nearly 4%) which outpaced the fall in exports (0.3%). Among the components of domestic demand, investment recorded the strongest fall (5%), implying a third successive year of negative investment growth. Private consumption for the year as a whole stagnated, as a result of an erosion of real disposal income.

The weakness in economic activity was accompanied by further job losses and a steady rise in unemployment. Employment fell by almost 2% in 1993 (a second consecutive annual decline), while the rate of unemployment rose by around 1 percentage point to 10.9% of the civilian labour force on average for the year.

Visible progress was made on the inflation front during 1993. The private consumption deflator edged down from 4.6% in 1992 to 3.9% in 1993. Several factors explain the easing of inflation during 1993, but probably the most important is linked to wage moderation throughout the Community. Other contributing factors were the continuing relatively tight monetary stance despite important cuts in interest rates and the weak economic situation overall.

In the Community as a whole, public finances deteriorated in 1993, as general government net borrowing widened to 6% of GDP as against 5.1% a year earlier. This deterioration was the net outcome of several partially opposing factors. On the one hand adverse cyclical influences and discretionary demand stimuli in some countries contributed to a widening of budget deficits, while on the other hand falling interest rates and fiscal consolidation efforts in other countries managed to curtail the worsening trend to some extent.

Financial perspective 1993-99

As the financial perspective for 1988-92 expired on 31 December 1992, Parliament, the Council and the Commission agreed on a new financial framework for 1993-99.

On a proposal from the Commission the Heads of State or Government meeting in Edinburgh on 11 and 12 December 1992 determined the main priorities for this new period. Top priority is given to structural operations to assist the least-favoured regions of the Community. External action also receives special attention.

In view of the constraints imposed on Member States' public finances, it was decid-

ed to spread achievement of the objectives over a seven-year period in order to ease the annual burden of financing the Union budget.

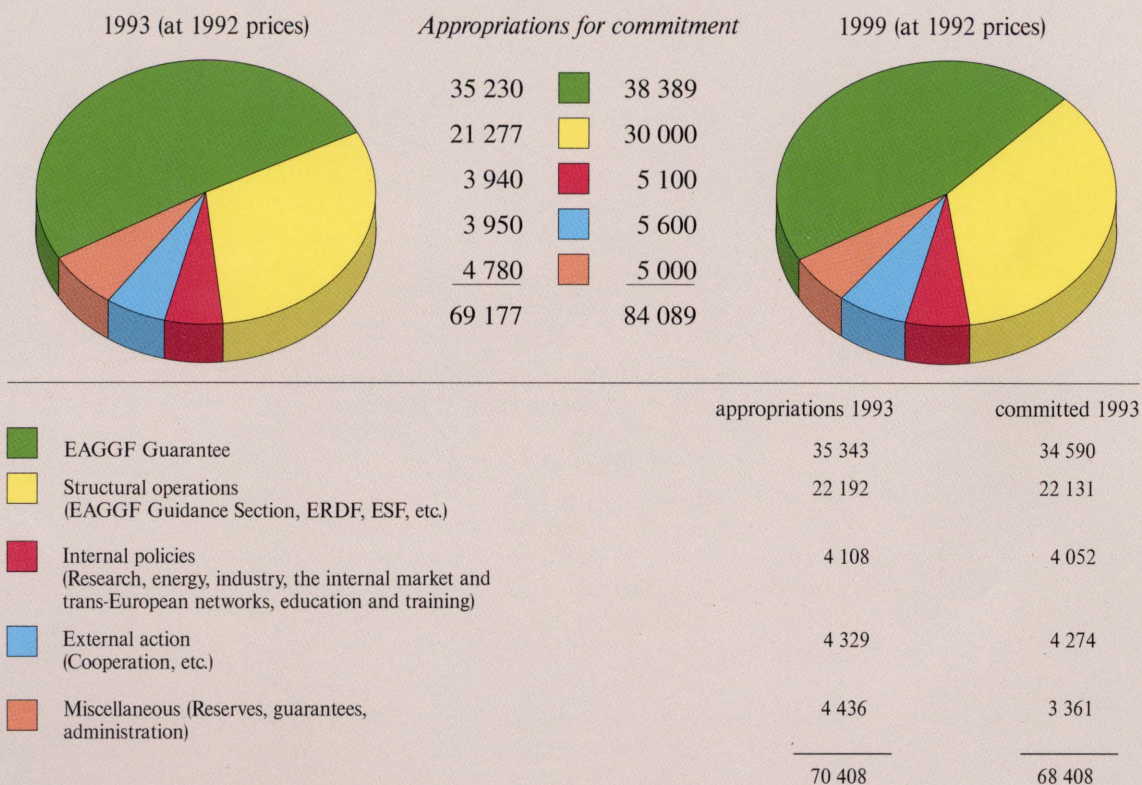
During these seven years the own resources ceiling will be gradually raised from 1.20% to 1.27% of Community GNP, incorporating a margin of 0.01% of GNP for unforeseen expenditure.

The ceiling on appropriations for payments (in 1992 prices) will rise from ECU 65.9 billion in 1993 to ECU 80.1 billion in 1999.

The following principles were agreed concerning the distribution of appropriations for payments by heading:

FIGURE 2
Financial perspective 1993-99

(million ECU)



- *Common agricultural policy:* the principle of the agricultural guideline, restricting the annual rate of increase in agricultural expenditure to 74% of GNP growth, was retained. The scope of the guideline was extended to cover all expenditure under the reformed CAP, including in the future the flanking measures and the Fisheries Guarantee Fund.

In addition to costs resulting from changes in the USD/ECU parity, the monetary reserve in Heading 6 of the financial perspective will in future also cover costs deriving from currency realignments within the EMS. However, because the reformed CAP will be influenced less by world prices, the amount allocated to the reserve will be reduced to ECU 500 million from 1995.

- *Structural operations:* expenditure on cohesion measures will rise by 75% from just over ECU 17 billion in 1993 to ECU 30 billion in 1999. Structural operations will in future be organized under two heads: the Structural Funds and the new Cohesion Fund.

Under the Structural Funds a special effort will be made for the Objective 1 regions where per capita GNP is less than 75% of the Community average.

The Cohesion Fund is designed to help the four Member States whose per capita GNP is less than 90% of the Community average (Spain, Greece, Ireland and Portugal) to achieve the economic convergence targets set for economic and monetary union while at the same time enabling them to improve transport infrastructures and enhance environment policy. In 1999 these four countries together will receive from the Cohesion Fund and Objective 1 of the Structural Funds twice what they received in 1992 from Objective 1 of the Structural Funds.

- *Internal policies:* the allocations for Heading 3 of the financial perspective are to increase by around 30% by 1999. Trans-European networks are given special

priority and will accordingly enjoy a rate of growth above the average for the heading. Research will nevertheless continue to be the main item of expenditure, accounting for between half and two-thirds of the total for the heading.

- *External action:* with the entry of two new reserves in Heading 6 of the financial perspective, the increase for this heading between 1993 and 1999 will be an appreciable 55%. These reserves are directly related to Community external action: one is for emergency aid and the other is to cover the risks resulting from the guarantee provided by the Community budget for loans granted to non-member countries.

- *Administrative expenditure:* although this represents less than 5% of the budget it will, in the years ahead, be subject to strict budgetary discipline, the increase in Heading 5 allocations being intended mainly for the growth in expenditure on pensions.

As regards the operation of the financial framework, the new Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, signed on 29 October 1993, retained for the most part the existing principles governing adjustments and revision of the financial perspective.

The financial perspective was subjected to its first revision for 1994 at the same time as the conclusion of the Interinstitutional Agreement. It concerned Headings 3, 4 and 5 and involved a total of ECU 175 million in appropriations for commitments and ECU 120 million in appropriations for payments. The objective was to support efforts to restimulate economic activity, make a contribution to the Middle East peace process and offset the impact on administrative expenditure of the depreciation of the ecu against the Belgian franc.

In the present economic context it seems hardly likely that there will be further revisions of the financial perspective. Since the financial framework was agreed at Edinburgh, growth forecasts have been revised

downwards for 1993 to 1995. As a result the volume of own resources available throughout the period 1995-99 is reduced and the margin for unforeseen expenditure of 0.01% of GNP, which could have been used for further revisions of the financial perspective, has already been taken up.

The adjustment of the financial perspective which will be required in connection with the enlargement of the Community, in accordance with the Interinstitutional Agreement, could be an opportunity to reconstitute this margin and restore compatibility between the ceiling on appropriations for payments and the own resources ceiling.

The budget adopted for 1993

The 1993 budget was adopted on 17 December 1992 within the financial framework agreed at Edinburgh. It totalled ECU 69 058 million in commitment appropriations and ECU 65 522 million in payment appropriations (up by 8.6% and 7.24% respectively on 1992). The salient features of this budget are as follows:

In Heading 1 of the financial perspective (agricultural expenditure), the budgetary framework adopted in December 1992 incorporates the initial effects of the reform of the CAP and covers a wider range of expenditure than in earlier years, now including expenditure on fisheries guarantee measures and income aid as well as all the expenditure under the reformed CAP. The appropriations allocated under this heading come to ECU 34 052 million (up by 5.1% on 1992), leaving a margin of ECU 2 605 million below the agricultural guideline.

In Heading 2 (structural operations) the ECU 22 178 million allocated (19.5% more than in the 1992 budget) was to cover the setting up of the Cohesion Fund, with ECU 1 565 million in commitment appropriations and ECU 1 000 million in payment appropriations, and to complete the doubling of the Structural Funds (1993 being the final year for doubling the allocation as decided in 1988).

Heading 3 covers policies considered decisive in creating a favourable environment for the competitiveness of European economies, i.e. research and technological development with an allocation of ECU 2 556 million, up by 3.5% on 1992 and trans-European networks (ECU 209 million, up by 38.6%), as well as all the other internal policies of the Community (ECU 1 243 million, up by 6.8%).

The appropriations for external policies totalled ECU 4 110 million (up by 4%), to which should be added a reserve of ECU 209 million for emergency aid. A large sum (ECU 1 573 million) was set aside for cooperation with Central and Eastern Europe.

Administrative expenditure was kept on a very tight rein. The 6.9% increase in the Commission's administrative appropriations in relation to 1992 included an increase of over 14% in expenditure on pensions.

The 1993 budget adopted in December 1992 was amended by a supplementary and amending budget adopted on 2 December 1993. The main changes were as follows: EAGGF guarantee expenditure was increased by ECU 1 300 million to take account of monetary and market-situation factors, changes in the rules, the effects of the prices package and the entry of negative expenditure in respect of the clearance of accounts. The impact on administrative expenditure of the appreciation of the Belgian and Luxembourg franc — currencies in which most of Community officials' salaries are paid — against the ecu and expenditure resulting from the Community guarantee for EIB loans granted to certain republics of former Yugoslavia were also accommodated. On the revenue side the forecasts of traditional own resources were cut by ECU 2 500 million. It was further decided to enter in the 1992 budget the final balance for 1992 and the negative balances of VAT and GNP resources in 1992.

The final budget for 1993 thus came to ECU 70 408 million in commitment appropriations and ECU 66 858 million in payment appropriations.

Execution of the 1993 budget

Table 1 presents a summary of the execution of the general budget of the Communities in 1993. The revenue forecast came to ECU 66 858 million, corresponding to the appropriations for payments entered in the 1993 budget.

Actual revenue was ECU 65 673 million.

The main feature of 1993 was a 2.2% decline in traditional own resources compared with 1992.

- Agricultural levies fell by 14.7%, the main causes being connected with the implementation of the reform of the agricultural policy.
- Customs duties collected were 4% down on the previous year, reflecting not only a decline in the volume of imports as a result of the economic slowdown up to the end of the year, but also a decline in raw materials prices caused by slack demand.

Revenue from VAT own resources and the additional GNP-based resource was 99.4% of the amount forecast. This slight shortfall was the result of the exchange rate changes of August 1993 and the large difference between the rates used for drawing up the budget and

the rates applying when the resources collected were finally entered in the accounts.

On the expenditure side a total of ECU 69 033 million was committed — a utilization rate of 97.0%.

For appropriations for payments the rate was 94.0% in 1993.

Only for structural operations and the common agricultural policy did the out-turn rate in payments exceed 95%.

At the other end of the scale, some areas of internal policies such as other regional operations, fisheries and the sea, other social operations and environment had utilization rates close to two-thirds of the payment appropriations available.

The situation was the same for certain areas of external action such as other cooperation operations and cooperation with other non-member countries.

In most cases this was the result of delays in implementing projects which results in payments scheduled for 1993 being deferred to later budget years.

This also accounts for the large amount of payment appropriations carried over to 1994.

TABLE 1
Implementation of the budget in 1993

Revenue

(million ECU)

Forecasts of revenue in the 1993 budget	66 857.9
Revenue in 1993	65 672.7

Expenditure

	Differentiated appropriations (multiannual operations)		Non-differentiated appropriations (administrative expenditure and annual operations)		Total	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Available appropriations:						
Entered in 1993 budget	30 628.5	27 078.7	39 779.2	39 779.2	70 407.7	66 857.9
Other	178.6	108.1	0.0	0.0	178.6	108.1
Carried over from 1992:	315.8	354.4	179.7	1 004.4	495.5	1 358.8
• automatic carry-overs				(824.7)		(824.7)
• other carry-overs	(315.8)	(354.4)	(179.7)	(179.7)	(495.5)	(534.1)
Total available	31 122.9	27 541.2	39 958.9	40 783.6	71 081.8	68 324.8
of which:						
Appropriations used in 1993	30 921.0	26 100.6	38 112.1	38 107.0	69 033.1	64 207.6
• entered in 1993 budget	(30 456.4)	(25 848.5)	(37 951.2)	(37 222.3)	(68 407.6)	(63 070.8)
• other	(162.5)	(97.2)			(162.5)	(97.2)
• carried over from 1992	(302.1)	(154.9)	(160.9)	(884.7)	(463.0)	(1 039.6)
Appropriations carried over to 1994	108.5	927.1	528.5	1 257.4	637.0	2 184.5
• automatic carry-overs				(728.9)		(728.9)
• other carry-overs	(108.5)	(927.1)	(528.5)	(528.5)	(637.0)	(1 455.6)
Appropriations lapsing	93.5	513.5	1 318.2	1 419.2	1 411.7	1 932.7
Utilization rate	99%	95%	95%	93%	97%	94%
Commitments outstanding at 1.1.1993	24 191.1		824.7		25 015.8	
of which:						
Cancelled	763.5		100.5		864.0	
• corresponding appropriations made available again in 1994	(167.5)				(167.5)	
• other	(596.0)				(596.0)	
Paid	10 580.7		724.2		11 304.9	
Outstanding at 31.12.1993	12 846.9				12 846.9	
Commitments made in 1993	30 920.7		38 112.2		69 032.9	
of which:						
Paid	15 520.0		37 382.8		52 902.8	
Outstanding at 31.12.1993	15 400.7		729.4		16 130.1	
Total commitments outstanding at 31.12.1993	28 247.7		729.4		28 977.1	

TABLE 2
Composition of the ecu

Member State	Composition of the ecu	Share in the ecu %
<i>Germany</i>	<i>DM</i> <i>0.6242</i>	<i>30.7</i>
<i>France</i>	<i>FF</i> <i>1.332</i>	<i>19.1</i>
<i>United Kingdom</i>	<i>UKL</i> <i>0.08784</i>	<i>12.3</i>
<i>Italy</i>	<i>LIT</i> <i>151.8</i>	<i>9.8</i>
<i>The Netherlands</i>	<i>HFL</i> <i>0.2198</i>	<i>9.6</i>
<i>Belgium</i>	<i>BFR</i> <i>3.301</i>	<i>7.9</i>
<i>Spain</i>	<i>PTA</i> <i>6.885</i>	<i>5.3</i>
<i>Denmark</i>	<i>DKR</i> <i>0.1976</i>	<i>2.5</i>
<i>Ireland</i>	<i>IRL</i> <i>0.0085</i>	<i>1.1</i>
<i>Portugal</i>	<i>ESC</i> <i>1.393</i>	<i>0.8</i>
<i>Greece</i>	<i>DR</i> <i>1.440</i>	<i>0.6</i>
<i>Luxembourg</i>	<i>LFR</i> <i>0.130</i>	<i>0.3</i>
	<i>ECU</i> <i>1</i>	<i>100</i>

The Community budget was financed from a number of sources in 1993, in the proportions shown in Figure 3. Total revenue came to ECU 65.7 billion.

Traditional own resources

The Communities' traditional own resources are made up of customs duties, agricultural levies and 'sugar' levies. They are established by the Member States, which keep 10% to cover collection costs.

The Communities receive customs duties in respect of trade with non-member countries, based on the Common Customs Tariff. These rates are subject to regular reductions as a result of negotiation rounds under the General Agreement on Tariffs and Trade (GATT) and specific agreements granting preferential tariffs to certain trading partners. The amount of customs duties collected in 1993 was less than expected and 2.3% lower than in 1992. The fall in the value of imports was caused by the weaker economic situation.

Agricultural levies are charged when a Member State imports agricultural products from a non-member country. Their purpose is to offset differences between world prices and the Community price. The proportion of Community revenue accounted for by agricultural levies has tended to decline because the Member States have become increasingly self-sufficient in agricultural products. However, the reform of agricultural policy led to a reduction in levy rates and contributed to a sharp fall in yield in 1993 (14.5% down on 1992).

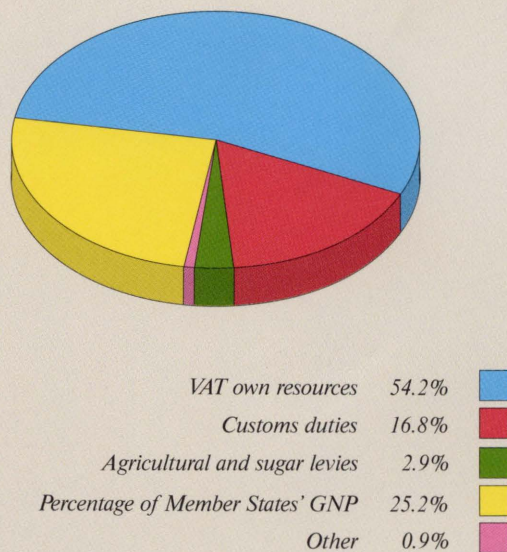
Sugar and isoglucose producers pay levies on production to cover market support arrangements and to finance a system of equalization of sugar storage costs introduced to ensure that sugar is released on the market regularly throughout the year. These levies do not increase the Community's net resources, since they are offset by expenditure of virtually the same amount. In 1993 the yield was reduced by the abolition of the additional levy.

VAT own resources

The VAT own resources are calculated by applying a uniform rate to the uniform VAT bases of the Member States, which are determined in accordance with Community rules. Since the June 1988 reform, the uniform rate has been determined by applying 1.4% to the VAT base and deducting the compensation for the United Kingdom. The base used must not exceed 55% of a Member State's GNP. In 1993 this capping of the VAT base applied in four Member States — Greece, Ireland, Luxembourg and Portugal.

Payments for a given year derive from the estimates for that year and the negative or positive adjustments for previous years established from the final statements of the bases.

FIGURE 3
Revenue of the Communities in 1993



In 1993 some fairly large negative adjustments (ECU 1.3 billion) were made in respect of 1992 because of the distinctly weaker economic situation.

GNP-based own resources

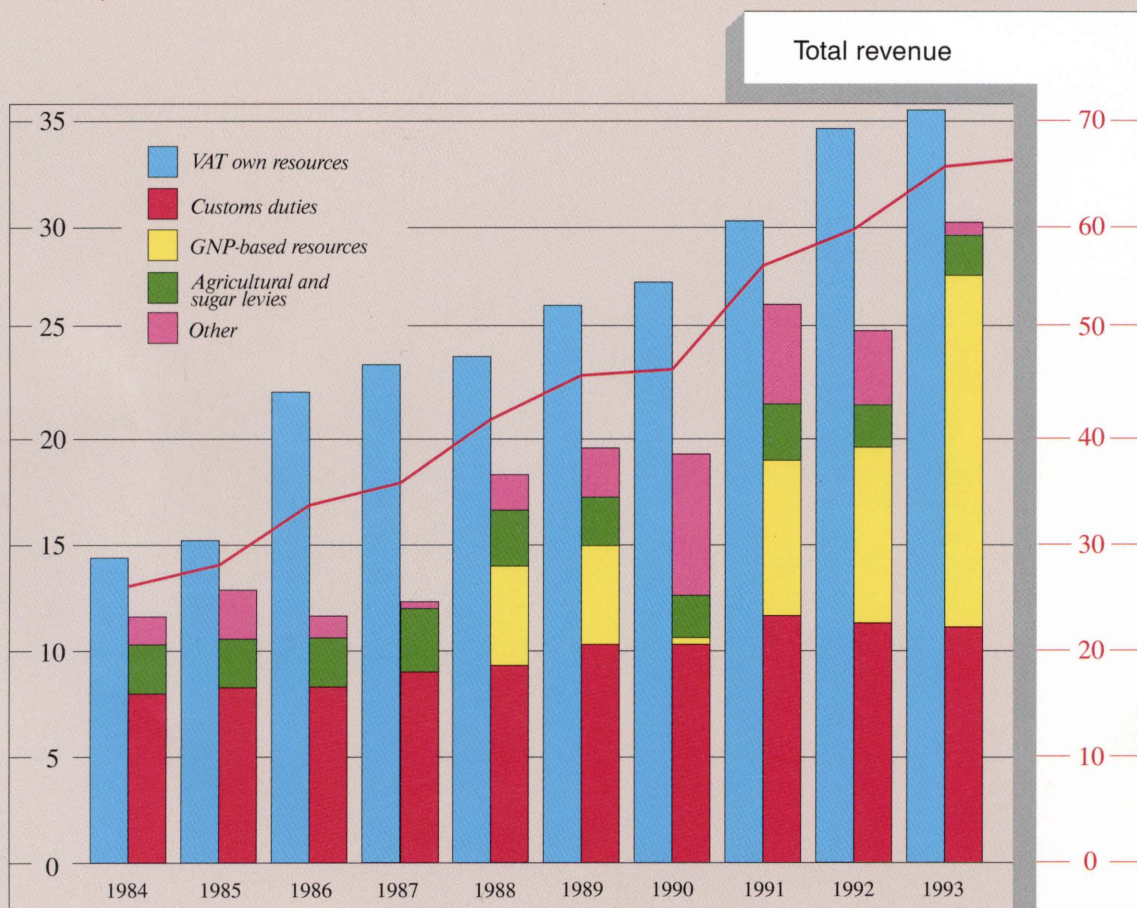
A new source of revenue based on a proportion of each Member State's GNP was first introduced in 1988 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. The rate is fixed during the budgetary procedure and

depends on the total of other revenue; the rate is applied to the aggregate GNP of all the Member States, determined in accordance with Community rules.

This additional resource was called in 1993 with each Member State paying 0.283% of their GNP (not including the EAGGF monetary reserve). In addition, three Member States had to finance their share of the compensation for the United Kingdom by making a payment based on GNP as their VAT payments had reached the maximum rate of 1.4% of their base.

FIGURE 4
Revenue 1984-93

(billion ECU)



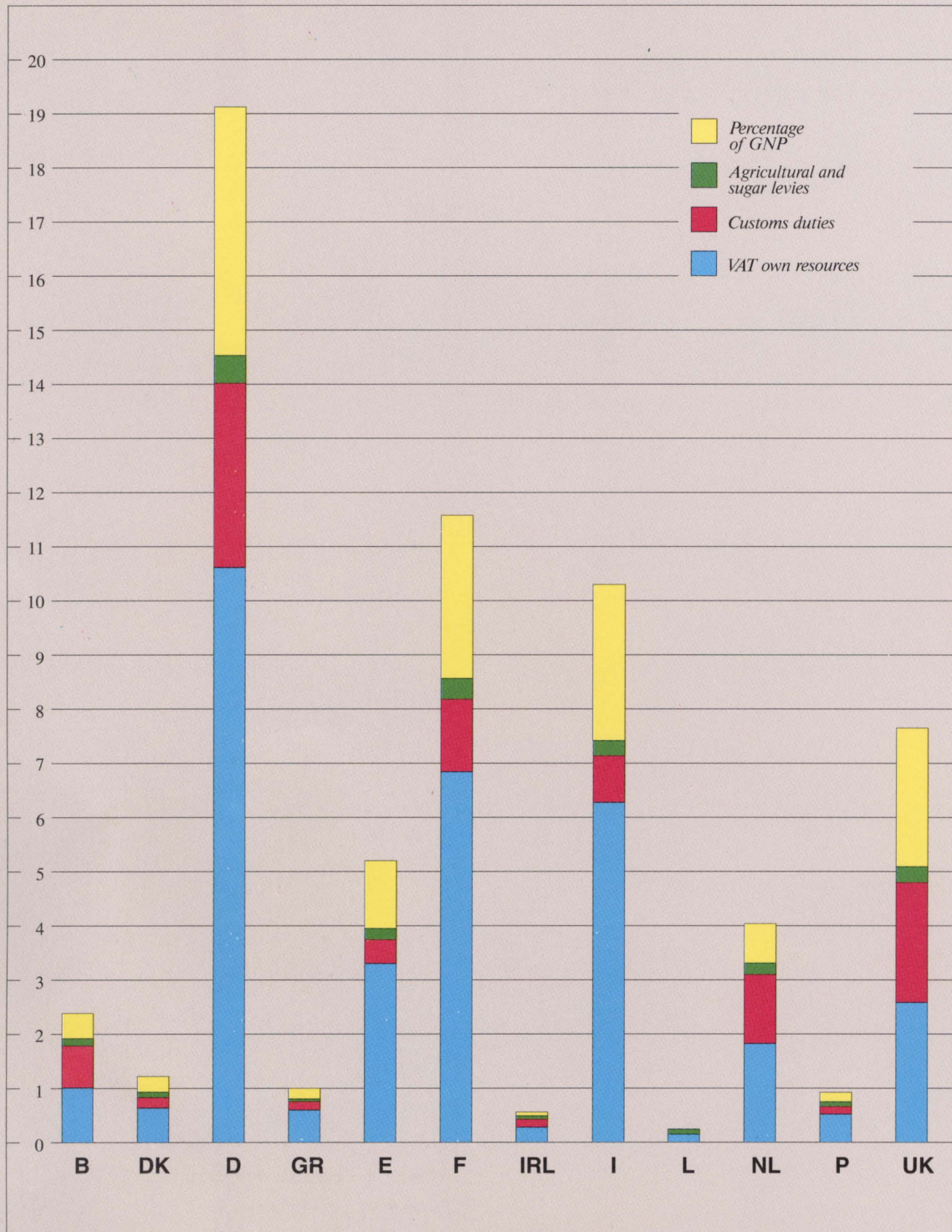
Miscellaneous revenue

The general budget is also financed by miscellaneous revenue, including tax and other deductions from staff remuneration, bank interest, contributions to research programmes, repayments of unused Community aid and interest on late payments.

The revenue for 1993 also includes the surplus from 1992 — ECU 1.004 billion.

FIGURE 5
Own resources by Member State in 1993

(billion ECU)



Appropriations for commitments available in 1993 totalled ECU 71.082 billion. Figure 6 gives the breakdown by sector of amounts actually committed.

Agricultural market guarantees

Objectives and means

Article 38 of the EEC Treaty provides that the common market shall extend to agriculture and trade in agricultural products, and that the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States. Article 39 defines the objectives of the common agricultural policy as:

- to increase agricultural productivity;
- to ensure a fair standard of living for the agricultural community;
- to stabilize markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices.

Although these objectives have largely been met, certain permanent adjustments have had to be made, the most recent of which is the reform of the common agricultural policy adopted by the Council in May 1992. The reform is based on more competitive prices and direct aid to the farmers in greatest need. Its aim is to reduce surpluses, stem the tide of rural depopulation and preserve the environment by discouraging intensive production.

In pursuit of the above objectives, the common market in agricultural produce is based on three principles: the single market, Community preference and financial solidarity. The third of these principles is fundamental to the policy, and in April 1962 the Member States accordingly decided to set up a Community fund — the European Agricultural

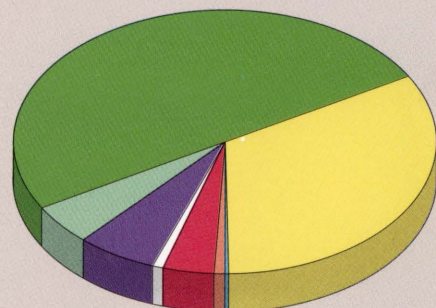
Guidance and Guarantee Fund (EAGGF) — which is part of the Community budget. It is subject to the general budgetary rules, with the addition of specific provisions.

The Fund was subdivided into two sections in 1964: the Guarantee Section covers Community expenditure on markets and prices and the Guidance Section covers expenditure on farm structures.

Constraints

In June 1988, when own resources had run out as a result of ever-increasing agricultural expenditure triggered by imbalances in certain markets, the European Council agreed on

FIGURE 6
Expenditure by sector in 1993



<i>Agricultural market guarantees</i>	50.3%	■
<i>Fisheries and the sea</i>	0.1%	■
<i>Structural operations</i>	33.0%	■
<i>A people's Europe</i>	1.0%	■
<i>Research and technological development</i>	3.7%	■
<i>Energy, industry and the internal market</i>	0.9%	■
<i>Cooperation with non-member countries</i>	6.2%	■
<i>Administrative expenditure</i>	4.8%	■

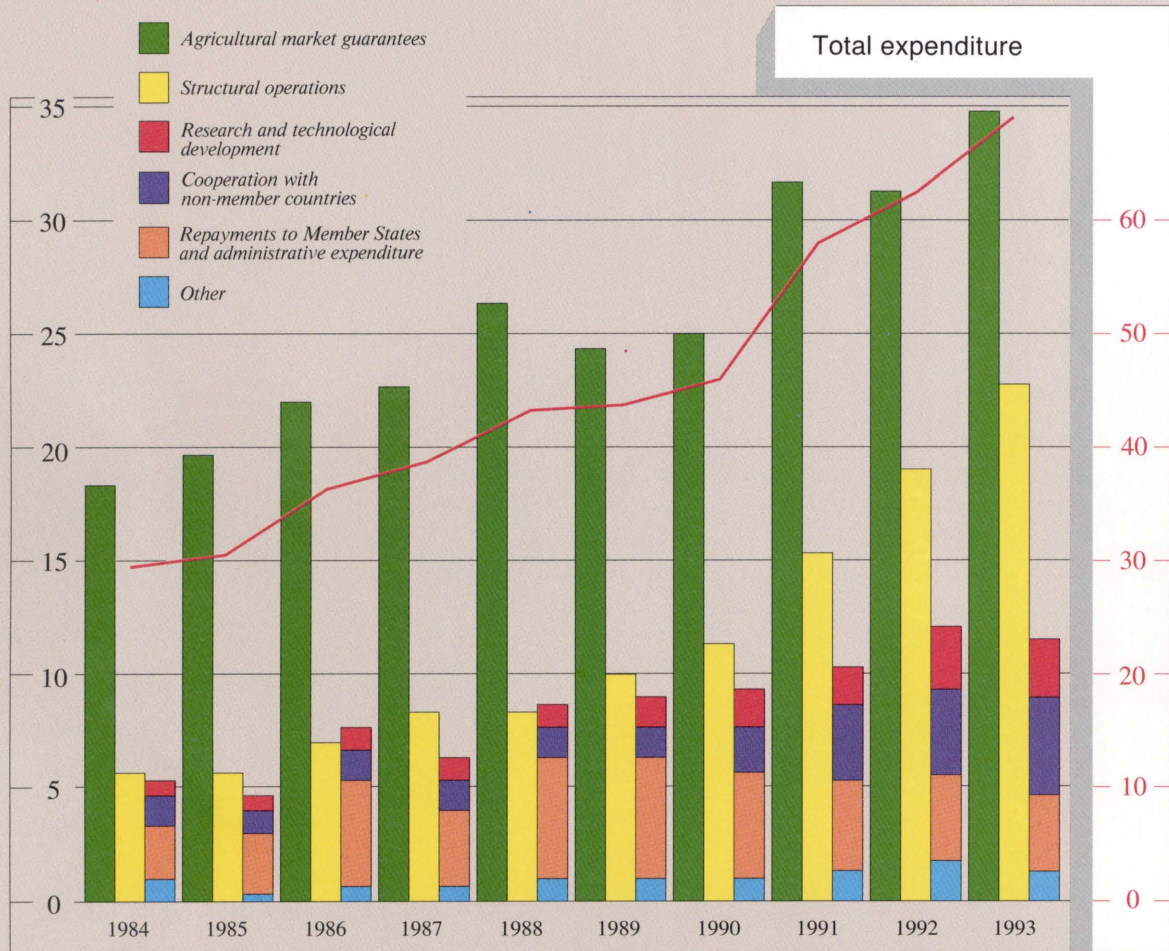
principles of budgetary discipline in order to establish a better balance between the various categories of expenditure and keep their growth under control. These principles were confirmed by the Edinburgh European Council in December 1992.

To bring agricultural expenditure under control, the European Council adopted the principle of a guideline. Within this guideline the EAGGF Guarantee Section has to finance:

□ export refunds;

FIGURE 7
Expenditure 1984-93

(billion ECU)



- market intervention operations, including depreciation of new stocks;
- half of set-aside expenditure;
- market-related rural development operations and measures to combat fraud.

However, in line with the conclusions of the Edinburgh European Council, the guideline has been extended from 1993 to cover:

- new support measures under the reform of the common agricultural policy (early retirement, environment, afforestation);
- all set-aside expenditure, for which financing was shared equally between the EAGGF Guidance Section and Guarantee Section until 1992 (Heading 2 of the financial perspective);
- expenditure on income aid (previously included in Heading 2 of the financial perspective);
- Guarantee Fund expenditure on fisheries (previously included in Heading 4).

1993 Appropriations

The 1993 budget contained ECU 34 052 million for the EAGGF Guarantee Section, including ECU 109 million for reserves and provisions but not the ECU 1 billion earmarked for the monetary reserve. A margin of ECU 2 605 million was left beneath the agricultural guideline (ECU 36 657 million).

In the course of the financial year supplementary and amending budget No 1/93 increased the initial appropriation by ECU 1 300 million, mainly to finance the cost of the monetary realignments which had occurred since September 1992 (ECU 1 162 million).

Functioning of agricultural markets

Appropriations totalling ECU 34 585 million were used. Compared with supplementary and amending budget No 1/93, this left ECU 767 million unused; it was proposed that ECU 510 million of this total be carried over to 1994, leaving ECU 257 million unused.

Appropriations were left unused for the following reasons:

Non-market-related factors:

- The change in the USD/ECU rate (0.81 as against the 0.79 assumed in the budget) led to an estimated saving of ECU 182 million.
- Clearance of the accounts led to the recovery of ECU 385 million, as against the ECU 365 million entered in supplementary and amending budget No 1/93.

Market-related factors:

- Compared with supplementary and amending budget No 1/93, market-related factors and connected measures led to additional expenditure of ECU 55 million.

There was a surplus of appropriations in some chapters. The main areas involved were wine, tobacco, other plants and animal products and sheepmeat and goatmeat.

In the case of wine, the underutilization was due to the lower volume of distillation as a result of financial problems in buying up alcohol in some Member States and to the lower level of grubbing-up in the 1992/93 marketing year.

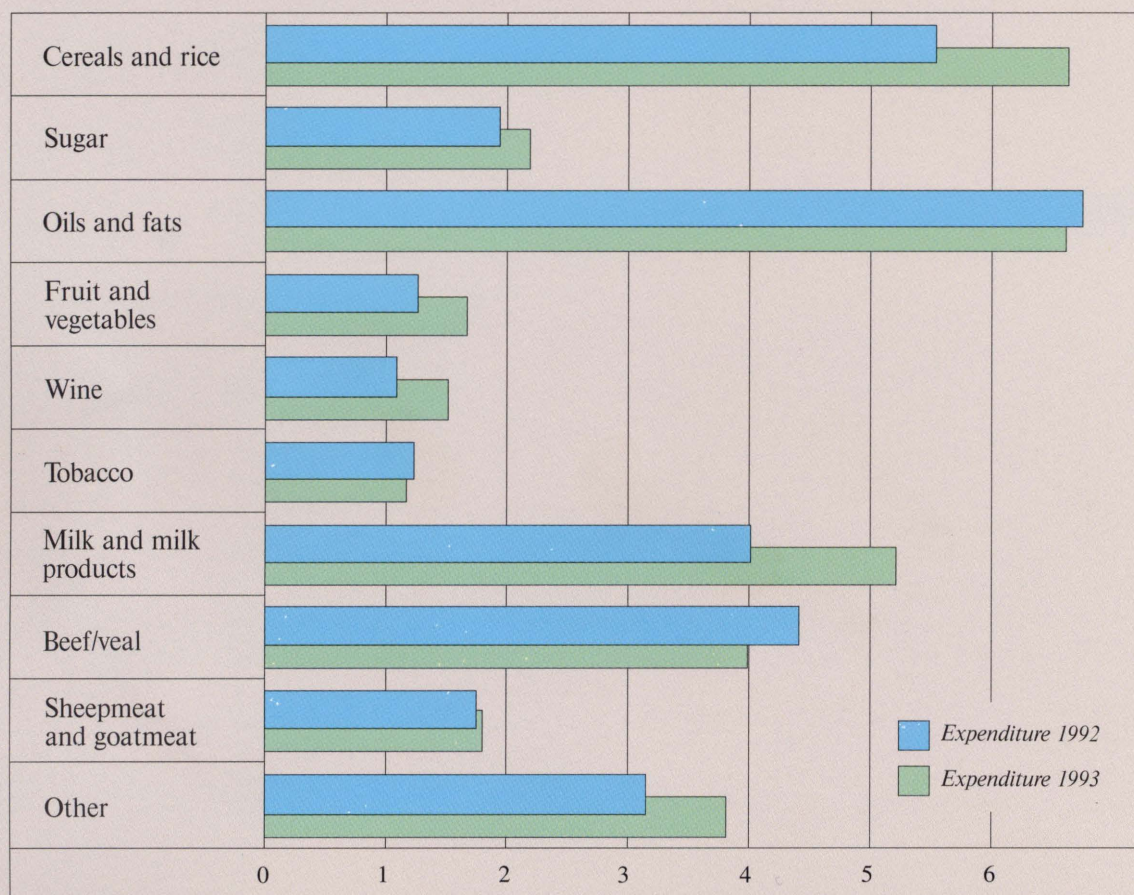
Savings were made on tobacco as production was lower than expected because of poor weather conditions.

The considerable underutilization in other plant sectors (B1-18) and animal sectors (B1-25) was accounted for by the implementation rate for the new programmes of measures for remote and insular areas, in particular

Poseican and the programme for the Aegean islands. The rules for the latter programme were adopted too late for expenditure to be recorded in 1993 while, in the case of Poseican, supplies to the Canary Islands from

FIGURE 8
Agricultural expenditure by sector in 1993

(billion ECU)



non-member countries, which are not eligible for Community assistance, were higher than expected, to the detriment of Community products.

In the case of sheepmeat and goatmeat, the underutilization results from the fact that some Member States were unable to pay the second advance on the ewe premium for the 1993 marketing year for administrative reasons.

However, in other chapters the initial appropriations were insufficient. The main areas concerned were cereals, sugar, oils and fats and protein plants.

The increase in expenditure on cereals was the result of the considerable volume bought in (19 million tonnes as against the 13 million tonnes initially expected) because of the impact of CAP reform on prices. Operators opted to keep their working stocks at the lowest level and to maximize public buying-in in order to minimize the depreciation of their stocks following the planned reduction in prices of ECU 25/tonne at the start of the 1993/94 marketing year.

In the case of sugar, world production plummeted as a result of poor weather conditions in the main producer countries and sales of quota sugar on the world market was some 100 000 tonnes higher than the 2.9 million tonnes assumed in the budget.

The slight overrun in the oils and fats sector was mainly due to olive-oil and, to a lesser extent, oilseeds. In the case of olive-oil, the additional expenditure resulted from the relatively high and unexpected volume bought in. In the case of oilseeds, there was unforeseen expenditure on production aid following the expansion of sunflower growing in Spain to replace cereals as a result of the drought.

The main reason for the increase in expenditure on protein plants was the increase in the

area planted for dried fodder and a faster rate of processing by industry to derive maximum benefit from the older, higher premiums. To curb expansion in this sector, the Commission proposed a considerable cut in aid in the 1993/94 prices package.

Fisheries and the sea

The Community devotes a growing volume of resources to its policy on fisheries and the sea. In 1993 commitment appropriations totalling ECU 726 million were used. The main areas of this policy are:

- Access to, conservation and management of resources

Community arrangements have been introduced for the renewal of species and the conservation of fish stocks. The financial contribution towards the development of the means of control and surveillance needed to apply these arrangements was kept at ECU 25 million in 1993; this also covers coordination, control and surveillance operations.

- Common organization of markets to support the price of fishery products

In 1993 intervention expenditure totalled ECU 32.4 million after adoption of supplementary and amending budget No 1/93 (withdrawal and carryover premiums, compensatory allowances, storage aids, etc.).

- Community financing of obligations arising from agreements on fishing rights in the waters of other States

The number of agreements in force is as high as the number being negotiated (23); they have been concluded with Nordic, African, South American and Indian Ocean countries; ECU 181.3 million was used in 1993. An effort is being made to limit the increase in this expenditure by

means of cost/benefit studies involving the Member States. The sea-bed in Community waters can thus be re-stocked since some of the fishing fleet capacity is used in the waters of non-member countries.

□ Structural improvements

The multiannual guidance programmes are revised annually to modernize equipment without creating excess fishing capacity. The appropriations in the 1993 budget were used to grant Community aid to over 500 modernization projects, around 50 projects for the construction of fishing vessels and almost 250 installation projects involving aquaculture and artificial reefs and projects to equip fishing ports. Commitments totalled ECU 277 million.

The 1993 budget was the last in which the appropriations for Structural Fund operations in the fisheries sector were entered under the EAGGF Guidance Section or the European Fisheries Guidance Fund. Council Regulation (EEC) No 2080/93 of 20 July 1993 set up the Financial Instrument for Fisheries Guidance, which will cover these appropriations from 1994 onwards.

Structural operations

The European Union has three Structural Funds to promote harmonious economic and social development: the European Social Fund, the Guidance Section of the European Agricultural Guidance and Guarantee Fund and the European Regional Development Fund. The Single European Act led to the reform enshrined in one of the Council Decisions of 24 June 1988 which contained the following basic principles: concentration of operations on five priority objectives, partnership, programming and coordination with the policies of the Member States and better management of the Funds with increased resources (the allocation was to double between 1987 and 1993).

The cohesion financial instrument entered into force for an interim period in April 1993. The objective is to help the four least prosperous Member States in their effort towards economic convergence.

Following German unification in 1990 the Community extended its structural operations to the five new German *Länder* and East Berlin; a total budget of ECU 3 billion (at 1991 prices) was earmarked for operations under the three Funds in eastern Germany over the period 1991-93. Virtually all these appropriations had been used up at the end of 1993, including ECU 1 198 million in the final 12 months.

Other structural operations such as the integrated Mediterranean programme (IMP) and the specific industrial development programme for Portugal (PEDIP) ended in 1993.

The following appropriations for commitments were available in 1993:

	<i>million ECU</i>
EAGGF Guidance Section	3 176
ERDF	10 074
ESF	5 955
Cohesion financial instrument	1 565
New German <i>Länder</i>	1 198
Other structural operations	896
Total	22 864

Activity of the three Structural Funds

The 1993 budget earmarked ECU 19 205 million for operations under the three Structural Funds (not including appropriations for the new German *Länder*). Out of this total ECU 19 147 million was actually committed:

	<i>million ECU</i>
EAGGF Guidance Section	3 167
ERDF	10 033
European Social Fund	5 947

Three categories of operation are provided for:

Community support frameworks

The 1993 financial year was the last year of the period covered by the Community support frameworks which laid down the priorities, rules and schedules for structural operations.

Changes and adjustments had to be made between the priorities with a view to more effective utilization of appropriations and extensions of the operational programmes in the final year of the 1989-93 period.

Community initiative programmes

When the CSFs were drawn up in 1989, ECU 3 800 million was set aside for Community initiative programmes in areas of particular interest to the Community, to be adopted by the Member States on a proposal from the Commission. Work began on implementing these programmes in 1991 and continued throughout 1992, accounting for 9.6% of commitments under the Structural Funds over the year.

Transitional measures and innovation schemes

This heading comprises appropriations for a number of old programmes adopted before the 1988 reform and not covered by its objectives together with the appropriations authorized for the financing of innovation schemes. In 1993 these appropriations came to ECU 343 million: 99.43% of them were used.

Despite a very high implementation rate (99.7%), a total of ECU 60 million remained unused in 1993; ECU 46 million was carried over for commitment in 1994 to finance operations which were virtually ready to be implemented at the end of the year.

As the first programming period (1989-93) was about to end, the time had come to

evaluate the major options fixed at the outset. The balance was positive and illustrated the vital role the Funds play in strengthening economic and social cohesion in Europe.

In 1993 the regulations governing the Structural Funds were thus revised for the period 1994-99. The main principles (concentration, partnership, programming, additionality, coordination with the other financial instruments) were confirmed or boosted, with a number of adjustments in line with practical experience. The programming procedures were adjusted for greater effectiveness, new types of operation may be co-financed by the Funds and new regions have been brought in.

Cohesion Fund

The Cohesion Fund was set up by the Treaty on European Union and first started operation in 1993 by means of an interim instrument introduced when the entry into force of the Maastricht Treaty was delayed. The Edinburgh Council stipulated that the Fund should be allocated ECU 15.15 billion (1992 prices) over a seven-year period (1993-99). ECU 1.565 billion was entered in the 1993 budget. A total of 231 investment projects were approved and 99.98% of these commitment appropriations were implemented in 1993. These projects promote improvement of transport infrastructures and environmental protection.

In 1994 the cohesion financial instrument will be replaced by the Cohesion Fund under a new Regulation.

Other structural operations

The ECU 187 million carried over from 1992 to 1993 for the integrated Mediterranean programmes was used in full. ECU 14 million had also been carried over from 1992 to 1993 for the specific industrial development programme for Portugal (PEDIP) and was used in full.

These two operations have now been completed.

ECU 78.7 million entered in the budget for the programme for the outermost regions was used in full.

ECU 205.2 million (98.9% of the allocation) was used for expenditure in the agricultural sector. ECU 32 million (98.16%) was used for other regional operations.

A people's Europe

The Community also pays particular attention to the human dimension of Europe and has increased the resources available for developing this aspect. The appropriations for commitments available in 1993 for the main sectors of activity were as follows:

	<i>million ECU</i>
— Education, vocational training and youth policy	270
— Employment, social protection and public health	163
— Information and communication	34
— Culture and audiovisual media	64
— Consumer protection	16
— Protection of the environment	101
— Interest subsidies on loans to disaster victims	13

In the first sector — education, vocational training and youth — the Community seeks to promote European awareness among young people, in particular by encouraging exchanges — between schools and universities and in other contexts. The Community's activities include major programmes such as Erasmus for students (ECU 80 million in 1993), Lingua for learning languages (ECU 41.65 million), PETRA for young people not at university (ECU 35.496 million), Force for young workers (ECU 25 million), Comett, a programme of cooperation between universities and industry (ECU 36.075 million), and

measures focusing on intercultural education and Youth for Europe. These measures are geared not only to young people, but also to teachers, education workers and youth leaders. They help young people to integrate into working life and give them a practical opportunity to forge and consolidate links at European level. All these operations and programmes are covered by a Commission proposal which aims to group them around three main focal points — education (Socrates), youth (Youth for Europe) and vocational training (Leonardo da Vinci).

The appropriations for this sector are also used to finance exchanges with other parts of the world (Central and Eastern Europe, Latin America and the Mediterranean countries) and for less widespread languages and cultures. These operations are organized in cooperation with national bodies, institutions and associations and benefit growing numbers of young people each year.

Finally, the European Centre for the Development of Vocational Training (Cedefop) also receives a subsidy (ECU 11.9 million in 1993).

To complement the measures financed by the European Social Fund, the Community pursues a policy under the Charter of Fundamental Social Rights of Workers aimed at encouraging dialogue between the two sides of industry (ECU 32 million). It also finances measures to boost employment — information on job vacancies and applications, and support for local and regional initiatives and pursues a policy of equal opportunities (ECU 18 million). In the social protection field, the Community's activities are concerned with the general level of social security provision and the relevant legislation, as well as the protection of particularly vulnerable groups (ECU 23.8 million) and the free movement of migrant workers (ECU 7.7 million). Finally, just over ECU 40 million goes towards the protection of public health and the prevention of major health risks (campaigns against cancer, AIDS, alcohol and drug abuse, and measures to improve health and safety at work). The operations conducted by the European Foundation for the Improvement of Liv-

ing and Working Conditions, which received a subsidy of ECU 11.2 million in 1993, are being supplemented by the operations of the new European Agency for Safety and Health at Work which, together with the European Monitoring Centre for Drugs and Drug Addiction (ECU 4.8 million in 1993), forms part of what are known as the second-generation agencies. To conclude, the exceptional programme of support for customs officials and agents (ECU 30 million) ended in 1993.

In the information and communication field (ECU 33.7 million), appropriations are used for general measures, both inside and outside the Community, to publicize the wide range of Community activities and promote the European idea, and to maintain a Community presence in more specific areas such as sporting events or universities.

Most resources in the cultural field (ECU 6.8 million out of ECU 12.4 million) went towards the protection and promotion of the European architectural heritage and support for initiatives with a European dimension, including cultural and artistic events and the promotion of literary or musical works. The Community's audiovisual policy is reflected in the continuation of the Media programme to develop the European audiovisual industry (ECU 48.2 million) together with measures to support the European dimension in the audiovisual industry and multilingual TV and radio services (ECU 3 million).

In the context of giving effect to the Treaty on European Union, which gives consumer policy the status of a genuine Community policy, the second three-year action plan (1993-95) in favour of European consumers was adopted by the Commission on 28 July 1993. This action plan focuses both on consolidation of Community legislation and on selective priorities designed to raise the level of consumer protection and to make consumers more aware of their rights, notably by encouraging access to justice.

The year 1993 saw the start of the implementation phase of the fifth Community programme of policy and action in relation to the environment and sustainable development.

On the basis of sharing responsibility between all levels of society, coupled with closer dialogue between all concerned, this programme gave birth to monitoring mechanisms such as the environment policy review group together with the establishment of a broad-based consultative forum bringing together representatives of all parties concerned. To implement Regulation (EEC) No 1973/92 establishing a financial instrument for the environment (LIFE), with an estimated ECU 400 million needed for the period 1991-95, the Community granted financial support to 111 demonstration schemes and technical assistance projects in the field of environmental protection. This accounted for some two thirds of the appropriations, with the remainder being allocated to other sectors covered by this measure. On 29 October it was decided that the European Environment Agency would have its headquarters in Copenhagen.

The appropriations were not available until late December 1993, after the external and internal transfers had been approved. Various commitments could not therefore be implemented at the end of the year. ECU 1.5 million was carried over to 1994 to cover the Agency's initial requirements (in particular the creation and maintenance of thematic data bases and staff expenditure).

In 1993 the Community continued its measures (interest subsidies on exceptional loans) to reconstruct the regions of Italy and Greece hit by earthquakes in 1980, 1981 and 1986.

Research and technological development

The main features of 1993 in the research and technological development field were the discussions within the institutions on the fourth framework programme for Community research and technological development. The programme, on which the Council agreed on a common position on 22 December, is

designed to cover all Community research activities between 1994 and 1998 and ensure greater consistency between them. It is part of the plan to promote economic growth and employment, notably by helping to make industry in the Community more competitive. The White Paper on growth, competitiveness and employment adopted by the Commission on 5 December recognized this role.

The total arrived at by the Council on 22 December was ECU 12.3 billion, with the possibility of an increase to ECU 13 billion depending on the development of the framework programme, the economic situation within the Union and the Community's budgetary situation.

To ensure the continuity of the Community's research and technological development activities, pending adoption and implementation of the fourth framework programme, the Council adopted on 15 March Decision 93/167/Euratom, EEC, providing an extra ECU 900 million for the third (1990-94) framework programme. This Decision granted a 13.3% across-the-board increase for all the categories of action concerned in 1993 and 1994, apart from energy, for which an extra 30.6% was earmarked.

The appropriations available for RTD in 1993 amounted to ECU 2 611 million, allocated as follows:

	<i>million ECU</i>
Indirect action and shared-cost projects	2 324
Direct action carried out by the Joint Research Centre	287

The Commission continued to implement the research and technological development programmes in 1993. The second framework programme (1987-91) has virtually ended as regards commitments: only ECU 14.8 million was committed in respect of a number of programmes which started up more slowly than the others. Only ECU 4.8 million has still to be committed under this programme in 1994 and 1995.

The third framework programme (1990 to 1994) has now reached cruising speed and ECU 1 915 million was committed for its various components (ECU 941.5 million for enabling technologies, ECU 692.2 million for the management of natural resources, ECU 260 million for the management of intellectual resources and ECU 21.9 million for the dissemination and exploitation of the results). The Commission's RTD activities are completed by accompanying measures and support for programmes, divided between support for scientific and technical policy, support for other policies and international cooperation (ECU 357 million).

Throughout 1993, the second year of the JRC's programmes for 1992-94, the eight institutes of the JRC continued their work in the Centre's four areas of activity: specific research programmes under the framework programme; support for Commission departments; work under contract for outside bodies; and exploratory research. Besides contributing to implementation of the third framework programme (1990-94), the institutes continued to provide scientific and technical support for the Commission, paying attention to the customer/contractor principle. Constant quality was maintained for the work under contracts for outside bodies and the JRC stepped up its efforts to market its results, both centrally and within its various institutes. Following the agreement reached by the Council on a common position on 22 December, the funds provided for the JRC under the fourth R&TD framework programme amount to ECU 875 million.

The Commission continued its international cooperation activities under COST, EFTA, Eureka or with the main industrialized countries. The scientific and technological cooperation begun with the countries of Central Europe in 1992 continued with success: 227 new projects selected in 1992 for which no funding was available at that time received a total of ECU 38.8 million in 1993. In addition 226 proposals concerning participation in the third framework programme (1990-94) by laboratories and companies in Central and Eastern Europe were granted a total of ECU 17.7 million. The International Association

for the Promotion of Cooperation with Scientists from the Independent States of the former Soviet Union (INTAS) adopted 563 projects totalling ECU 25 million at its two general meetings. Scientific and technological cooperation with the industrialized countries outside Europe was stepped up (negotiations with Canada, Australia, etc.).

Energy, industry and the internal market

Appropriations from the general budget finance a wide range of activities relating to energy, industry and the internal market in connection with the operation of the single market.

Appropriations for commitments available in 1993 totalled ECU 619 million and were allocated as follows:

	<i>million ECU</i>
Energy	202
Nuclear safeguards	12
Information market and innovation	10
Statistics	32
Internal market and industry	154
Trans-European networks	209

Virtually all the appropriations were committed.

In the energy policy sector a report on the implementation of the Thermie programme (promotion of energy technology, with ECU 700 million deemed necessary over the period 1990-94) between 1990 and 1993 was presented on 9 December.

On 19 July the Commission granted financial support totalling ECU 129.1 million to 137 projects to promote technologies concerning the rational use of energy, renewable energy sources, solid fuels, and oil and gas. The remaining appropriations were allocated to other areas of the programme. In addition, the Altener programme (promotion of renewable energy sources in the Community), adopted on 13 September 1993 with an indicative

budget of ECU 40 million over the period 1993-97, has entered its starting-up period. Under the SAVE programme¹ adopted by the Council on 29 October 1991 (ECU 35 million deemed necessary for the period 1991-95) the Council on 13 September adopted Directive 93/76/EEC to limit carbon dioxide emissions by improving energy efficiency. The programme is in its operational stage with the allocation of a third tranche of ECU 10 million for 1993, twice as much as in 1992. Despite considerable progress, negotiations on the Basic Agreement on the European Energy Charter still encountered a number of difficulties, particularly as regards the protection and treatment of investments.

Turning to nuclear safeguards, the Commission continued — within its sphere of responsibility — to perform its role of coordinating international efforts to raise the level of nuclear safety throughout Europe, in particular as regards plant safety, workers' training and public information. In view of the measures taken in this extremely sensitive area, appropriations were 30% higher than in 1992.

As regards the information market, on 3 March the Commission approved the Impact II² work programme which focused on the theme Info-Euro-Access, i.e. improving access to information at European level for all interested parties. A call for declarations of intent was published on 1 October. The Commission monitored the work of the network of national partners set up under the Impact II programme. User support and guidance services continued on the ECHO³ server.

The main feature of Eurostat's work this year was the adoption and introduction of the new framework programme for priority action in the field of statistical information (1993-97). The programme, adopted by Council Deci-

¹ Specific action for vigorous energy efficiency.

² Multiannual programme to establish an internal market in information services. ECU 64 million is deemed necessary for the period 1991-95.

³ European Commission Host Organization.

sion 93/464/EEC of 22 July, is an important step towards meeting the Community's increasing need for reliable, consistent and high-quality statistics.

In view of the stimulus it can give to the economy, the success of the single market remains more essential than ever in today's bleak economic climate and with Stage II of economic and monetary union about to begin. The 1985 White Paper programme having been all but completed with considerable Community finance, the New Year ushered in an area without internal frontiers where businesses and individuals can avail themselves of the single market. New systems of control at Community level have been adopted or put in place where necessary to make up for the lifting of controls at internal borders. The priority now is to ensure that it functions effectively and produces all the anticipated economic, industrial and social benefits. On the basis of the reactions to the Sutherland report on the operation of the internal market, the Commission formally adopted a strategic programme, which was endorsed by the Council on 16 December. In order to improve cooperation with the European standardization bodies, which are mainly financed from the Community budget, measures aimed at making the standardization programmes more effective and at following them up were implemented.

Given the need for businesses to adjust to the structural changes and new circumstances brought about by the moves to complete the single market, and since it recognizes the vital contribution which small and medium-sized enterprises (SMEs) can make to stimulating growth, the Community has this year given fresh impetus to its enterprise policy, particularly where SMEs are concerned.

On 14 June the Council adopted Decision 93/379/EEC on a multiannual programme of Community measures for enterprises with ECU 112 million deemed necessary over the period 1993-96. In addition, in response to the conclusions reached by the Copenhagen

European Council, which proposed that the EIB temporary lending facility be extended to SMEs, with an amount of ECU 1 billion being earmarked for them, the Council agreed on 22 December to provide interest-rate subsidies to the recipients of those loans.

The Copenhagen European Council reaffirmed the role that the trans-European networks can play in the revival of economic growth, competitiveness and employment. This is one of the main themes of the White Paper submitted by the Commission to the European Council in December, in which it proposes a series of specific projects of Community interest in this area, and advocates *ad hoc* measures, including declarations of European interest, designed to reduce project lead times and encourage the provision of private capital. ECU 197.5 million was committed under the transport policy in 1993, most of it in the form of financial support for infrastructure projects. ECU 7 million was allocated to telecommunications infrastructures. Similarly, the IDA programme (administrations without frontiers) received ECU 17 million from the Community budget for the improvement and refinement of telematics networks between administrations.

Following the European Council's decision in Edinburgh to set up the European Investment Fund under the growth initiative, the Commission adopted on 12 January a proposal for an addition to the Protocol on the Statute of the EIB and a proposal for a Council Decision authorizing the Community to subscribe to the capital of this new institution. With its subscribed capital of ECU 2 billion, which should cover guarantees totalling between ECU 10 billion and ECU 16 billion, the EIF will target its activities on large-scale infrastructure projects associated with the trans-European networks and on small and medium-sized enterprises. Its activities will consist in furnishing guarantees, and it will subsequently be able to provide equity capital. However, the Community budget will not allocate any appropriations to this measure until 1994.

Cooperation with non-member countries

Cooperation with non-member countries financed from the general budget covers:

- financial, technical and economic cooperation with the countries of Central and Eastern Europe and the independent States of the former Soviet Union, the Mediterranean, the developing countries of Asia and Latin America;
- other cooperation measures concerned food aid, humanitarian aid to disaster victims, human rights and democracy, environment and health, international fishing agreements.

Another area of external policy — joint action under the common foreign and security policy — has emerged with the entry into force of the Treaty on European Union.

Other operations are financed from the European Development Fund under the Fourth Lomé Convention. ECU 1 631 million was committed in 1993 for the countries of Africa, the Caribbean and the Pacific.

The appropriations for commitment under the general budget available in 1993 were as follows:

	<i>million ECU</i>
Cooperation with the countries of Central and Eastern Europe and the former Soviet Union	1 574
Food and humanitarian aid (including the emergency aid reserve)	954
Cooperation with Asia and Latin America	634
Cooperation with the Mediterranean countries	407
Other forms of cooperation with developing countries and other non-member countries	461
External aspects of Community policies (international fishing agreements, environment)	294

Virtually all these appropriations were committed.

Aid for the economic restructuring of the countries of Central and Eastern Europe and the independent States of the former Soviet Union accounts for some 36.4% of the Community budget for external action. The aim of Community assistance is to support the economic reform process and encourage the changeover to a market economy and free enterprise. Financial and technical assistance is provided so as to help satisfy immediate needs linked to maintaining the production of goods and services which are vital to the economies of the relevant countries, to preparing industry development plans and to supporting projects which may subsequently receive additional assistance from other members of the Group of 24 Western countries involved in the PHARE operation. A number of 'strategic' areas have been determined in the process of economic reform, notably the restructuring of public companies, in particular in industry and agriculture, the modernization of financial services, promotion of the private sector and development of the labour market and social protection, not to mention other key sectors of economic activity such as health, housing, education, transport and telecommunications. Financing decisions taken in this context have been directed primarily towards industry, investment, the private sector, small business, the environment, nuclear safety, education, training and research, infrastructure (energy, transport, telecommunications), agriculture, the financial sector, employment and the social sector.

Aid granted to Mediterranean countries is largely based on a series of financial protocols annexed to agreements with the various recipient countries. The financial protocols provide for a mixture of outright grants for various development projects and loan finance provided by the European Investment Bank, supported in most cases by interest subsidies charged to the general budget. These programmes are intended to contribute to the economic and social development of the countries concerned, in particular through

the development and diversification of agricultural production, the development of cooperation in industry, technology, trade and other services and protection of the environment.

Cooperation with the developing countries of Asia and Latin America comprises financial and technical development aid and economic cooperation in the mutual interest of the Community and its partners.

The financial and technical aid is mainly directed towards the poorest sections of the population and the poorest countries in the two regions through programmes or projects in sectors in which Community aid can play an important role in sustainable development, particularly as regards the rural sector and achievement of a higher degree of food security.

The economic cooperation covers a range of measures such as technical assistance, training, technology transfers, institutional support in connection with trade promotion, energy, the environment, management, etc., to improve the economic, social, cultural, legislative and regulatory situation and promote economic relations and trade with Asia and Latin America, promote regional integration, promote the transfer of know-how and promote meetings and associations of economic operators from the two sides.

Regional cooperation is important for both financial and technical aid and economic cooperation. Specific attention is also paid to cooperation as regards the environment and the protection of natural resources.

In 1993 a major effort was made to promote the self-sufficiency of refugees and displaced persons in these countries. ECU 82 million has been committed for this purpose.

Commitments entered into concerning South Africa (ECU 90 million) chiefly cover measures taken via non-governmental

organizations in favour of the poorest sectors of the population (education and training, rural development, health, humanitarian and welfare operations).

Food aid figures large among the forms of assistance given to developing countries. It is given in various forms ranging from emergency aid to longer-term forms of assistance to raise the general standard of nutrition, improve food security and, through integrated development programmes, to contribute to the balanced economic and social development of the assisted areas.

Depending on specific needs, aid may be given for free distribution to the population, or for sale on local markets (the proceeds being used to finance rural or other projects in the recipient country) or, in certain cases, in the form of food purchased in one developing country for use as food aid to another country (triangular operations).

Community assistance is also channelled through non-governmental organizations. Development projects benefiting from this assistance are spread worldwide and are mostly small scale, localized schemes in such fields as rural development, training and health.

The European Community Humanitarian Office (ECHO) set up in April 1992 carries out emergency humanitarian aid operations.

The overall purpose of these operations is to increase the Community's presence and the capacity of the international community to react to exceptional events, i.e. come to the assistance of persons in distress — victims of disasters or fighting — without any discrimination based on race, religion or political persuasion.

A special emergency aid reserve has been set up under the Community's new financial perspective to cover unforeseen and one-off

situations requiring humanitarian aid. In 1993 the reserve came to ECU 209 million and was used in full for war victims in Yugoslavia.

In 1993 ECHO launched humanitarian aid operations totalling ECU 605 million — some ECU 516.4 million came from the general budget and the remainder from the European

Development Fund under the Lomé Conventions.

The appropriations used covered traditional humanitarian aid operations, aid to refugees, displaced persons and persons in distress and emergency food aid operations. This assistance will ensure that vital needs are provided for.

European Community Humanitarian Office (ECHO)

Purpose

In recent years the world has been confronted with major humanitarian crises (Kurdistan, Bangladesh, famine and civil wars in Africa, Eastern and Southern Europe, in particular former Yugoslavia and Albania) which have demonstrated how necessary it is to improve the reaction of the international community, and in particular the European Union, to natural or man-made disasters.

Since 1970 the Community has considered that humanitarian aid to developing countries and other non-member countries is an important aspect of its responsibilities. It has learned that, to react more effectively to crises, it must coordinate and concentrate its resources. The countries and persons in need had to be provided with immediate, appropriate and better coordinated assistance. On 6 November 1991 it therefore decided to set up ECHO, with the main objective of improving the effectiveness and increasing public awareness of the Union's humanitarian aid.

Under the mandate conferred on it by the Commission, ECHO assumes full responsibility for the coherent administration of the following tasks (outside the frontiers of the Community) which used to be carried out by various departments within the Commission:

- humanitarian aid, including humanitarian operations in favour of refugees and displaced persons;
- emergency food aid;
- prevention of and preparations for emergencies.

Apart from the concentration and reorganization of the Commission's internal resources, the objective was to achieve greater efficiency through better external coordination with the Commission's partners (NGOs, United Nations agencies and international organiza-

tions), closer relations with the Member States, preparations for emergencies and the possibility of launching operations itself if other solutions are not available or appropriate.

ECHO was officially set up by the Commission on 1 April 1992 but did not become completely operational until early 1993 when its staff reached a suitable level. ECHO had some ECU 600 million available to carry out the various aspects of its mandate and react to crises in 1993.

In the course of 1993 special attention was also paid to close cooperation with UN agencies, in particular the Department of Humanitarian Affairs, in areas other than those directly connected with operations. The horizontal cooperation with the various UN agencies relates in particular to the exchange of information, consolidated humanitarian appeals, preparations for emergencies as part of the UN International Decade of Natural Disaster Reduction and the use of military resources in the event of humanitarian crises.

Through ECHO, the Commission also makes a permanent effort to strengthen relations with its opposite number in the US administration, the other major donor of humanitarian aid on the international scene. The two sides now exchange information at all levels and jointly organize discussion forums. Preliminary contacts have been established with another party, the Russian Government, which could turn out to be an important partner on the international aid scene since it possesses considerable manpower and equipment resources and has a special interest in various parts of the former Soviet Union.

Apart from increasing the effectiveness of Community humanitarian aid operations, ECHO is supposed to increase public awareness of them. For ECHO, highlighting its operations is not an end in itself but instead a means of rousing public interest, encouraging goodwill and mobilizing resources. The Commission's strategy also consists of establishing this link in conjunction with its traditional partners — the NGOs and the in-

ternational organizations. A number of brochures published in 1993 clearly aroused considerable public interest in the Commission's humanitarian operations.

Because of their nature, the Commission is unable to predict or plan its future humanitarian operations in any logical fashion. Nevertheless, it wishes to offer a maximum level of availability. The Commission will be able to respond more effectively to future humanitarian challenges as a result of the improved management tools within ECHO, the framework partnership contracts and the network of on-the-spot coordinators in the crisis areas.

Partnership in humanitarian aid

When it set up ECHO, the Commission stated that one of its main objectives was to make humanitarian operations more effective and it stressed the need for a framework for its rela-

tions with the NGOs and specialist international organizations.

On 5 May 1993 the Commission therefore adopted the model framework partnership contract to accelerate and simplify decision-making procedures. Implementation of humanitarian operations has now been considerably simplified: it is no longer necessary to negotiate the general conditions of implementation for each operation on a case-by-case basis and the contracts governing each operation cover only specific operational aspects (amount, location, duration, etc.).

This new instrument is thus exactly what the Commission's traditional partners have repeatedly called for and allows the Commission to structure and institutionalize its relations with the NGOs and international organizations involved in humanitarian aid on the basis of clear and well-publicized rules.

The framework partnership contracts entered into force in September 1993. Since then some

FIGURE 9
Breakdown of financial decisions by source of finance, 1992-93

(million ECU)



80 NGOs and international organizations have concluded such contracts with the Commission. The first 360 implementation contracts based on the new model partnership framework have been signed.

A similar agreement has been signed with the Office of the High Commissioner for Refugees (UNHCR), the Commission's main humanitarian aid partner in the UN. The UNHCR and the Commission have also agreed to set up a joint high-level group to coordinate operations and strategies. In order to promote a uniform policy on refugees, the Commission decided to set up an interdepartmental working party to coordinate refugee policy within the Commission.

ECHO is also responsible for improving coordination of humanitarian aid operations with the Member States of the Community. The Council (Development) of 25 May 1993 introduced quarterly meetings with the heads of the national emergency aid departments to discuss general and more specific issues with regard to humanitarian aid. Three meetings of this type were held in 1993 as well as a high-level meeting with the departmental heads responsible for humanitarian aid in the Member States. These meetings provided an ideal forum for a fruitful exchange of information and opinions on the main aspects of humanitarian aid throughout the world.

Humanitarian aid operations in 1993

During the year the Commission reacted to the urgent requirements of the victims of natural or man-made disasters in some 50 countries throughout the world by concluding almost 700 humanitarian aid contracts for a total of ECU 605 million (see Figure 11).

In 1993 the Commission's humanitarian aid operations were financed by the Community budget (ECU 515 million, including a reserve of ECU 212 million) and the third and fourth Lomé Conventions (ECU 90 million) (see Figure 9).

Some 94% of the resources administered by ECHO are channelled through its partners, with NGOs accounting for 44%. UN agencies for 35% and other international organizations for 11%. Only some 6% of these resources go towards operations conducted directly by the Commission and usually these operations too depend on NGOs (often local) which help distribute the aid on the spot. It is important for the Commission to be able to conduct operations directly through ECHO; however, it must be clear that these operations are considered only when its traditional partners are unable to cope with a given situation.

Figure 10 shows the contracts awarded to partners over the period 1990-93.

Former Yugoslavia

The Community's aid to the 4.5 million war victims in former Yugoslavia represented an unprecedented relief and solidarity effort.

Since the start of the fighting, the European Union has provided the following humanitarian aid to former Yugoslavia:

	<i>million ECU</i>
1991	13
1992	277
1993	395
Total 1991-93	685

The contribution by Member States to humanitarian aid for war victims in former Yugoslavia since 1991 is estimated at ECU 276 million. The European Union and the Member States together have thus provided almost ECU 1 billion, 65% of total international aid for these war victims.

ACP countries

ECU 100.1 million has been provided for the victims of war, drought and other natural disasters in the ACP countries. Of this total, some ECU 82.2 million was financed under Article 254 of the Fourth Lomé Convention and ECU 7.8 million under the Third Lomé

Convention (in particular under Article 203 and the indicative national programme for Somalia). A special mention should be made of the ACP countries where the population is suffering from the effects of various types of conflict. They include Angola, Burundi, Liberia, Mozambique, Rwanda, Somalia, Sudan, Zaire and Haiti. These countries absorbed some 80% of the funds provided for the ACP countries.

Former Soviet Union

The Commonwealth of Independent States (CIS) received ECU 51.3 million in 1993. One

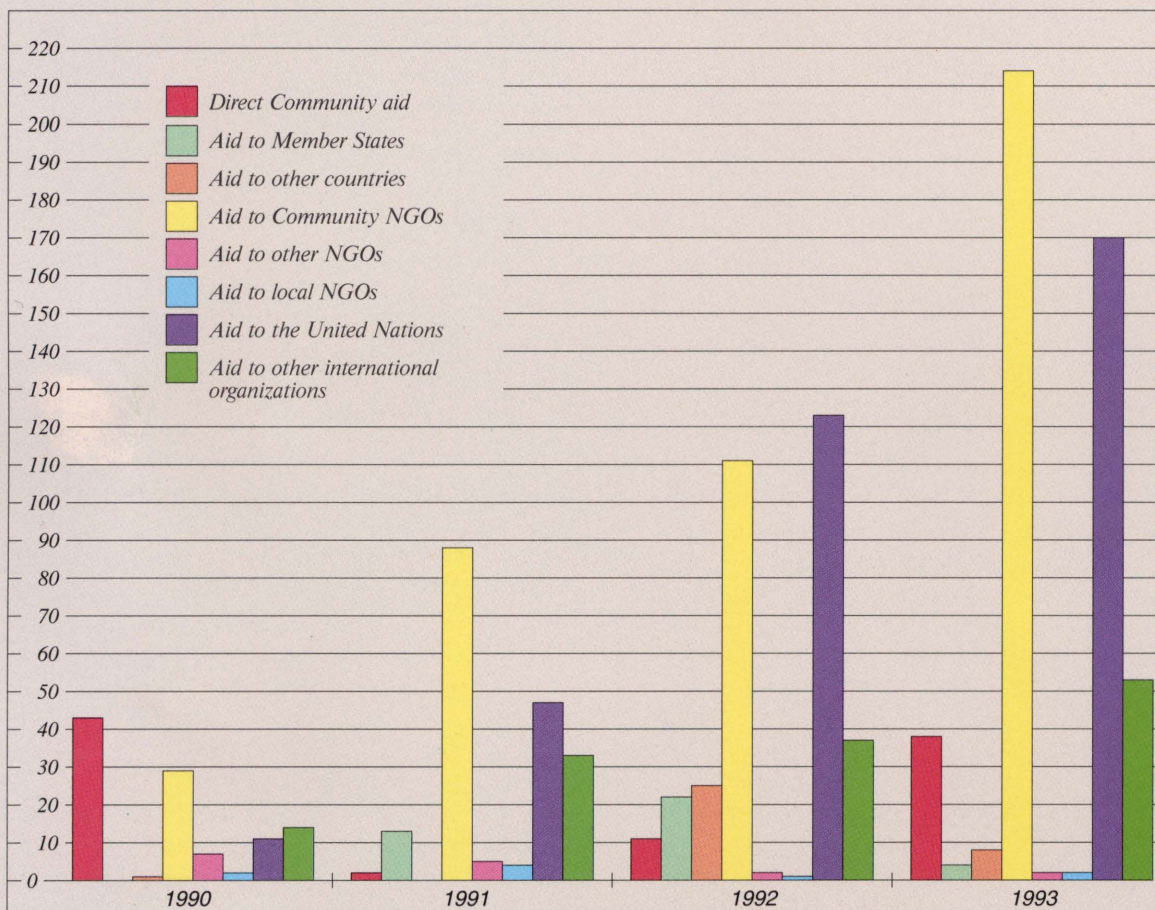
third of this total was granted to Tadjikistan, the Russian Federation, Ukraine and Kirghizhstan and the remainder to the Caucasian republics.

The ECU 9.3 million granted to Tadjikistan and Kirghizhstan was intended as a response to the heating equipment, food and medicine urgently required in regions in which almost half the population is described as vulnerable, while Tadjikistan also has many displaced persons as a result of the civil war.

The humanitarian aid of around ECU 4.8 million for the Russian Federation consisted of medical assistance for the whole of the

FIGURE 10
Total humanitarian aid 1990-93

(million ECU)



Federation and food kitchens for Moscow. The ECU 0.4 million in aid for Ukraine covered the supply of medicine after the serious flooding in August, and the specific aid for the victims of Chernobyl (ECU 0.5 million) consisted of aid for Ukraine, the Russian Federation and Belarus.

Two thirds of the aid granted to the CIS, Armenia, Azerbaidjan and Georgia was for the two million or so refugees and displaced persons resulting from the fighting in Nagorny-Karabakh and the civil war in Georgia. These operations involved the provision of shelters, medicine and food aid for displaced persons and the most vulnerable sections of the population. Armenia also received aid for the adjustment of mini hydroelectric power plants (for heating) and supplies of seed potatoes.

Iraq

In 1993 the Commission granted ECU 21.5 million for 39 humanitarian operations, including ECU 19 million which was channelled through the UN escrow account. The projects financed by the Commission mainly involved food aid, mine removal, rural rehabilitation and medical assistance.

Asia

Cambodia is now recovering from many years of fighting. A similar development is still hoped for in Afghanistan. Together, these two countries received some ECU 5 million from the Commission in 1993. In Cambodia these funds were mainly allocated to mine removal and medical aid for returning refugees while in Afghanistan measures were taken to distribute food aid to the victims of fighting in Kabul and to Tadjiki refugees forced to remain in the country.

In Nepal ECU 1.8 million was provided for medical assistance and shelters for refugees from Bhutan and flood victims near the Indian frontier.

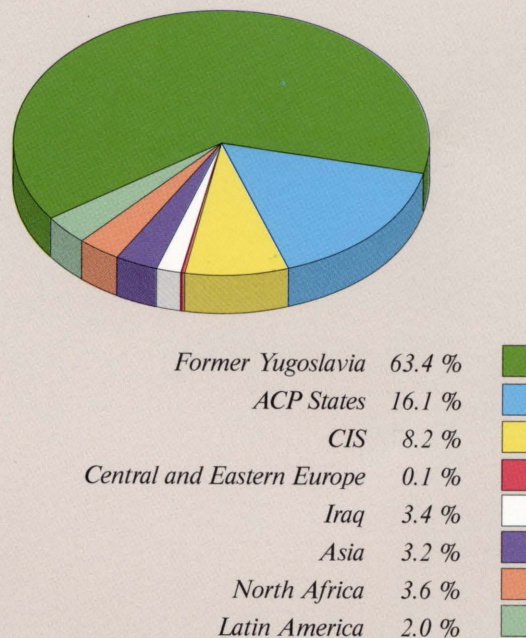
In the rest of Asia, the Commission provided aid for the victims of natural disasters. In In-

dia ECU 1 million was provided as relief for earthquake victims in the State of Mahavashtra. Pakistan received ECU 0.5 million to combat locusts and Mongolia was given ECU 1.8 million for food aid and medicine to counteract the effects of a severe winter.

Palestine-Israel

After the peace agreement between Israel and Palestine was signed in Washington on 13 September 1993 it was seen that humanitarian aid was needed for the return of Palestinians to Jericho and the West Bank. In 1993 ECU 10.4 million was granted in humanitarian aid to this region, in particular for supplies of medical equipment and medicines to two hospitals, for shelters and for basic health care.

FIGURE 11
Humanitarian aid granted by the Commission (ECHO) in 1993, by region



Latin America

Of the ECU 12 million allocated to Latin America in 1993, almost ECU 8 million went to Cuba which suffered two natural disasters (a hurricane in March and floods in November) and an optic neuritis epidemic. Most of the Commission's assistance to Cuba was to combat this epidemic which was first noted in 1992. The Commission financed a scientific mission to Cuba in collaboration with the Pan-American Health Organization to examine the origins of this epidemic and assess the requirements of the population.

The Commission distributed family parcels to improve the nutritional situation of the people exposed to the disease as well as medicines and health products.

Latin America is particularly susceptible to natural disasters. The Commission granted humanitarian aid (largely medical aid and shelters) to Colombia, Ecuador, Nicaragua and Honduras after tropical storms caused damage and flooding. Colombia was also hit by earthquakes, and cholera epidemics broke out in Brazil, Bolivia and Peru, to which the Commission sent medicines and shelters.

Repayments to Member States

The Acts of Accession of Greece, Spain and Portugal provided that, over a transitional period from 1981 to 1991, these countries were to be reimbursed a gradually decreasing part of the Community resources they paid in.

These countries now receive only corrections for refunds resulting from any adjustments made to the VAT and GNP bases between 1981 and 1991. These refunds are entered as negative revenue in the statement of revenue. In 1993 refunds of ECU 19.9 million were entered in respect of the VAT and GNP balances.

Administrative expenditure

The general budget includes appropriations to cover the institutions' staff and administrative expenditure, representing 4.9% of total expenditure in 1993.

TABLE 3
Administrative expenditure in 1993

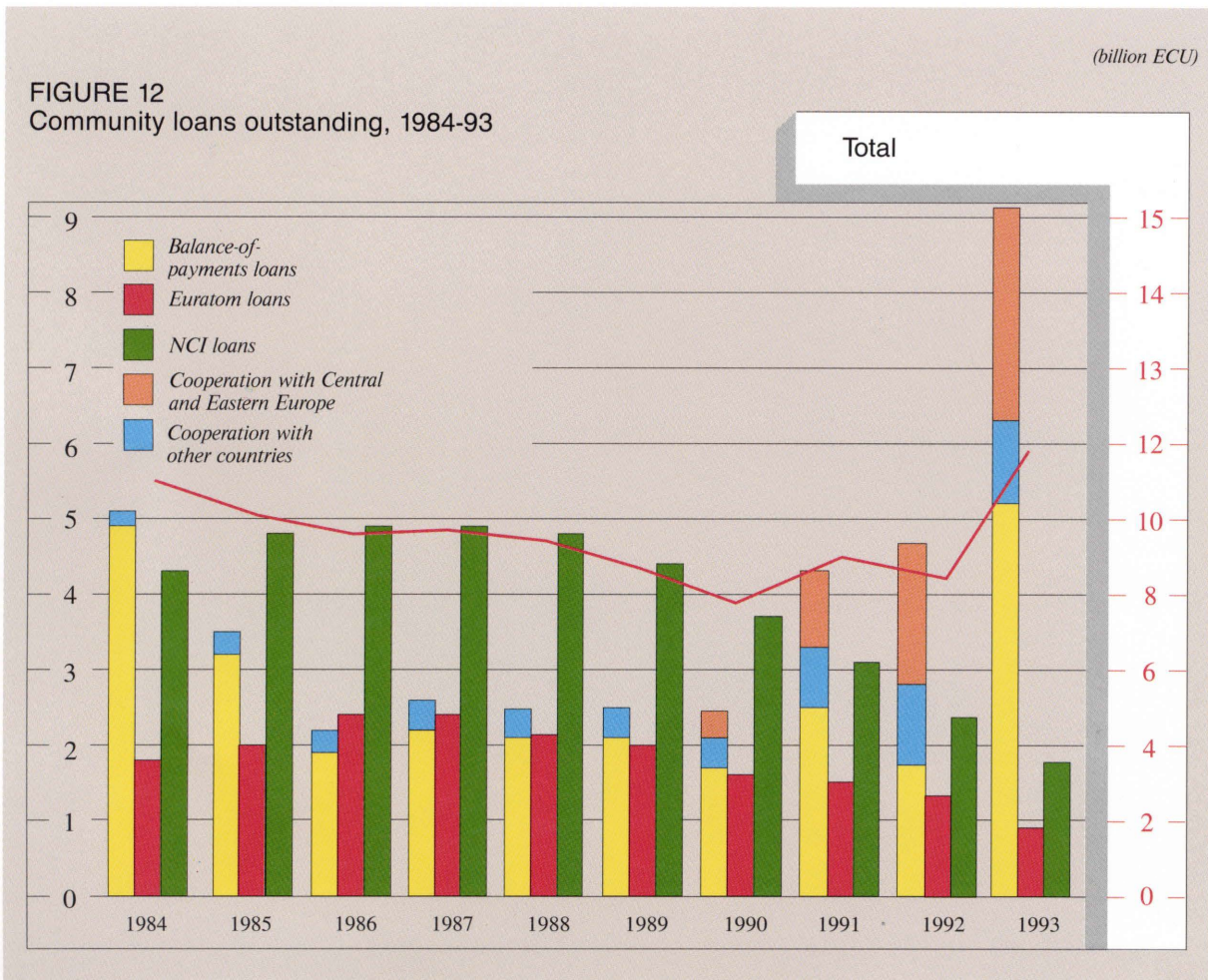
Institution	Establishment plan in 1993 budget (Permanent posts and temporary posts)	Staff (million ECU)	Administration (million ECU)
Parliament	3 790	392.7	231.9
Council	2 766	189.2	167.8
of which:			
Economic and Social Committee	(510)	(34.7)	(21.3)
Commission	18 576	1 744.9	850.7
of which:			
administrative staff	(15 146)	(1 478.0)	(779.5)
research and investment activities	(3 430)	(266.9)	(71.2)
Court of Justice	825	67.7	21.8
Court of Auditors	402	34.7	3.1
Total	26 359	2 429.2	1 275.3

BORROWING AND LENDING OPERATIONS

In addition to the measures financed by the general budget, a number of Community operations are carried out using borrowed funds. The Communities have developed several instruments which give them access to capital markets and are used to finance various categories of loans. In addition to these loans from borrowed funds, a smaller number of loans are granted from budget appropriations. This report deals only with borrowing and lending operations included in the Communities' financial balance sheet; it ignores operations carried out under the financial provisions of the ECSC Treaty (ECU

7 676 million in loans outstanding at 31 December 1993) and those carried out by the European Investment Bank from its own resources under the EEC Treaty (ECU 86 239 million in loans outstanding at 31 December 1993).

Should the recipient of a loan granted by the Communities default, the corresponding borrowing contracted by the Communities would be repaid by the general budget; some of the loans granted by the European Investment Bank from its own resources are backed by a guarantee from the general budget.



Borrowing and lending for balance-of-payments support

After the first oil shock a Community borrowing facility was devised to help Member States which had had their balances of payments upset as a result of the rise in oil prices. The first loans were granted in 1976; the Council increased the volume of Community borrowings authorized under this facility to ECU 8 000 million in 1984 and to ECU 14 000 million in 1988. At 31 December 1993 loans outstanding totalled ECU 5 190 million.

Euratom borrowing and lending

Since 1977 the Communities have made use of this instrument, which was devised to finance investment projects involving the industrial generation of nuclear-based electricity and industrial fuel cycle installations in order to reduce the Community's dependence on imported energy. In 1990 a Council Decision increased the amount of borrowings which the Commission is entitled to raise under this facility to ECU 4 000 million. At 31 December 1993 outstanding loans totalled ECU 1 018 million.

NCI borrowing and lending

The New Community Instrument (NCI) was created in 1978 to help finance investment projects for developing Europe's industrial competitiveness. These projects must meet the Community's priority objectives concerning energy, industry and infrastructure and, in particular, promote regional development and contribute to the fight against unemployment. The New Community Instrument was strengthened in 1982, 1983 and 1987 and its field of application now extends to the dissemination of new technologies and innovation, mainly for the benefit of small and medium-sized firms. Overall, the volume of borrowings authorized by the Council has risen to ECU 6 830 million and has been used

to grant loans of ECU 6 211 million, including ECU 679 million to finance reconstruction projects following the earthquakes in Italy in 1980 and in Greece in 1981. At 31 December 1993 the loans outstanding came to ECU 2 202 million.

Borrowing and lending in connection with cooperation with non-member countries

The Community grants medium-term financial assistance to a number of countries which are currently implementing economic reforms. This is financed from its borrowing operations.

As part of the supplementary aid programme of ECU 180 million to Hungary, a second tranche of ECU 80 million was paid on 15 January 1993, increasing the amount of outstanding loans to ECU 790 million at the end of 1993.

On 27 November 1992 the Council decided on a ECU 80 million loan facility for additional medium-term financial assistance to Romania. The full amount of the loan was paid on 26 February 1993, bringing the total of outstanding loans to ECU 455 million at 31 December 1993.

Pursuant to the Council Decision of 23 November 1992 to grant financial assistance of ECU 220 million to the Baltic States, the Community borrowed ECU 110 million for the first tranche: ECU 20 million was paid to Estonia and ECU 40 million to Latvia on 31 March 1993, and ECU 50 million to Lithuania on 27 July 1993.

Financial assistance amounting to ECU 1 250 million was also granted to the republics of the former Soviet Union. At 31 December 1993, outstanding loans amounted to ECU 803 million.

At 31 December 1993 the amount of outstanding loans financed from borrowings totalled ECU 3 233 million.

Loans from budget appropriations

Besides these loans from borrowed funds, loans are also granted from budget appropriations as part of the policy of cooperation with non-member countries. The Communities have concluded agreements combining commercial cooperation and technical and financial cooperation with most of the Mediterranean countries. In the case of financial and technical cooperation, Community aid consists partly of non-repayable grants and partly of loans on particularly favourable terms or risk capital operations. At 31 December 1993 the outstanding balance of loans on special terms and risk-capital operations came to ECU 479 million.

Since 1988 the Communities have been able to grant loans and advances, likewise from budget appropriations, to finance joint ventures between European firms and firms in Asia, Latin America and the Mediterranean

countries. At 31 December 1993 the outstanding balance of these operations came to ECU 39 million.

Budget guarantees

Should a debtor default, the amounts borrowed to finance any of the loans listed above would be repaid from the general budget.

The Community decided to guarantee the loan granted to Russia by a consortium of banks for the purposes of financing the import of agricultural and food products from the Community and the countries of Central and Eastern Europe. The Community guarantee covers 98% of any losses on capital or interest up to a maximum of ECU 500 million.

At 31 December 1993 the outstanding balance under this operation amounted to ECU 266 million in capital.

TABLE 4

Capital operations guaranteed by the general budget at 31 December 1993

(million ECU)

Borrowing/lending operation	Volume of borrowing/lending authorized	Total outstanding at 31.12.1993 covered by a budget guarantee
Balance-of-payments support	14 000	5 207
Euratom	4 000	1 018
NCI (including reconstruction projects)	6 830	2 202
Financial assistance	4 310	3 233
	29 140	11 660
EIB loans:		
Mediterranean countries	7 667	2 168
Central and Eastern Europe	4 700	300
Asia-Latin America	750	
	13 117	2 468
Total	42 257	14 128

Loans granted by the European Investment Bank from its own resources to 12 Mediterranean countries under the financial protocols annexed to the cooperation agreements with these countries are also covered by a budget guarantee. In 1993 the Council decided to conclude a new protocol with the Republic of Slovenia to finance projects contributing to the country's economic development by means of loans totalling ECU 150 million granted from the EIB's own resources and covered by a Community budget guarantee. These loans may be committed over a period of five years.

At 31 December 1993 outstanding loans totalled ECU 2 168 million.

The guarantee also extends to loans granted by the EIB from its own resources to the countries of Central and Eastern Europe. At 31 December 1993 loans granted to these countries totalled ECU 1 650 million but only ECU 300 million had been paid.

On 13 December 1993 the Council decided to continue its aid to the countries of Central and Eastern Europe by providing Community budget guarantees for an indicative period of three years for loans granted by the EIB from its own resources up to a maximum of ECU 3 billion, including aid of ECU 200 million for the Baltic States and ECU 50 million for Albania.

The purpose of this financial support is to promote the development of infrastructures (in particular trans-European networks) for energy, research, telecommunications and the environment, and to provide backing for the private sector, in particular small business.

Under a Council Decision of 15 February 1993 the Community provides a budget guarantee for loans made by the EIB from its own resources to finance investment projects of mutual interest in the developing countries of Asia and Latin America which have signed cooperation agreements with the Community. These loans total ECU 250 million a year for a period of three years.

Table 4 gives an overview of the Communities' borrowing and lending operations at 31 December 1993.

On 11 and 12 December 1992 the Edinburgh European Council examined the budgetary treatment of the Community's borrowing and lending and guarantee operations for non-Community countries. As there has been considerable growth in the Community's external action, it was decided to set up a Guarantee Fund to cover any risk of default.

The Fund is financed through an annual reserve of ECU 300 million (1992 prices) set for the duration of the financial perspective and entered in the budget. This should make for considerable improvements in the way in which these operations are treated.

TREASURY REPORT

The Commission holds accounts with the Treasuries and/or Central Banks of Member States, on which it receives revenue and through which it pays the bulk of its transactions, in particular those relating to the EAGGF Guarantee Section, some of the expenditure on the Structural Funds, and repayments to Member States.

Each month the revenue paid — expressed in national currencies — is equivalent to one-twelfth of the amounts provided in the budget

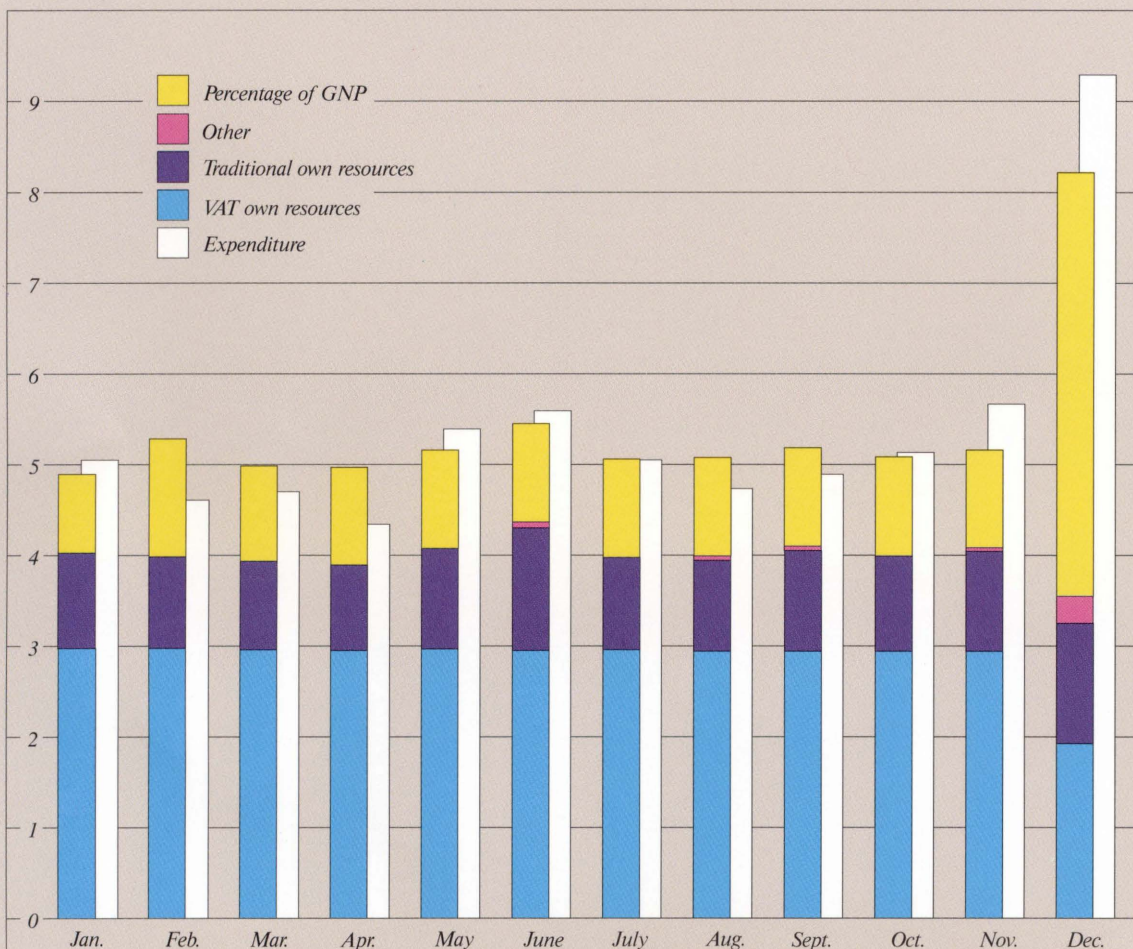
for VAT and GNP-based resources and the amount actually established each month for customs duties and agricultural levies.

Ordinary commercial bank accounts are used for administrative expenditure and direct payments to recipients other than national authorities, in national currencies and in ecus.

To ensure that Community funds are made available to the direct recipients as rapidly and as cost-effectively as possible, the Commis-

FIGURE 13
Monthly revenue and expenditure in 1993

(billion ECU)



sion overhauled its commercial banking structure in 1992. It also now uses the SWIFT international payments network.

In July 1990 the Commission adopted a Regulation on arrangements for using the ecu for the purpose of the budgetary management of the Structural Funds; this regulation provides that grants made by the Commission are to be paid in ecus to the authority designated by the Member States to receive the payments.

Ecus are mainly purchased on the interbank exchange market. The Commission tries to spread its purchases as evenly as possible so as not to destabilize the market. It purchased ECU 25.5 billion on the market in 1993 as against ECU 22.4 billion in 1992. This was used mainly for payments under the Structural Funds — ECU 18.1 billion in 1993 compared with ECU 16.0 billion in 1992.

On 1 July 1992 the Commission opened ecu-denominated accounts with the French and Irish Treasuries for making payments in connection with operations under the Structural Funds. This is a new departure which will allow Treasuries to get used to the idea of using the ecu prior to Economic and Monetary Union. The Commission is willing to open similar accounts with any Member State which so wishes.

Budget revenue and expenditure for a given year may differ from the initial estimate, producing a positive or negative balance. A surplus can result from underutilization of appropriations or from a revenue outturn higher than the forecast in the budget or from a combination of these two factors. Since spending may not exceed the limit set by the appropria-

tions entered in the budget, a deficit can be caused only by the revenue outturn being lower than the forecast in the budget. This was the case from 1984 to 1986.

The cash situation in the course of the financial year depends on the monthly outturn of revenue and expenditure, which do not necessarily balance. Even if the balance for the year shows a surplus, expenditure might have outstripped revenue at certain times of the year, causing cash-flow difficulties. For these reasons, the rules in force allow two possibilities: payments of customs duties and agricultural levies may be brought forward one month or the Commission may overdraw on its accounts with the national treasuries. The Commission did not make use of these possibilities in 1993 as the cash situation was positive throughout the year.

In late 1993 the Council adopted an amendment which also allowed early payment of VAT and GNP-based resources in line with the specific requirements of the EAGGF.

The rules also stipulate that the positive and negative balances resulting from payment and revenue transactions should be spread over the year in proportion to each Member State's estimated contribution to the budget as a whole. This balance is maintained by transfers between the central banks.

A rolling forecast of cash-flow is used to monitor and coordinate these currency transactions. Cash-flow management is strictly regulated: no borrowing is allowed to cover possible deficits, no loans may be made from positive balances and no interest is receivable or payable on balances with Member States.

FUTURE EXPENDITURE AND REVENUE

It is a feature of the accounting system of the Communities that certain sums due but unpaid at 31 December and certain revenue receivable should be charged to the revenue and expenditure account for that year and entered in the balance sheet.

The main items of future expenditure and revenue entered in the accounts at the end of 1993 were:

- payments authorized in December 1993 and made between 1 and 15 January 1994;
- payments to be authorized in 1994 against appropriations for payments not used at the end of 1993 and carried over to 1994;
- interest and other sums due in connection with borrowing and lending operations for the New Community Instrument and the European Atomic Energy Community; this future expenditure is almost entirely offset by interest and other sums receivable in connection with the same borrowing and lending operations.

However, other potential liabilities and resources are not entered in the accounts but are recorded separately:

- certain sums falling due in future years to clear commitments existing at the end of 1993, to meet outstanding financial obligations or to honour protocols concluded with third parties;
- various potential liabilities and resources;
- contingent liabilities.

These future liabilities and resources are listed in this section of the report to provide information in addition to the consolidated accounts of the Communities.

Sums falling due in future financial years

As stated in the section concerning the financial framework, some time elapses between the commitment and payment of expenditure: commitment and payment might not take place in the same financial year. This is frequently the case with multiannual operations (which are allocated differentiated appropriations), for which the budget usually contains different amounts in commitment appropriations and payment appropriations.

TABLE 5
Sums falling due in future financial years

	<i>(million ECU)</i>	
	1993	1992
Commitments from differentiated appropriations still to be settled at 31 December 1993	27 320.6	23 836.5
The Communities' financial obligations at 31 December 1992:		
Cooperation with non-member countries: obligations towards Mediterranean countries	763.0	752.0
Total	28 083.6	24 588.5

At the end of the year there are therefore outstanding commitments for which payments will have to be made in future financial years.

For operations allocated non-differentiated appropriations, the rules allow appropriations needed for payment against commitments to be carried over automatically to the following financial year only; as stated above, the carryovers to 1994 are included with the liabilities for 1993.

At the end of 1993 the commitments outstanding for operations allocated differentiated appropriations amounted to ECU 28 248 million. Of this, ECU 898 million is covered by payment appropriations carried over to 1994; the corresponding liability is also included in the accounts for 1993. The balance of ECU 27 350 million will have to be covered by payment appropriations in the budgets for 1994 and subsequent financial years. The commitments from differentiated appropriations outstanding at 31 December

TABLE 6

Potential liabilities and receipts of the Communities at 31 December 1993

(million ECU)

	1993	1992
<i>Potential liabilities</i>		
European Agricultural Guidance and Guarantee Fund (EAGGF):		
Difference between the guarantee price and selling price of agricultural stocks at 31 December (excluding 1993 butter stocks subject to the exceptional disposal operation and alcohol stocks on which only disposal costs will arise) (Table 8)	94.3	76.1
Judgments awaited from the Court of Justice on sums claimed by Member States relating to clearance of accounts	627.2	692.3
Potential liabilities resulting from a provisional refusal of finance	16.7	194.8
	738.2	963.2
<i>Potential receipts</i>		
European Agricultural Guidance and Guarantee Fund (EAGGF):		
Potential receipts arising from frauds and irregularities	(958.5)	(806.9)
Potential claims resulting from the clearance of EAGGF accounts		
	(958.5)	(806.9)
Total	220.3	(156.3)

1993 are analysed and broken down by probable year of payment in Table 9.

The Communities have entered into other obligations towards non-member countries which have not yet given rise to the commitment of appropriations: for cooperation with developing and non-member countries, aid planned but not committed at the end of 1993 under the third and fourth financial protocols with the Mediterranean countries totalled ECU 763 million.

Potential liabilities and resources

The Communities have potential liabilities and resources. Some of them may never be realized or can only be roughly estimated at 31 December 1993.

The potential liabilities include the cost of disposing of agricultural stocks. At the end of the 1993 financial year for agriculture, this liability had virtually dropped to zero; the new estimate results from comparison between the foreseeable sales value of products in store at 30 September 1993 and their book value, taking into account the depreciation applied in accordance with the decision adopted by the 1988 Brussels European Council. Every annual budget contains a provision for losses on stocks newly bought in.

These stocks are depreciated from the date on which they enter the stores. The cost of depreciation is included with EAGGF Guarantee Section expenditure; in 1993 it totalled ECU 4 064 million. The only potential liabilities are those relating to the balance left outstanding because of the differences between the conversion rates used to calculate the foreseeable sales value and the book value. At 30 September 1993 the disposal of agricultural products from stores would generate a net potential gain of ECU 94.3 million. This amount is the difference between potential liabilities of ECU 16.9 million and potential gains of ECU 111.2 million.

The major potential liability relating to stocks of products which entered storage before 31 December 1986 and to which the principle of immediate depreciation no longer applied, had disappeared by the end of 1990: during that year the last repayments were made to the Member States of amounts advanced by them to finance the depreciation of these old stocks, two years ahead of schedule.

The Communities also have potential revenue. 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 amounts involved. The sums likely to be

TABLE 7
Contingent liabilities

(million ECU)

	1993	1992
Pension costs	p.m.	p.m.
Guarantees given		
75% guarantee	2 754.1	2 345.8
100% guarantee	1 895.6	961.5
Total	4 649.7	3 307.3

TABLE 8

Volume, book value, foreseeable-sales value and potential liabilities of stocks at 31 December 1993

Product	Quantity (tonnes)	Book value (million ECU)	Foreseeable-sales value (million ECU)	Potential liabilities (million ECU)
Common wheat	11 295 250	687.8	699.5	11.8
Common wheat, not breadmaking	482 610	28.7	28.2	- 0.6
Barley	8 191 720	445.6	439.0	- 6.6
Rye	2 348 220	119.7	117.5	- 2.3
Durum wheat	3 480 730	197.3	261.2	63.9
Maize	3 131 360	254.4	261.1	6.7
Sorghum	152 000	12.2	12.7	0.5
Cereals — Total	29 081 890	1 745.6	1 819.1	73.5
Rice	30	0.0	0.0	0.0
Olive oil	167 280	187.5	214.6	27.0
Colza	0	0.0	0.0	0.0
Sunflower	0	0.0	0.0	0.0
Leaf tobacco	0	0.0	0.0	0.0
Manufactured tobacco	40	0.0	0.0	0.0
Baled tobacco	13 510	4.2	4.1	- 0.1
Alcohol ¹	2 839 800	14.7	13.2	- 1.5
Butter	160 370	124.5	123.4	- 1.0
Skimmed-milk powder	39 750	29.9	31.1	1.3
Grana Padano	7 300	26.1	25.8	0.0
Parmigiano reggiano	2 970	12.3	12.2	- 0.1
Bone in beef	258 950	149.6	149.1	- 0.5
Boned (boneless) beef	435 880	365.2	362.2	- 3.0
Total public storage		2 659.5	2 754.7	95.5
Mixed alcohol ¹	2 950 062	14.9	13.7	- 1.2
Grand total		2 674.4	2 768.4	94.3

¹ The quantity unit for alcohol is 100 litres.

recovered can only be estimated at present on the basis of amounts notified. Similarly, the date of their receipt cannot be estimated with any certainty. Revenue may also have to be paid into the general budget as a result of the Communities' inspections of own resources received in previous years.

Contingent liabilities

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

TABLE 9
Commitments from differentiated appropriations still to be settled at 31 December 1993

(million ECU)

Sector	Year in which the commitments were entered into								Totals	Foreseeable schedule of payment			
	before 1987	1987	1988	1989	1990	1991	1992	1993		1994	1995	1996	after 1996
Expenditure on staff working for the institution								1.0	1.0	1.0			
Fisheries and the sea			2.8		1.5	10.8	11.9	16.9	43.9	14.3	14.0	9.9	5.6
Structural operations,	990.3	341.6	507.7	359.9	384.7	984.0	2 996.2	9 899.7	16 464.1	9 009.4	6 143.8	1 271.5	39.4
of which:													
ERDF	976.1	286.4	381.1	182.9	113.6	318.4	758.5	3 381.7	6 398.8	3 116.2	2 716.3	566.3	0.0
ESF	4.5	11.5	18.6	39.1	41.9	146.9	802.0	2 406.6	3 471.1	1 797.3	1 471.0	202.7	0.0
EAGGF Guidance	5.0	32.8	9.4	65.4	123.1	69.8	311.7	996.1	1 613.4	996.8	564.9	47.3	4.5
other	4.7	10.8	98.6	72.5	106.1	448.9	1 124.1	3 115.3	4 980.9	3 099.1	1 391.7	455.3	34.9
A people's Europe	7.1	2.0	3.0	5.5	7.0	30.6	68.0	251.9	375.1	254.3	70.0	23.1	27.6
Research and technological development	3.3	5.8	18.0	41.2	115.5	285.6	873.1	1 636.2	2 978.7	1 281.7	1 089.6	486.7	120.6
Energy, industry, the internal market and trans-European networks	51.6	28.5	45.9	55.9	66.0	161.4	215.0	420.6	1 044.9	334.1	325.1	226.2	159.6
Cooperation with non-member countries	212.1	154.5	204.4	252.6	420.4	1 046.4	1 875.1	3 174.5	7 340.0	1 683.8	1 807.8	1 308.0	2 540.4
Total	1 264.5	532.3	781.8	715.1	995.1	2 518.8	6 039.3	15 400.7	28 247.7	12 578.6	9 450.4	3 325.5	2 893.2

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.

The Commission also 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% of the capital value of loans guaranteed; they are, however, left out of Table 7 above.

**THE CONSOLIDATED ACCOUNTS
OF THE COMMUNITIES**

ACCOUNTING POLICIES

1. Financial Regulation

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. There has been a general revision of the Financial Regulation, with the amended version entering into force on 13 March 1990.

2. The ecu

2.1. The accounts are stated in ecus.

2.2. Advances paid in respect of 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 that to which they relate.

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 1993 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 ecus at the monthly accounting rates for December.

2.4. The rates applying on 31 December 1993 for converting national currencies into ecus were as follows:

ECU 1 =	BFR	40.2869	HFL	2.16541
	DKR	7.5531	IRL	0.790809
	DM	1.93569	LFR	40.2869
	DR	277.970	LIT	1909.98
	ESC	197.050	PTA	158.928
	FF	6.57745	UKL	0.755108

3. Consolidation

3.1. The consolidated accounts show the accounting situation resulting from the operations carried out by the Communities under the general budget. They, therefore, do not include expenditure under the ECSC operating budget and under the European Development Funds.

They consolidate the accounts of the following European institutions: 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.

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

3.4. All figures are in millions of ecus, 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, GNP-based 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 payment plus any appropriations for payment for the year which are unused and are carried over.

5.2. The payments against the year's appropriations for payment 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. The payments taken into consideration for the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are those effected by the Member States between 16 October and 15 October provided that the Accounting Officer is notified of the commitment and authorization not later than 31 January of the following year.

5.4. Appropriations for payment 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: unused payment appropriations usually lapse; however, the Commission may decide to carry them over if the payment appropriations for the following year are not sufficient to meet previous commitments or commitments in connection with commitment appropriations which have themselves been carried over.

6. Payments on account and accelerated payments

6.1. Payments on account for operational purposes, other than those paid in connection with the common agricultural policy, 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 ecus 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. Since then, the valuation has been increased every year by the amount of investment which took place that year.

7.3. No depreciation is provided as the full purchase cost of tangible assets is charged 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 1993

<i>Revenue</i>	Notes	1993 (million ECU)	1992 (million ECU)
Own resources	1	65 101.1	56 189.7
Adjustments to previous years' revenue	2	- 123.7	2 834.6
Other revenue	3	695.3	687.5
<i>Total revenue</i>		65 672.7	59 711.8
<i>Expenditure</i>			
<i>Operational expenditure</i>			
Agricultural market guarantees	4	35 068.0	31 457.9
Fisheries and the sea	5	526.1	410.4
Structural operations	6	20 362.6	17 801.9
A people's Europe	7	535.4	671.3
Research and technological development	8	2 263.9	1 989.8
Energy, industry, the internal market and trans-European networks	9	453.2	551.0
Cooperation with non-member countries	10	2 678.7	2 193.0
		61 887.9	55 075.3
<i>Administrative expenditure</i>			
Staff	11	2 162.3	1 855.2
Administration	11	1 204.1	1 049.6
		3 366.4	2 904.8
<i>Repayments, guarantees, reserves</i>	12	14.2	876.9
		14.2	876.9
<i>Total expenditure</i>	13	65 268.5	58 857.0
<i>Surplus of revenue over expenditure for the year: outturn for the year</i>		404.2	854.8
Exchange differences for the year	14	265.9	22.7
Appropriations carried over from previous year which lapse	14	301.0	126.5
<i>Balance for the year</i>	14	971.1	1 004.0

**CONSOLIDATED BALANCE SHEET
as at 31 December 1993**

	Notes	1993 (million ECU)	1992 (million ECU)
<i>Fixed assets</i>			
Tangible assets	15	1 074.2	986.5
Contributions	16	59.8	37.5
Loans	17	11 824.5	8 400.3
		<hr/>	<hr/>
		12 958.5	9 424.3
<i>Long-term debtors</i>	18	49.6	7.3
<i>Current assets</i>			
Stocks	19	103.3	100.3
Amounts owed by Member States	20	4 665.9	304.2
Amounts owed by Community bodies	21	1.0	33.0
Debtors	22	972.6	877.4
Cash at bank and in hand	23	133.3	5 085.2
		<hr/>	<hr/>
		5 876.1	6 400.1
Less: Creditors due within one year	24	-4 259.2	-4 304.4
		<hr/>	<hr/>
<i>Net current assets</i>		1 616.9	2 095.7
		<hr/>	<hr/>
<i>Total assets less current liabilities</i>		14 625.0	11 527.3
<i>Creditors due after more than one year</i>	25	-11 660.3	-8 683.3
<i>Provisions for liabilities and charges</i>	26	-62.3	-55.4
		<hr/>	<hr/>
		2 902.4	2 788.6
		<hr/>	<hr/>
<i>Fixed capital</i>			
Own capital	27	1 931.3	1 784.6
Balance brought forward	28	—	—
Balance for the year	28	971.1	1 004.0
		<hr/>	<hr/>
		2 902.4	2 788.6
		<hr/>	<hr/>

1. Own resources	1993 (million ECU)	1992 (million ECU)
Agricultural levies	1 029.0	1 206.8
Sugar and isoglucose levies	1 115.3	1 002.4
Customs duties	12 284.0	12 547.9
VAT resources	35 560.0	34 594.7
Percentage of GNP of the Member States	16 555.6	8 314.9
Own resources collection costs	- 1 442.8	- 1 477.0
	65 101.1	56 189.7
2. Adjustments to previous years' revenue		
Surplus available from the previous year	1 004.0	2 762.6
Balance of VAT own resources and adjustments to financial contributions for previous year	- 1 231.4	166.5
Balance of GNP-based own resources from the previous year	79.3	7.1
Corrections to the balance of own resources and adjustments to financial contributions for 1982 to 1991 (1982-90 for the 1992 column)	202.8	- 101.6
Refunds to Member States	- 19.8	-
	- 123.7	2 834.6

3. Other revenue	1993 (million ECU)	1992 (million ECU)
Miscellaneous Community taxes, levies and dues	344.1	298.4
Revenue accruing from the administrative operation of the institutions	112.3	144.3
Contributions to Community programmes; repayments of expenditure and revenue from services rendered	188.6	151.0
Interest on late payments and fines	28.0	43.8
Borrowing and lending operations	16.9	16.0
Miscellaneous	5.4	34.0
	695.3	687.5
4. Agricultural market guarantees		
Expenditure by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF)	34 605.5	31 146.5
Set-aside and income aid	462.5	311.5
	35 068.0	31 457.9
5. Fisheries and the sea		
Organization of the market	32.4	32.1
Improvement of fishery structures	288.6	150.9
Expenditure in connection with international fisheries agreements	188.9	195.7
Other	16.2	31.7
	526.1	410.4
6. Structural operations		
European Regional Development Fund	9 553.1	8 571.1
European Social Fund	5 398.2	4 310.8
European Agricultural Guidance and Guarantee Fund — Guidance Section	3 028.3	2 860.3
New German <i>Länder</i>	1 134.8	1 285.0
Other structural policy operations:		
Integrated Mediterranean programmes	193.3	392.5
Specific programme for the development of Portuguese industry (PEDIP)	60.2	121.6
Programmes for the outermost regions	35.4	—
Other regional measures	46.9	69.9
Transport and tourism	8.4	10.7
Expenditure in the agricultural sector	109.0	179.9
Cohesion Fund	795.0	—
	20 362.6	17 801.8

7. A people's Europe	1993 (million ECU)	1992 (million ECU)
Education, vocational training and youth policy	258.1	289.9
Employment, social protection and public health	102.0	169.2
Protection of the environment	72.3	81.6
Information, communication and culture	80.8	95.0
Consumer protection	9.4	17.9
Aid to disaster victims in the Community	12.8	17.7
	535.4	671.3
8. Research and technological development		
Research and technological development	2 263.9	1 989.8
	2 263.9	1 989.8
<p>Research and technological development also includes related administrative expenditure incurred in the research centres of Ispra, Karlsruhe, Petten and Geel.</p>		
9. Energy, industry, the internal market and trans-European networks		
Energy policy	132.7	139.8
Nuclear safeguards	6.8	6.7
Information market and innovation	14.6	37.6
Statistical information policy connected with the completion of the internal market	34.8	44.3
Industry and the internal market	132.1	180.1
Trans-European networks	132.2	142.6
	453.2	551.1

10. Cooperation with non-member countries

	1993 (million ECU)	1992 (million ECU)
Common foreign and security policy	14.2	—
Aid for economic restructuring of the countries of Central and Eastern Europe	744.4	504.1
Food aid	430.5	691.9
Other cooperation activities with developing and non-member countries	1 469.6	980.7
Assistance to the countries most directly affected by the Gulf crisis	20.0	16.3
	2 678.7	2 193.0

A further ECU 160.4 million (1992: ECU 221.6 million) 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 ECU 1 372.0 million (1992: 1 910.0 million) to developing countries;
- (ii) the European Investment Bank (EIB) grants loans to developing countries from its own funds, guaranteed by the Commission.

11. Administrative expenditure*Staff*

Parliament	392.7	359.7
Council	154.5	146.3
Economic and Social Committee	34.7	32.7
Commission	1 453.4	1 198.1
Publications Office	24.6	22.7
Court of Justice	67.7	63.7
Court of Auditors	34.7	32.0
	2 162.3	1 855.2
<i>Administration</i>	1 204.1	1 049.6

The administrative expenditure at the various research establishments is included in 'Research and technological development' (Note 8).

12. Repayments, guarantees, reserves

	1993 (million ECU)	1992 (million ECU)
Repayments to the Member States in respect of the depreciation of agricultural stocks	—	799.5
Refunds and financial compensation to Member States	—	77.4
Borrowing and lending guarantees	14.2	—
	14.2	876.9

13. Total expenditure*Operational expenditure*

	Payments for the year (million ECU)	Carried over (million ECU)	Expenditure 1993 (million ECU)	1992 (million ECU)
Agricultural market guarantees	34 204.2	863.8	35 068.0	31 457.9
Fisheries and the sea	523.1	3.0	526.1	410.4
Structural operations	19 857.0	505.6	20 362.6	17 801.9
A people's Europe	498.3	37.1	535.4	671.3
Research and technological development	2 215.0	48.9	2 263.9	1 989.8
Energy, industry, the internal market and trans-European networks	427.9	25.3	453.2	551.0
Cooperation with non-member countries	2 390.3	288.4	2 678.7	2 193.0
	60 115.8	1 772.1	61 887.9	55 075.3

Administrative expenditure

Staff	2 052.6	109.7	2 162.3	1 855.2
Administration	933.5	270.6	1 204.1	1 049.6
	2 986.1	380.3	3 366.4	2 904.8

Repayments, guarantees, reserves

	—	14.2	14.2	876.9
	63 101.9	2 166.6	65 268.5	58 857.0

	Payments for the year (million ECU)	Carried over (million ECU)	Expenditure 1993 1992 (million ECU) (million ECU)	
Breakdown of expenditure by institution				
Commission:				
non-differentiated appropriations	36 233.2	1 137.8	37 371.0	35 272.1
differentiated appropriations	25 879.5	909.1	26 788.6	22 540.8
	62 112.7	2 046.9	64 159.6	57 812.9
Parliament	565.5	59.0	624.5	580.0
Council	303.3	53.8	357.1	346.8
Court of Justice	84.5	5.0	89.5	81.7
Court of Auditors	35.9	1.9	37.8	35.6
	63 101.9	2 166.6	65 268.5	58 857.0

Reconciliation with the budget

	Expenditure 1993 1992 (million ECU) (million ECU)	
Payment appropriations approved for the year	66 904.6	61 164.0
Less: Appropriations not used and which lapse	- 1 636.1	- 2 307.0
Expenditure for the year	65 268.5	58 857.0

14. Balance for the year

In accordance with the Financial Regulation, the amount resulting from the lapsing of the appropriations for payment carried over from the previous financial year but not used and the balance of exchange gains and losses recorded during the year are taken into account when determining the balance for the year.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. Tangible assets

	Buildings	Furniture and equipment	1993 (million ECU)	Total 1992 (million ECU)
Parliament	9.7	82.4	92.1	77.8
Council		26.1	26.1	23.5
Economic and Social Committee		4.7	4.7	4.4
Commission	372.6	544.3	916.9	846.7
Court of Justice		6.2	6.2	6.2
Court of Auditors	23.9	4.3	28.2	27.9
Total	406.2	668.0	1 074.2	986.5

16. Contributions

	1993 (million ECU)	1992 (million ECU)
Subscription to capital of European Bank for Reconstruction and Development (EBRD)	54.0	36.0
Other contributions	5.8	1.5
	59.8	37.5

17. Loans

	1993 (million ECU)	1992 (million ECU)
<i>Loans granted from the budget</i>		
Loans in connection with cooperation with non-member countries		
Loans on special terms	443.8	434.8
Risk-capital operations	35.2	28.4
Loans and advances to promote investment joint ventures	39.5	21.4
Loans granted to assist the countries most directly affected by the Gulf crisis	175.0	175.0
Loans in favour of migrant workers	0.3	0.4
Building loans to Community officials	0.2	0.2
	694.0	660.2
<i>Loans granted from borrowed funds</i>		
Community loans for balance-of-payments support	5 206.6	1 735.9
Euratom loans	909.1	1 336.3
Loans to promote investment in the Communities (NCI)	1 781.8	2 384.9
Financial assistance to non-member countries	3 233.0	2 283.0
	11 130.5	7 740.1
Total	11 824.5	8 400.3

18. Long-term debtors

	1993 (million ECU)	1992 (million ECU)
Community budget guarantees	42.5	
Deposits, guarantees and working balances paid to third parties	6.0	4.9
Recoverable costs	1.1	2.4
	49.6	7.3

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	0.8	1.0
Council	1.6	1.9
Economic and Social Committee	0.1	0.1
Commission ¹	100.5	97.0
Court of Justice	0.2	0.2
Court of Auditors	0.1	0.1
	103.3	100.3

¹ Includes nuclear materials held at research centres.

20. Amounts owed by Member States

Own resources to be recovered	4 328.5	288.8
Taxes paid and to be recovered	18.6	10.0
Interest on late payments	1.2	4.2
Outstanding balances of EAGGF advances	317.6	1.2
	4 665.9	304.2

21. Amounts owed by Community bodies

	1993 (million ECU)	1992 (million ECU)
Due to Parliament	0.3	0.2
Due to the Commission	0.7	32.8
	1.0	33.0

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 comprise 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	8.7	7.5
Due from third parties, including bank interest receivable	13.4	24.1
Advances to be settled	2.5	3.0
Receivable orders to be recovered	414.9	442.4
Prepayments ¹	78.6	49.0
Other	84.5	47.2
	602.6	573.2

NCI and Euratom

Accrued interest	81.2	74.7
Other	288.8	229.5
	370.0	304.2
	972.6	877.4

¹ Prepayments comprise sums paid during 1993 to be charged to the budget of the following year.

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:

	1993 (million ECU)	1992 (million ECU)
Securities (held by NCI)	22.8	0.2
Fixed-term deposit accounts	175.2	97.8
Accounts with treasuries of Member States	916.0	2 926.3
Accounts with central banks	- 284.0	446.9
Current accounts	- 774.0	1 533.9
Imprest accounts	76.9	79.6
Documentary credits	—	—
Cash in hand	0.4	0.5
	133.3	5 085.2

The Commission holds accounts with treasuries and central banks. Its deposit and current accounts include ECU 297.4 million (1992: ECU 800.1 million) available from NCI and Euratom borrowing and lending operations. The breakdown of the amounts in the institutions' current accounts is as follows:

Parliament	14.5	5.1
Council	2.7	2.1
Economic and Social Committee	0.6	0.8
Commission ¹	439.0	1 524.8
Court of Justice	0.9	0.8
Court of Auditors	0.3	0.3
	457.9	1 533.9

¹ Includes ECU 126.9 million (1992: ECU 714.2 million) for NCI and Euratom borrowing and lending operations.

24. Creditors due within one year

	1993 (million ECU)	1992 (million ECU)
Payable to Member States ¹	1.0	35.2
Amounts owed to Community bodies ²	6.8	3.1
Appropriations to be carried over ³	2 184.6	1 358.9
Sundry creditors ⁴	49.9	40.6
Revenue to be entered ⁵	145.3	155.3
Revenue to be collected ⁶	1 047.2	742.6
Accruals ⁷	725.4	1 860.4
Accrued interest (NCI and Euratom)	99.0	108.3
Bank balances ⁸	—	—
	4 259.2	4 304.4
 ¹ <i>Payable to Member States</i>		
This item covers the amounts owed to Member States.		
 ² <i>Amounts owed to Community bodies</i>		
Due by the Council	—	—
Due by the Commission	6.8	3.1
	6.8	3.1
 ³ <i>Appropriations to be carried over</i>		
Non-differentiated appropriations		
Automatic carry-overs	729.2	824.8
Non-automatic carry-overs	528.3	179.7
Differentiated appropriations		
Current year's appropriations carried over	909.0	339.4
Appropriations carried over again	18.1	14.9
	2 184.6	1 358.8
 ⁴ <i>Sundry creditors</i>		
Revenue to be transferred to other bodies	34.0	24.5
Other	15.9	16.1
	49.9	40.6

	1993 (million ECU)	1992 (million ECU)
⁵ <i>Revenue to be entered</i>		
Revenue available for use	82.3	125.6
Miscellaneous revenue to be identified and booked to an item of account	63.0	29.7
	145.3	155.3

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 1994.

⁷ *Accruals*

Payments made between 1 and 15 January 1994 authorized before 31 December 1993 are recorded as expenditure of 1993 and appear in the balance sheet as accruals.

⁸ *Bank balances*

Current accounts (NCI)	—	—
Documentary credits	—	—
	—	—

25. Creditors: due after more than one year

Loans raised

Community loans raised for balance-of-payments support	5 206.6	1 735.9
Euratom loans raised	1 018.2	1 338.4
Loans raised to promote investment in the Communities (NCI)	2 202.5	3 326.0
Loans raised for financial assistance to non-member countries	3 233.0	2 283.0
	11 660.3	8 683.3

26. Provisions for liabilities and charges

	1993 (million ECU)	1992 (million ECU)
NCI	36.9	33.5
Euratom	25.4	21.9
	62.3	55.4

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' (Note 18).

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. Balance brought forward and balance for the year

Balance brought forward	—	—
Balance for the year	971.1	1 004.0

CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT: FIVE-YEAR SUMMARY

TABLE 10

(million ECU)

	1989	1990	1991	1992	1993
Revenue					
Own resources	41 881.3	39 695.7	51 676.1	56 189.7	65 101.1
Financial contributions	1 641.8	—	—	—	—
Adjustments to previous year's revenue	1 967.8	6 181.6	4 002.0	2 834.6	(123.7)
Other	408.9	591.9	571.3	687.5	695.3
	45 899.8	46 469.2	56 249.4	59 711.8	65 672.7
Expenditure					
Agricultural market guarantees	24 409.1	25 754.7	31 126.8	31 294.1	35 068.0
Fisheries and the sea	279.2	298.9	334.2	410.4	526.1
Structural operations	8 239.1	10 069.4	13 637.9	18 081.0	20 362.6
of which: ERDF	(3 920.0)	(4 554.1)	(6 306.9)	(8 571.1)	(9 553.1)
ESF	(2 676.1)	(3 212.0)	(4 030.0)	(4 310.8)	(5 398.2)
EAGGF Guidance	(1 349.0)	(1 825.3)	(2 085.4)	(2 860.3)	(3 028.3)
other	(294.0)	(478.0)	(1 215.6)	(2 338.8)	(2 383.0)
A people's Europe	289.1	346.1	516.2	671.3	535.4
Research and technological development	1 230.4	1 443.9	1 706.3	1 989.8	2 263.9
Energy, industry, the internal market and trans-European networks	259.8	319.4	369.2	435.7	453.2
Cooperation with non-member countries	1 090.6	1 430.6	2 211.2	2 193.0	2 678.7
	35 797.3	39 663.0	49 901.8	55 075.3	61 887.9
<i>Operational expenditure</i>					
<i>Repayments to Member States</i>	2 961.1	2 362.5	1 264.8	876.9	14.2
<i>Administrative expenditure</i>					
Staff	1 449.6	1 597.7	1 785.8	1 855.2	2 162.3
Administration	642.1	755.7	870.7	1 049.6	1 204.1
	40 850.1	44 378.9	53 823.1	58 857.0	65 268.5
<i>Out-turn for the year</i>					
Appropriations carried over from previous year which lapse	98.2	92.4	305.1	126.5	301.0
Exchange differences for the year	- 67.8	43.0	31.2	22.7	265.9
	5 080.1	2 225.7	2 762.6	1 004.0	971.1
<i>Balance for the year</i>					

THE ECSC'S FINANCIAL AND BUDGETARY ACTIVITIES IN 1993

Economic background and developments in ECSC industries

Steel industry

In 1993 crude steel production in the Community amounted to 132.4 million tonnes, much the same as last year's figure of 132.1 million tonnes. The decline of previous years was thus halted. The maximum production potential has also settled at the 1992 figure of 192 million tonnes. With this stabilization, the utilization rate was virtually the same as the 68.8% recorded in 1992.

Production of hot-rolled products in 1993 came to around 112 million tonnes (provisional figure) compared with 115 million tonnes in 1992, a fall of 2.6%. However, this fall is not enough to affect the Community guidelines.

The maximum production potential of rolling mills was 171 million tonnes in 1992 and almost 172 million tonnes in 1993, giving a utilization rate of 65% in 1993 as against 67% the previous year.

Finally, steel industry investment in 1993 was around ECU 3 100 million as against ECU 3 958 million in 1992. This 21.7% drop confirms the decline of previous years.

Coal industry

The Community coal industry continued the process of restructuring, rationalization and modernization which has characterized activity in recent years.

As coal supplies on the world market were abundant, diversified and stable in price, the producer countries were forced to continue their efforts to reduce State aids to the coal industry.

The year 1993 marked the changeover between the State aid arrangements covering the period 1986-93 (Decision 2064/86/ECSC) and the new arrangements (Decision 3632/93/ECSC of 28 December 1993) which

will cover the period up to expiry of the ECSC Treaty in 2002.

Under the new arrangements, any Member State intending to grant aid to the coal industry must submit restructuring, rationalization and modernization plans involving further progress towards economic viability, in the light of coal prices on the international markets, so that the aid may be reduced. If this objective cannot be achieved, companies must direct their policy to a gradual reduction in activity.

As a result of the restructuring measures adopted by all the Member States in recent years (closure of uncompetitive mines, staff reductions, etc.), productivity continued to increase, even though there are still differences when making international comparisons. Underground productivity in the Community increased from 703 kg per man-hour in 1992 to 758 kg in 1993, a rise of around 8% which is also foreseeable for 1994.

Community coal production in 1993 was 160.3 million tonnes compared with 184.6 million tonnes in 1992, a drop of 13.2%. The average number of underground workers declined from 147 400 in 1992 to just 129 600 in 1993.

Imports fell for the first time since 1987. In 1993 imports from non-Community countries totalled about 116 million tonnes as against 136 million tonnes (final figures) in 1992, a fall of almost 15% compared with an increase of 5% between 1991 and 1992. All this was in line with the overall drop in coal consumption due to the general economic situation.

Financial activities

Article 49 of the ECSC Treaty of 18 April 1951 empowers the High Authority (the Commission since the 1967 Merger Treaty) to borrow funds providing it is for the purpose of granting loans.

Loans are granted for three main purposes:

- to finance investment in the coal and steel sector;
- to finance conversion programmes for restructuring the coal and steel industry;
- to finance the construction of housing for coal and steel workers.

At 31 December 1993 the ECSC had, since starting its financial activities, paid ECU 21 549.1 million in loans, of which ECU 21 127.6 million was from borrowed funds and ECU 421.6 million from its own funds (special reserve and former pensions fund).

If guarantees over the same period are included, the total amount of the ECSC's financial operations at the end of 1993 came to ECU

21 627.5 million, as against ECU 20 160.5 million at 31 December 1992.

The change in the total amount of financial operations between these two years is partly due to new loans (ECU 918.3 million) and to exchange rate adjustments (ECU 548.7 million).

In 1993 the loans granted by the ECSC (ECU 918.3 million) were 38.21% lower than the 1992 figure of ECU 1 486.2 million.

This fall is primarily due to the economic recession which hit all the Member States. The sharp downturn in productive investment led to a reduction in the number of conversion loans.

Restructuring continued in the coal and steel industries. The volume of industrial loans was

TABLE 11

Loans disbursed in 1993 — breakdown by Member State

(million ECU)

Member State	I					II	III	Total
	Coal industry (Art. 54 (1))	Steel industry (Art. 54 (1))	Thermal power stats (Art. 54 (2))	Other (Art. 54 (2))	Total I	Industrial conversion (Art. 56)	Workers' housing (Art. 54 (2))	I+ II + III
Belgium	—	—	—	—	—	11.9	—	11.9
Denmark	—	—	—	—	—	—	—	—
Germany	—	—	—	—	—	217.9	7.4	225.3
Greece	—	—	—	89.6	89.6	—	0.2	89.8
Spain	—	—	—	—	—	0.4	0.7	1.1
France	—	—	—	—	—	390.9	0.9	391.8
Ireland	—	—	—	—	—	—	—	—
Italy	—	7.6	—	93.6	101.2	22.1	3.3	126.6
Luxembourg	—	—	—	—	—	—	0.1	0.1
Netherlands	—	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	0.3	0.3
United Kingdom	—	—	—	26.5	26.5	44.9	—	71.4
Community	—	7.6	—	209.7	217.3	688.1	12.9	918.3
Non-Community	—	—	—	—	—	—	—	—
Total	—	7.6	—	209.7	217.3	688.1	12.9	918.3

therefore particularly low, with the notable exception of Italy as regards steel consumption.

The Commission also approved the idea of financial support for restructuring the Community steel industry. This support will eventually take the form of ECSC loans on the basis of agreements authorized by the Commission to close down excess capacity in plant producing hot-rolled wide strip, reversing-mill plate and heavy sections.

Finally, on 20 October 1993 the Commission proposed guidelines for the ECSC's future borrowing and lending activities.

ECSC operating budget

In addition to its activities based on borrowing and lending operations, the ECSC finances a number of measures from its operating budget.

ECSC budget revenue

The High Authority (Commission) is empowered to procure the funds it requires to carry out its tasks by imposing levies on the production of coal and steel.

ECSC levies go towards financing expenditure under the operating budget. Historically, they are the first genuinely 'Community' tax.

Levies are fixed annually for the various coal and steel products according to their average value. In 1993 the ECSC levy was set at 0.25% and yielded ECU 120 million.

Most of the resources other than levies derive from the 'net balance' from annual financial operations, in particular the interest on loans from own resources and the investments, reserves and provisions entered in the ECSC balance sheet. The net balance for 1993 amounted to ECU 277 million.

In addition, there were cancelled commitments of ECU 94.6 million and unused

funds of ECU 53.1 million from the previous year.

Total revenue in the ECSC's operating budget came to ECU 596 million for 1993.

ECSC budget expenditure

Social aid

ECU 292.4 million was committed in 1993 for aid for the social redeployment of coal and steel workers under Article 56(2)(b) and (1)(c) of the ECSC Treaty (traditional redeployment and social measures from the coal and steel industry).

Social aid provides the essential social support for the Community's industrial policy in the ECSC sectors. When permanent closures, cutbacks or changes of activity lead to job losses, the Community attempts to mitigate the social repercussions for the workers through redeployment measures. It helps finance aid measures to provide income support for the workers affected or give them the possibility of remaining in employment and making a productive contribution to the economy through training courses and resettlement allowances.

The grant of this aid is conditional upon payment by the Member State concerned of a special contribution of not less than the amount of that aid.

This aid is granted under arrangements defined in bilateral agreements concluded with the Member States (early retirement, unemployment, transfer, retraining and vocational training).

This assistance is additional to the aids and loans granted elsewhere under Community support frameworks.

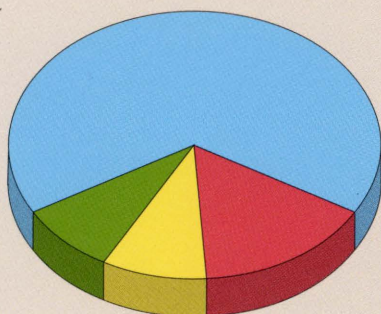
Research aids

Under Article 55 of the ECSC Treaty, ECU 124.6 million was granted in aid for social and medical research in the coal and steel sector in 1993.

FIGURE 14

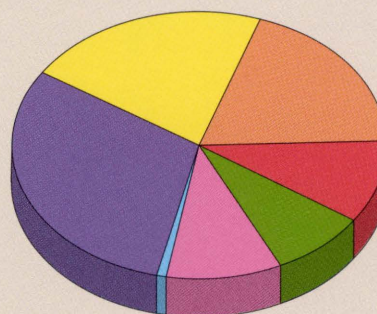
ECSC operating budget revenue in 1993

(million ECU)



ECSC operating budget expenditure in 1993

(million ECU)



Current resources	397.3	Administrative expenditure	5.0
— Yield from 0.25% levy	120.3	Redeployment aid	182.4
— Interest from investments and loans	277.0	Research aid	124.6
Cancellation of commitments	92.6	— Steel research	58.0
Unused resources from previous year	53.1	— Coal research	51.8
Exceptional resources	51.0	— Social research	14.8
	594.0	Interest subsidies	114.2
		Steel industry restructuring measures	60.0
		Coal industry restructuring measures	50.0
		Surplus	57.8
			594.0

The main aims of aid for steel industry research (ECU 58 million) are to reduce manufacturing costs, improve the quality and performance of products, promote and extend the uses of steel, and adapt production conditions to environmental demands.

The main objectives of aid in the coal research sector (ECU 51.8 million) are lower production costs, higher underground and pithead productivity, improved safety and working conditions, the maintenance of existing markets and the opening of new outlets, and, above all, improved use of coal with a view to better environmental protection.

In the social and medical sectors, ECU 14.8 million in aid was used to finance research programmes in areas such as medical research, pollution in the steel industry, industrial hygiene in mines, ergonomics and safety.

Interest subsidies on ECSC loans

Finally, the ECSC budget provides considerable aid (ECU 114.3 million in 1993) in the form of interest subsidies on conversion loans granted under Article 56(2)(a) to encourage job-creating investments in healthy

economic sectors and to assist the economic conversion of regions affected by the decline in ECSC activities. The practical rules for granting these loans and interest subsidies were last adopted by the Commission in 1990 and supplemented in 1992 with the adoption of the rules for coordination with the Structural Funds.

Each year a financial report for the ECSC is drawn up and distributed to financial institutions, rating agencies and investors with financial links with the ECSC.

FINANCIAL OUTTURN OF THE EDF IN 1993

Legal and financial framework

The European Development Fund (EDF) was established under Article 1 of the Implementing Convention on the association of the overseas countries and territories with the Community signed at the same time as the Treaty of Rome on 25 March 1957; its role has since been extended to cover:

- countries which shortly afterwards became independent but wished to retain OCT status;
- a growing number of countries in different continents with which the Community wished to enter into agreements.¹

Under the Lomé IV Convention, which was signed on 15 December 1989 and entered into force on 1 September 1991, 70 African, Caribbean and Pacific States (ACP)² and 20 OCTs³ are today involved in EDF operations; the Fund's budget has substantially increased and now stands at ECU 10 940 million, including ECU 140 million for the OCTs alone, for the first financial protocol.

The internal agreement on the financing and administration of Community aid under the Fourth Lomé Convention describes the procedure for allocating resources, which include an extra ECU 1 225 million granted by the EIB (ECU 25 million for the OCTs) from its own resources.

EDF operations mainly involve:

- grants for projects and programmes and structural adjustment support, for which a specific amount has been set aside;
- Stabex transfers when these countries' export earnings drop sharply for a number of mainly agricultural products which account for a certain percentage of these export earnings; the purpose is to compensate for the loss in income caused by reasons beyond their control (natural disasters or a fall in world prices, but not mismanagement or poor economic policy);
- risk capital managed by the EIB;
- special financing facilities under Sysmin to maintain or boost the competitiveness of their main mining activities when it is threatened by natural disasters, political conflict or a reduction in exports to the Community, jeopardizing the economic viability of these activities.

The EDF is quite different from the other Community financial instruments included in the general budget in that:

- it is administered by the Commission and its resources consist of extra-budgetary payments by the Member States on a fixed-scale basis for each fund;
- each EDF has a separate financial regulation, on the same lines as for the general budget, which lays down implementing provisions for the abovementioned internal agreement, particularly in respect of accounting and legal aspects;
- the normal rules on budgetary appropriations do not apply to the EDF; its appropriations are allocated to a limited number of operations i.e. multiannual operations for a period of at least five years, with precise ceilings which are laid down when the financing agreement is signed. The Commission thus administers several EDFs simultaneously until their respective closing dates. It should be said that these appropriations are not presented in budget

¹ The latest of these — the Lomé IV Convention — follows on from the Yaoundé I and II Conventions and, since 1975, the Lomé I, II and III Conventions. Lomé IV is scheduled to last for 10 years; only its financial protocol needs to be renegotiated after five years.

² In 1993 Eritrea, which had split from Ethiopia, joined the 69 countries which had signed the Lomé IV Convention.

³ By a decision establishing association with the Community, allowing them to benefit from the resources available under the internal agreement governing Lomé IV: ECU 140 million under the first financial protocol of Lomé IV.

form but are recorded at a later date in an accounting statement analysing the statement of revenue and expenditure (commitments and payments).

The EDF's legal and financial framework was changed by two events in 1993:

- The 5th EDF was officially closed, with the result that the Commission is now administering only the 6th and 7th EDFs. The balances from the 5th EDF were transferred to the 7th EDF.
- The EDF accounts unit, which used to be attached administratively to the Directorate-General for Development, now comes under the Directorate-General for Budgets, in line with the principle that authorizing officers and accounting officers ought to be separate.

Economic and political situation

The political situation and outlook have an indirect effect on the rate at which EDF activities are implemented.

In recent years, political developments in several ACP countries and the linkage established by the European Union and by the Convention itself (Article 5) between certain political principles and development cooperation have, on the whole, acted as a brake. At the end of 1993, seven ACP countries were covered to varying extents by aid suspension measures which the Union had adopted because of the climate of insecurity, the lack of progress towards democracy or the failure to respect human rights. It is estimated that at least ECU 150 million to ECU 200 million is not paid out as aid every year for this reason. Apart from these seven cases, other situations resulted in a significant slowdown in the rate of implementation, even though cooperation with the countries concerned has meanwhile resumed.

The rate of implementation for EDF operations in each country is also increasingly dependent on the economic situation and, in particular, the economic policies applied by

the authorities concerned in view of the link between the implementation of government measures and the grant of Community aid at the programming stage. This link applies either at the sectoral level alone — this is normally the case with each indicative national programme — or also at the macroeconomic level, for those ACP countries which qualify for the structural adjustment facility.

Developments at this level have not been speeded up by the deterioration of the economic and social situation in many ACP countries, due in particular to lower prices for raw materials and to the debt situation, or by the process of political transition.

EDF financing in 1993

The EDF was able to finance its operations as usual throughout 1993.

- (a) The EDF benefited from an ECU 262 million cash surplus at the beginning of 1993 corresponding to the available balance from 1992.
- (b) The Member States contributed a total of ECU 1 610 million, called up in four instalments on 20 January, 1 April, 1 July and 1 October.

The call for contributions still relates to resources under the financial protocol of the 6th EDF, which will not be exhausted until April 1994, after which resources will be called in for the first time under the 7th EDF.

Whereas it had initially been planned to call in ECU 1 750 million to cover EDF expenditure in 1993, the Commission, in its concern to gear calls for contributions as closely as possible to actual financing requirements, finally called in ECU 140 million less than planned.

- (c) With the addition of ECU 24 million from interest in 1993, the EDF had access to a total of ECU 1 896 million to cover expenditure in 1993.

Because of the difficulties encountered by the relevant authorities in reaching an agreement on Stabex year of application 1992 and the fact that the national indicative programmes lagged behind the payment forecasts, this ECU 1 896 million still appears excessive when account is taken of the Commission's wish to call in only what is needed to finance EDF expenditure. From the start of 1994 the Commission will concentrate its efforts on reducing the 1993 balance as quickly as possible.

EDF expenditure in 1993

Despite the economic and political situation, EDF expenditure reached a satisfactory level in 1993: ECU 1 372 million.

The year 1993 was effectively without Stabex. This largely explains why total expenditure was lower than the 1992 figure of ECU 1 910 million.

Whereas in 1992 Stabex payments amounted to ECU 612 million, only ECU 33 million went through in 1993, corresponding to the outstanding balance used to compensate for loss of earnings suffered in 1991.

With regard to compensation for loss of earnings in 1992, the system's lack of resources and the difficulty of reaching an agreement between the ACP side and the European Union on its financing led to a temporary blocking of the decision-making process and, for the first time since 1975, a year without Stabex. This situation has created a disbursement shortfall of some ECU 300 million.

TABLE 12

EDF (5th, 6th and 7th Funds)
Financing decisions and payments in 1993

(million ECU)

Instruments	Commitments	Payments ¹
Programmed aid	1 090.00	1 029.00
□ National indicative programmes	(1 126.63)	(727.00)
□ Structural adjustment facilities	(379.00)	(302.00)
Stabex	1.0	33.00
Sysmin	50.00	87.00
Risk capital	54.00	108.00
Interest subsidies	21.00	28.00
Emergency aid	84.00	43.00
Aid for refugees	29.00	23.00
Miscellaneous ²	302.00	21.00
Total	1 631.00	1 372.00

¹ Position in the EDF cash accounts.

² Mainly the outstanding balance of commitments transferred to the 7th EDF when the 5th EDF was closed.

Generally speaking, trends in EDF expenditure have in recent years been affected by fluctuations in Stabex expenditure. This phenomenon must be taken into account if the assessment is not to be distorted.

<i>million ECU</i>			
	Current expenditure	Stabex	Total
1991	1 002	189	1 191
1992	1 298	612	1 910
1993	1 339	33	1 372

In such circumstances, the performance of non-Stabex current payments is entirely satisfactory (ECU 1 339 million) since it is higher than the score achieved in 1992 (ECU 1 298 million), a year which had the advantage of payments which should normally have been charged to 1991.

Two comments can be made about non-Stabex payments in 1993:

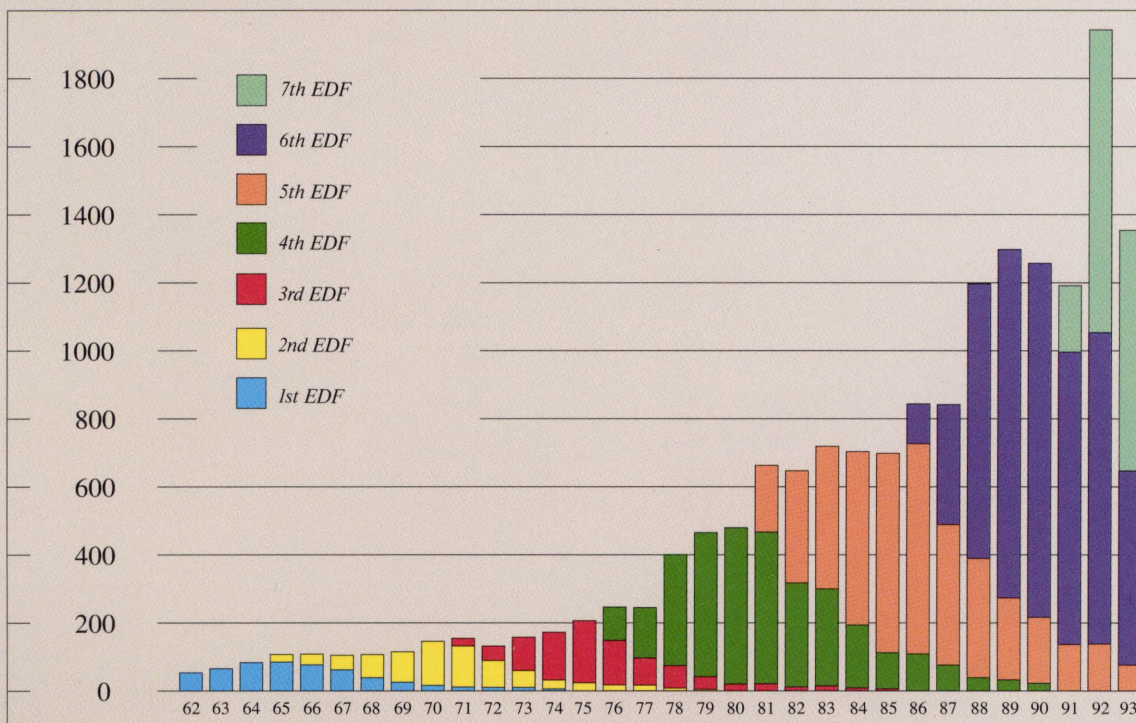
□ With ECU 302 million in payments, the structural adjustment facility maintains programmable aid at the high level reached in 1992. The growth and speed of implementation of structural adjustment support operations show the importance of this new instrument for the ACP countries and also for European Union-ACP cooperation itself, which faces absorption difficulties in its more traditional forms of aid, partly as part of the national indicative programming, for which there is a considerable fall in both commitments and payments.

□ The other forms of aid are progressing normally from one financial year to the next, particularly payments from risk capital which the EIB administers on the Community's behalf.

At the end of 1993 the EDF (all EDFs) still had to make payments of ECU 4 800 million in respect of the decisions (commitments) already made.

FIGURE 15
Annual EDF payments (1962-93)

(million ECU)



European Commission

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