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Report on the implementation
of Structural Interventions in 1986

(Commission communication to the Council and the European Parliament)

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I. INTRODUCTION

In presenting the results of its second reading on the 1986 budget, the Council invited the Commission : "to use the maximum of flexibility for assuring the proper functioning of the (structural) funds" and to submit to the Council "in the middle of 1986 a report on the situation"². The Parliament in its budgetary resolutions of 12.12.1985 and 13.3.1986 underlined the importance of the structural funds and, in the latter, asked the Commission "not to hold up any commitment or payment in the case of expenditure under the structural funds" and "to speed up presentation of the report"³ on the measures envisaged to eliminate the "burden of the past".

The present report to the budget authority responds to the urgent need for clarification and action; it shows that the Community faces serious difficulties concerning the implementation of all three structural funds (EAGGF-Guidance, ESF and ERDF), to a large extent due to the fact that the budgetary authority has not respected the balance of commitments and payments which the Commission had put forward in its preliminary draft budget (PDB) for 1986. On its basis, the Commission intends during the month of April to enter into a dialogue with Parliament and Council on how best to overcome the difficulties. In the view of the Commission, supplementary credits for the structural funds are necessary in order to safeguard their proper functioning; therefore the Commission will propose an increase in appropriations for the structural funds as part of a preliminary draft supplementary and rectifying budget for 1986.

(1) Structural Funds (EAGGF-Guidance, Social and Region Funds) and PIM line 551
(2) Amended and modified draft budget, document No. 1, 10773/85 (Budget-14), p. 3
(3) PE 104.780, PV 63 II

This report describes the budget situation for the three structural funds and the special PIM line 551 and the reasons why the problem exists; analyses the possibilities for flexibility; and, after examining the consequences of other alternatives, concludes that the most satisfactory solution would be to cover all 1986 payment needs by budgetary appropriations in 1986.

It also needs to be borne in mind that the Council and certain Member States have brought actions before the Court of Justice on the legality of the 1986 budget. Always depending on the terms of any judgment given by the Court this could, of course, influence what is said in this report.

II. THE BUDGET SITUATION IN 1986

This chapter addresses the following questions:

- What are the commitment and payment appropriations available ?
- On the basis of the volume and the timing of payment requests which are likely to be presented by Member States, what is the volume and the timing of payment needs ? Which part of payment needs relates to commitments made prior to 1986, which part to those to be made in 1986 and which part is not yet covered by 1986 commitment appropriations ?
- What is the corresponding shortfall in budgetary appropriations, if all payment needs are fully covered; and on the basis of presently available appropriations, when are the credits likely to be no longer sufficient in order to cover the payment needs ?
- What are the main reasons for the shortfall in budgetary appropriations ?

On these questions, an answer can be given only by making the best possible estimate (except for data relating to past events and figures in the budget which are known) on what is likely to happen in 1986. Based on past experience, the margin of forecasting uncertainties is relatively small for the structural funds, such that the answers which will be given have a relatively high degree of reliability.

A. Available appropriations

Tables 1 and 1 (a)-(c) provide a survey of commitments and payments available for the three structural funds and PIM line 551 in 1986.

For commitments, the following global facts appear :

- in its 1986 PDB, the Commission asked for 7 118 MECU¹ compared to 5 276 MECU in 1985;
- the Parliament agreed to 6 677 MECU², i.e. 94 % of the Commission's proposal;

(1) 1 521 MECU of this amount was estimated to be necessary for enlargement;

(2) 1 280 MECU of this amount was earmarked for enlargement.

- because of unused commitment appropriations from 1985 and appropriations likely to become available in 1986 by cancellations and exchange rate variations (compare Table 1 (b)), the available commitment appropriations are likely to amount to 7 812 MECU, i.e. about 1 150 MECU¹ more than the budget figure and about 700 MECU more than the Commission's proposal in the PDB.

For payments, the following global picture emerges :

- in its 1986 PDB the Commission asked for 6 060 MECU compared to 3 739 MECU in 1985; this amount took account of enlargement (451 MECU); PIMs (136 MECU) and commitments outstanding for payments (3 434 MECU);
- the Parliament agreed to 5 164 MECU, i.e. 85 % of the Commission's proposal;
- because of carry-overs, the available payment appropriations amount to 5 409 MECU, i.e. about 250 MECU higher than the budget figure and 650 MECU lower than the Commission's proposal in the PDB.

The budget authority has thus refused 441 MECU (6 %) of the Commission's proposal for commitments and 896 MECU (i.e. 15 %) of its proposal for payments. Moreover, additional appropriations for commitments (Table 1(b)) are likely to amount to 1 135 MECU compared to additional appropriations for payments (Table 1(c)) of 245 MECU. As a consequence, the ratio between payments and commitments declined from 85 % in the PDB to 77% in the budget and 69% in available appropriations².

B. Payment needs

Table 2 provides a synopsis of volume and timing of payment requests introduced by Member States. The first column shows the amounts of requests already introduced by 15 February 1986 for the three structural funds; the total is 1 884 MECU.

Columns 2-5 of Table 2 provide the best available estimate of the cumulative volume of payment requests which Member States will have submitted by the end of each quarter in 1986. Column 6 of Table 2 offers an appreciation on the margin of uncertainty of the total amounts of requests for each fund.

For EAGGF-Guidance and the Regional Fund, the estimates shown in Table 2 are based on the following working hypothesis :

- Member States will not accelerate the submission of payment claims on commitments made prior to 1986 because of the present budget difficulties³, and

(1) This amount, which is not in the 1986 budget, is not unusually high compared to previous years, but part of it is due to special circumstances, e.g. for PIMs. In making its PDB estimates of payment needs, the Commission took account of this factor.

(2) Compare Table 1 : 6 060/7 118 in the PDB; 5 164/6 677 in the budget and 5 409/7 812 in available appropriations.

(3) This could be the the case in the hope of being "first served". If Member States do not act in a responsible way, there is a real danger that the problem will be further accentuated.

- commitment decisions in 1986 will be taken in the normal way¹.

For the PIM line 551, the estimate is subject to a high degree of uncertainty because it is in the starting phase; on the other hand, programmes have already been submitted and decisions will be taken on them before the end of the year.

For the Social Fund, the timing of payment requests is determined to a considerable extent by the specific timing obligations in the Social fund regulation. The Commission will make the commitment decision by 30 April of this year; this will imply an automatic payment of the advances in the order of 1 300 MECU. Similarly, final payment requests with respect to 1985 commitments have to be submitted by 31 October of this year; they amount to roughly 1 000 MECU. Total commitments outstanding for payments with respect to the years 1984 and before amount to 1 676 MECU, on which payment requests of 1 200 MECU are likely to be made in 1986. The total volume of payment requests for the Social Fund is thus estimated at 3 500 MECU.

As a result, the total volume of payment requests from Member States is estimated at 7 605 MECU for 1986; 30 % will be introduced by the end of the first quarter, 60 % by the end of the second, and 75 % by the end of the third. This estimate has a forecasting margin, but it is improbable that Member States will introduce less than 7 300 MECU of claims and more than 8 000 MECU.

The figures in Table 2 will allow a close monitoring of the Commission estimates by comparing these with the request actually received.

Table 3 gives an estimate of the volume and timing of payments to be made by the Commission on the requests introduced by Member States as shown in Table 2. This is what would happen under the assumption that the necessary appropriations would be made available. The figures reflect the normal time it takes the Commission's Services to deal with Member States' payment requests (including related control missions). In the first three quarters, a somewhat longer delay can be due to the administrative necessity to concentrate on commitment decisions.

The total volume of payments to be made is estimated at 6 578 MECU, 15 % by the end of the first quarter, nearly 50 % by the end of the second and nearly 70 % by the end of the third. This would leave about 1 000 MECU of payment claims from Member States (mainly for the Social Fund) unpaid in 1986 and therefore to be paid in 1987².

(1) For the Social fund, the Commission intends to make use of possible flexibility, such that there will be one commitment decision in April; and not a second one later in the year as was the case in 1985.

(2) This is normal as some payment claims are only received in the middle of December and, for the Social Fund, the final payment claims for 1985 commitments are normally introduced in bulk in late October, a major part of which cannot be verified and paid before the end of the year.

The estimate of the volume of payments to be made has a forecasting margin, but it is improbable that it will be lower than 6 325 MECU and higher than 6 775 MECU.

Table 4 provides data for the breakdown of payment needs into those relating to commitments prior to 1986 and those relating to 1986 commitments; on the latter, the amounts earmarked for Spain and Portugal are also shown. The data as proposed in the PDB for 1986 in June last year are compared with the latest estimate of the Commission's Services taking account of the differences in the volume of commitment appropriations.

For payment on commitments prior to 1986, the comparison of the PDB figures with the latest estimates show that :

- for EAGGF-Guidance, the new estimate is 62 MECU, i.e. about 15 % lower than the PDB figure, mainly because of a slower than foreseen implementation of certain direct measures in Chapter 32 of the budget;
- for the Regional Fund, the difference is 173 MECU, i.e. about 10 % less; to a large extent, this can be explained by the 1985 budgetary transfer of 130 MECU from the non-quota section, which was made having regard to the slow implementation of some of the specific non-quota measures;
- for the Social Fund, the difference is 120 MECU, i.e. about 10 % more, due to insufficient payment credits in 1985;
- in total, the new estimate is 115 MECU (3.5 %) lower than the PDB figure.

For payment on 1986 commitments, the new estimate is higher than the PDB figures in all three structural funds :

- By 141 MECU for EAGGF-Guidance; this increase is largely due to indirect measures (124 MECU) for which a legal obligation for honouring Member States' reimbursement claims exists¹; the latest estimate is based on new information obtained from Member States very recently. The PDB figure has been a very conservative estimate.
- By 106 MECU for the Social Fund; this increase is entirely due to the fact that 288 MECU in commitment appropriations remain available from 1985².
- By 404 MECU for the Regional Fund, this substantial increase is mainly due to an original under-estimate in the PDB of the degree to which Spain and Portugal would make use of the possibility for advances and accelerated payments.

According to the new estimates shown on Table 4, the breakdown of 6 578 MECU for total payments to be made in 1986 is as follows :

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- (1) Since the reimbursements for EAGGF-Guidance indirect measures require an injection of commitments and payment appropriations, an additional 153 MECU in commitment appropriations is necessary for them.
 - (2) Since these are largely due to decommitments in 1985, the total volume of payments in the medium-term is not significantly affected.

- 3 198 MECU are needed to cover requests on commitments prior to 1986,
- 3 380 MECU are needed with respect to 1986 commitments, of which
 - * 3 227 MECU are related to existing commitment appropriations
 - * 153 MECU are not yet covered by available commitment appropriations, but a legal obligation for honouring Member States' reimbursement claims exists.

C. Shortfall in budgetary appropriations

Table 5 gives an estimate of the shortfall of payment credits by comparing payments to be made with available payment appropriations. The estimated shortfall of payment credits amounts to 1 169 MECU, 176 for EAGGF-Guidance¹, 500 for the Social Fund and 493 for the Regional Fund. The forecasting margin is roughly \pm 200 MECU. It is thus likely that an amount of at least 934 MECU and at most 1 364 MECU would be missing in payment appropriations in 1986, if the 1986 budget as adopted by the Parliament is not changed.

With respect to the timing of the payment problem, one can conclude from comparing payments to be made with the available appropriations (see Table 3, columns (4), (5) and (7)) that :

- the available payment appropriations are likely to be sufficient for all the structural funds until the end of September,
- for the Social Fund, a problem of lack of payment appropriations is likely to occur in October,
- for EAGGF-Guidance and the Regional Fund, the problem of lack of payment appropriations is likely to occur in November,
- for fisheries and the PIM line 551, payment appropriations are likely to be sufficient.

D. Reasons for the shortfall of credits

In its PDB for 1986 the Commission had asked for a substantial increase in payment appropriations for the structural funds. This was fully justified as the new estimates of payment needs confirm. The significant increase compared to 1985 can be explained by three main factors. First, commitments in the early 1980s have increased rapidly contributing to an ever rising volume of commitments

(1) In addition, 153 MECU in commitments for EAGGF-Guidance indirect measures would be necessary to cover the legal obligations for reimbursement.

outstanding for payment. In its annual report concerning the 1983 budget exercise, the Court of Auditors has drawn attention to this fact underlining that payments represented only about two thirds of commitment over a period of five years 1978-83 and that this proportion had even diminished since 1980¹. Secondly, the last revisions of the Funds improved payment efficiency in a significant way, by making larger provision for advances. Whereas in the years before the last revisions (i.e. before 1984), payments on new commitments in the year oscillated around 30 %, the figure for 1986 is estimated to be in the order of 40 %. Thirdly, the accession of Spain and Portugal does not only give rise to an important increase in commitment appropriations but this is also accompanied by corresponding payment needs.

Despite these objective factors, the budget authority did not follow the Commission's proposal and in the budget as adopted, payment appropriations were reduced by 896 MECU. For commitment appropriations the Commission's proposal was reduced by 441 MECU, on which payments of about 200 MECU could have been expected. In the budget as adopted there is thus an imbalance between commitments and payments in 1986 of about 700 MECU.

Table 4 shows that the new estimates for payments to be made largely confirm the PDB proposal made nearly a year ago, the main differences being :

- an increase of about 400 MECU due to an under-estimate of the degree to which Spain and Portugal would make use of the possibility for advances and accelerated payments in the Regional Fund;
- an increase of about 120 MECU for EAGGF-Guidance indirect measures based on new information obtained from Member States very recently.

(1) Court of Auditor report, point 1.10., O.J. C 348 of 31.12.1984, p. 11.

III. POSSIBILITIES OF FLEXIBILITY

As mentioned in the introduction, the Council invited the Commission to use the maximum of flexibility for assuring the proper functioning of the structural funds and the Parliament expects that the Commission does not slow down structural fund commitments and payments. For the Commission, flexibility is a matter in which Member States' responsibility is involved to a considerable extent. In fact, the possibility for flexibility concerning the payment of amounts which the Commission has committed lies in the first instance in their hands as they transmit payment requests to the Commission. For the Member States it is possible to decelerate the transmission of payment requests and to abstain from asking for advances and accelerated payments.

If Member States accelerate payment submissions in the hope of being first served, the payment situation would be aggravated. On the other hand, if Member States, after having been informed by the present report of the severity of the payment situation, themselves make a responsible selection of payment claims which need to be submitted to the Commission this year, the possibilities of finding a feasible solution to the payment problem would be enhanced.

For the Commission, two broad possibilities for flexibility exist from a technical point of view :

- variations of the amounts and the timing of commitments,

- variations of payments either directly by delay in the execution of requests or by fixing the amount of advances and accelerated payments at a lower level than asked for by Member States.

From a political point of view, both possibilities are unsatisfactory in that the problem is not solved but only displaced from one year to another. Moreover, any variation of commitments or payments risks to be arbitrary and artificial.

In the following, the technical feasibility of both possibilities for flexibility are analysed and the political consequences of making use of them are pointed out.

A. Volume and timing of commitments

Technical feasibility

Commitment appropriations available in 1986 fall into three categories : new credits in the 1986 budget, credits remaining available from 1985¹, credits becoming available from cancellations and exchange rate variations.

With regard to the utilisation of new 1986 commitment appropriations, the Treaty having conferred on the Commission the responsibility to implement the budget, and as commitment appropriations for dissociated credits have a lifetime of two years, it would be theoretically possible to delay the execution of part of the commitment appropriations to 1987. If part of commitment appropriations were used in 1987 rather than 1986, the corresponding payments, which represent on average about 40 %² of new commitments would also be deferred to 1987. Thus for the deferment of a certain amount of payments from 1986 to 1987, two and a half times of this amount would have to be deferred in commitments from 1986 to 1987.

If appropriations remaining available from 1985 are not used in 1986, they would be cancelled at the end of the year. The 620 MECU of 1985 credits remaining available in 1986 give rise to 252 MECU of payments in 1986, as shown in Table 6. The Commission intends to use these credits. But even if this were not the case, the payments of 29 MECU of indirect EAGGF-Guidance measures and 80 MECU of the Regional Fund and PIM line 551 would fall due in later years since for the indirect measures there is an obligation to reimburse national expenditure and the others relate to programmes for which the amounts are indicated in Council regulations³.

There is also the possibility for flexibility concerning commitment appropriations becoming available from cancellations and exchange rate variations. In the Regional Fund the recommitment of these amounts is obligatory. For the Social and EAGGF-Guidance Funds, this is not the case.

As to timing of the recommitment of credits made available, a positive answer with respect to flexibility can be given for the Social Fund. The Commission is prepared to agree that credits being made available are to be committed within the overall

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- (1) The financial regulation stipulates that dissociated credits have a lifetime of two years; as a consequence, unused 1985 credits remain automatically available in 1986.
 - (2) This amount varies significantly; for EAGGF-Guidance indirect measures, it is 100 %, for the Social Fund 50 %, for the Regional Fund about 35 % and for the EAGGF-Guidance direct measures about 5 %.
 - (3) This also implies, that corresponding new commitment credits would have to be found.

Social Fund decision (to be taken normally before the end of March) and are not to give rise to a separate commitment decision of the Commission in the course of the year, as was the case in 1985. In this way, the decision for recommitment and the corresponding payments of advances would be delayed for several months and would thus fall into the following budget year.

The 513 MECU of commitment appropriations estimated to become available in 1986 by cancellation and exchange rate variations would give rise to 153 MECU of payments in 1986 as shown in Table 6; the 73 MECU shown for the Social Fund would only occur in 1986 if a second Social Fund decision after 30 April were taken, an option which the Commission is prepared to forego. The amount of 73 MECU has therefore not been counted in the above estimation of payment needs.

Political consequences

A deferment of new 1986 commitment credits would be difficult to reconcile with the principle of annuality of the budget and the structural policies of the Community would be seriously damaged.

If other available appropriations are not used, there would also be major inconveniences. The Commission would act against the will of the Parliament which wanted to provide a certain envelope of Community help which is reduced if part of the financial activities are not carried out. Moreover, cancellations are often made in the less prosperous regions with particular administrative difficulties; this implies that in many cases the cancelled projects have a particularly high Community priority. Finally, there are far more demands for Community assistance in the Social Fund and for the direct measures in agriculture and fish than credits available. This means that projects of the same priority have to be excluded from financing. Moreover, in the case of EAGGF-Guidance, this has virtually no effect on payments in 1986.

B. Variation of payments

A delay in the execution of payment requests cannot be considered as a possibility for flexibility. Without prior agreement of beneficiaries, it would be seen as bad management. In the past, the Commission has made specific efforts to avoid unnecessary administrative delays in dealing with the payment requests. At present and in the future, not only the Commission's image as a management body would be at stake if artificial delays were introduced, but also the credibility of the Community involving the responsibility of all three institutions. Therefore, the Commission believes that such artificial payment delays should be avoided.

Reduction of advances and accelerated payments¹ - technical feasibility

For the Social Fund, the payment of advances is obligatory²; there is thus practically no possibility for flexibility. Concerning a possible reduction of advances and accelerated payments for the other financial instruments, the regulations stipulate that these may be granted. Moreover, for advances (but not accelerated payments) in the Regional Fund, it is stipulated that they may be granted "within the limits of budget balances"³.

For EAGGF-Guidance, non-compulsory advances are estimated to amount to 100 MECU, which, if stopped in 1986, would have to be paid in later years, most of it in 1987. For the Regional Fund, advances are estimated to amount to 350 MECU and accelerated payments to 400 MECU. If they were reduced or stopped in 1986, the corresponding amount would have to be paid in later years, in particular in 1987.

Reduction of advances and accelerated payments - political consequences

Advances and accelerated payments are offered with the objective of facilitating the realisation of investments. If it is felt that such advances are necessary for achieving the investment objectives⁴, the Commission cannot reduce these without putting into danger the economic efficiency of its operations. The discretionary reduction of advances risks suspending the action and breaking a political commitment entered into by Council and Commission as an important element of the revision of the funds.

For accelerated payments in the Regional Fund, the possibility to make use of them was not changed in the revised Regional Fund regulation; their reduction would be a step backwards, when the last revision provided for the additional possibility for advances, and would thus clearly be against the spirit of the last revision to improve payment efficiency.

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- (1) Advances are generally paid without proof of prior expenditure of the beneficiary; for accelerated payments, 30 % of expenditure must already have been incurred.
 - (2) This is also true for the EAGGF-Guidance measure based on regulation 771/85.
 - (3) Article 30.1 of regulation 1787/84
 - (4) In the Regional Fund, the possibility for advances and accelerated payments is not used in an automatic way by Member States.

IV. The most satisfactory solution

The analysis of flexibility has shown that its use will generally displace the problem from 1986 to later years. In a medium-term strategy, this implies that the total volume of payments is not affected; only the pattern of payments over the years is different. In the case where the shortfall of payment appropriations in 1986 is entirely covered by supplementary credits, the development of structural interventions is put on a sound financial basis for the future. If this is not the case, the problem of an imbalance between commitments and payments will persist possibly for a number of years.

Consequently, from a budgetary point of view, the most satisfactory solution to the shortfall of payment appropriations of 1 169 MECU in 1986 is the provision of supplementary appropriations to cover all of the shortfall. The same holds true from the point of view of structural policy as the discussion of the consequences of making use of flexibility has shown its major political inconveniences.

If the most satisfactory solution is adopted, the proper functioning of the structural funds would be safeguarded: problems for later years would be avoided; and an important step towards the necessary longterm balance between commitments and payments would be made.

Any possible alternative will necessarily be less satisfactory with respect to these major policy and budgetary considerations. Nevertheless, in 1986 there is a limited margin of own-resources below the 1.4 % ceiling for which competing needs from EAGGF-Guarantee, the Member State compensations and the structural funds exist.

All three institutions will therefore have to work together towards a feasible solution which, because of the limit on own resources, may not be the most satisfactory one. The Commission would like to stress its restricted margin of manoeuvre with respect to its use of the possibility for flexibility as well as the volume of supplementary credits it can propose for the structural funds. For the use of flexibility, a major responsibility lies with Member States and for supplementary credits it will be for the budget authority to decide on the Commission's proposal.

The Commission believes that the problem is best approached in the framework of a medium-term strategy. In such a strategy, there should be scope for the three institutions to agree on the political appropriate development of commitments having regard to the political declarations concerning increases in structural funds and the PIMs, and of the necessity for budgetary restraint for the coming years. The total volume of payments is, in a medium-term strategy, an automatic consequence of the decisions on commitments. Since this is an unchangeable fact it should also be possible to find an agreement on the most appropriate pattern of these payments during 1986-90.

V. SUMMARY

1. This report describes the budget situation for the three structural funds and the special PIM line 551 and the reasons why the problem exists; analyses the possibilities for flexibility; and, after examining the consequences of other alternatives, concludes that the most satisfactory solution would be to cover all 1986 payment needs by budgetary appropriations in 1986.

2. Summary of the budgetary problem in 1986

In 1986, there will be a shortfall of payment appropriations of at least 930 MECU and at the most 1 360 MECU with a most likely figure of about 1 170 MECU. 153 MECU of this amount concerns EAGGF-Guidance indirect measures, i.e. reimbursements to Member States which are due to legal obligations not yet covered by previous budgetary commitments, therefore requiring an injection of both commitment and payment appropriations.

The inability to pay, if no supplementary credits are made available, will occur first in the Social Fund, probably in October, and thereafter in the Regional Fund and EAGGF-Guidance, probably in November.

There are three main reasons for the problem :

- the budget authority has not respected the balance of commitment and payment appropriations as put forward by the Commission in its PDB for 1986 (accounts for about 650-700 MECU of the shortfall),
- the degree to which Spain and Portugal would try to make use of the possibility for advances and accelerated payments in the Regional Fund was under-estimated in the 1986 PDB (accounts for about 400 MECU),
- the estimate of reimbursements for EAGGF-Guidance in indirect measures in the 1986 PDB has to be revised upward taking account of the 1985 budget implementation and latest information supplied by the Member States (accounts for about 120 MECU of the shortfall).

3. Flexibility

The possibility for flexibility lies in the first instance in the hands of Member States; they can decelerate the transmission of requests and abstain from asking for advances.

With its possibilities for flexibility, the Commission can make a contribution to the 1986 shortfall of budgetary credits, but a massive use of theoretical possibilities for flexibility such as a significant reduction in advances or accelerated payments risks being incompatible with the proper functioning of the funds.

The Commission will decide on this matter in the light of its dialogue with the budgetary authority and the amount of supplementary payment appropriations which it will ask for in favour of the structural funds in the forthcoming supplementary budget.

4. The most satisfactory solution

From a budgetary and structural policy point of view, the most satisfactory solution to the shortfall of payment appropriations of 1 169 MECU in 1986 is the provision of supplementary credits to cover all of the shortfall. Nevertheless, because of the 1.4 % limit on VAT and competing needs from EAGGF-Guarantee, Member State compensations and the structural funds, all three institutions will have to work together towards a feasible solution which may not be the most satisfactory one. The Commission believes that this would be best done in the framework of a medium-term strategy.

Table 1 : Available appropriations for the three structural funds and PIM line 551

in Mio ECU

	Commitments				Payments			
	1985 budget	1986			1985 budget	1986		
		PDB (a)	budget (b)	available appropriations (c)		PDB (a) (d)	budget (e)	available appropriations (f)
EAGGF Guidance (incl fish)	856	1 014	889	1 022	719	925	790	828
Social Fund	2 010	2 441	2 371	2 809	1 410	2 399	2 033	2 125
Regional Fund	2 290	3 433	3 177	3 621	1 610	2 600	2 223	2 338
PIM Line 551	120	230	240	360	-	136	118	118
TOTAL	5 276	7 118	6 677	7 812	3 739	6 060	5 164	5 409

- (a) Preliminary draft budget: Commission proposal; for Spain and Portugal the Commission proposed 163 Mio ECU for EAGGF Guidance, 330 Mio ECU for the Social Fund and 1,028 Mio ECU for the Regional Fund in commitment appropriations; for payment appropriations the figures in footnote (d) were proposed.
- (b) For Spain and Portugal, the following amounts were put forward during the budgetary procedure: 140 Mio ECU for EAGGF Guidance, 310 Mio ECU for the Social Fund and 830 Mio ECU for the Regional Fund.
- (c) Budget figure plus unused appropriations from 1985 plus credits made available in 1986 by cancellations and exchange rate variations
- (d) Payment appropriations for commitments made prior to 1.1.86 were estimated at 527 Mio ECU for EAGGF Guidance, 1 204 Mio ECU for the Social Fund, 1 703 Mio ECU for the Regional Fund, and nothing for PIM line 551.
- (e) For Spain and Portugal, the following amounts were put forward during the budgetary procedure : 54 Mio ECU for EAGGF Guidance, 159 Mio ECU for the Social Fund and 257 Mio ECU for the Regional Fund.
- (f) Budget figure plus 1985 carry-overs.

Table 1. a. : Available appropriations : breakdown of EAGGF Guidance

in Mio ECU

	Commitments				Payments			
	1985 budget	1986			1985 budget	1986		
		PDB (a)	budget	available appropriations (c)		PDB (a)	budget	available appropriations (f)
EAGGF Guidance:								
- direct measures	352	458	392	456	298	389	318	331
- indirect measures	<u>434</u>	<u>476</u>	<u>418</u>	<u>447</u>	<u>394</u>	<u>476</u>	<u>418</u>	<u>443</u>
- total agriculture (Ch. 30-34)	786	934	810	903	692	865	736	774
- fish (Ch. 46)	70	80	79	119	27	60	54	54
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	856	1 014	889	1 022	719	925	790	828

N.B. For footnotes see Table 1.

TABLE 1(b)

COMMITMENT APPROPRIATIONS IN ADDITON TO THE 1986 BUDGET FIGURES

	Appropriations remaining from 1985	Appropriations becoming available in 1986*	Total
FEOGA-Guidance	90	43	133
- direct measures	24	40	64
- indirect measures	29	-	29
- total agriculture (ch. 30-34)	53	40	93
- fish (ch. 46)	37	3	40
Social Fund	288	150	438
Regional Fund	124	320	444
PIM Line 551	120	-	120
TOTAL	622	513	1135

* Estimates of decommitments and exchange rate variations

Table 1(c): Carryovers of payment appropriations in addition to 1986 budget figures

	Appropriations remaining from 1985
FEOGA-Guidance	38
- direct measures	13
- indirect measures	25
- total agriculture (ch. 30-34)	38
- fish (ch. 46)	-
Social Fund	92
Regional fund	115
PIM Line 551	-
TOTAL	245

Table 2: payment requests from Member States

	Already introduced (15.2.86)	Estimate of volume of payment requests				Margin
		31.3	30.6	31.9	31.12	
	(1)	(2)	(3)	(4)	(5)	(6)
EAGGF-Guidance	210	270	650	890	1085	1030-1140
- direct measures	91	140	225	315	400	380- 420
- indirect measures	109	115	400	540	630	600- 660
- total agriculture (chapters 30-34)	200	255	625	855	1030	980-1080
- fish (chapter 46)	10	15	25	35	55	50- 60
Social Fund	1145	1200	2600	2700	3500	3400-3700
Regional Fund	529	800	1400	2000	2900	2800-3000
PIM Line 551	-	-	-	100	120	100- 130
T O T A L	1884	2270	4645	5690	7605	7300-8000

Table 3: Payment needs compared to available appropriations

	Payments made 15.02.86	Payments to be made assuming full availability of appropriations				Margin	Available payment appropri- ations
		31.03	30.06	30.09	31.12		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
EAGGF-Guidance	27	150	250	560	1004	950-1030	828
- direct measures	24	80	150	250	350		331
- indirect measures	-	60	80	280	600	-	443
- total agriculture (chapters 30-34)	24	140	230	530	950		774
- fish (chapter 46)	3	10	20	30	54	-	54
Social Fund	0	170	1650	1900	2625	2525-2725	2125
Regional Fund	163	700	1300	1900	2831	2750-2900	2338
PIM Line 551	-	-	-	80	118	100- 118	118
TOTAL	190	1020	3200	4440	6578	6325-6775	5409

N.B.

Comparing payments to be made with the available appropriations, one can conclude:

- the available payment appropriations are likely to be sufficient for all the structural funds until the end of September,
- for the Social Fund, a problem of lack of payment appropriations is likely to occur in October, because at the end of September only 154 Mio ECU of credits will remain available,
- for EAGGF-Guidance and the Regional fund, the problem of lack of payment appropriations is likely to occur in November, because at the end of September 366 Mio ECU and 438 Mio ECU will remain available,
- for fish and the PIM line 551, payment appropriations are likely to be sufficient.

Table 4: Breakdown of payment needs

in Mio ECU

	PRELIMINARY DRAFT BUDGET					NEW ESTIMATES FOR PAYMENTS TO BE MADE				
	1986 commit- ments	1986 PAYMENTS				1986 commit- ments	1986 PAYMENTS			
		TOTAL	On commit- ments prior to 1986	On 1986 commit- ments	Of which for ESP, PO		TOTAL	On commit- ments prior to 1986	On 1986 commit- ments	Of which for ESP, PO
EAGGF-Guidance	1014	925	435	490	54	1022 ¹	1004	373	631 ¹	20
- direct measures	458	389	380	9	n.a.	456 ¹	350	324	26	20
- indirect measures	476	476	-	476	n.a.	447 ¹	600	-	600 ¹	-
- total agriculture (chapters 30-34)	934	865	380	485		903	950	324	626	20
- fish (chapter 46)	80	60	55	5	n.a.	119	54	49	5	-
Social Fund	2441	2399	1203	1196	159	2809 ²	2625	1323	1302	250-300
Regional Fund	3433	2600	1675	925	257	3621	2831	1502	1329	660
PIM Line 551	230	136	-	136	-	360	118	-	118	-
TOTAL	7118	6060	3313	2747	470	7812 ¹	6578	3198	3380 ¹	about 1000

¹ In addition, 153 Mio ECU in commitments would be necessary to cover the legal obligations for reimbursement concerning indirect EAGGF-Guidance measures.

² 150 Mio ECU of this will not be used in 1986, if, as intended, only one commitment decision is taken.

Table 5 Estimate of the shortfall of budgetary appropriations in 1986

	Best Estimate	Minimum	Maximum
EAGGF-Guidance	176	122	202
- direct measures	19		
- indirect measures	157 (1)		
- total agriculture (chapters 30-34)	176		
- fish (chapter 46)	0		
Social Fund	500	400	600
Regional Fund	493	412	562
PIM Line 551	0	0	0
TOTAL	1169 (1)	934	1364

(1) In addition, 153 Mio ECU in commitments would be necessary to cover the legal obligations for reimbursement.

Table 6: Payments in 1986 on commitment appropriations in addition to 1986 budget figures (compare Table 1(b))

	On appropriations remaining available from 1985	On appropriations becoming available in 1986	Total
FEOGA-Guidance	32	0	32
- direct measures	1 ¹	0	1
- indirect measures	29	0	29
- total agriculture (ch. 30-34)	30	0	30
- fish (ch. 46)	2	0	2
Social Fund	140	73	213
Regional Fund	40 ²	80	120
PIM Line 551	40 ²	-	40 ²
TOTAL	252	153	405

¹ These payments do not depend on the commitment, but on the obligation to reimburse national expenditure in applications of Council Regulations.

² These payments relate to programmes, for which the amounts are indicated in Council Regulations.