

Figures relating to Community revenue and expenditure 1980-1982

1. At their informal meeting in Naples on 17 and 18 May 1980 Foreign Ministers asked the Commission to produce for examination by Finance Ministers, figures relating to Community revenue and expenditure in 1980, 1981 and 1982. The Commission was requested to base their calculations for 1981 and 1982 on different hypotheses as regards expenditure in the agricultural guarantee and structural sectors of the Budget and to accompany the figures with a note of explanation.

2. In the attached tables, the Commission has, as requested, produced, in an abbreviated form, figures relating to the 1980 budget proposal (including the new agricultural figures); and for 1981 and 1982 figures resulting from two hypotheses each for agricultural guarantee and structural expenditure. Table A has been constructed in a manner designed to show the margin of potential unused Own Resources remaining after expenditure assumed in each hypothesis has been financed. Figures for 1979, the latest full and normal budget year, have been included in Table A for purposes of comparison.

3. The net positions of Member States resulting from the financing of the 1980 budget proposal and the different expenditure hypotheses for 1981 are to be found in Table B.

Figures relating to Community revenue and expenditure 1980-1982 :

Explanatory note

1. This note sets out briefly the salient characteristics of the attached tables. For a more detailed explanation, the footnotes appended to the tables should be consulted.
2. Table A contains a series of hypotheses regarding Community expenditure for the period 1980-1982. For 1981 and 1982 alternative hypotheses for agricultural guarantee and structural expenditure are shown. For agricultural guarantee the hypotheses are a 12% annual increase in expenditure over 1980 and a 18% annual increase in expenditure over 1980. For structural expenditure the hypotheses are the maintenance of its share of the budget attained in 1979 and a 20% annual increase over the 1979 level. For all the resulting columns Line G then shows the financial resources potentially remaining to the Community within the 1% VAT limit after the expenditure assumed in the hypothesis has been financed. The assumptions contained in each hypothesis are set out in detail in the footnotes attached to the tables.
3. Table B shows the net positions of Member States deriving from the expenditure hypothesis contained in Table A.
4. Table A is in no sense a forecast of policy intentions in relation to Community expenditure. Given the degree of uncertainty about the total size of the 1980 Budget, which would have to be the starting point for any forecast, the Commission has not thought it appropriate to produce revised triennial forecasts which could be highly misleading. Instead it seemed more useful to show the financial consequences for the Community budget and thus for the net positions of Member States of a variety of different combinations of possible expenditure levels in the agricultural guarantee and structural sectors. The hypotheses chosen for different expenditure levels is, necessarily, somewhat arbitrary, though experience shows that they are all within the bounds of possibility.
5. The figures for 1980 are, obviously, reasonably reliable (though it should not be forgotten that the budget authority has yet to act on the 1980 Budget proposal). Figures for 1981 and especially for 1982 are inevitably much less reliable not only because of the increasing likelihood that events will turn out differently from the hypotheses chosen but also because the techniques of calculation are, unavoidably, less accurate. (This applies with especial force to the calculation of the net balances where the financing key for 1981 has obviously had to be based on a best estimate).

Table A

6. For 1980, Table A shows that after the Commission's Budget proposal of February 1980 (updated for agriculture) has been financed, a margin of ±2150 MEUA of revenue remains potentially available for additional expenditure.

7. For 1981 and 1982, Table A shows different margins of revenue remaining potentially available for additional expenditure depending upon the expenditure hypothesis.

8. As could be expected, it can be seen clearly that it is the annual rate of increase in agricultural guarantee expenditure which has the most significant effect on the size of the margin of unused potential Own Resources. Thus if the increase in agricultural guarantee expenditure in 1981 is kept to 12% as compared with 1980, a margin of ±1900 MEUA remains (column 7) even allowing for an increase of 20% per annum over 1979 for structural expenditure. A repetition of this pattern of expenditure in 1982 results in a margin of ±1550 MEUA - column 15 (±2150 if structural expenditure is kept to its 1979 budget share - column 13). If on the other hand agricultural guarantee expenditure rises by 18% in 1981 as compared with 1980, the margin is reduced to ±1500 MEUA (column 9) even if structural expenditure is kept to its 1979 budget share (±1300 MEUA if structural expenditure rises by 20% per annum over 1979 - column 11.)

9. In 1982, a repetition of an annual 18% increase in agricultural guarantee expenditure results in the margin being brought down to 350 MEUA (column 17) even if structural expenditure is kept to its 1979 budget share. If structural expenditure is increased by 20% per annum over its 1979 level, the margin is totally exhausted and the 1% ceiling is reached.

Table B

10. Table B shows the net positions for Member States in relation, first, to the 1980 budget proposal updated to include the figures for agriculture and secondly in relation to the four columns for the 1981 hypothesis. Given the extreme uncertainty about the validity of hypotheses made in relation to 1982, the Commission has not considered it right to produce net positions for Member States for that year. To do so would have been to lend a spurious accuracy to the 1982 figures which should be regarded as giving only a general guide to a possible range of Community budgetary expenditure in that year.

11. For 1980, the figures in the top line of Table B differ from the latest series produced by the Commission in April (document SEC 601/2 of 19 April) because of the incidence of the additional expenditure on agricultural guarantee.

12. For 1981, it is interesting to note that the variation in the net positions of Member States resulting from the different hypotheses for that year is not great. As compared with 1980 however, the tendency is for those countries which are net beneficiaries increasingly to be so while the reverse is true of countries which are net contributors.

COMMUNITY REVENUE AND EXPENDITURE IN PAYMENTS - 1979-1982 :

- 1979 budget outturn
- 1980 budget proposal (including new agricultural figures)
- 1981 and 1982 figures based on certain hypotheses concerning the agricultural and structural sectors

Table A

I t e m	C O U M N	1979		1980		1981				1982											
		Budget and three supplementary budgets		New budget proposal +1.100 MEUA for agriculture guarantee		Agriculture guarantee 12% Increase on 1980		Agriculture guarantee 18% Increase on 1980		Agriculture guarantee 12% Increase on columns 5&7		Agriculture guarantee 18% Increase on columns 9&11									
		Structures remain at 1979 budget share (12.8%)	Structures increase at 20% pa over 1979 level	Structures remain at 1979 budget share (12.8%)	Structures increase at 20% pa over 1979 level	Structures remain at 1979 budget share (12.8%)	Structures increase at 20% pa over 1979 level	Structures remain at 1979 budget share (12.8%)	Structures increase at 20% pa over 1979 level	Structures remain at 1979 budget share (12.8%)	Structures increase at 20% pa over 1979 level	Structures remain at 1979 budget share (12.8%)	Structures increase at 20% pa over 1979 level								
Column	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
	MEUA	%	MEUA	%	MEUA	%	MEUA	%	MEUA	%	MEUA	%	MEUA	%	MEUA	%	MEUA	%	MEUA	%	
Operational expenditure	A	1725	11.9	1920	12.1	2200	12.0	2200	11.8	2200	11.6	2200	11.5	2400	11.8	2400	11.4	2400	10.8	2400	10.
Agriculture guarantee	B	10384	71.9	11500	72.8	13000	71.1	13000	69.9	13600	71.6	13600	70.8	14450	71.0	14450	69.0	16000	72.3	16000	71.
Structures	C	1840	12.8	1700	10.8	2350	12.8	2650	14.3	2450	12.8	2650	13.8	2600	12.8	3200	15.3	2850	12.8	3200	14.
Development cooperation	D	498	3.4	680	4.3	750	4.1	750	4.0	750	4.0	750	3.9	900	4.4	900	4.3	900	4.1	900	4.
Total A-D	E	14447	100	15800	100	18300	100	18600	100	19000	100	19200	100	20350	100	20950	100	22150	100	22500	100
Total potential own resources available within 1% VAT	F	16458		17950		20500		20500		20500		20500		22500		22500		22500		22500	
Margin of unused potential own resources	G	2011		2150		2200		1900		1500		1300		2150		1550		350		0	
VAT rate for line E	H		0.78		0.78		0.81		0.84		0.87		0.89		0.84		0.88		0.97		1.0

NET POSITIONS OF MEMBER STATES

- in relation to the 1980 budget proposal
- in relation to four expenditure hypotheses for 1981

Table B

Year	Hypothesis	Corresponding column in Table A	B	DK	D	F	IRL	I	L	N	UK
1980	New budget proposal taking account of additional 1,100 MEUA for agriculture	3	+484	+422	-1192	+15	+535	+808	+287	+425	-1784
1981	Agriculture guarantee increase 12%; structures 12.8% of budget	5	+600	+560	-1300	+30	+660	+800	+320	+560	-2240
	Agriculture guarantee increase 12%; structures increase 2% p.a. over 1979	7	+600	+560	-1360	+10	+680	+860	+320	+560	-2240
	Agriculture guarantee increase 18%; structures 12.8% of budget	9	+620	+580	-1360	+10	+700	+840	+320	+620	-2320
	Agriculture guarantee increase 18%; structures increase 20% p.a. over 1979	11	+620	+580	-1400	0	+700	+880	+320	+620	-2320

Footnotes

Table A

Revenue

1. For revenue available from Own Resources the figures are based on the latest estimates made by the Commission and agreed with the Member States in April. Thus the figures for 1980 are somewhat higher (±200 MEUA) than those contained in the budget proposal of February.

Expenditure

2. All figures are payments figures.

3. Table A is concerned with expenditure in relation to resources for the years 1980-1982. Figures for 1979, based on the final budget outturn, including the three supplementary budgets, have nevertheless been included for purposes of better comparison. As the Council is aware, for political reasons figures for payments in the 1980 Budget proposal, especially for structures, have been artificially compressed (there being no provision for a carryover into 1981). 1979, as the last full normal budget year, therefore provides a truer picture of the breakdown as between various sectors of expenditure and has therefore been chosen as the base year for structural expenditure.

4. For 1980 the expenditure figures have been taken from the Commission's budget proposal of February 1980 but with agricultural guarantee figures updated to take account of the carryover of 203 MEUA from 1979, market developments and the proposal now before Council. FEOGA Guarantee estimates for 1980 have thus risen by 1.100 MEUA (from 10.400 MEUA to 11.500 MEUA). Other expenditure figures remain unchanged from the February proposal.

5. For 1981 the assumptions are as follows :

(i) For operational expenditure (Line A) which includes the cost of the administration of Community institutions and of its personnel as well as the cost of collection of agricultural levies and customs duties and certain other payments, the estimates are based on the work done by the Commission in connexion with the preparation of the 1981 preliminary draft budget.

(ii) For agricultural guarantee expenditure (Line B) the two figures of 13000 MEUA and 13600 MEUA correspond to the two hypotheses of 12% and 18% respectively. The first figure of 13000 MEUA is that currently forecast for 1981 in connexion with the new agricultural proposals but it should be remembered that this does not include

provision for any price increase in 1981. (For reference, a 1% price increase for all products would increase the cost to the budget in a full year by about 150 MEUA.) In arriving at the figure of 13,600 MEUA for the 18% hypothesis, there has been no attempt to make assumptions about the possible cost of a price settlement, the extent of any savings or about market conditions that this figure would imply: the sole object of the exercise is to show the effect on the budget of this level of agricultural guarantee expenditure. This is true of all the figures (and percentages) for agricultural guarantee expenditure in columns 9 to 20.

(iii) "Structural" expenditure (Line C) is for the purpose of this table taken to include finance for the Regional and Social Funds, agricultural guidance, energy, research, industry, transport and the interest subsidies related to the European Monetary System. The first hypothesis, that of maintaining the proportion of the budget attained by this expenditure in 1979 (12.8%) has been chosen for the following reasons. In years following 1979 payments have to be made to honour commitments entered into in previous years. Even if therefore no new commitments regarding structural expenditure were entered into between now - mid 1980 - and the end of 1981, a certain level of structural expenditure, albeit on a declining curve, corresponding to commitments previously entered into, would be unavoidable. It does not however seem realistic to suppose that in the period in question, 1980-1982, a significant decline of this kind in structural expenditure would be acceptable and maintaining structural expenditure at the proportion attained in 1979 has therefore been taken as a minimum hypothesis. This in effect means that as shown in columns 5 and 9, structural expenditure increases at the same rate as total budget expenditure. This rate is of course different for the two columns (a reflection of the effect of the two agricultural hypotheses) but, because structural expenditure is a relatively small proportion of the budget, the difference in absolute terms is small.

The second hypothesis of a 20% annual increase over 1979 in structural expenditure has been chosen to provide a contrast to the first hypothesis. In the recent past (1977-1979) structural expenditure, taken as an aggregate in the budget has increased at the rate of about 20 to 25% a year.

(iv) Development cooperation expenditure (Line D) comprises estimated expenditure relating to that part of the Community's development policy including aid protocols and other international obligations which are borne on the Community budget (i.e. excluding the financing of the Lomé Convention which is at present borne by Member States separately).

6. For 1982, the basic assumptions outlined in paragraph 5 hold good.

(i) Thus the cost of operational expenditure (Line A) has been projected forward on the basis of its estimated annual rate of growth between 1980 and 1981.

(ii) For FEOGA guarantee expenditure (Line B) the alternative hypotheses of annual increases in expenditure over 1980 of 12% and 18% have been projected forward.

(iii) For structural expenditure (Line C) the alternative hypotheses explained in paragraph 5(iii) have been projected forward.

For 1981 and 1982 therefore, to obtain the trend lines between 1981 and 1982, column 13 should be read as following column 5, column 15 as following column 7, column 17 as following column 9 and column 19 as following column 11.

(iv) For development expenditure (Line D) the remarks in paragraph 5(iv) apply.

7. It should be noted that Table A does not take account of the operation of the Financial Mechanism in relation to the United Kingdom. In 1981 it is estimated that the operation of the Financial Mechanism in its present form would result in a payment to the United Kingdom of about 300 MEUA (-250 MEUA net). This would increase the VAT rate by about 0.02% points. No estimate is available for 1982.

Table B

8. The figures for 1981 have been calculated using the 1980 budget keys contained in Table 4 of document SEC(80)601 since these are the most up to date available. The key used for agricultural guarantee expenditure is that which excludes monetary compensatory amounts (MCAs). This is because it now looks in 1981 as if the incidence of MCAs on the net positions of Member States will be very much lower than seemed likely to be the case when the calculations for 1980 contained in SEC(80)601/2 were made.

9. The results have been rounded to the nearest 20 MEUA and as a result the sums of the national balances do not in all cases sum to zero.

