



COMMISSION OF THE EUROPEAN COMMUNITIES

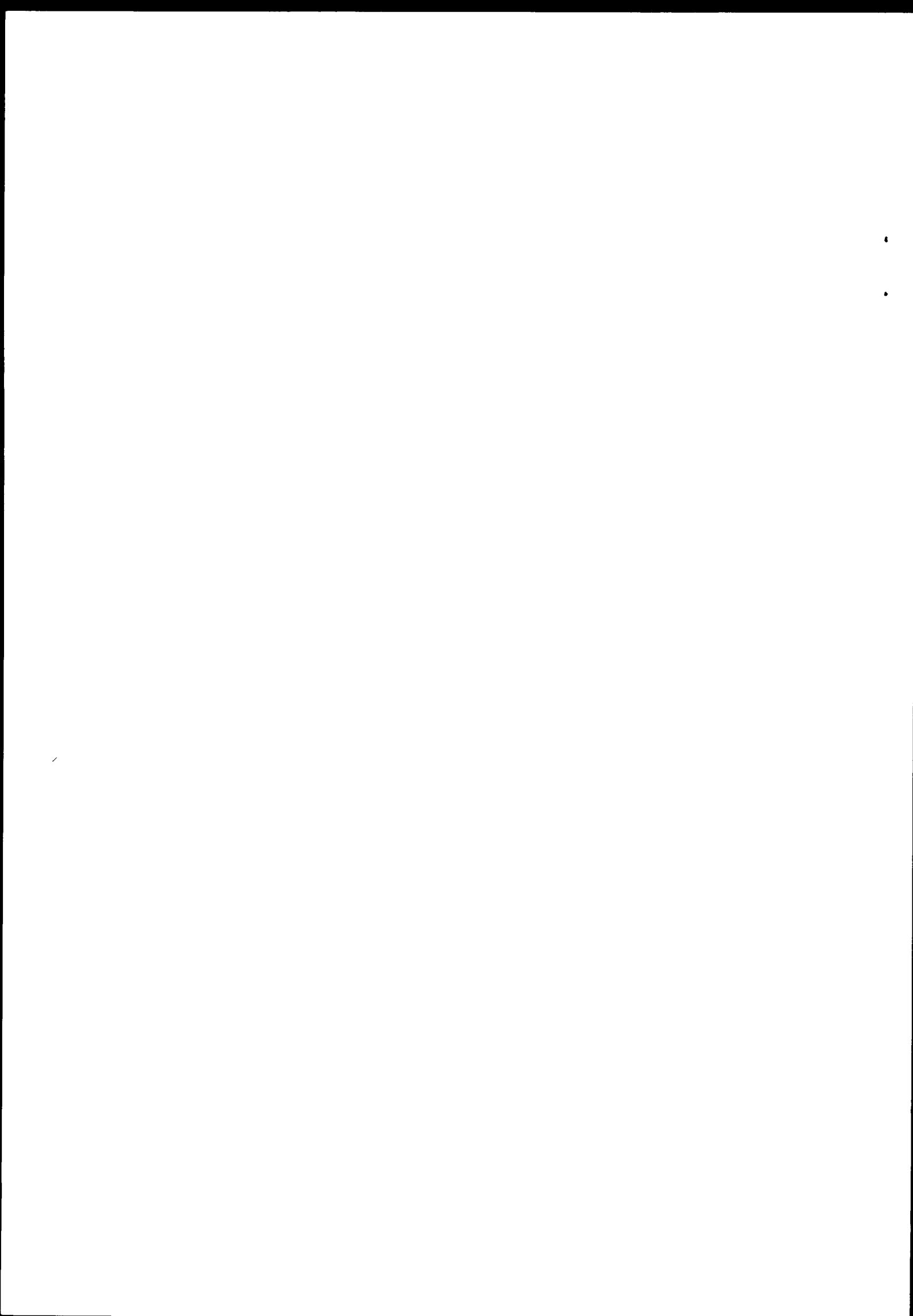
Brussels, 28.02.1996
SEC(96) 337 final

432.113

COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Technical adjustment of the financial perspective for 1997
in line with movements in GNP and prices

(Paragraph 9 of the Interinstitutional Agreement of 29 October 1993 on
budgetary discipline and improvement of the budgetary procedure)



1. The financial perspective framework for 1993-99 forms an integral part of the Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure.¹

The institutions agreed to adjust this financial perspective to allow for enlargement of the European Union.² The previous financial perspective table is thus replaced by the new table for the enlarged Community for 1995-99 which, like the original, is drawn up at constant 1992 prices.

Paragraph 9 of the Interinstitutional Agreement states that each year the Commission will, ahead of the budgetary procedure for year t+1, make a technical adjustment to the financial perspective in line with movements in gross national product (GNP) and prices.

The purpose of this communication is to present to the budgetary authority the result of this technical adjustment for 1997.

2. Table 1 sets out the macroeconomic data and forecasts used by the Commission to make the technical adjustment for 1997, which for the period 1995-97 are based on the latest economic forecasts presented by the Commission (in November 1995).

Since then, however, a noticeable slowing of growth has been reported in several member states. In this context, without wishing to prejudge the content of the economic forecasts expected next May, and solely for the purposes of this particular exercise, the Commission considers it prudent to hold itself to a real growth rate in 1996 of 2.0 % of Community GNP.

3. For heading 1, the agricultural guideline for 1997 is calculated in accordance with the Council Decision on budgetary discipline.³ The method of calculation is shown in Table 2. The economic parameters applied - both for real growth and the deflator - relate to the twelve-nation Community for the period 1988-95 and the fifteen-nation Community from 1996 onwards.

The amounts for the sugar and isoglucose levies, food aid refunds and ACP sugar refunds are based on the latest estimates available. In view of the adoption of the new special preference arrangements, all sugar imports from ACP countries have been taken into account for ACP sugar refunds for 1997 and for the calculation of the 1988 base.

4. For the other headings, the expenditure ceilings have been adjusted by applying the GNP deflator between 1992 and 1997, except for the EEA financial mechanism subheading in heading 2, the Monetary reserve subheading in

¹ OJ C 331, 7.12.1993.

² OJ C 395, 31.12.1994.

³ OJ L 293, 12.11.1994.

heading 6 and heading 7 (Compensation), which were fixed from the outset at current prices.

The economic parameters used relate to the twelve-nation Community for the period 1992-95 and the fifteen-nation Community from 1996.

However, in accordance with the decision on the adjustment of the financial perspective to allow for enlargement, the adjustment in respect of the amounts intended for the new Member States under the Structural Funds subheading in heading 2 has been based on 1995 prices. This procedure, described in Table 3, complies with the Act of Accession, which set these amounts at 1995 prices.

5. The ceiling for the Structural Funds subheading in heading 2 for 1997 (see Table 3) and the calculation of the overall ceiling on appropriations for payments between 1997 and 1999 also take account of the budgetary authority's decision to raise these two ceilings as part of the adjustment in line with the conditions of implementation prior to 1996.⁴
6. The results of these adjustments to the financial perspective for 1997 are set out in Table 4.

By way of indication, adjusted figures are given for the years 1998-99, expressed in constant 1997 prices. In extrapolating the agricultural guideline for these two years, a real GNP growth rate of 2.5% per year has been assumed.

7. The overall ceiling on appropriations for commitments thus comes to ECU 89 824 million for 1997 and the corresponding ceiling on the appropriations for payments required to ECU 85 607 million.

This leaves a margin of ECU 1 368 million, i.e. around 0.02% of GNP, between the ceiling on appropriations for payments and the own-resources ceiling based on current GNP forecasts.

8. This technical adjustment leads to a nominal increase of 3.7% in appropriations for commitments between 1996 and 1997. This increase is fairly moderate compared with the 3% increase in real terms provided for in the financial perspective at 1992 prices. This phenomenon is largely explained by the low cumulative deflator in ecu terms since 1992 (9.5% for the 1997 adjustment as against the 8.6% applied for the 1996 adjustment) due mainly to the downward revision of the 1995 deflator in ecus (see Table 1) because of the currency upheavals.
9. The fourth subparagraph of paragraph 6 of the Interinstitutional Agreement states that information relating to operations not included in the general budget and the foreseeable development of the various categories of own resources is to be set out

⁴ OJ C 126, 22.5.1995.

in tables, as an indication, and updated annually when the technical adjustment is made to the financial perspective.

The relevant information, based on the latest figures and forecasts available, is set out in Tables 5.1 to 5.3. It covers the EDF, the ECSC operating budget and the structure of own resources.

TABLE 1: COMMUNITY GNP - FIGURES AND FORECASTS

	1992	1993	1994	1995	1996	1997	97/92
Real growth rate (% per year)							
-Adjustment for 1993		1,4					
-Adjustment for 1994		0,6	1,8				
-Adjustment for 1995		-0,7	1,2	2,1			
-Adjustment for 1996(*)		-0,4	2,6	3,0	3,2		
-Adjustment for 1997(*)		-0,6	2,7	2,5	2,0 (**)	2,9	9,8
GNP deflator in ecus (% per year)							
-Adjustment for 1993		4,3					
-Adjustment for 1994		2,3	3,5				
-Adjustment for 1995		1,5	2,8	3,1			
-Adjustment for 1996(*)		1,5	2,0	2,1	2,7		
-Adjustment for 1997(*)		1,5	1,9	1,2	2,6	2,0	9,5
GNP at current prices (ECU billion)							
-Adjustment for 1993	5410	5720					
-Adjustment for 1994	5398	5558	5855				
-Adjustment for 1995	5405,4	5449,7	5668,5	5963,8			
-Adjustment for 1996							
EUR 12	5428,6	5483,0	5730,4	6026,9			
EUR 15				6458,9	6846,4		
-Adjustment for 1997							
EUR 12	5430,6	5476,5	5729,7	5942,4			
EUR 15				6383	6678,6	7014,1	

(*) The forecasts for 1993-95 relate to the twelve-nation Community. Forecasts for the fifteen-nation Community are used for 1996 and 1997.

(**) Working hypothesis incorporated solely for the purpose of this technical adjustment, out of a concern for budgetary caution.

TABLE 2: CALCULATION OF THE AGRICULTURAL GUIDELINE*
1997 financial year (Provisional figures)*

ECU million

1997		1996	
BASIC EXPENDITURE (1988 budget)		27.500	
<i>Less:</i>			
- sugar and isoglucose levy	1.540	1.540	
- food aid refunds	386	386	
- ACP sugar refunds	716	660	
- Subtotal	2.642	2.586	
CORRECTED EXPENDITURE (1988 prices)	24.858	24.914	
ANNUAL GNP GROWTH RATE			
1989	3,60%	3,60%	
1990	3,00%	2,90%	
1991	1,80%	1,70%	
1992	1,10%	1,00%	
1993	-0,60%	-0,40%	
1994	2,70%	2,60%	
1995	2,50%	3,00%	
1996	2,00%	3,20%	
1997	2,90%		
<i>Cumulative growth rate</i>	<i>20,61%</i>	<i>18,94%</i>	
<i>74 % of cumulative growth rate</i>	<i>15,25%</i>	<i>14,02%</i>	
CORRECTED EXPENDITURE (1988 prices)	28.650	28.407	
GNP DEFLATOR			
1989	5,10%	5,10%	
1990	4,50%	4,50%	
1991	5,20%	5,10%	
1992	3,50%	3,50%	
1993	1,50%	1,50%	
1994	1,90%	2,00%	
1995	1,20%	2,10%	
1996	2,60%	2,70%	
1997	2,00%		
<i>Cumulative growth rate</i>	<i>30,99%</i>	<i>29,70%</i>	
CORRECTED EXPENDITURE (1997 prices)	37.529	36.843	
IMPACT OF ENLARGEMENT			
GNP growth rate in 1995	7,42%	7,17%	
74% of growth rate	5,49%	5,31%	
CORRECTED EXPENDITURE	39.590	38.797	
Plus			
<i>Estimated needs (*) for:</i>			
- sugar and isoglucose levies	1.340	1.317	
- food aid refunds	95	84	
- ACP sugar refunds	766	630	
- Subtotal	2.201	2.031	
AGRICULTURAL GUIDELINE(*)	41.791	40.828	

(*) In accordance with the Council Decision on budgetary discipline, the final level of the specific factors used to calculate the agricultural guideline will be determined when the preliminary draft budget for 1997 is presented. The figure for the guideline will be reviewed at that time. The estimate shown in this table remains provisional until then.

TABLE 3: THE "STRUCTURAL FUNDS" SUBHEADING (1997 PRICES)

1997	FINANCIAL PERSPECTIVE (1992 prices)	BASIC DECISIONS		DEFLATOR	RESULT (1997 PRICES)
TOTAL	24980				28240
Former EUR 12(*)	24089	1992 PRICES	24089	1,095	26377
Three new Member States	891	1995 PRICES	949	1,047	994
1996 adjustment	869	Current prices	869	1	869
1998(**)	FINANCIAL PERSPECTIVE (1992 prices)	BASIC DECISIONS		DEFLATOR	RESULT (1997 PRICES)
TOTAL	26610				29157
Former EUR 12	25690	1992 PRICES	25690	1,095	28131
Three new Member States	920	1995 PRICES	980	1,047	1026
1999(**)	FINANCIAL PERSPECTIVE (1992 prices)	BASIC DECISIONS		DEFLATOR	RESULT (1997 PRICES)
TOTAL	28345				31056
Former EUR 12	27400	1992 PRICES	27400	1,095	30003
Three new Member States	945	1995 PRICES	1006	1,047	1053

(*) Including additional amount for Ireland for 1997, adopted as part of the adjustment in December 1995 (OJ C 395, 31.12.1995).

(**) For 1998 and 1999, the result at 1997 prices is merely a guide.

TABLE 4: FINANCIAL PERSPECTIVE**1996 ADJUSTMENT****APPROPRIATIONS FOR COMMITMENTS
ECU MILLION**

	Current prices			1997 prices	
	1995	1996	1997	1998	1999
1. COMMON AGRICULTURAL POLICY	37944	40828	41791	42557	43342
2. STRUCTURAL OPERATIONS	26329	29131	31086	32057	33903
Structural Funds	24069	26579	28240	29157	31056
Cohesion Fund	2152	2444	2738	2792	2847
EEA Financial mechanism	108	108	108	108	0
3. INTERNAL POLICIES	5060	5337	5603	5837	6060
4. EXTERNAL ACTION	4895	5264	5622	6030	6519
5. ADMINISTRATION	4022	4191	4352	4416	4482
6. RESERVES	1146	1152	1158	1158	1158
Monetary reserve	500	500	500	500	500
Guarantee	323	326	329	329	329
Emergency aid	323	326	329	329	329
7. COMPENSATION	1547	701	212	99	0
8. TOTAL APPROPRIATIONS FOR COMMITMENTS	80943	86604	89824	92154	95464
9. TOTAL APPROPRIATIONS FOR PAYMENTS	77229	82223	85607	88280	91046
Appropriations for payments as % of GNP (*)	1,20	1,20	1,22	1,23	1,24
MARGIN as % of GNP	0,01	0,02	0,02	0,03	0,03
OWN RESOURCES CEILING as % of GNP	1,21	1,22	1,24	1,26	1,27

(*) The figure for 1995 is based on the GNP used for the adjustment of the financial perspective as a result of enlargement.
The figure for 1996 is based on the GNP used for the technical adjustment for that year.

**TABLE 5: INDICATIVE PROGRAMME OF EXPENDITURE NOT ENTERED IN THE GENERAL BUDGET
AND PROSPECTIVE TREND IN THE VARIOUS OWN RESOURCES**

5.1. EUROPEAN DEVELOPMENT FUND

Forecasts of decisions (D) and payments (P)

ECU million - current prices

	1993		1994		1995 (**)		1996 (***)		1997		1998		1999	
	D	P	D	P	D	P	D	P	D	P	D	P	D	P
TOTAL	2005 (*)	1277	2372	1819	1520	1564	1250	1150	1923	1810	3600	2150	2500	2150

(*) ECU 373 million under the 5th EDF must be deducted from this total as the commitments have been cancelled.

(**) Provisional outturn.

(***) Because of political events in the ACP States the payments total is lower than in the regulation adopted by the Council last December when contributions were last called in.

5.2. ECSC OPERATING BUDGET

ECU million - current prices

	1993	1994	1995	1996	1997	1998	1999
	(1)	(1)	(2)	(3)	Estimates (4)		
TOTAL	596	465	331	247	185	120	100

(1) Outturn

(2) Provisional amount

(3) Budget forecast published in OJ

(4) Estimate in line with scenario contained in doc. SEC 1596(93) final of 23 October 1993.

5.3. OWN RESOURCES BY CATEGORY

% of total	Budgets adopted				Estimates based on adjusted financial perspective for 1997 (2)		
	1993	1994	1995	1996 (1)	1997	1998	1999
Traditional own resources	20	21	20	18	17	17	16
VAT	54	52	52	49	41	37	34
GNP	26	27	28	33	42	46	50

(1) Based on own resources decision currently in force.

(2) Based on own resources decision now being ratified.