

Bulletin  
of the European Communities

Supplement 6/78

**Preliminary draft general budget  
of the European Communities  
for the financial year 1979**

**General introduction**

(sent to the Council by the Commission on  
13 June 1978, and subsequently amended by the  
Letter of Amendment of 18 September 1978)

**EUROPEAN COMMUNITIES**

Commission

This publication is also available in the following languages:

|    |      |               |
|----|------|---------------|
| DA | ISBN | 92-825-0548-0 |
| DE | ISBN | 92-825-0549-9 |
| FR | ISBN | 92-825-0551-0 |
| IT | ISBN | 92-825-0552-9 |
| NL | ISBN | 92-825-0553-7 |

A bibliographical slip can be found at the end of this volume.

Articles and texts appearing in this document may be reproduced freely in whole or in part so long as their source is mentioned.

*Printed in Belgium 1978*

ISBN 92-825-0550-2

Catalogue Number: CB-NF-78-006-EN-C

---

# Summary

---

|   |    |
|---|----|
| <b>Foreword</b> . . . . .   | 5  |
| <i>Part 1</i>   |    |
| <b>Political presentation of the budget</b> . . . . .             | 7  |
| <i>Commission expenditure</i> . . . . .                           | 7  |
| <b>Policy guidelines and sectoral priorities</b> . . . . .        | 7  |
| <b>Expenditure by policies</b> . . . . .                          | 11 |
| Agricultural policy and fisheries . . . . .                       | 11 |
| EAGGF Guarantee Section . . . . .                                 | 11 |
| EAGGF Guidance Sector . . . . .                                   | 16 |
| Fisheries . . . . .   | 20 |
| Social policy . . . . .   | 22 |
| Regional policy . . . . .   | 24 |
| Energy policy . . . . .   | 27 |
| Research policy . . . . .   | 29 |
| Industrial policy . . . . .                                       | 31 |
| Development cooperation . . . . .                                 | 33 |
| Other intervention sectors . . . . .                              | 36 |
| <b>The General Budget and the ECSC Budget</b> . . . . .           | 38 |
| <i>The revenue of the European Communities</i> . . . . .          | 44 |
| Own resources accruing from VAT . . . . .                         | 44 |
| Breakdown of own resources among Member States . . . . .          | 44 |
| Estimates of own resources for 1979 . . . . .                     | 45 |
| <i>Borrowing and lending operations</i> . . . . .                 | 47 |
| <i>Part 2</i>   |    |
| <b>Legal and budgetary innovations</b> . . . . .                  | 51 |
| Principles of entering new policies in the Budget . . . . .       | 51 |
| Entry in the Budget of borrowing and lending operations . . . . . | 52 |
| Appropriations for commitment and for payment . . . . .           | 54 |
| Problems of the EUA . . . . .                                     | 56 |
| Revision of the Budget structure . . . . .                        | 59 |

*Part 3*

|   |    |
|---|----|
| <b>The Preliminary Draft Budget for 1979 in figures and comparison with the 1978 Budget</b> . . . . . | 63 |
| Block diagrams and pie charts . . . . .   | 65 |
| Summary Tables . . . . .  | 73 |

## Foreword

The 1979 Preliminary Draft Budget comprises 14 869 206 885 EUA in total appropriations for commitments and 14 059 513 840 EUA in total appropriations for payments; this represents, overall, an increase of

2 166 272 801 EUA (+17.08%) in total appropriations for commitments and 1 696 859 248 EUA (+13.73%) in total appropriations for payments *vis-à-vis* the 1978 Budget.

The following tables provide a summary of the appropriations for each of the Institutions:

Table 1 — *Total appropriations for commitments*<sup>1</sup>

| Institutions            | Appropriations 1978 |        | Preliminary Draft Budget 1979 |        | Increase for 1979 over 1978 |
|-------------------------|---------------------|--------|-------------------------------|--------|-----------------------------|
|                         | Amounts             | %      | Amounts                       | %      |                             |
| Parliament <sup>2</sup> | 100 424 612         | 0.79   | 111 089 905                   | 0.75   | + 10.62                     |
| Council <sup>2</sup>    | 97 117 702          | 0.76   | 104 942 900                   | 0.71   | + 8.06                      |
| Commission              | 12 478 076 795      | 98.23  | 14 617 144 575                | 98.30  | + 17.17                     |
| Court of Justice        | 17 332 920          | 0.14   | 21 267 200                    | 0.14   | + 22.70                     |
| Court of Auditors       | 9 982 055           | 0.08   | 14 762 305                    | 0.10   | + 47.89                     |
| Total                   | 12 702 934 084      | 100.00 | 14 869 206 885                | 100.00 | + 17.08                     |

<sup>1</sup> Taking account of the Second Supplementary Budget for 1978.

<sup>2</sup> The total appropriations for commitments are equal to the sum of the appropriations for commitment of the differentiated appropriations, i.e. of the appropriations for which a distinction is made between appropriations for commitment and appropriations for payment, plus the amount of the non-differentiated appropriations.

Table 2 — *Total appropriations for payments*<sup>1</sup>

| Institutions      | Appropriations 1978 |        | 1979 Preliminary Draft Budget |        | 1979 increase <i>vis-à-vis</i> 1978 |
|-------------------|---------------------|--------|-------------------------------|--------|-------------------------------------|
|                   | Amounts             | %      | Amounts                       | %      |                                     |
| Parliament        | 100 424 612         | 0.81   | 111 089 905                   | 0.79   | + 10.62                             |
| Council           | 97 117 702          | 0.79   | 104 942 900                   | 0.75   | + 8.06                              |
| Commission        | 12 137 797 303      | 98.18  | 13 807 451 530                | 98.21  | + 13.76                             |
| Court of Justice  | 17 332 920          | 0.14   | 21 267 200                    | 0.15   | + 22.70                             |
| Court of Auditors | 9 982 055           | 0.08   | 14 762 305                    | 0.10   | + 47.89                             |
| Total             | 12 362 654 592      | 100.00 | 14 059 513 840                | 100.00 | + 13.73                             |

<sup>1</sup> The total appropriations for payments are equal to the sum of the appropriations for payment for differentiated appropriations plus the sum of the non-differentiated appropriations.

The Community's Preliminary Draft Budget therefore represents 0.89% of its gross domestic product.

At the consultations between the European Parliament, the Council and the Commission on the 1977 Budget, a joint declaration was

adopted to the effect that it was agreed that the provisions of Article 203 should be applied separately to the total appropriations for commitments and the total appropriations for payments.

As regards non-compulsory expenditure, this means in practice that the maximum rate of increase for 1979 appropriations over that for 1978 will be applied not only to the total appropriations for payments but also to the total appropriations for commitments. The rate of 11.4% for 1979 represents 266.3 million EUA in total appropriations for commitments and 248.1 million EUA in total appropriations for payments. The same applies to the European Parliament's additional margin of manoeuvre, which will amount to half the maximum rate, i.e. 5.7%.

The two following tables thus illustrate the development of these two types of appropriations between 1978 and 1979, both as regards compulsory expenditure (CE) and non-compulsory expenditure (NCE).

Table 3 — *Total appropriations for commitments*

| 1978<br>million EUA | 1979<br>million EUA | Percentage<br>change |
|---------------------|---------------------|----------------------|
| 12 703              | 14 869              | + 17.08 %            |
| including           | including           |                      |
| — CE : 10 356       | — CE : 11 743       | + 13.40 %            |
| — NCE : 2 347       | — NCE : 3 126       | + 33.19 %            |

Table 4 — *Total appropriations for payments*

| 1978<br>million EUA | 1979<br>million EUA | Percentage<br>change |
|---------------------|---------------------|----------------------|
| 12 363              | 14 059              | + 13.73 %            |
| including           | including           |                      |
| — CE : 10 175       | — CE : 11 471       | + 12.74 %            |
| — NCE : 2 188       | — NCE : 2 588       | + 18.33 %            |

The financing of the 1979 Budget from revenue is expected to follow the following pattern:

Table 5 — *Financing of the 1979 Budget*

| Origin of revenue                     | 1978     | 1979     | Percentage<br>change |
|---------------------------------------|----------|----------|----------------------|
| (1) Agricultural levies               | 1 686.1  | 1 706.0  | + 1.2 %              |
| (2) Sugar/isoglucose levy             | 376.9    | 467.0    | + 23.9               |
| (3) Customs duties                    | 4 833.0  | 4 745.5  | - 1.8 %              |
| (4) GNP-based financial contributions | 5 330.8  | 6 982.5  |                      |
| (5) 0.77% of VAT                      |          |          |                      |
| (6) Miscellaneous                     | 135.9    | 158.5    | + 16.6 %             |
| Total                                 | 12 362.7 | 14 059.5 | + 13.7 %             |

The general introduction to the 1979 Preliminary Draft Budget which follows is made up of three parts:

*Part 1.* The political introduction of the budget begins with a presentation of the Commission's expenditure. After a summary of the policy guidelines and the sectoral priorities which characterize the preliminary draft budget, the various intervention policies and sectors are analysed. In addition, a section is devoted to relations between the general budget and the ECSC budget. This part will also include a summary relating to revenues and borrowing and lending operations, these last being given a totally new budget presentation.

*Part 2.* This presents the legal and budgetary innovations, the most important of which are the entering in the accounts of borrowing and lending operations, the expression of appropriations for the EAGGF Guarantee Section in EUA and not in green u.a. and the new presentation of Chapter 33 'Research and Investment Expenditure'.

*Part 3.* This includes a series of graphs and tables providing an easily understood quantified comparison of the 1979 and 1978 budgets.

## Part 1

# Political presentation of the budget

## Commission expenditure

### *Policy guidelines and sectoral priorities*

1. The Commission has tried to give a clear picture—in the volume and structure of the expenditure it is proposing to the Budgetary Authority and above all in the differential growth, in financial terms, of the various sectoral policies—of the compatibility with the major policy guidelines which must govern the development of the Community in the next few years, and particularly in 1979.

The Commission has made this effort to achieve coherence not only in respect of the guidelines which it suggested itself to the Council and the European Parliament in its Communication of 27 February 1978 on the comprehensive review of the Community's budget problems;<sup>1</sup> it also took a close look at the reactions and ideas which the Communication inspired in these two institutions and took account of them as fully as it could, compatible with its role of initiator in budgetary matters.

The Commission is therefore highly gratified by the quality of the discussion held on 3 April 1978 by the Ministers of Foreign Affairs and Finance meeting in Joint Council, which provided valuable pointers regarding the political readiness of the Member States for greater joint commitment in a number of sectors.

The European Parliament, for its part, set itself the task of drawing up its own guidelines on the budgetary and financial policy of the European Communities for 1979 in a detailed, substantial two-part report.<sup>2</sup> The Commission has drawn extensively on the ideas recommended by Parliament, just as it naturally took account of the position taken by Parliament during the last budgetary

procedure, particularly in its resolution of 26 October 1977.<sup>3</sup>

It taken the view that the ground has in this way been better prepared for a calm and constructive budget debate than in previous years. It goes without saying that the Commission has automatically embodied in its reflections the major political options which emerged from the meetings of the European Council, particularly the meeting held in Copenhagen on 7 and 8 April 1978.<sup>4</sup>

2. The Commission would like first of all to recall briefly a number of basic ideas which it outlined in its communication on the overall assessment of budget problems and which, it believes, were—generally speaking—favourably received. It then goes on to show how these ideas have been embodied in the 1979 Budget. These ideas are concerned with:

— aiming at improving the balance between agricultural expenditure and that devoted to the development of other policies;

— taking a selective approach leading, in a limited number of priority sectors, to a real transfer of policies from the national to Community level;

— bringing under the Community Budget activities which can more advantageously be dealt with—both politically and economically—at Community, rather than national, level;

— ensuring for Community policies, judged to be of a priority nature, a real and appreciable impact; this presupposes that they are provided with budget monies which reach 'takeoff level';

— entering in the budget, by allocating appropriations to them, only those new operations which can be launched in 1979, a small overall operational reserve being provided to cope with certain eventualities, so as to avoid an unnecessary inflation of the budget.

<sup>1</sup> Bull. EC 2-1978, points 2.3.4 to 2.3.7.

<sup>2</sup> Bull. EC 4-1978, point 2.3.68.

<sup>3</sup> OJ C 280 of 21.11.1977.

<sup>4</sup> Bull. EC 4-1978, point 1.2.2.

Table 1 — Trends in Community expenditure, by sector

(in EUA)

| Sectors   | 1978                                 |       |                                   |       | 1979                                 |       |                                   |       | Changes  |        |   |        |
|---|--------------------------------------|-------|-----------------------------------|-------|--------------------------------------|-------|-----------------------------------|-------|--|--------|---|--------|
|   | Total appropriations for commitments | %     | Total appropriations for payments | %     | Total appropriations for commitments | %     | Total appropriations for payments | %     | Total appropriations for commitments col. 3 : col. 1 |        | Total appropriations for payments col. 4 : col. 2 |        |
|   |                                      |       |                                   |       |                                      |       |                                   |       | Amounts  | %      | Amounts   | %      |
|   | 1                                    |       | 2                                 |       | 3                                    |       | 4                                 |       | 5  |        | 6   |        |
| <b>COMMISSION</b>                                   |                                      |       |                                   |       |                                      |       |                                   |       |  |        |   |        |
| <i>Intervention approps.</i>                        |                                      |       |                                   |       |                                      |       |                                   |       |  |        |   |        |
| Agriculture   | 9 181 958 700                        | 72.28 | 9 131 958 700                     | 73.87 | 10 476 904 000                       | 70.44 | 10 263 128 000                    | 73.00 | + 1 294 945 300                                      | +14.10 | + 1 131 169 300                                   | +12.39 |
| Social affairs                                      | 592 653 000                          | 4.67  | 559 107 000                       | 4.52  | 882 302 000                          | 5.93  | 748 182 000                       | 5.31  | + 289 649 000  | +48.87 | + 189 075 000                                     | +33.82 |
| Regional affairs                                    | 581 000 000                          | 4.57  | 525 000 000                       | 4.25  | 620 000 000                          | 4.17  | 390 000 000                       | 2.76  | + 39 000 000   | + 6.71 | - 135 000 000                                     | -25.71 |
| Research, energy, industry, transport               | 318 269 795                          | 2.51  | 295 336 303                       | 2.39  | 576 762 375                          | 3.88  | 520 265 330                       | 3.70  | + 258 492 580  | +81.22 | + 224 929 027                                     | +76.16 |
| Development cooperation                             | 558 742 000                          | 4.40  | 380 942 000                       | 3.08  | 705 233 900                          | 4.74  | 564 933 900                       | 4.02  | + 146 491 900  | +26.22 | + 183 991 900                                     | +48.30 |
| Other   | Token entry                          | —     | Token entry                       | —     | Token entry                          | —     | Token entry                       | —     | —  | —      | —   | —      |
|   | 11 232 623 495                       | 88.43 | 10 892 344 003                    | 88.11 | 13 261 202 275                       | 89.16 | 12 486 509 230                    | 88.81 | + 2 028 578 780                                      | +18.06 | + 1 594 165 227                                   | +14.64 |
| <i>Administrative approps.</i>                      |                                      |       |                                   |       |                                      |       |                                   |       |  |        |   |        |
| Staff   | 387 433 000                          | 3.05  | 387 433 000                       | 3.13  | 417 926 300                          | 2.82  | 417 926 300                       | 2.97  | + 30 493 300   | + 7.87 | + 30 493 300                                      | + 7.87 |
| Administration                                      | 105 594 200                          | 0.83  | 105 594 200                       | 0.85  | 121 140 500                          | 0.81  | 121 140 500                       | 0.86  | + 15 546 300   | +14.72 | + 15 546 300                                      | +14.72 |
| Information   | 13 018 000                           | 0.10  | 13 018 000                        | 0.11  | 12 010 500                           | 0.08  | 12 010 500                        | 0.09  | - 1 007 500  | - 7.70 | - 1 007 500                                       | - 7.70 |
| Aids and subsidies                                  | 44 808 100                           | 0.35  | 44 808 100                        | 0.36  | 48 015 000                           | 0.32  | 48 015 000                        | 0.34  | + 3 206 900  | + 7.16 | + 3 206 900                                       | + 7.16 |
|   | 550 853 300                          | 4.34  | 550 853 300                       | 4.46  | 599 092 300                          | 4.03  | 599 092 300                       | 4.26  | + 48 239 000   | + 8.76 | + 48 239 000                                      | + 8.76 |
| <i>Reserve</i>                                      |                                      |       |                                   |       |                                      |       |                                   |       |  |        |   |        |
| Chapter 100   |                                      |       |                                   |       | 50 000 000                           | 0.34  | 15 000 000                        | 0.11  | + 50 000 000   | —      | + 15 000 000                                      | —      |
| Chapter 101   | 5 000 000                            | 0.04  | 5 000 000                         | 0.04  | 5 000 000                            | 0.03  | 5 000 000                         | 0.04  | —  | —      | —   | —      |
| Chapter 102   |                                      |       |                                   |       | 10 000 000                           | 0.07  | 10 000 000                        | 0.07  | + 10 000 000   | —      | + 10 000 000                                      | —      |
| <i>Repayment to Member States 10% own resources</i> |                                      |       |                                   |       |                                      |       |                                   |       |  |        |   |        |
|   | 689 600 000                          | 5.43  | 689 600 000                       | 5.58  | 691 850 000                          | 4.67  | 691 850 000                       | 4.92  | + 2 250 000  | - 0.33 | + 2 250 000                                       | - 0.33 |
| Commission total                                    | 12 478 076 795                       | 98.23 | 12 137 797 303                    | 98.18 | 14 617 144 575                       | 98.30 | 13 807 451 530                    | 98.21 | + 2 139 067 780                                      | +17.14 | + 1 669 654 227                                   | +13.76 |
| <b>OTHER INSTITUTIONS</b>                           |                                      |       |                                   |       |                                      |       |                                   |       |  |        |   |        |
|   | 224 857 289                          | 1.77  | 224 857 289                       | 1.82  | 252 062 310                          | 1.70  | 252 062 310                       | 1.79  | + 27 205 021   | 12.10  | + 27 205 021                                      | +12.10 |
| Grand total   | 12 702 934 084                       | 100.— | 12 362 654 592                    | 100.— | 14 809 206 885                       | 100.— | 14 059 513 840                    | 100.— | + 2 166 272 801                                      | +17.05 | + 1 696 859 248                                   | +13.73 |



It is the Commission's view that these ideas should be embodied as from the 1979 Budget. At the same time, other reflections—particularly those concerned with the growing redistributive function which the Community Budget will be called on to assume in the march towards economic and monetary union and the tasks which will devolve upon the Budget when the Community is enlarged—were examined from a medium-term viewpoint and will therefore have little effect on the next budget. However, their effect is clearly visible in the 1979-81 triennial estimates.

3. The salient features of the proposals on expenditure which the Commission is submitting to the Budgetary Authority may be characterized as follows:

— There is a moderate overall increase in expenditure (+17.14% in total appropriations for commitments and +13.76% in total appropriations for payments) due, essentially, to a deliberate policy of containing agricultural expenditure;

— a firmer grip on agricultural expenditure (reflected in an increase of overall agricultural expenditure of 14.10% in total appropriations for commitments and of only 12.00% for EAGGF Guarantee) was achieved by a cautious price policy and adjustments of some market organizations;

— a better balance was struck between expenditure on guaranteeing the agricultural markets and expenditure on other sectors (65.3% and 34.7%, as compared with 68.5% and 31.5% in 1978);

— expenditure on agricultural structures will show a not inconsiderable increase (of 28.4% in total appropriations for commitments), necessitating considerable calls on the 'Mansholt reserve'; this growth occurs in an international context of structural changes and, above all, in the light of the enlargement of the Community;

— the idea of a massive and selective increase is embodied in two sectors: social policy/employment of young people (49.25% in total appropriations for commitments, an in-

crease in absolute terms of more than 280 million EUA) and energy policy (228% in total appropriations for commitments, an additional volume of more than 180 million EUA). The 1979 Budget will be largely dominated by these two policies. The Commission is counting on a favourable reception for its proposals, particularly in these sectors, in view of the unequivocal political priority accorded to them by the European Council, the Council and the European Parliament;

— in accordance with the guidelines already set out by the Commission, two other sectors are marked by a substantial increase, though by an appreciably smaller one than in the abovementioned sectors;

— industrial policy, as regards both the reorganization of crisis sectors and the development of high-technology sectors (data processing, in particular): an increase of 64.82% in total appropriations for commitments, but obviously involving relatively modest sums, 25.7 million EUA; and development cooperation: an increase of 26.22% in total appropriations for commitments, roughly 146 million EUA, this policy to be seen increasingly as a factor in the general restoration of the world economy;

— the impact of fisheries policy—now for the first time with the various (internal and external) facets of its market and structural intervention consolidated—is another feature on the expenditure side; its cost is substantially increased: approximately 140 million EUA in total appropriations for commitments;

— the regional policy sector, which is likely to experience a substantial increase on the march towards economic and monetary union, i.e. in the medium and long term, should be marked in 1979 by the creation of a slot for the 'non-quota' section.

The Commission takes the view that this outline of expenditure represents nothing more than the coherent budgetary reflection of a series of policy guidelines which have been defined as the next stages on the road to European integration.

Table 2 — Changes in appropriations for agricultural policy and fisheries

(en UCE)

| Chapter | Heading   | 1978                             |                               | 1979                             |                               | Absolute increase<br>col. 3<br>col. 1 | %       | Absolute increase<br>col. 4<br>col. 2 | %       |
|---------|---|----------------------------------|-------------------------------|----------------------------------|-------------------------------|---------------------------------------|---------|---------------------------------------|---------|
|         |   | Appropriations<br>for commitment | Appropriations<br>for payment | Appropriations<br>for commitment | Appropriations<br>for payment |                                       |         |                                       |         |
|         |   | 1                                | 2                             | 3                                | 4                             |                                       |         |                                       |         |
| 31      | Expenditure in the agricultural sector  | 7 993 700                        | 7 993 700                     | 9 234 000                        | 9 234 000                     | + 1 230 300                           | + 15.5  | 1 240 300                             | + 15.5  |
| 60-78   | Titles 6 and 7<br>EAGGF Guarantee Section   |                                  |                               |                                  |                               |                                       |         |                                       |         |
|         | — common organization of markets  | 7 684 650 000                    | 7 684 650 000                 | 8 908 900 000                    | 8 908 900 000                 | +1 224 250 000                        | + 15.93 | +1 224 250 000                        | + 15.93 |
|         | — monetary compensatory amounts   | 992 600 000                      | 992 600 000                   | 809 200 000                      | 809 200 000                   | - 183 400 000                         | - 18.5  | - 183 400 000                         | - 18.5  |
|         |   | 8 677 250 000                    | 8 677 250 000                 | 9 718 100 000                    | 9 718 100 000                 | +1 040 850 000                        | + 12.0  | +1 040 850 000                        | + 12.0  |
| 80-86   | EAGGF Guidance Section<br>(with Chap. 86 = common measures in the Fisheries sector) | 478 500 000                      | 428 500 000                   | 639 970 000                      | 478 194 000                   | + 161 470 000                         | + 33.75 | + 49 694 000                          | + 11.60 |
| 80-85   | EAGGF Guidance Section <sup>1</sup><br>(without Chap. 86)                           | 473 400 000                      | 423 400 000                   | 607 870 000                      | 463 094 000                   | + 134 470 000                         | + 28.41 | + 39 694 000                          | + 9.3   |
| 86-89   | Fisheries policy  | 23 315 000                       | 23 315 000                    | 141 700 000                      | 72 700 000                    | + 118 385 000                         | +507    | + 49 385 000                          | +211    |
|         |   | 9 181 958 700                    | 9 131 958 700                 | 11 116 874 000                   | 10 741 322 000                | +1 934 915 300                        | + 21.07 | +1 609 363 300                        | + 17.62 |

<sup>1</sup> Appropriations under Chapters 80 to 86 are given on a double line for the following reasons:

(a) Chapters 80 to 86 deal with appropriations (= 'common measures') to be covered by the statutory allocations for the EAGGF Guidance Section (325 million EUA+Mansholt Reserve).

(b) Chapter 86 (common measures in the fisheries sector) is covered both by the Guidance Section and the fisheries policy (=Chaps. 86 to 89).

## *Expenditure by policies*

4. The Commission is aware that the presentation of the previous chapter might be thought of as over-simplified in view of the stress it places on a few outstanding features. A more detailed breakdown of expenditure in the principal sectors is therefore given in this chapter.

### **Agricultural policy and fisheries**

#### *EAGGF Guarantee Section*

**Agricultural expenditure: a consequence of the regulations in force**

5. The appropriations proposed by the Commission to the Budgetary Authority reflect the agricultural policy as laid down by the Council. Estimates of expenditure are drawn up on the basis of the current rules governing the common organizations of markets; the prices and related measures adopted by the Council at its meeting on 9 and 10 May are taken as applying throughout 1979.

The following estimates do not therefore take into account:

- (a) the annual review of agricultural prices, often accompanied by related measures, which will take place in the spring of 1979;
- (b) future changes to certain market organizations, designed to make them more efficient; such changes might be introduced when the adjustment of prices is proposed.

The expenditure arising from monetary compensatory amounts has been estimated on the basis of the decisions which the Council took at its meeting on 9 and 10 May: the unreliability of any estimates in this field should, however, be stressed.

In the Commission's view, it is essential to stress once more that the amount of expenditure by the EAGGF Guarantee Section is governed not by budgetary authorization, i.e. by opening budget appropriations, but by the

legislation on the common organization of the various markets. The budget merely reflects those rules; its is an instrument of implementation and management, not an instrument for influencing the causes of expenditure. That is how the Commission views the matter; it is within the framework of the basic rules that the Commission proposes measures and adjustments whereby a closer check may be kept on agricultural expenditure.<sup>1</sup> Parliament is consulted on such proposals.

#### **General policy guidelines for 1979**

6. Broadly speaking, the Commission will concentrate on the following areas:

- Cautious agricultural price policy;
- Continued search for a balance between supply and demand on the markets;
- Additions to the existing market organizations;
- Reduction of monetary compensatory amounts.

#### *Cautious agricultural price policy*

7. In recent years the average farm price increase laid down by the Council in units of account, following proposals from the Commission, has been lower than the increase in the general level of prices. It should be noted that food prices have risen faster than farm-gate agricultural prices, partly because of the increase in value added in foodstuffs (processing and marketing of produce supplied by farmers).

This trend towards a moderate increase in agricultural prices was particularly strong in 1978 and will continue into 1979. It takes account of consumer interests at a time of reduced general economic growth and will contribute in the long run towards a sounder balance on agricultural markets.

---

<sup>1</sup> Points 7 to 10.

While this trend is having a favourable effect on the general level of expenditure by the EAGGF Guarantee Section, the transition towards more balanced agricultural markets may call temporarily for the maintenance or the raising of certain aids granted under the common organization of markets, including aids to stimulate consumption of certain agricultural products.

*Continued search for a balance between supply and demand on the markets*

8. The Commission will continue to implement or to propose to the Council measures aimed at ensuring a sounder balance between supply and demand on the agricultural markets, notably by making certain intervention mechanisms more flexible.

To take three examples, the non-marketing premiums for milk and the conversion premiums have been extended to 1978/79, the reform of the common organization of the market in cereals continues and the intervention arrangements in the beef and veal sector are being made more flexible. The Commission will also continue its efforts to reduce stocks of skimmed-milk powder, which are still very large, and to encourage the direct use of skimmed milk in animal feed; although this will temporarily increase the burden on the EAGGF, it will reduce expenditure in the long term.

The following factors should, however, be stressed:

— the effects of an uncertain climate on Community production and the fluctuations on world markets preclude the automatic achievement of balance, even where it is planned for;

— in the case of products in which self-sufficiency has almost been reached, a small variation may cause a sudden imbalance on the markets; such self-sufficiency has advantages, however, as regards security of supplies;

— lastly, a certain stock of products is useful for ensuring security of supply, thereby helping to regulate consumer prices.

*Additions to the existing market organizations*

9. Two aspects should be noted: the adoption of new provisions relating to products from Mediterranean regions and the expansion of the common organization of markets to include new sectors. As regards Mediterranean products, this mainly involves a substantial amendment to the common organization of the market in olive oil, the effects of which should prove beneficial to both the producer and the consumer.

Amendments have also been made to the organization of the market in products processed from fruit and vegetables. These changes, although they mean an increase in EAGGF expenditure, enable the European processing industry to remain competitive, and at the same time they assure producers of an adequate income. In accordance with the declarations of May 1978, market organizations will be established for sheepmeat<sup>1</sup> and potatoes. Work will also continue on establishing a common organization of the market in alcohol. These measures will improve the Community's scope for action, but will entail a certain increase in expenditure by the EAGGF Guarantee Section.

*Reduction of monetary compensatory amounts*

10. The Council has adopted the objective of phasing out the present monetary compensatory amounts (MCAs), under a satisfactory pricing policy and more stable relationships between the Member States' currencies. This policy should cut expenditure on MCAs, provided that certain currencies do not depreciate in value.

In conclusion, the agricultural markets and prices policy, which has attained a high degree of European integration, must be pursued, with the aim of consolidating the Community's achievements so far and making the policy more effective.

---

<sup>1</sup> Bull. EC 5-1978, point 2.1.72.

The financial consequences of the  
EAGGF Guarantee Section

11. It is proposed that the Budgetary Authority enter in respect of the EAGGF Guarantee Section (Titles 6 and 7) for the 1979 financial year:

(in million EUA)

|  |         |
|--|---------|
| — for expenditure on the common organization of the markets: | 8 908.9 |
| — for monetary compensatory amounts:                         | 809.2   |
|  | <hr/>   |
| Total  | 9 718.1 |

These appropriations give rise to a number of comments as to:

- their share of the total Budget;
- their structure;
- their trend in relation to previous expenditure;
- their offsetting by revenue from the agricultural policy.

It should be noted that, for the reasons set out below,<sup>1</sup> General Introduction, EAGGF Guarantee Section appropriations are now expressed in EUA, as are all other appropriations in the Budget; this entails the deletion of the Budget heading used in the past for the 'dual rate'.

*The Guarantee Section's share of the total Budget*

12. The 9 718.1 million EUA proposed for the EAGGF Guarantee Section represents 69.1% of the appropriations proposed in the 1979 preliminary draft Budget, 63.4% for the organization of markets and 5.7% for monetary compensatory amounts.

The magnitude of the EAGGF Guarantee Section's share of the total Budget calls for a number of comments:

- The common policy for markets and prices is a Community one and its financing, which is also on a Community basis, almost totally replaces the various national arrangements;
- While expenditure on agriculture has in the past sustained a fairly constant growth

rate, it seems likely that 1979 will witness a reduction in the rate of increase;

— The EAGGF Guarantee Section's share is diminishing slightly each year, especially as a result of Community financing being extended to other non-agricultural measures and their increasing share of the Budget;

— Expenditure in respect of the Guarantee Section (including that under Chapters 60 to 75, which does not comprise expenditure of a monetary origin), although charged to the agricultural sector, does not benefit Community agricultural producers exclusively;

— A significant proportion comes under the Community's external policy. This is the case, for example, with the supplementary expenditure attributable to ACP sugar (approximately 380 million EUA for 1979) and the additional sum required to balance the market in butter as a result of the Protocol No 18 agreement concerning New Zealand butter (approximately 240 million EUA in 1979);

— A considerable proportion also benefits Community consumers. In some cases the EAGGF pays the difference between the cost of production and the consumer price. The system of organizing the principal markets also shields food prices from fluctuations on the world market. This guarantees consumers stable prices and benefits the economy as a whole. The system is managed in such a way that adequate supplies are always available to the consumer, and this can only be achieved at additional cost;

— Finally, in this period of crisis the economy as a whole can only benefit from the fact that, owing to the EAGGF appropriations, purchasing power and employment and investment capacity are not falling excessively in the agricultural sector.

*The structure of EAGGF Guarantee Section appropriations*

13. The structure of specifically agricultural expenditure may be examined first from the

<sup>1</sup> Point 79.

point of view of the products in question and secondly by reference to the economic nature of the measures employed to regulate markets.

— *Breakdown according to sectors or products:* Chapters 60 to 75, covering the sectors and products which are subject to the common organization of markets, receive approximately 8 908.9 million EUA allocated as follows:

|                        | <i>(in million EUA)</i> |           |
|------------------------|-------------------------|-----------|
| Milk and milk products | 3 740.5                 | i.e. 42 % |
| Cereals                | 1 861.3                 | 20.9%     |
| Sugar                  | 1 004.6                 | 11.2%     |
| Oils and fats          | 522.9                   | 5.8%      |
| Beef and veal          | 488.3                   | 5.4%      |
| Fruit and vegetables   | 326.5                   | 3.7%      |
| Tobacco                | 262                     | 2.9%      |
| Wine                   | 141.4                   | 1.6%      |
| Pigmeat                | 84.9                    | 1 %       |
| Other sectors          | 476.5                   | 5.3%      |

The high proportion of expenditure on the six principal sectors, amounting to 89% of total expenditure, obviously reflects the significant proportion of farm acreage devoted to cereals and fodder crops and the system of market organization adopted for oils and fats and tobacco, which consists of production aid and consequently places a heavy burden on the Budget.

Since 1973 the percentages for each sector have varied only slightly, except in three cases (cereals, sugar and beef and veal) where they have fluctuated sharply:

— Expenditure on cereals fell from 30% in 1973 to approximately 15% in subsequent years, but has risen again to around 20.9% in 1979;

— Expenditure on sugar is approximately 11.3%, whereas from 1973 to 1976 it was around 4%.

— Expenditure on beef and veal, which in 1973 was 0.5%, rose to 25% in 1975 and has fallen to 5.5% in the 1979 Preliminary Draft Budget;

— The proportion for milk remains very high at 42%.

It should also be pointed out that, while cereals account for a considerable proportion of expenditure, they are responsible for by far the greatest share of levies. Sugar also accounts for a significant proportion of agricultural revenue (more than 20%).

*Breakdown by economic nature of specifically agricultural expenditure:* Table 3 provides a breakdown by economic nature of EAGGF Guarantee Section expenditure, distinguishing between refunds (on both trade and food aid), compensation, guidance premiums and 'other' expenditure.

Compensation means internal aid granted under the prices mechanism depending on price levels (for example, production aid for olive oil or aid for liquid skimmed milk). Guidance premiums are premiums designed to have a direct impact on production policy (such as premiums to cease milk production, or calving premiums to encourage the reconstitution of herds). The 'Other' category covers various measures such as market withdrawals and distillation.

This breakdown by economic nature is merely indicative, since, owing to its own constraints (those imposed by the agricultural legislation) the budgetary nomenclature classifies expenditure according to its legal basis and the two types of breakdown do not necessarily coincide. It can be seen that the expenditure thus broken down according to the economic nature of the different measures adopted for the management of the markets falls into a number of groups of very unequal size:

|                      | <i>(in million EUA)</i> |            |
|----------------------|-------------------------|------------|
| — Export refunds:    | 4 293.1                 | i.e. 48.2% |
| — Compensations:     | 3 254.3                 | i.e. 36.6% |
| — Storage costs:     | 1 027.7                 | i.e. 11.5% |
| — Guidance premiums: | 146.3                   | i.e. 1.6%  |
| — Other:             | 187.5                   | i.e. 2.1%  |

Export refunds therefore account for the largest proportion (approximately 48%) of Guarantee Section expenditure, excluding expenditure that is monetary in origin (MCAs).

Table 3 — Breakdown by economic nature of expenditure on the common organization of markets  
(in million EUA)

| Chapter and sector       |                                | Approps. | Refunds | Storage | Compensation         | Guidance premiums | Other |
|--------------------------|--------------------------------|----------|---------|---------|----------------------|-------------------|-------|
| a                        |                                | b        | c       | d       | e                    | f                 | g     |
| 60, 61                   | Cereals and rice               | 1 902.7  | 1 467.1 | 182.2   | 252.8                | 0.6               | —     |
| 62                       | Milk and milk products         | 3 740.5  | 1 611.8 | 222.3   | 1 824.6 <sup>1</sup> | 81.8              | —     |
| 63                       | Oils and fats                  | 321.7    | 1.1     | 16.1    | 304.5                | —                 | —     |
|                          | Olive oil                      | 201.2    | 6       | 1.1     | 194.1                | —                 | —     |
| 64                       | Oil seeds                      | 1 004.6  | 751.8   | 236.1   | 12.8                 | —                 | 3.9   |
| 65                       | Sugar                          | 488.3    | 122.7   | 293.5   | 8.5                  | 63.6              | —     |
| 66                       | Beef and veal                  | 84.9     | 68.6    | 16.3    | —                    | —                 | —     |
| 67                       | Pigmeat                        | 41.2     | 41.2    | —       | —                    | —                 | —     |
| 68                       | Eggs and poultrymeat           | 326.5    | 35.6    | —       | 209.2                | —                 | 81.7  |
| 69                       | Fruit and vegetables           | 141.4    | 5.6     | 33.9    | —                    | —                 | 101.9 |
| 70                       | Wine                           | 262      | 5.4     | 24.6    | 231.7                | 0.3               | —     |
| 73                       | Tobacco                        | 392.7    | 176.2   | 1.6     | 214.9                | —                 | —     |
| 75                       | Other products                 | 1.2      | —       | 1.2     | —                    | —                 | —     |
|                          | Accession compensatory amounts | —        | —       | —       | —                    | —                 | —     |
| Chapters 60 to 75: Total |                                | 8 908.9  | 4 293.1 | 1 027.7 | 3 254.3              | 146.3             | 187.5 |
| %                        |                                | 100      | 48.2    | 11.5    | 36.6                 | 1.6               | 2.1   |

<sup>1</sup> Comprising: — 273 million EUA representing price reductions for certain uses of butter such as consumption by persons in receipt of social security benefits, the armed forces and non-profit-making organizations and the sale of concentrated butter;  
— 378 million EUA for the use of skimmed-milk powder from stocks in animal feed, to make it competitive with products entering the Community free of import charges.

14. Table 4 — Changes in appropriations compared with previous expenditure

| Sector                         | Appropriations 1978 |         | Proposed appropriations 1979 |         |  |   |
|--------------------------------|---------------------|---------|------------------------------|---------|--|---|
|                                | in u.a.             | in EUA  | in u.a.                      | in EUA  | Percentage change in u.a.<br>$g = \frac{d}{b}$ | Percentage change in EUA<br>$f = \frac{e}{c}$ |
| a                              | b                   | c       | d                            | e       | f  | g   |
| Cereals                        | 1 428.3             | 1 580.1 | 1 614.3                      | 1 861.3 | 13.0   | 17.7  |
| Rice                           | 36.6                | 37.5    | 38                           | 41.4    | 3.8  | 10.4  |
| Milk                           | 2 895.85            | 3 376.2 | 3 093.6                      | 3 740.5 | 6.8  | 10.8  |
| Oils and fats                  | 413.3               | 375     | 518.8                        | 522.9   | 25.5   | 39.4  |
| Sugar                          | 812.5               | 908.6   | 859.7                        | 1 004.6 | 5.8  | 10.6  |
| Beef and veal                  | 460.8               | 502.5   | 418.7                        | 488.3   | - 9.1  | - 2.8   |
| Pigmeat                        | 84.5                | 101.4   | 69.5                         | 84.9    | -17.8  | -16.3   |
| Eggs and poultrymeat           | 25.4                | 30.-    | 34.-                         | 41.2    | 33.9   | 37.3  |
| Fruit and vegetables           | 139.2               | 144.5   | 300.9                        | 326.5   | 116.2  | 126   |
| Wine                           | 224.3               | 230.7   | 139.7                        | 141.4   | -37.7  | -38.7   |
| Tobacco                        | 237.4               | 248.9   | 238.1                        | 262     | 0.2  | 5.3   |
| Fisheries <sup>1</sup>         | —                   | —       | —                            | —       | —  | —   |
| Other sectors                  | 63.6                | 70.7    | 174.7                        | 216.5   | 174.6  | 206.2   |
| Non-Annex II                   | 120                 | 137.2   | 150                          | 176.2   | 25   | 28.4  |
| Accession compensatory amounts | 30                  | 35.3    | 1                            | 1.2     | 96.7   | -96.7   |
| Sectors: sub-total             | 6 971.8             | 7 778.6 | 7 651.0                      | 8 908.9 | 9.7  | 14.5  |
| MCA's                          | 992.6               | 898.7   | 856.1                        | 809.2   | -13.8  | -10   |
| Dual rate                      | -93.9               | —       | -46.9                        | —       | 50   | —   |
| Common organization of markets | 806.8               | —       | 1 257.9                      | —       | 53.2   | —   |
| Monetary sub-total             | 1 705.5             | 898.7   | 2 067.1                      | 809.2   | 19.9   | -10   |
| Titles 6 and 7: Total          | 8 677.3             | 8 677.3 | 9 718.1                      | 9 718.1 | 11.9   | 11.9  |

<sup>1</sup> As from 1979 the fisheries sector comes under Title 8.

*Revenue from the agricultural policy*

15. The common agricultural policy does not simply entail expenditure, it also generates revenue. The latter is composed of levies, including levies in the sugar and isoglucose sector. Total revenue stands at 2 175 million EUA and can be broken down as follows:

|   | <i>(in million EUA)</i> |
|---|-------------------------|
| — Levies on sugar and isoglucose production | 467.0                   |
| — Agricultural levies                       | 1 706.0                 |
| <i>Grand total</i>                          | <u>2 173.0</u>          |

It should be noted that while MCAs increase expenditure they reduce the income from levies. Therefore, eliminating them by altering the representative rate would increase levy income twice, first directly and secondly indirectly as a result of the multiplier effect of the dual rate coefficient. It should also be noted that prior to the application of MCAs the levies are equal to 26% of expenditure on the common organization of markets.

As was the case last year, the Commission has considered it appropriate to bring together, for information purposes, in its Preliminary Draft Budget (without this having any budgetary consequences) the figures for agricultural levies and expenditure. It should be pointed out that changes in world prices have the same effect on both revenue and expenditure. Accordingly, the net expenditure under Titles 6 and 7 is as follows:

|   | <i>(in million EUA)</i> |
|---|-------------------------|
| — Expenditure under Titles 6 and 7                    | 9 718.1                 |
| — Levies  | 2 173.0                 |
| — Net expenditure in respect of the Guarantee Section | 7 545.1                 |

*EAGGF Guidance sector*

16. The Community agricultural structures policy is the essential complement of pricing policy playing its part in raising farmers' incomes, particularly by increasing productivity and directly subsidizing incomes, specifically with regard to farming in mountain and hill areas and in less-favoured areas.

An effective common structural policy improves profitability and, consequently, helps to keep Community farm prices at levels more favourable to the consumer, whilst ensuring that the other objectives of the common agricultural policy laid down in Article 39 of the Treaty, including 'a fair standard of living for the agricultural community', are achieved.

It should be borne in mind, however, that market-support policy is almost entirely determined and financed by the Community but this is not so with structural policy where only part of eligible expenditure incurred by the Member States under Community legislation, which does not cover structural policy in its entirety, is reimbursed by the EAGGF Guidance Section. This is borne out by the moderate amount of appropriations for the Guidance Section (640 million EUA) in comparison with the Guarantee Section (9 718.1 million EUA).

This imbalance demonstrates that structural policy is still, by and large, a matter for the Member States, with all the attendant risks of divergent trends in, and insufficient development of, less-favoured regions. But the new common measures agreed upon or planned are an important step forward, particularly those to help Ireland and the Mediterranean regions of the Community.

*Main lines of the Budget estimates for 1979*

17. The main features of the 1979 Budget proposals relating to the Guidance Section



are summarized below (appropriations for commitment):

Table 5

(in million EUA)

| Chapter | Measure  | Approps. 1978 | Approps. 1979 | Change %       |
|---------|--|---------------|---------------|----------------|
| 80      | Individual projects                                    | token entry   | token entry   | —              |
| 81      | Common measures in the production sector               | 155.3         | 217.23        | + 40%          |
| 82      | Common measures in the marketing and processing sector | 81.0          | 126.1         | + 56%          |
| 83      | Common measures in particular sectors                  | 213.3         | 159.67        | - 25%          |
| 84      | Common measures in the infra-structures sector         |               | 101.37        | New operations |
| 85      | Special measures                                       | 23.8          | 3.5           | - 85%          |
| 86      | Common measures in the fisheries sector                | 5.1           | 32.1          | +529%          |
|         |  | 478.5         | 639.97        | + 34%          |

It is, however, necessary to complete this general picture of the appropriations for 1978 and 1979, to take account of recent Council decisions, with the following information:

(a) at its meeting of 12 May 1978, the Council decided to allocate 70 million EUA from the reserve appropriations in Chapter 88 to finance individual projects under Chapter 80. These appropriations will be made available by means of transfers between chapters under the 1978 Budget. Whatever may not be committed in 1978 will be carried forward to 1979 as an outstanding appropriation;

(b) at the same meeting, the Council adopted a number of new measures in aid of the Mediterranean regions and Ireland: the expenditure required for these measures and the cost of afforestation projects in certain dry Mediterranean regions and projects for the dissemination of agricultural knowledge in Italy, are reflected in the Preliminary Draft Budget for 1979.

The total cost of these measures, extending over five years, has been estimated at 953 million EUA, of which 717 million EUA were approved by the Council at its meeting of 8 to 12 May.<sup>1</sup> As the follow-up to that meeting, the Commission has recently tabled a set of proposals for new structural improvement measures for the wine-growing sector and for the infrastructure to agriculture in Corsica, the Hérault département and the regions bordering the frontier between Ireland Northern Ireland. The appropriations for all these measures for 1979 are entered in Chapters 81 to 86, under the appropriate headings, to a total of 175 million EUA in appropriations for commitment and 104 million EUA in appropriations for payment.

The significant features of the Guidance Section, as reflected in the 1979 Budget estimates, are as follows:

*Appreciable increase in appropriations required for socio-structural directives (Chapter 81 and 82)*

18. It should be borne in mind that the chief aim of the 1972 'socio-structural' directives, primarily intended to encourage the modernization of farms, is to direct national structural policies towards the attainment of objectives laid down at Community level while providing a financial contribution in the form of aids granted through the EAGGF Guidance Section.

<sup>1</sup> Bull. EC 5-1978, points 2.1.69 to 2.1.74.

<sup>2</sup> Bull. EC 5-1978, point 2.1.73.

These directives were supplemented by the directive, adopted in 1975, on farming in mountain and hill areas and in certain less-favoured areas. Furthermore, the Commission has submitted to the Council a number of proposals for amending these directives to enhance their appeal and effectiveness.

It should be noted that, on the whole, the implementation of these directives at national level has been delayed. In Italy, in particular, the regional authorities are responsible for implementing them: so far, the Commission has succeeded in examining and approving the implementing procedures for only eight of the twenty-one regions. The directive on mountain and hill farming, however, has been implemented far more swiftly than the 1972 directives.

In any event, after a very slow start, the measures covered by Chapters 81 and 82 will gain considerable momentum in 1979 since the relevant appropriations have increased by an average of approximately 50%. This is a step in the right direction and deserves emphasizing.

#### *New measures*

19. Most of the measures recently proposed in connection with the 'Mediterranean' schemes,<sup>1</sup> and a new measures on drainage in Ireland,<sup>2</sup> have been entered in Chapter 84, which is new. Something must be done to help make good the serious lag in economic development in most of the Mediterranean regions and in the west of Ireland: these regions are characterized by the very high percentage of their population engaged in agriculture, inadequate infrastructures and a high rate of unemployment or underemployment.

In view of the predominance of agriculture in those regions, there is a fundamental need for action to solve their problems. The chief measures proposed by the Commission are:

— to improve the agricultural situation, thereby improving the general economic conditions,

— to ensure that the social situation and income of the active agricultural population remain satisfactory.

This is to be done without evading the constraints imposed by balance in agricultural markets—chiefly the reduction of any structural surpluses and the avoidance of protectionist measures. In order to achieve these objectives, the Commission has proposed measures in the market policy sector and the structural sector. Particular emphasis should be laid on the fact that the measures to aid the Mediterranean regions are not to be regarded as concessions to them: on the contrary, they are essential to the political, economic and social cohesion of the Community.

The structural measures proposed by the Commission in the action programme for wine-growing are entered under Chapter 83 (Article 835). All these measures are designed to establish gradually a balance on the European wine market by tackling the structural causes of the over-production of medium or poor quality wines. The various methods proposed to achieve this goal include the introduction of a system of premiums which will:

- (a) extend and back up existing restructuring measures;
- (b) encourage the permanent abandonment of vineyards and the cessation of wine-growing;
- (c) help to bring about a lasting improvement in the quality of wine, improve working conditions and increase farmers' incomes by restructuring a number of vineyards under collective operations.

With regard to procedure, two groups of measures may be distinguished, as follows:

<sup>1</sup> Bull. EC 12-1977, points 1.3.1 to 1.3.5.

<sup>2</sup> Bull. EC 5-1978, point 2.1.73.

— those adopted by the Council at its meeting of 9 and 10 May 1978<sup>1</sup>

— joint irrigation schemes in the Mezzogiorno,

— improvement of infrastructures in certain rural areas,

— speeding up the improvement of structures and the replanting of vineyards particularly in Languedoc-Rousillon,

— water drainage operations in Ireland,

— those awaiting decisions

— afforestation projects in certain dry Mediterranean regions,

— provisions of agricultural advisers in Italy,

— prevention of flooding in the Hérault,

— joint irrigation schemes in Corsica,

— arterial drainage in border areas of Ireland and Northern Ireland,

— various measures the wine sector:

— conversion and permanent abandonment of some areas under vines;

— cessation of wine-growing;

— restructuring of vineyards under collective operations;

— conversion of some areas in the Charentes region;

— additional measures concerning the conversion and permanent abandonment of wine-growing.

The funds provided for this purpose in 1979, 127 million EUA in appropriations for commitment, thus considerably widen the scope of the Guidance Sector's activities to embrace new areas, underpinning action in the structural sector.

#### *Increase in appropriations for fisheries policy*

20. Appropriations for fisheries policy are grouped together in Chapters 86 to 89 of the new nomenclature of the Preliminary Draft Budget for 1979. The corresponding policy appreciation is set out in a separate chapter.<sup>2</sup>

From the financial and budgetary points of view, however, Chapter 86 (common measures to improve fishery structures) forms an integral part of the Guidance Section. The 'common measures' of which it consists are derived from the relevant provisions of the Council Regulation of 21 April 1970 on the financing of the common agricultural policy,<sup>3</sup> and are thus to be charged to the statutory allocation (325 million EUA and the 'Mansholt Reserve') earmarked for this purpose.

The appropriations for the 'common measures' listed in Chapter 86, are increased from 5 million EUA for 1978 to 32 million EUA for 1979. This increase illustrates the greater importance and contemporary relevance of this new policy.

#### *Cutback on common measures in particular sectors (Chapter 83)*

21. The appropriations of 213.3 million EUA for 1978 are reduced to 159.7 million EUA for 1979. This is due mainly to the reduction, under the relevant multiannual schedule, of the financial impact in 1979 of the measures relating to (a) the non-marketing of milk and (b) the eradication of certain cattle diseases.

#### *'Special measures'*

22. These are special measures adopted between 1966 and 1970 (Chapter 85) i.e., before the true 'common measures' were devised. The phased cutback in these measures is therefore normal, since in future the emphasis will be placed on common measures.

#### *'Individual projects'*

23. Under Article 6 of the Council Regulation of 21 April 1970 on the financing of the common agricultural policy,<sup>3</sup> no appropriation may be assigned to individual projects if

<sup>1</sup> Bull. EC 5-1978, point 2.1.73.

<sup>2</sup> Point 24 *et seq.*

<sup>3</sup> OJ L 94 of 28.4.1970.

the common measures take up all the appropriation of 325 million EUA. This being the case, Article 800 can include for 1979 no appropriations for commitment, but only appropriations for payment in order to deal with the backlog of commitments. However, pursuant to the Council Decision of 12 May 1978<sup>1</sup> and by way of derogation from Article 6 of the Regulation of 21 April 1970, it has been decided to assign 70 million EUA to Chapter 80 for the funding of individual projects proposed by the Member States. These appropriations will be obtained by means of transfers within the 1978 Budget and the part uncommitted in 1978 will be carried over to the 1979 Budget. The funding of individual projects under the Council Regulation of 5 February 1964 on the conditions for granting aid from the EAGGF<sup>2</sup> will therefore continue as an exception in 1978 and 1979.

#### Overall financial assessment of the Guidance Section in 1979

As can be seen from the summary table at the beginning of this chapter,<sup>3</sup> the appropriations for commitment in 1979 total 640 million EUA. Since the statutory allocation for the Guidance Section is 325 million EUA per year, 315 million EUA will have to be drawn from the 'Mansholt Reserve' (this reserve currently contains 377.6 million EUA<sup>4</sup>). Consequently, this reserve has been reduced to 62.6 million EUA in the 1979 Budget.

#### Fisheries

24. During recent years a number of factors and circumstances have caused the Commission gradually to map out and implement a new policy on fisheries. The 200-mile zones adopted by several maritime non-member countries in 1976 and by the Member States of the Community from 1977 onwards have profoundly changed the conditions governing fishing operations. The major problem has proved to be overfishing and in certain cases

the danger of exhausting stocks of the principal species.

The Commission has therefore proposed that the fishing policy be developed along the following lines:

- preparation of a common system of conservation and management of resources aimed at the replenishment of stocks in the interest of both fishermen and consumers;
- mapping-out of an overall policy on structures in order to restructure and modernize production potential;
- adaptation of the common organization of the market for fishery projects;
- conclusion with non-member countries of agreements whereby Community fishermen can gain access to fishing grounds outside Community limits.

#### Conservation and management of resources

25. The Commission's proposals with regard to the conservation and management of resources have no specific budgetary repercussions. Their aim is the regulation of fishing, mainly by limiting authorized catches and they are still at the discussion stage within the Council. Pending a decision on a final system, temporary conservation measures have been taken.

For this reason Community fishermen have had to place quantitative limits on their catches and fishing for certain particularly threatened species has been prohibited or severely restricted.

#### Structural policy

26. The changes on the international and Community scenes mentioned above means that a common structural policy adapted to this new situation will have to be instituted

<sup>1</sup> Bull. EC 5-1978, point 2.1.74.

<sup>2</sup> Regulation No (EEC) 17/64; OJ No 34 of 27.2.1964.

<sup>3</sup> Table 5.

<sup>4</sup> Note to Chapter 88 of the 1978 Budget, taking into account an appropriation of 5 million EUA entered in Chapter 100.

as soon as possible. As part of this policy particular attention will have to be paid to the restructuring and development potential of fishery activities, and in particular inshore fishing, and to the potential for developing agriculture.

This restructuring and, in certain cases, this development must take place through Community action aimed at promoting the rational use of the resources available and the optimum utilization of production factors, with financial assistance from the Community, while at the same time guaranteeing a fair standard of living to the persons gainfully employed in these types of fishing.

Against this backdrop the Commission envisages carrying out the following measures having budgetary repercussions, starting in 1979:

- common measures on the restructuring of non-industrial inshore fisheries;
- certain immediate measures aimed at adapting capacities in the fishery sector;
- other common measures, *inter alia* in the field of deep-sea fishing;
- financial participation by the Community in inspection and monitoring operations in the maritime water of certain Member States.

#### Common organization of markets

27. During 1978 the Commission intends to put forward proposal aimed at adapting the common organization of the markets for fishery products to the new situation arising from developments in the law of the sea. It is not yet possible at this stage to estimate the precise financial repercussions of altering the organization of the markets. However, such alteration would not necessarily lead to an increase in the overall expenditure envisaged for 1979.

#### Agreements with non-member countries

28. Under the Council Decision of 3 November 1976 authorizing the Commission to negotiate fishery agreements with non-member

countries, the Community is to negotiate agreements on fishing rights for Community fishermen in the waters of non-member countries.

#### *African countries*

The Council has authorized the Commission to enter into negotiations with the object of concluding fishing agreements with a number of African countries (Cape Verde Islands, Guinea-Bissau, Mauritania, Senegal). It is expected that negotiations will be opened during 1978 with other African countries. In the absence of mutual fishing agreements with these countries and in view of the general principles emerging from the third United Nations Conference on the Law of the Sea, the Community will have to pay dues and other forms of financial compensation in return for fishing by Community vessels. The progress of the negotiations indicates that several agreements will come into force early in 1979.

#### *Sweden*

Negotiations are currently under way with Sweden on salmon fishing in the Baltic Sea. It is expected that the Commission will have to pay the dues which in the past were borne by Denmark and the Federal Republic of Germany.

#### *Yugoslavia*

In 1979 the Community will continue to shoulder the financial obligations towards Yugoslavia resulting from fishing activities in the Adriatic Sea.

Since fisheries policy has recently assumed very great importance, the Commission felt it advisable to bring together all the relevant items of expenditure, which now form the new Chapters 86 to 89 of the Preliminary Draft Budget for 1979. The overall financial repercussions of this new policy raise the appropriations for commitment from 23.3 million EUA in 1978 to 141.7 million EUA in 1979.

## Social policy

29. The social situation in the Community, marked as it is at the present time by large-scale problems, such as those of the industrial sectors which are in serious difficulties and the problems of unemployment among young people, is in the forefront of the Commission's concern. The Commission therefore considered it appropriate to call the attention of the Budgetary Authority particularly to these aspects in the recent communication giving a 'Comprehensive review of the budgetary problems of the Community'.<sup>1</sup> Both Parliament and the Joint Council of Ministers of Foreign Affairs and Ministers of Finance shared the Commission's point of view on this matter in recognizing that this subject must have priority.

In the context of the Community Budget, the major part of the appropriations for the social sector is represented by the European Social Fund (Chapters 50 to 52). The Commission therefore considers it indispensable that the appropriations for 1979 should be substantially increased, for the reasons set out briefly below, both for current activities (with an increase of 20% approximately) and for the new activities it has just proposed for the benefit of young people.<sup>2</sup>

In carrying out its task, which is to encourage occupational and geographical mobility of workers, the Fund devotes its activities to the following categories of workers: farmers leaving agriculture; workers in the textile and clothing industries who must find other jobs both within and outside those industries; workers exposed to the consequences of the difficulties facing certain groups of undertakings; workers in economic sectors which have to adapt to technical progress; unemployed or underemployed persons in backward or declining regions; unemployed young people; women; migrant workers; handicapped persons. The two points of focus of the Fund's activity are regional unemployment and unemployment among young people.

The growth of the budgetary resources of the Fund—the appropriations available in 1978

represent nearly three times the appropriations committed in 1973—and the growing number of applications for assistance, which in 1978 could represent more than double the appropriations available, correspond to the economic and social trends in the Community. In the medium term no decisive changes can be expected in the conditions prevailing on the employment market. The effort put forth by the Social Fund must therefore be stepped up. The revised rules of the Fund<sup>3</sup> which came into force on 1 January 1978 take these requirements into account: they introduce a more rapid and more rational procedure for the management of the Fund, designed to concentrate aid from the Fund on the most urgent aspects of the employment problem.

30. At the end of 1977, the Community had a record number of unemployed—six million or 6% of the working population, i.e. 750 000 more than a year previously. It is among young people and among women that unemployment gives most cause for concern. From 1976 to 1977, the number of young people without jobs grew by 200 000 to reach two million. In some Member States there are already more women than men unemployed. Certain industries are facing serious difficulties, particularly the textile, clothing and footwear industries, shipbuilding and steel. Above all, the imbalance between the regions has grown even more in recent years.

Demographic trends suggest that the working population in the Community will rise from 161 million in 1977 to 168 million in 1982. On the other hand, nobody knows whether and to what extent the demand for goods and services, and investments, both public and private, will revive. At least in certain Member States, the inflation rates and the disequilibrium in the balances of payments hold down the possibilities of economic expansion. Finally, in many industries the increase in costs reinforces the trend towards rationalization, which results, at least

<sup>1</sup> Point 1.

<sup>2</sup> Bull. EC 4-1978, point 1.2.6.

<sup>3</sup> OJ L 337 of 27.12.1977.

in the medium term, in increasing the supply of labour on the market.

Faced with this situation and these prospects, the Community bodies regard the objective of a return to full employment as having the highest priority, not only in the context of social policy and employment policy but also in the context of economic policy, both general and sectoral. This concern is expressed with particular clarity in the Fourth Medium-term Economic Policy Programme<sup>1</sup> (March 1977), in the Council Resolution on measures to combat unemployment among young people<sup>2</sup> (October 1977) and in the Declaration of the European Council of December 1977.<sup>3</sup> The interventions of the Social Fund, as an instrument of Community employment policy, must be viewed against this background.

31. Even with additional appropriations, the two points of focus of the Fund's activity will remain the same in 1979 as in 1978. More than 80% of the appropriations will be devoted to combating unemployment and underemployment of a regional character and unemployment among young people.

In the least favoured regions of the Community (Southern Italy, Ireland, Northern Ireland, Greenland, French Overseas Departments), a vigorous impetus must be given to the efforts for vocational training at both national and regional level and to certain activities to promote employment.

Experience confirms that in these regions, public and private capital are totally insufficient to encourage an effective employment policy. The case of Italy gives particular cause for concern. In these regions the increased rate of aid from the Fund, in force since 1978, will be applied.

In its proposal of April 1978, the Commission proposes the creation of new aids intended to promote employment among young people: grants from the Fund for subsidies to employers and for the wage cost of programmes for creating jobs in the public interest. In agreement—with the principle—with the European Parliament and the

Council, the Commission is here trying for the first time to step outside the sphere of vocational training in order to combat unemployment among young people without, however, neglecting vocational training. The resources intended for this new type of aid represent 110 million EUA in the Preliminary Draft Budget for 1979.

32. In the other areas in which the Fund is active, the largest relative expansion (+50%) is to be seen in specific measures to assist women, owing to the fact that the year 1978 was a running-in period in this respect. It must also be expected that applications for aid from the Fund in this sphere will grow rapidly in view of the level of unemployment among women.

The Community must also continue to be able to provide something more than a merely symbolic contribution to the integration of the handicapped into a working life. It cannot lay itself open to the reproach of failing to make the effort needed for the social and economic rehabilitation of handicapped people. This Community task has been expressly confirmed by the Council in the new amended legislation governing the Fund.

The use of the Fund's resources must not be so narrowly focused as to reduce to paltry sums the aids which have in principle been recognized as necessary in other areas. This applies especially to aid for migrant workers. However great the responsibility of the host country towards immigrant workers and their families, the question of Community responsibility in this sphere remains no less serious. One has only to think of the explosive social situation which could develop in certain Member States if the children of migrant workers are not satisfactorily integrated.

Finally, there is some levelling off in applications for aid for workers leaving agriculture and workers in textiles and clothing. This, of course, has a certain effect on the Budget.

<sup>1</sup> OJ L 101 of 25.4.1977.

<sup>2</sup> Bull. EC 10-1977, points 1.4.1 to 1.4.10.

<sup>3</sup> Bull. EC 12-1977, point 2.1.1.

Table 6 — Increase in appropriations in the social sector

(in EUA)

| Chapter           | Heading  | 1978                           |                             | 1979                           |                             | Absolute increase<br>col. 3<br>col. 1 | %       | Absolute increase<br>col. 4<br>col. 2 | %       |
|-------------------|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------------|---------|---------------------------------------|---------|
|                   |  | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                                       |         |                                       |         |
|                   |  | 1                              | 2                           | 3                              | 4                           |                                       |         |                                       |         |
| 30                | Expenditure in the social sector                         | 11 765 000                     | 8 919 000                   | 14 202 000                     | 12 082 000                  | + 2 437 000                           | + 20.71 | + 3 163 000                           | + 35.46 |
| 35                | Expenditure on the protection of man and his environment | 6 388 000                      | 6 388 000                   | 8 100 000                      | 8 100 000                   | + 1 712 000                           | + 26.80 | + 1 712 000                           | + 26.80 |
| 50)<br>51)<br>52) | <i>Social Fund</i>                                       | 569 500 000                    | 538 800 000                 | 850 000 000                    | 718 000 000                 | +280 500 000                          | + 49.25 | +179 200 000                          | + 33.26 |
| 59                | Aid to disaster victims in the Community                 | 5 000 000                      | 5 000 000                   | 10 000 000                     | 10 000 000                  | + 5 000 000                           | +100.00 | + 5 000 000                           | +100.00 |
|                   | Total  | 592 653 000                    | 559 107 000                 | 882 302 000                    | 748 182 000                 | +289 649 000                          | + 48.87 | +189 075 000                          | + 33.82 |

However, it is not yet possible to say whether, or for how long, this development will continue. For all these reasons, special attention must be given to other forms of aid, as well as those concerning regional unemployment among young people.

33. Finally, it must be remembered that many industrial sectors of the Community are at present going through a very critical period, requiring major efforts either for restructuring or for conversion. In these circumstances, it must be recognized that the need for aid from the Social Fund has inevitably grown. For this reason, the Commission is proposing at this stage the creation of a new budgetary heading (Article 512: 'Aid to meet the social consequences of restructuring of certain industrial sectors') which could be funded as required by the provisional allocation of 50 million EUA which it is proposed to enter for this purpose in Chapter 100.

#### Regional policy

34. The European Regional Development (ERDF) was set up in 1975 as an instrument

of Community regional policy to reduce disparities between the various regions of the Community. The part of the Fund divided into national quotas is used to do that by helping finance investment in industry and services, and infrastructure projects in the less-favoured regions of the Community.

Through its (planned) non-quota section, which will not be subject to the many restraints of the present rules, the ERDF will be able to contribute towards specific regional development schemes designed, in particular, to counteract regional structural problems arising from the implementation of Community policies. Thus the Preliminary Draft Budget for 1979 includes a new heading, Chapter 56, with a token entry, to provide the relevant budgetary slot.

#### Guidelines for Community regional policy

35. Continued imbalances between regions are a major obstacle to European integration and to economic and monetary union. This has been pointed out repeatedly—most recently at the Copenhagen meeting of the



European Council on 7 and 8 April, which declared that internal economic stability and a reduction of regional imbalances are Community objectives of paramount importance.

During the first three years of operations by the Fund (1975-77) approximately 1 000 million EUA was granted as aid to reduce regional imbalances. However, this amount is small in comparison with expenditure by the Member States on their own regional policies. For example, capital expenditure by the Italian national and local authorities on the Mezzogiorno amounted to approximately 11 700 million EUA for the period 1974-76, while the ERDF contribution to investment projects in that area<sup>1</sup> for the period 1975-77 amounted to 439.7 million EUA, or 3.8% of the total. If one also includes other forms of Community intervention (EAGGF Guidance Section, EIB and ECSC loans), the sum represents 19% of national capital expenditure on the Mezzogiorno<sup>1</sup> between 1974 and 1976.

The unfavourable economic developments of the last few years have weighed very heavily on the weakest regions. Since 1974 the gross domestic product *per capita* in the less-favoured regions of Ireland, Italy and the United Kingdom has been below the Community average. Unemployment remains very high in all of the Community's priority regions. Employment and productive capacity will still, indeed increasingly, be affected by the structural and cyclical problems which have arisen since the start of the economic crisis. Loss of jobs, both actual and likely, in industries like textiles, clothing, leather goods, shipbuilding and steel will be hard to replace by jobs in growth industries, which are generally capital-intensive. The adverse effect of all these factors will be correspondingly harsher at regional level.

The general guidelines for the Community Budget, set out in the Commission Communication to the Council and to the European Parliament giving a comprehensive review of the Community's budgetary problems,<sup>2</sup> emphasized that, as progress is made towards economic and monetary union, steps must

be taken to give the Budget an increasing role in redistribution and stabilization.<sup>3</sup>

### *Financial aspects of the ERDF*

#### **Appropriations for commitment**

36. The Council Regulation of 18 March 1975<sup>4</sup> setting up the European Regional Development Fund allocated to it appropriations for commitment totalling 1 300 million EUA for the first three years (1975 to 1977 inclusive). All those appropriations were committed during these three financial years. From 1978, ERDF appropriations are to be decided each year, under the procedure for establishing the Community Budget. In the 1978 Budget appropriations for commitment amounted to 581 million EUA. And, at its meeting on 5 and 6 December 1977<sup>5</sup> the European Council decided on the following three-year programme for the Fund: (in million EUA) 1978: 580, 1979: 620, 1980: 650, total 1 850.

In accordance with the European Council's decision, the Commission has entered 620 million EUA of appropriations for commitment in the Preliminary Draft Budget for

<sup>1</sup> Not including Latium and the Marches, only part of which are regarded as belonging to the Mezzogiorno.

<sup>2</sup> Point 1.

<sup>3</sup> The MacDougall Report (April 1977) on the role of public finance in European integration put at 10% the share of the whole Community Budget needed in order to achieve a redistributive effect, i.e. a move towards the equalizing of regional income. In this context, appropriations for the Regional Fund alone, to which on practice it would be necessary to add the appropriations for other funds with a redistributive effect (EAGGF Guidance section, Social Fund, etc.), would be between 1 500 and 2 500 million EUA. It is worth remembering that the redistributive effect of the present Budget is put at approximately 1%.

This estimate is based on a Community of nine. The figures for a Community of twelve would be much greater. It is clear that the figures in the MacDougall Report, which are based on the view that the Community Budget would be restructured over the ten years to 1987, greatly exceed the figures currently envisaged for the ERDF for each financial year in the period 1978 to 1980. The latter barely maintain the real value of the Fund set up in 1975.

<sup>4</sup> OJ L 73 of 21.3.1975.

<sup>5</sup> Bull. EC 12-1977, point 2.1.85.

1979. The Commission thinks, however, that this amount (which is a political fact of life in the present circumstances) will only allow the ERDF to make only a very small contribution to solving the Community's regional problems.

#### Appropriations for payment needed

37. The amount which the Commission proposes for 1979, 390 million EUA, represents a reduction on the 1978 figure in appearance only. The reason is to be found in the nature of the projects financed by the Regional Fund (i.e. investments) and the slowness of the Member States in lodging applications; commitments are usually settled over five years, on the following pattern (where the commitment is for financial year n):

|                  |     |     |     |     |
|------------------|-----|-----|-----|-----|
| Financial year n | n+1 | n+2 | n+3 | n+4 |
| 35%              | 35% | 20% | 5%  | 5%  |

Experience has shown this five-year period—for paying off commitments—to be the norm, which could not be taken into account in the first two financial years, 1975 and 1976, when the Regional Fund was just starting up. In these circumstances, the appropriation of 440 million EUA has turned out to be greater than needed, so that

Table 7 — *European Regional Development Fund (ERDF)*

(in million EUA)

|   | 1975 | 1976 | 1977 | 1978            | 1979 |
|---|------|------|------|-----------------|------|
| <i>Approps. for commitment</i>                  |      |      |      |                 |      |
| Budget entries                                  | 300  | 500  | 500  | 581             | 620  |
| Carryover from preceding financial year         | 0    | 0    | 0    | 15 <sup>2</sup> | 0    |
| Total approps. available                        | 300  | 500  | 500  | 596             | 620  |
| Actual/forecast amount implemented <sup>1</sup> | 300  | 500  | 489  | 596             | 620  |
| Carryover to next financial year                | 0    | 0    | 11   | 0               | 0    |
| <i>Approps. for payment</i>                     |      |      |      |                 |      |
| Budget entries                                  | 150  | 300  | 400  | 525             | 390  |
| Carryover from preceding financial year         | —    | 59   | 82   | 83 <sup>2</sup> | 160  |
| Total approps. available                        | 150  | 359  | 482  | 608             | 550  |
| Actual/forecast amount implemented              | 91   | 177  | 373  | 448             | 550  |
| Carryover to next financial year                | 59   | 82   | 109  | 160             | 0    |

<sup>1</sup> This line shows the real pattern of both commitments and payments year by year, in particular from 1978 to 1979 (increase of 102 million EUA).

<sup>2</sup> The difference between this figure and the carryover from the preceding year is due to the conversion of sums in u.a. at IMF parities into EUA.

Table 8 — *Appropriations for the regional sector*

(in EUA)

| Article | Heading   | 1978                           |                             | 1979                           |                             | Absolute increase<br>col. 3<br>col. 1 | %     | Absolute increase<br>col. 4<br>col. 2 | %      |
|---------|---|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------------|-------|---------------------------------------|--------|
|         |   | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                                       |       |                                       |        |
|         |   | 1                              | 2                           | 3                              | 4                           |                                       |       |                                       |        |
| 550     | Community measures in support of national regional policies | 581 000 000                    | 525 000 000                 | 620 000 000                    | 390 000 000                 | +39 000 000                           | +6.71 | -135 000 000                          | -25.71 |
| 560     | Specific Community measures                                 |                                |                             | token entry                    | token entry                 | —                                     | —     | —                                     | —      |
|         | Total   | 581 000 000                    | 525 000 000                 | 620 000 000                    | 390 000 000                 | +39 000 000                           | +6.71 | -135 000 000                          | -25.71 |

83 million EUA remained unused and was carried forward to 1978. Moreover, the appropriation for 1978, 525 million EUA, as approved after being amended by Parliament, is also greater than required, for it corresponds to the appropriation for commitment originally proposed in the Preliminary Draft Budget—750 million EUA—whereas the appropriation for commitment finally agreed amounted only to 581 million EUA.

The Commission ought to propose, therefore, that appropriations be entered on the most sensible basis possible; hence it proposes an appropriation for payment of 390 million EUA for 1979. As can be seen from Table 7, the Commission expects that payments for 1979 will actually amount to 550 million EUA in view of payments from appropriations carried forward from 1978 to 1979.

Table 8 conveys the real situation and shows that—in terms of commitments and payments—progress is being made.

### Energy policy

38. One of the most important aims for the Community in the years ahead is to devise and implement a genuine common energy policy. In recent years promising, although quite inadequate, efforts have already been made in individual sectors. It is now essential to put in hand at Community level a consistent and balanced set of measures to develop new energy resources and to ensure the rational use of energy.

The European Council, meeting in Copenhagen in April 1978<sup>1</sup> and the European Parliament, in its report on the future lines of the Community's Budget and financial policy,<sup>2</sup> have stressed that the energy policy has to be regarded as top priority and steps have to be taken urgently if the Community is to attain its medium- and long-term aims of reducing to 50% its dependence on outside sources for its energy supplies. The urgent need for more substantial projects, both at national level and on a Community basis, to reduce energy demand and increase supply

within the Community has thus been recognized at the highest political level. Such a course of action calls for large-scale capital investment which, in addition to stimulating general economic activity, will encourage the creation of new jobs.

In this context, as outlined by the Commission in its communication of 27 February 1978 to the Council and to the European Parliament<sup>3</sup> the Community will have to pursue two main lines of action: the continuation and extension of projects already under way and the promotion of new projects relating to the development of the Community's energy resources and the rational use of energy.

As far as the Budget is concerned, the proposed measures will require a heavy financial outlay, bringing the appropriations for commitment to be entered in the 1979 Budget to 262 million EUA, an increase of 228% over 1978.<sup>4</sup>

### *Development of energy resources*

39. In the hydrocarbons sector (Article 320), support for technological projects will gradually be stabilized while the emphasis will be on the development of exploration activities, which were put in hand in 1978. The delay in establishing the decision-making arrangements makes it possible to spread expenditure in this sector over a longer period, which accounts for the overall reduction of 30% in appropriations for commitment.

With regard to uranium (Article 321), on the other hand, the activities already initiated by the Commission on the basis of Article 70 of the EAEC Treaty, which are of great importance as regards the future supply of fissile materials, will be brought into full swing with the entry in the Budget of 20 million EUA, an increase of 300% over 1978. This

<sup>1</sup> Bull. EC 4-1978, point 1.2.2.

<sup>2</sup> Bull. EC 3-1978, point 2.3.9. and Bull. EC 4-1978, point 2.3.6.

<sup>3</sup> Bull. EC 2-1978, points 2.3.4 to 2.3.7.

<sup>4</sup> Table 9.

Table 9 — Changes in appropriations in the research, energy, industry, transport and other sectors  
(in EUA)

| Chapter | Heading                         | 1978                           |                             | 1979                           |                             | Absolute increase | %       | Absolute increase | %       |
|---------|---------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|-------------------|---------|-------------------|---------|
|         |                                 | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments | Col. 3<br>Col. 1  |         | Col. 4<br>Col. 2  |         |
|         |                                 | 1                              | 2                           | 3                              | 4                           | 5                 | 6       | 7                 | 8       |
| 32      | Energy sector                   | 80 000 000                     | 46 300 000                  | 262 400 000                    | 209 900 000                 | +182 400 000      | +228.-  | +163 600 000      | +353.35 |
| 33      | Research                        | 181 519 795                    | 212 781 303                 | 225 614 375                    | 240 592 330                 | + 44 094 580      | + 24.29 | + 7 811 027       | + 13.07 |
| 34      | Safeguards                      | 810 000                        | 810 000                     | 1 767 000                      | 1 767 000                   | + 957 000         | +118.00 | + 957 000         | +118.00 |
| 36      | Dissemination of information    | 7 430 000                      | 5 155 000                   | 6 500 000                      | 6 825 000                   | - 930 000         | - 12.52 | + 1 670 000       | + 32.40 |
| 37      | Industrial and transport sector | 39 705 000                     | 21 485 000                  | 65 441 000                     | 46 141 000                  | + 25 736 000      | + 64.82 | + 24 656 000      | +114.76 |
| 39      | Specific projects               |                                |                             |                                |                             |                   |         |                   |         |
|         | — technology (390, 391)         | 3 060 000                      | 3 060 000                   | 1 150 000                      | 1 150 000                   | - 1 910 000       | - 62.42 | - 1 910 000       | - 62.42 |
|         | — education (392)               | 5 065 000                      | 5 065 000                   | 6 005 000                      | 6 005 000                   | + 940 000         | + 18.56 | + 940 000         | + 18.56 |
|         | — culture (393)                 | 180 000                        | 180 000                     | 315 000                        | 315 000                     | + 135 000         | + 75.-  | + 135 000         | + 75.-  |
|         | — Japan (395)                   |                                |                             | 2 570 000                      | 2 570 000                   | + 2 570 000       | -       | + 2 570 000       | -       |
|         | — European Foundation (396)     | 500 000                        | 500 000                     | 5 000 000                      | 5 000 000                   | + 4 500 000       | +900.-  | + 4 500 000       | +900.-  |
|         | Total                           | 318 269 795                    | 295 336 303                 | 576 762 375                    | 520 265 330                 | +258 492 580      | + 81.22 | +294 929 027      | + 76.16 |

aim has frequently been stated by the Commission in various communications to the Council and to the Parliament, since the success already obtained more than justifies the appreciable expansion of this programme. Under the same objective, the Commission proposes a new budget heading to cover prospecting for uranium resources outside the Community, to which no appropriations would be allocated for the time being. In the same context, a new budget heading covering aid for uranium stockpiling is proposed; it would have no appropriations at this stage pending more searching examination of the arrangements to be made for financial aid.

As regards coal (Article 323), the Commission lays emphasis on two particularly important projects to encourage the use and sale of coal, in accordance with the proposals now before the Council for examination:

(a) the project concerning the use of coal in power stations,<sup>1</sup> which, by encouraging the construction of coal-fired power stations in the Community, is in line with the basic aim

of reducing Community dependence on imported oil;

(b) a new project to encourage intra-Community trade in coal for power stations,<sup>2</sup> which is an important sectoral measure under the Community's general energy policy.

For the coal sector as a whole, an appropriation of 175 million EUA is entered in the 1979 Preliminary Draft Budget, with an amount of 100 million EUA earmarked for intra-Community trade alone. This takes into consideration not only the medium- and long-term energy objectives but also the situation of the Community's coal industry and cyclical conditions in this sector.

The development of new sources of energy (Item 3241) is a major objective calling for an amount of 16 million EUA in the 1979 Budget. In addition to the familiar subjects of coal gasification and geothermal energy,

<sup>1</sup> Bull. EC 12-1976, point 2283.

<sup>2</sup> Bull. EC 2-1978, point 1.5.6.

these projects include a programme of practical applications in the field of solar energy. With the appropriations entered in the 1978 Budget (11 million EUA), a good start can be made on these projects; extensive appropriations will have to be allocated to their development in future years.

### *Energy conservation*

40. If the Community is to attain the aims it has in view under its energy policy, it must not only develop its own traditional and alternative sources of energy but also take efficient energy-saving and energy-conservation measures. This is the second aspect of the Community policy in this sector.

The Community must therefore allocate substantial funds to the implementation of the Community energy-saving programme (Item 3240); since this project will probably start in 1978, the Budget appropriation will have to be increased from 4 million EUA in 1978 to 16 million EUA in 1979. Over a four-year period, the total outlay for this project will be around 150 million EUA to allow the use of new techniques, processes and equipment in demonstration operations with a view to their industrial application. The Commission also proposes an extensive energy-saving project consisting of financial aid for the modernization of existing buildings. In view of the current situation in the preparation of this file, it is proposed, pending further information on the technical arrangements and the financial implications, that a new heading (Article 325) be introduced with no appropriations.

The Commission also considers that financial measures in the refining industry will prove necessary to help overcome the problem of surplus oil-distillation capacity. For this purpose, the Commission proposes a new budget heading in Chapter 37 on industrial policy, on similar lines to the reorganizational and redeployment operations already adopted under this policy. The Commission plans an appropriation of 10 million EUA for this new project in the refining industry.

41. With regard to the Budget aspects proper, the Commission has adopted a realistic attitude in assessing the financial impact in 1979 of all the planned measures under its energy policy. Although a major effort in this field is absolutely indispensable, the Commission has nevertheless limited the scope of the financial implications either by making allowance for appropriations that will probably be carried over from previous financial years or by counting on the probability that payments in particular will be spread out in view of the time required to launch and implement some of the projects. Compared with the total appropriations to be entered in the 1979 Budget, the expenditure on energy is far from excessive and will barely exceed 2% of the total intervention appropriations. It should be pointed out that the appropriations in Chapter 34 for safeguards are very much higher (by 118%) than the appropriations in the 1978 Budget. With the entry into force of the Commission Regulation of 19 October 1976 concerning the application of the provisions on Euratom safeguards,<sup>1</sup> and above all the Verification Agreement concluded by the Community, seven of its Member States and the International Atomic Energy Agency,<sup>2</sup> the Commission has had to assume wider obligations.

### **Research policy**

42. During the financial year 1979, the studies in the field of scientific research and technological development should be continued and intensified. They have a fundamental support role to play in the Community's various sectoral policies, especially those for energy, the environment, raw materials and social affairs. The Commission's research will implement the programme decisions already adopted or shortly to be adopted by the Council.

<sup>1</sup> OJ L 363 of 31.12.1976.

<sup>2</sup> Bull. EC 2-1977, point 2.2.26.

The research will be carried out in the context of:

— direct action, performed at the Joint Research Centre established pursuant to Article 8 of the EAEC Treaty;

— indirect action, performed by research bodies in the Member States and financed jointly by the Community and such bodies;

— the concerted action, performed by research bodies in the Member States and financed by the latter, with the Commission only ensuring the coordination of the research in question.

According to the Commission's proposals, the total research and investment appropriations will increase from 181.5 million EUA in 1978 to 225.6 million EUA in 1979, in terms of appropriations for commitment.<sup>1</sup>

The presentation of these appropriations in the Budget has been changed in such a way as to make it simpler and more transparent, having regard to the concern expressed by the Budgetary Authority when the 1978 Budget was drawn up, while maintaining the functional presentation of these appropriations.

#### *Direct action*

43. In 1979, the Joint Research Centre will continue to implement its 1977-1980 multiannual programme based on the general guidelines evolved at the end of 1975 as a result of agreement between the Council, the Parliament and the Commission concerning the Centre's role in the development of Community research. The work thus continues to be concentrated on a few major topics, such as energy research, the environment and public service activities of general interest, whether nuclear activities within the meaning of Article 7 of the EAEC Treaty or non-nuclear activities based on Article 235 of the EEC Treaty. The appropriations covering research operations, including the placing of installations and staff at the disposal of Member States, persons or undertakings, on the basis of Article 6 of the EAEC Treaty, relate to Articles 330 to 333 of the Budget.

#### *Indirect action*

44. In pursuance of the existing programmes, the Commission has included in the Preliminary Draft Budget for 1979 the operational appropriations necessary for a number of projects which are at present being examined or proposed by the Commission and which fundamentally accord with the major objectives referred to in the Commission's communication of 30 June 1977<sup>2</sup> relating to a common policy in the field of science and technology.

In accordance with the aims set out below, the Commission is continuing to place the emphasis on the development of research into energy, security of supplies, the environment and other subjects recognized as meriting priority treatment. In this connection, stress must be laid on the increased importance accorded to the programmes relating to new sources of energy and controlled thermonuclear fusion. The use of fusion energy for the generation of electricity offers a way of ensuring a supply of energy over a very long period. In this sector all the Member States' work is coordinated with a programme which will have to be considerably expanded in the year ahead: a new Fusion programme, constituting a follow-up to the programme now being implemented, is envisaged for 1979. The new appropriations (50 million EUA) planned for this operation have been entered in Chapter 100 as a provision.

In the same context, it must be stressed that the Preliminary Draft Budget also takes account of the financial effects of the implementation of the JET (Joint European Torus) Project, which is integrated in the overall 'Thermonuclear fusion' programme and comprises the construction and operation at Culham (United Kingdom) of a large experimental machine for the purposes of the technological development of a nuclear fusion reactor. European research in this field,

<sup>1</sup> Table 9.

<sup>2</sup> OJ C 187 of 5.8.1977; Supplement 3/77 — Bull. EC and Bull. EC 6-1977, points 1.3.1 to 1.3.6.

which is ahead of that of the Community's main competitors, can be effectively maintained only by developing this Project, to which the Council gave final approval on 30 May—together with the Statutes of the Joint Undertaking, within the meaning of the Euratom Treaty, which is responsible for the implementation of the Project—following the decision already taken at the end of 1977 regarding the siting of the installation.<sup>1</sup> The total cost of the Project for the period from 1976 to 1983 has been assessed at 184 600 000 EUA (at January 1977 values), the Community's contribution being of the order of 80%, i.e., a sum of 147 700 000 EUA.

With regard to the research and development programme on new sources of energy, a proposal will be made by the Commission for following up the present programme; the same five sectors will be covered, namely, Energy saving, Production and use of hydrogen, Solar energy, Geothermal energy and Systems analysis/modelling. In view of the long-term nature of this research, it is important to devote commensurate outlay to these activities as of now.

In addition to a number of new projects in different fields, such as those concerning long-term forecast and assessments, secondary raw materials and climatology, mention must be made of the development of the concerted action projects through which the Commission assists in the Community-level coordination of the research projects implemented at national level: Indirect action and concerted projects are covered by Articles 335 to 338 of the Budget; the estimates—including the new projects, the appropriations for which are entered in Chapter 100—increase from 65 million EUA in 1978 to 105.6 million EUA in 1979.

### Industrial policy

45. The Commission, which in its communication of 27 February 1978<sup>2</sup> to the Council joint meeting and Parliament had given top priority to arriving at a Community solution

to certain crucial problems inherent in the industrial sector, has had its ideas favourably received by both the Council and the European Parliament, which in its report on guidelines concerning the budgetary and financial policy of the European Communities for 1979<sup>3</sup> attached great importance, in a Community context, to the restructuring of the production machinery and to the development of a policy for various industrial sectors. Moreover, the European Council at Copenhagen<sup>4</sup> emphasized the need to overcome the serious problems arising from structural overcapacity in several industries and to encourage the development of an industrial structure which could cope with world competition. In this connection, the Commission intends to continue the financial outlay initiated in the 1978 Budget so as to supply the funds needed to overcome the crisis in certain industrial sectors in difficulty and also to develop its support policy in the growth sectors, where Community aid is of decisive importance.

The total appropriations proposed for the industrial policy amount to about 64 million EUA—taking into account the aid to the oil-refining industry—which represents an increase of 65.7% over 1978.<sup>5</sup>

### *Industrial sectors in crisis*

46. Some major industrial sectors in the Community have not adapted to the current trend of world demand and suffer from inadequate competitiveness on their own market and, of course, on the world market. Every effort should be made by the Community to find a solution to this serious problem, which is endangering the competitive capacity of the Community's production machinery, with the consequent social and regional implications.

<sup>1</sup> OJ L 151 of 7.6.1978.

<sup>2</sup> Bull. EC 2-1978, points 2.3.4 to 2.3.7.

<sup>3</sup> Bull. EC 3-1978 points 2.3.9 and Bull. EC 4-1978, point 2.3.6.

<sup>4</sup> Bull. EC 4-1978, point 1.2.2.

<sup>5</sup> Table 9.

The operations which governments may undertake in this connection are liable to be inconsistent, or even contradictory, if they are not coordinated at Community level and if they are not accompanied by a certain degree of financial solidarity. Hence the Community should encourage, in a pragmatic but coherent manner, sectoral measures to facilitate modernization of industries so that they are again able to hold their own on markets as soon as possible; this is the objective of the Community operations being carried out in the steel, textiles and shipyard sectors.

The Community's financial contributions should make it possible, according to the case and in line with national measures, either to assist in the reorganization when the main obstacle to rationalization consist in inadequate finance or to assist in conversion to other activities when the main obstacle consists in resistance to the necessary elimination of jobs, for want of alternative work in the region. The Commission therefore lays stress on the fact that the chances of creating a Community framework for reorganization are considerably strengthened if the Community is in a position to provide assistance from its own funds both for reorganization and for redevelopment operations.

Besides the direct aid from Budget appropriations for the industrial field, the sectors in difficulty should also be able to avail themselves of loan facilities, either through the European Investment Bank (EIB) or by means of the new financial instrument for stimulating investment,<sup>1</sup> or again, indirectly, by using Social Fund or Regional Fund resources. An appropriation of 20 million EUA was entered in the 1978 Budget under reorganization and redevelopment operations (Article 375). The Commission's intention is that this should form the start of a policy for the use of Community resources made available for common policies in the industrial field. The Commission plans to continue and expand this policy by proposing that an amount of 30 million EUA be entered in the 1979 Budget for intervention measures in the crisis-stricken industrial sectors, to which should be added 10 million EUA for inter-

vention measures to help the oil-refining industry.

#### *Growth sectors*

47. The growth sectors—in which advanced technology sectors must be included—will be called upon to play a leading part in the expansion of European industry. It is therefore necessary to arrange for the change-over to these sectors to be accomplished smoothly from both the economic and the social standpoint.

The analyses carried out by the Commission of the development potential of the aerospace, data-processing and electronic-components sectors have shown clearly that a Community approach would make for a worthwhile expansion of these activities. These sectors are, in any case, affected by the problem of the progressive pooling, or at the very least the coordination, of research capacities and that of the use of public procurement contracts to develop markets. The Community should contribute significantly to the outlay on research, particularly by making available to the undertakings concerned the research tools which are inaccessible to the Member States individually. In those sectors where generally action by the public authorities is considerable and often decisive, the Community should acquire the means—from a budgetary standpoint too—to assume its role as a economic power because the advanced technology sectors can only develop if able to avail themselves of resources and a market on a continental scale.

It is with this in mind that the Commission presents to the Budgetary Authority its appropriation estimates for 1979:

— *The data-processing sector* will be allotted a substantial appropriation for commitment (17 million EUA) along the lines of the Commission's communication to the Council of 8 November 1976<sup>2</sup> and taking over the

<sup>1</sup> OJ C 37 of 14.2.1978 and Bull. EC 1-1978, point 2.1.1.

<sup>2</sup> OJ C 39 of 16.2.1977.



appropriations entered in the preceding Budgets under the first and second data-processing programmes. Besides this development, a new project is to be noted in this sector, aimed at developing the technology of integrated circuits and electronic components, which, however, at the present stage of the preparations, has not yet been allotted any appropriations.

— *The aerospace sector*, which has special priority as Parliament has specifically emphasized,<sup>1</sup> has been allotted further appropriations for commitment (5 million EUA) which, in addition to the appropriations in the 1977 and 1978 Budgets (8 million and 15 million EUA), should make it possible to cover the first portion of aid in the field of airframes and helicopters for the purposes of technological research.<sup>2</sup> The 'aids to the aerospace industry' operation continues to be provided for in the Budget; however, appropriations have not been entered at this stage as intervention measures in this sector are likely to assume particularly large proportions and will in any case require very careful preliminary study.

#### *Specific intervention measures under the industrial policy*

48. In the field of mineral raw materials, the Commission plans to launch a back-up operation with the object of diversifying exploration for and exploitation of deposits of mineral raw materials in order to increase security of Community supply. The operation which might be undertaken in Greenland, for instance, in certain developing countries and on the ocean floor, would be financed by substantial aid from the Community within the total cost of the projects involved. In view of the preparations still needed before such aid can be implemented, the Commission is for the time being confining itself to proposing the creation of a budget heading (Article 373) without allotting any appropriations to it.

In addition, it should be pointed out that, in the heading already shown in the 1978 Bud-

get, the Commission is continuing to apply appropriations to studies in the field of harmonization of technical rules in respect of industrial products (Article 374), including in this Article the specific studies previously covered by Title 2 of the Budget.

#### **Development cooperation**

49. In its Communication of 27 February<sup>3</sup> to the Council (joint meeting) and the Parliament, the Commission identified development cooperation as one of the four medium-term budgetary priorities. Subsequently a clear consensus emerged in both the Council and Parliament in favour of regarding development cooperation as a priority area for Community action. In Copenhagen, the European Council reiterated the Community's determination to strive for the creation of a fairer, more equitable international economic order, and stressed that with strengthened financial cooperation, the developing countries could play a greater part in the general re-establishment of the world economy.

The Community's development cooperation policy is based on two major strategies: contractual agreements at regional level, and worldwide operations. In the financial year 1979, this policy will continue to be implemented through an exemplary combination of methods, instruments and means, making possible a suitable flexible response to a variety of situations. The Community will continue, for instance, to make food aid available to the poorest developing countries in order to help remedy serious shortfalls, and also intends to finance projects designed to lessen intolerable dependence on food from external sources. More advanced developing countries will be helped in other ways, for example by measures designed to step up trade and overcome handicaps in certain sectors.

In 1979, the Community Budget, which reflects this policy as it develops, will concen-

<sup>1</sup> OJ C 36 of 13.2.1978 and OJ Annex No 225.

<sup>2</sup> Bull. EC 7/8-1977, points 1.7.1 to 1.7.4.

<sup>3</sup> Bull. EC 2-1978, points 2.3.4 to 2.3.7.

trate on consolidating and improving operations already under way. The emphasis will be laid primarily on food aid, to enable the Community to bear its part in attaining the goals fixed at international level, and on aid to non-associated developing countries, since Community aid cannot be restricted to countries with which the Community has concluded specific cooperation Agreements (Lomé Convention, 'mediterranean' Protocols), but must also go in significant measure to the world's other developing countries. Under the Commission proposals, the total amount going to development cooperation would rise from 559 million EUA in 1978 to 705 million EUA in 1979. One important contractual element of the Community's development cooperation policy will not appear yet in the 1979 Budget: the European Development Fund.

### Food aid

50. Despite the extension of other Community financial assistance for the development countries, food aid is still the largest item of budgetary aid going to these countries. The Council having rejected a proposal to combine the 'food aid refund' section with Chapter 92 appropriations (which correspond to the world market price of the products supplied) under the 1978 Budget procedure, the customary method of presenting food aid appropriations has been retained for 1979. Nevertheless, the Commission still feels that the presentation put forward for 1978 would have had certain advantages in terms of clarity and from the point of view of aid management.

The quantities proposed for 1979 take account of both the Community's international

Table 10 — Changes in appropriations for development cooperation

(in EUA)

| Chapter | Heading  | 1978                           |                             | 1979                           |                             | Absolute increase<br>Col. 3<br>Col. 1 | %              | Absolute increase<br>Col. 4<br>Col. 2 | %              |
|---------|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------------|----------------|---------------------------------------|----------------|
|         |  | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                                       |                |                                       |                |
|         |  | 1                              | 2                           | 3                              | 4                           | 5                                     | 6              | 7                                     | 8              |
|         | <i>Title 9</i>   |                                |                             |                                |                             |                                       |                |                                       |                |
|         | <b>Cooperation with developing countries and other non-member countries</b>        |                                |                             |                                |                             |                                       |                |                                       |                |
| 92      | Food aid   | 223 710 000                    | 223 710 000                 | 345 014 000                    | 345 014 000                 | + 121 304 000                         | + 54.22        | + 121 304 000                         | + 54.22        |
| 93      | Financial and technical cooperation with non-associated developing countries       | 86 196 000                     | 45 196 000                  | 139 620 000                    | 60 620 000                  | + 53 424 000                          | + 61.98        | + 15 424 000                          | + 34.13        |
| 94      | Specific measures for cooperation with developing countries                        | 19 636 000                     | 13 636 000                  | 22 499 900                     | 19 499 900                  | + 2 863 900                           | + 14.58        | + 5 863 900                           | + 43.—         |
| 95      | Exceptional measures to assist developing countries and other non-member countries | 900 000                        | 900 000                     | 3 000 000                      | 3 000 000                   | + 2 100 000                           | +233.00        | + 2 100 000                           | +233.00        |
| 96      | Cooperation with non-member countries  | 228 300 000                    | 97 500 000                  | 195 100 000                    | 136 800 000                 | - 33 200 000                          | - 14.54        | + 39 300 000                          | + 40.31        |
|         | <b>Total</b>   | <b>558 742 000</b>             | <b>380 942 000</b>          | <b>705 233 900</b>             | <b>564 933 900</b>          | <b>+ 146 491 900</b>                  | <b>+ 26.22</b> | <b>+ 183 991 900</b>                  | <b>+ 48.30</b> |

obligations (cereals) and the trend of demand and needs in the developing countries (all products). It is proposed to raise the Community cereals contribution to 1 135 000 tonnes, out of a total Community (Community proper and Member States) contribution of 1 650 000 tonnes, this being the minimum required to achieve the international food aid target of 10 million tonnes of cereals. Setting the figure at 1 135 000 tonnes means that the overall increase provided for in the new food aid convention currently being negotiated (363 000 tonnes)<sup>1</sup> will come entirely from the Community proper. The new proportion of Community to national contributions thus becomes 68.8% to 31.2%.

For milk products, the Commission does not plan any major increase over the quantities allowed in 1978. It proposes to hold the quantity of skimmed-milk powder at 150 000 tonnes (although an increase to 200 000 tonnes is planned for the medium term). To take account of the growing demand from developing countries and also to improve the balance between the two milk products, it is proposed to raise the quantity of butteroil from 45 000 to 55 000 tonnes. These products are often used in related processes, and simultaneously, at their destination (particularly in milk reconstitution units). In the medium-term the quantity of butteroil should be raised by stages to 80 000 tonnes.

As in past years, food aid will be concentrated on the poorest countries where the food shortfall is serious, and will be allocated in accordance with three basic criteria: need, *per capita* income and the external financial situation.

In the Commission's opinion, food aid must not merely palliate the worst effects of malnutrition, but should also make an active contribution to the development of the recipient countries, particularly in agriculture. The emphasis will therefore be put clearly on operations which promote the creation of infrastructure, the stimulation of demand and the production of basic foodstuffs. Preference will be given to integrated development pro-

jects, and where possibilities exist for implementing projects similar to 'Flood II'<sup>2</sup> in India, based on both Community food aid and various financial contributions, these will be encouraged. It is by operations of this type that the aim of integrating food aid into the Community's overall development policy can best be achieved.

The total appropriations needed in 1979 for food aid schemes is a little over 345 million EUA, corresponding to the value of the products at world market prices, i.e. an increase of 54% on 1978. Refund appropriations are entered under Title 6 (EAGGF Guarantee Section) and amount to 408 600 000 EUA. The total budgeted for food aid is therefore 753 614 000 EUA.

#### *Financial and technical cooperation with non-associated developing countries*

51. Aid to non-associated developing countries also reflects the consolidation of action already being undertaken, going up from 70 million EUA for new commitments to 110 million EUA. The Community's work in this field is essentially aimed at three targets: increases and improvements in food production in the poorest Asian and Latin American countries through finance agricultural, stockbreeding and fisheries projects, and related fields such as infrastructure, marketing, storage, applied research and vocational training; the promotion of trade between non-associated developing countries and the Community through finance for various projects designed to facilitate the marketing of products from non-associated developing countries, on the Community market and to encourage those countries to extend their production of exportable goods; and, thirdly, greater regional integration among developing countries.

<sup>1</sup> Difference between the Community's total contribution in the cereals sector (1 650 000 tonnes) and the present overall commitment of the Community and of the Member States (1 287 000 tonnes).

<sup>2</sup> Rural development project.

With regard to financial cooperation (Article 930), the Commission, in its Communication to the Council dated 5 March 1975, proposed a five-year schedule, starting in 1976, at the end of which the volume would level out at 200 million EUA. The Commission feels that this is still a reasonable target, but in view of the modest start to the programme due to cuts by the Budgetary Authority in the appropriations requested in previous financial years, it should be spread out over a further two years. The Budget for the 1979 financial year should therefore authorize appropriations of 110 million EUA for new commitments, plus 23.62 million EUA to be re-entered from the 1976 and 1977 Budgets. This gives a total which begins to look more meaningful both from the political angle and in relation to the scope of possible operations.

#### *Specific and exceptional measures*

52. These measures underpin and complement the major policies directed towards the associated and non-associated developing countries. Outstanding among the specific measures, and one which on the initiative of the Parliament increased sharply from 2 million EUA in 1976 to 12 million EUA in 1978, is the programme for cofinancing cooperation schemes concerning developing countries carried out by non-governmental organizations (NGOs), particularly in the rural, social, training and health fields.

To help the developing countries cope with the consequences of natural or economic disaster, the Community must be able to supply rapid and effective aid. The experience of previous years shows that appropriations for this purpose have always been insufficient to cover the immediate needs of developing countries hit by disaster, and it has been necessary to make transfers from reserve chapters. Moreover, by a Council Decision of 28 November 1977 the Commission was made responsible for coordinating emergency and humanitarian aid, and the effectiveness of such coordination will be enhanced as the scale of Community operations will be greater

than in the past. The sum of 3 million EUA is therefore requested for 1979.

#### *Contractual cooperation in the Mediterranean basin*

53. To the Community's tried and tested policy towards the associated developing countries (Lomé Convention) and the first achievement of its world cooperation policy, must now be added the activities being undertaken as part of the overall approach to the Mediterranean countries. After the signature of the cooperation agreements with Malta and the Maghreb countries in 1976, the Community continued its Mediterranean policy in 1977 by signing similar agreements with the Mashreq countries (Egypt, Jordan, Lebanon, Syria), Greece, Turkey, Portugal, Cyprus and Israel. In addition to loans by the EIB from its own resources, the Financial Protocols to these agreements in general provide for grants and loans on special terms to be charged against the Community Budget.

There has been some delay in the entry into force of the cooperation agreements, owing to the length of the ratification procedures in certain Member States. Meanwhile, the Commission has been programming, preparing and appraising projects so that they can be adopted immediately after the entry into force of the Financial Protocols, which is scheduled for the autumn of 1978. The active implementation of the Protocols will thus take place in 1979. Given the high level of the commitment appropriations entered in the 1978 budget, the new 1979 appropriations for commitments can be somewhat lower; as regards the appropriations for payments, the reverse applies, since these will represent the total of the 1978 and 1979 commitments.

#### **Other intervention sectors**

##### *Transport*

54. Financial support for transport infrastructure schemes of Community interest is

retained in the Budget as an operation in the preparatory stage. However, in view of the present status of the matter before the Council and the preparatory studies in hand, no appropriations have yet been allocated to the appropriate heading (same situation as in 1978). None the less, a 'token entry' here would enable the operation to be launched in 1979. In addition, the Commission has made provision for further appropriations for preparatory studies (Item 3780) and for the monitoring of goods transport markets (Article 379). This new operation will enable the Commission to accomplish the tasks assigned to it by Article 75 of the EEC Treaty.

#### *Environment policy*

55. The environment policy pursued by the Community since 1973 was defined in two programmes, adopted by the Council in 1973 and 1977,<sup>1</sup> which set out the objectives to be achieved, the principles to be observed and the measures to be taken. Measures are along three lines:

- control of pollution and nuisances (water, air, noise and waste);
- the rational and provident management of the available land resources and the natural environment;
- action at international level, mainly in conjunction with industrialized non-member countries, but also with special attention to the developing countries.

It must be pointed out that although the Community's activity in this sector has been primarily normative, with the preparation and adoption of directives, it is also concerned to stimulate, to provide incentives and to promote awareness, and to formulate new ideas for economic growth which has more regard for the preservation of our natural heritage. And, although regulatory action has long had the aim of reducing and repairing the damage that economic development has already caused to man, to resources and to the natural environment, the marked tendency in the last few years has been towards a more preventive approach.

Appropriations for Community action on the environment are entered in Article 354 of the Budget and are very modest (2.86 million EUA): they are intended mainly for studies and to finance projects to promote awareness.

#### *Scientific and technical information and information management*

56. The appropriations for these projects, which are grouped in Chapter 36, are tending to stabilize, in view of the large appropriations for commitment in the 1978 Budget for the second plan of action.<sup>2</sup> The telecommunications network set up for the Commission by the Nine's post and telecommunications authorities (PTTs) under the first and second three-year plans of action on STID (1975-77 and 1978-80) will be operational from the beginning of 1979. About thirty host computers, running nearly a hundred automated information systems, and several hundred enquiry terminals will be progressively connected to the network and made accessible to the public.

At the same time, the other projects under the second plan of action will be followed up, namely the setting-up of further sectoral information systems, the training of specialists and users, the improvement of access to information and the development of up-to-the-minute technologies and methodologies; all these projects will lead to the progressive establishment of a true common market in information. The appropriation for commitment of 4.85 million EUA for this plan of action in 1978 enable quite a few multiannual projects to be launched, and has reduced the funds required in 1979 to 2.8 million EUA.

Endeavours in 1978 in the field of automatic translation have already produced operational tools capable of translating documents in various subject areas and several pairs of languages. The effort is to be continued in 1979

<sup>1</sup> OJ C 112 of 20.12.1973 and OJ C 139 of 13.6.1977.

<sup>2</sup> Bull. EC 7/8-1977, points 1.4.1 to 1.4.3.

in order to extend the system to other scientific and technical fields and to new pairs of languages. Action has also been taken at Member State level to harmonize and coordinate all automatic translation activities.

Progress in 1978 in the new field of industrial innovation is promising and shows that the formulation and progressive implementation of a new Community policy in this multidisciplinary field would help to meet a widely felt need. Action is to be stepped up in 1979 in collaboration with the responsible authorities in the Member States with a view to presenting specific proposals to the Council. At the same time, the assessment and utilization of Community research results is to be pursued more energetically in 1979 to ensure that inventions and processes resulting from Community research programmes are more widely used by industry.

#### *Science and education*

57. As in the previous year, the Commission proposes to implement the projects in the field of education (Item 3920) defined in the Resolution of the Council and the Ministers of Education meeting within the Council<sup>1</sup> on 9 February 1976. In following up this operation in 1979, the emphasis will be on better facilities for the cultural and vocational training of migrant workers and their children, cooperation in higher education and the establishment of a Community information network on education.

Special importance is accorded by the Commission to the progressive implementation of the programme approved by the Council and the Ministers of Education at their meeting on 13 December 1976 with regard to action to be taken to improve the preparation of young people for work and to ease the transition from education to working life (Item 3921). The appropriations budgeted for this come under the general heading of action to combat unemployment, and supplement the measures planned elsewhere, i.e. under the Social Fund.

#### *Culture and the European Foundation*

58. In the cultural sphere, the Commission plans to increase the appropriations already entered in Article 393 to enable the Community to contribute financially to operations aimed at the preservation of the architectural heritage and the development of cultural exchanges, as recommended by the European Parliament in its Resolutions of 13 May 1974 and 8 March 1976.<sup>2</sup> These are the operations referred to in the Commission's communication on Community action in the cultural sector transmitted to the Council on 22 November 1977.<sup>3</sup>

The Commission has also made provision for a new heading in Article 393, the appropriation for which will enable the Community to make a contribution to cultural events with a European dimension, such as concerts by the Community Youth Orchestra.

It should further be noted that the Commission has entered in (the new) Article 396 of its Preliminary Draft Budget an initial financial contribution of 5 million EUA for the start-up and operation of the *European Foundation*, whose objectives and tasks were laid down by the European Council in Copenhagen recently.<sup>4</sup>

#### *The General Budget and the ECSC Budget*

59. Point 5 of the Resolution on the ECSC operational budget for 1978 adopted by Parliament at its sitting of 14 December 1977<sup>5</sup> 'urges the Commission to submit a report to Parliament that defines and overall approach to the opportunities for action under the General Budget and the operational budget of the ECSC, recommends a measure of integration of ECSC and EEC activities (without

<sup>1</sup> OJ C 38 of 19.2.1976.

<sup>2</sup> OJ C 62 of 30.5.1974 and OJ C 79 of 5.4.1976.

<sup>3</sup> Bull. EC 11-1977, points 1.4.1 to 1.4.4 and Supplement 6/77-Bull. EC.

<sup>4</sup> Bull. EC 4-1978, point 1.2.2.

<sup>5</sup> OJ C 6 of 9.1.1978.

sacrificing the financial principles of the ECSC Treaty, which must remain the model to be followed) and provides the Budgetary Authority with a more comprehensive picture of Community finances'.

Parliament thus sets the problem of consistency between operations under the two budgets and the question of where to draw the line of demarcation through borderline areas. Reiterating certain partial replies already given verbally or in writing to Parliament, the Commission here sets out, in the policy statement prefacing the Preliminary Draft General Budget for 1979, its thoughts and observations in response to Parliament's request.

60. On the legal plane, the General Budget and the ECSC operational budget<sup>1</sup> could be merged only in the context of a future merger of the Treaties and the Decision of 21 April 1970 on the allocation of own resources to the European Communities.<sup>2</sup> Under the Treaties as they now stand, the sole purpose of the General Budget is to finance policies formulated within the framework of the Treaties establishing the EEC and EAEC, while any operation mounted in the context of the Treaty of Paris can be financed only from the ECSC operational budget. It was to observe this distinction that, when something had to be done to meet the growing needs of the coal and steel sectors, the Commission recently suggested that the additional funds deemed necessary for this purpose be allocated directly to the ECSC budget; this applies to both the special contribution of 32 million EUA decided upon by the Council on 21 December 1977<sup>3</sup> and the transfer of customs duties on ECSC products proposed by the Commission on 18 May 1978.<sup>4</sup>

61. Closer study of the areas where a problem of demarcation and consistency may arise suggests that such problems are confined to the social and regional sectors and to energy and industry; as regards the relationship between the two budgets, however, the situation is very different in each of the four sectors. Before discussing these sectors, the

Commission would reassure the Budgetary Authority on a basic point, namely the consistency between policies through unity of planning and management.

Until the merger of the executives in 1967, coordination efforts to ensure consistency between the policies of the three Communities depended mainly on the initiative of the three executives. After the Merger Treaty had come into force, the risks of inconsistency which might arise from parallel management were avoided as a result of the horizontal merging of planning and management responsibilities. For example, the sectoral problems of the coal and steel industries fall under the Directorates-General for Energy and Industrial Affairs respectively, while social and regional problems of the ECSC are handled, respectively, by the Directorate-General for Employment and Social Affairs and the Directorate-General for Regional Policy. Likewise, in the realm of financial management, the Directorate-General for Budgets, responsible for both the General Budget and the ECSC operational budget, provides further assurance of consistency.

The result is that in each area ECSC policy is in the hands of the very departments which are responsible for implementing the corresponding policies laid down in the Rome Treaties. The same principle is followed in the assignment of responsibilities between the Members of the Commission.

In this symbiosis, far from generating conflict, the ECSC has often blazed the trail: in their own policies, the other two Communities have in many ways taken their cue from the policies for coal and steel, without, however, always going so far as the ECSC policies. The ECSC's resettlement policy in the

<sup>1</sup> The fact is that, unlike the Treaties of Rome for the other two Communities, the Treaty of Paris does not provide for a budget for the ECSC. The term 'ECSC operational budget' is therefore merely a convenient way of referring to the statement of estimates of revenue and expenditure for the ECSC which the High Authority/Commission draws up as a matter of course.

<sup>2</sup> OJ L 94 of 28.4.1970.

<sup>3</sup> Bull. EC 12-1977, point 2.3.11.

<sup>4</sup> Bull. EC 4-1978, point 2.3.67.

social sector and its conversion policy in the regional sector may be quoted as examples. The pace-setting value of certain ECSC operations derives both from the special provisions and specific machinery provided by the Treaty of Paris and from the longer experience acquired since 1952 by the Coal and Steel Community.

It is worth recalling in this context that, to ensure consistency and practical coordination among the various Community instruments, the Commission specially assigned one of its Members to this task and, at departmental level, formed a permanent Task Force which, as a matter of course, follows up activities under both the General Budget and the ECSC Budget.

In the budgetary field, the specific instruments around which a problem of demarcation and coordination may arise are the following:

Table 11

| Sector   | Instruments of General Budget   | Instruments of ECSC Budget   |
|----------|---|--|
| Social   | <ul style="list-style-type: none"> <li>• Social Fund</li> </ul>   | <ul style="list-style-type: none"> <li>• ECSC resettlement appropriations</li> </ul>   |
| Regional | <ul style="list-style-type: none"> <li>• Regional Development Fund</li> </ul>   | <ul style="list-style-type: none"> <li>• Interest relief grants for conversion</li> </ul>  |
| Energy   | <ul style="list-style-type: none"> <li>• Energy research appropriations</li> <li>• Aid for coal</li> </ul>  | <ul style="list-style-type: none"> <li>• Coal research appropriations</li> <li>• ECSC contributions to financing the system of aid for coking coal and metallurgical coke</li> </ul> |
| Industry | <ul style="list-style-type: none"> <li>• Appropriations for restructuring or conversion of crisis industries</li> <li>• Appropriations for industrial and technological research</li> </ul> | <ul style="list-style-type: none"> <li>• Interest relief grants for investments (particularly steel restructuring)</li> <li>• Appropriations for steel research</li> </ul>           |

It goes without saying that the other operations financed by the ECSC Budget, which at present have no exact equivalent in the General Budget, i.e. social research (occupa-

tional safety and medical research) and (below-the-line expenditure)<sup>1</sup> low-interest loans for workers' housing, are also administered in such a way as to ensure their integration with other Community activities. In this connection, it is also worth mentioning that operations undertaken by the ECSC to combat pollution are coordinated with the activities arising from the Community environment policy.

Similarly, the borrowing and lending operations of the ECSC are coordinated with those of the other two Communities and the European Investment Bank.

After this brief outline of those instruments in the two budgets which are designed to achieve comparable objectives, consideration must now be given to the practical problems of the budgetary charging of expenditure and the demarcation principles to be applied with a view to resolving these problems. The charging of Community expenditure to one or other of the two budgets presents few problems in practice since the main criterion is the legal principle already mentioned that operations undertaken under one of the Treaties must be financed by the machinery provided for in that Treaty. Where operations are not expressly and specifically the province of the ECSC, it may be possible to finance them from the resources available for the implementation of the Community policies deriving from the Treaty of Rome.

In practice, the demarcation is as follows in the various fields of intervention:

— *in the social sector*: since the resettlement scheme for workers in ECSC industries, which is more comprehensive and more favourable than the corresponding provisions of the EEC social policy, is expressly provided for in Article 56 of the ECSC Treaty, there can in principle be no question of Social Fund intervention in the coal and steel industries. It is true that, because the two systems exist side by side, different social benefits are available for workers in different

<sup>1</sup> Appropriations funded not from coal and steel production levies but the ECSC's own resources.



sectors. But this is a situation which can be put right only by harmonization of the basic rules—not by better management. As regards ECSC social research, which comes under Article 55 of the Treaty, and ECSC aid (outside its budget) for housing, the absence of corresponding policies under the EEC Treaty (apart from certain aspects of the environmental policy which have already been mentioned) means that the problem of budgetary charging does not arise.

— *In the regional sector:* in its own province, the coal and steel industries, the ECSC has since 1961 granted conversion loans aimed at creating jobs in areas affected by problems resulting from technical developments or changes in marketing conditions; since 1967 it has been possible to couple these loans with interest relief grants charged to the operational budget. Most of the areas concerned are located in the regions to which the EEC policy applies. If an operation relates to a region not covered by the European Regional Development Fund (ERDF), the Community aid must of course be charged to ECSC resources. As far as Regional Fund intervention is concerned, the Commission would point out that, in addition to the possibility already open to the ERDF of contributing to the cost of regional aids granted by Member States to conversion projects, it has proposed the creation of a 'non-quota' section which would make it possible for the ERDF to grant interest relief for certain loans. If such a system were to be implemented, adequate coordination with ECSC operations would be required. The question of which of the two instruments should be used for intervention would be settled, in particular, by reference to the source of the conversion problems to be resolved. More specific rules for deciding which financial instrument to use would still have to be worked out in the light of the available resources and the other features of the non-quota ERDF system.

— *In the energy sector,* the budgetary charging of research proper presents no problem, since the dividing line between coal industry

research and other types of energy research is entirely clear. It should be noted here that projects for converting coal into other forms of energy (gasification and liquefaction) are part and parcel of work under the energy policy to develop alternative sources of energy (solar energy, geothermal energy, etc.) and are therefore charged to the General Budget. Moreover, these operations clearly go beyond the boundaries of research, since they involve the construction of pilot plants and the promotion of demonstration projects. The system of aid to the marketing of coking coal and metallurgical coke, which is financed, as far as the Community's share is concerned, from the ECSC Budget and is based on a decision taken by the Commission under Article 95 of the ECSC Treaty, was set up long before the Community energy policy, now taking shape, was planned. It is therefore essential for historical reasons that this aid system is charged to the ECSC Budget. In future, operations aimed at maintaining coal production and promoting its use are more likely to come under the Community energy policy. For example, Chapter 32 of the General Budget (Expenditure under the energy policy) has already been expanded to include Article 323, Operations in the coal sector, which contains the following Items: 3230, Use of coal in power stations; 3231, Aid for coal stockpiling; and, a new measure, 3232, Aid for Community trade in power-station coal.

— *In the industrial sector:* steel industry research is entirely specific to the industry and therefore raises no problems as far as budgetary charging is concerned. The interest relief granted by the ECSC for some of its loans can in principle be granted in the coal industry as well as in the steel industry. However, since the emphasis is currently on the need to encourage above all investments contributing to the reorganization of the steel industry, it is appropriate in the present context to classify ECSC investment subsidies under the head 'industrial sector'. Such a classification makes it possible to align these operations with those covered by Article 375 of the General Budget, Community reorganization and redevelopment operations in con-

nection with crises in certain industrial sectors.

To sum up, on grounds both of policy and of the legal situation arising from the Treaties, ECSC resources should continue to be used to finance the operations traditionally included in the operational budget (resettlement, research, interest relief grants, aid to coking coal and metallurgical coke and, below the line, loans for subsidized housing). It is with this in mind that, in order to meet requirements in these fields, the Commission has proposed the allocation to the ECSC of the additional resources mentioned above (a special contribution by the Member States in 1978 and ECSC customs duties from 1979). Indirectly, the same purpose was served by the Council Decision of 21 November 1977<sup>1</sup> reducing the lump-sum contribution from the ECSC Budget to the General Budget for administrative expenditure from 18 million EUA to 5 million EUA.

Resources from the General Budget should, it is felt, be used for the coal and steel industries only, for operations relating to coal, and here only as an integral part of a comprehensive energy policy aimed, amongst

other things, at maintaining coal production at the level of 250 million tce. There may be a limited risk of overlap at regional level, but this is easy to avoid thanks to the integrated administration of the policies concerned.

The Commission also attaches great importance to the coordination of all the financial instruments concerned: resources available specifically for the coal and steel industries, operations under the General Budget and, as regards loans granted, the operations of the EIB. In this context, it has recently entrusted a standing group with the task of keeping under review any problems which may arise in connection with the adaptation of these financial instruments to present and future needs.

#### Statistical comparison between operations under the General Budget and operations under the ECSC Budget

62. For timetable reasons, and more specifically because the estimates of ECSC re-

<sup>1</sup> OJ L 306 of 30.11.1977.

<sup>2</sup> tce = tonnes of coal equivalent.

Table 12 — *Intervention appropriations of the European Communities (Year 1978)*

(in million EUA)

| Sector                  | Appropriations for commitment |                          |           | Relative size of ECSC Budget 2/3 |
|-------------------------|-------------------------------|--------------------------|-----------|----------------------------------|
|                         | General Budget <sup>1</sup>   | ECSC Budget <sup>2</sup> | Total 1+2 |                                  |
|                         | 1                             | 2                        | 3         |                                  |
| Agriculture             | 9 182                         | —                        | 9 182     | —                                |
| Social                  | 583                           | 69                       | 662       | 10.4%                            |
| Regional                | 581                           | 25                       | 606       | 4.1%                             |
| Energy                  | 197                           | 22                       | 219       | 10.0%                            |
| Industry                | 41                            | 31                       | 73        | 43.1%                            |
| Other specific tasks    | 79                            | —                        | 79        | —                                |
| Development cooperation | 559                           | —                        | 559       | —                                |
| Total <sup>3</sup>      | 11 231                        | 147 <sup>4</sup>         | 11 378    | 1.3%                             |

<sup>1</sup> Figures rounded off.

<sup>2</sup> The complete operational budget, amounting to 152 million EUA, also includes a lump sum of 5 million EUA for administrative expenditure.

<sup>3</sup> Since the ECSC appropriations represent the amounts to be set aside as a provision for the subsequent payment of aids, in accordance with long-established ECSC practice, a comparative analysis, as regards the General Budget, should be based on the appropriations for commitments, to which the ECSC appropriations are similar, rather than on the appropriations for payment. The table above was drawn up on this basis.

<sup>4</sup> In 1978, the ECSC below-the-line operations in respect of low-interest loans granted for the construction of subsidized housing amounted to 15 million EUA. This figure does not appear in the table.

sources are based on the statistics for the year ending 30 June preceding the financial year in question, the following analysis is based on the figures for the 1978 financial year. A corresponding analysis of the estimates for 1979 could be made towards the end of the year, when the ECSC operational budget for 1979 is presented.

As a percentage of the grand total of the 1978 General Budget (12 363 million EUA, including the First and Second Amending Budgets), the ECSC Budget (152 million EUA) was only 1.2%; taking into account intervention appropriations alone (11 378 million EUA), the ECSC percentage was 1.3%. Table 12 gives a breakdown, according to sector, of the ECSC budget appropriations shown against the corresponding figures for intervention appropriations under the General Budget. The ECSC interventions are classified on the same basis as the comparative analysis already given.

The comparison shows that although the ECSC Budget represents no more than 1.2% of the total appropriations of the General Budget, the relative size of the operational budget in those sectors, in which the ECSC does operate is much larger, representing approximately 9.4% of Community intervention.

### Comparison of borrowing and lending operations

63. A further comparison of operations involving non-reimbursable payments emerges from consideration of certain figures relating to the borrowing and lending operations of the Communities, although, in the case of the ECSC, these figures do not appear in the operational budget. The aim of the loans granted by the ECSC is to facilitate the carrying out of investment programmes by undertakings in the coal and steel industries (Article 54 of the ECSC Treaty) and also to promote conversion programmes affecting workers in this sector (Article 56). The figures given below show the total loans granted under each category since the first year of operations, and the number of loans granted in 1977.

Consistency in administering the various Community instruments in this area must be achieved by consultation and contact between the departments concerned. With reference to the size of the ECSC share of borrowing and lending operations, although these figures show that in 1977 ECSC operations again accounted for more than 25% of the Community total in terms of loans granted (against 9.4% for operations involving

Table 13

(in million EUA at the rate applicable on 31.12.1977)

| Category of loans                       | First year of operations | Loans granted up to 31.12.1977 | Loans granted in 1977 | Comments  |
|---|--------------------------|--------------------------------|-----------------------|---|
| 1. ECSC                                 | 1952                     | 4 840                          | 742                   | Loans granted<br>Loans decided *<br>at the current values<br>of the u.a.<br>General Budget, Part 2,<br>Art. 100 & 200<br>General Budget, Part 2,<br>Art. 102 & 202<br>General Budget, Part 2,<br>Art. 101 & 201 |
| 2. EIB                                  | 1958                     | 8 506 *                        | 1 571                 |   |
| 3. EAEC-Eximbank                        | 1963                     | 33                             | —                     |   |
| 4. EAEC-Euratom                         | 1977                     | 100                            | 100                   |   |
| 5. EEC-Community loans                  | 1976                     | 1 502                          | 408                   |   |
| 6. Total                                |                          | 14 981                         | 2 821                 |   |
| 7. Relative size of ECSC operations 1/6 |                          | 32%                            | 26%                   |   |

non-reimbursable payments), this figure may be expected to fall as from 1978, as the operations provided for in Articles 103 and 203, in Part 2 of the General Budget (Community loans for generating investment in the Community), expand to their full scale.

## The revenue of the European Communities

### *Own resources accruing from VAT*

64. On 17 May 1977, the Council adopted the VI Directive on the Harmonization of the laws of the Member States relating to turnover taxes—common system of value added tax: uniform assessment base.<sup>1</sup> Following a Commission proposal, it also approved the Council Regulation of 19 December 1977 implementing in respect of own resources accruing from value added tax the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources,<sup>2</sup> and hence the provisions necessary for the practical implementation of this Decision. It was not possible, however, to make these provisions operative from 1 January 1978 as only two Member States had taken the requisite steps in their own countries. It now seems probable that as from 1 January 1979 a Community rate (established for each financial year during the budgetary procedure) can be applied to a VAT assessment base determined in a uniform manner for all the Member States; the proceeds thereof will be paid into the Community budget.

These resources will replace the contributions which up to 1978 were calculated on the basis of each Member State's share in the Community's gross national product.

Allowing for other miscellaneous revenue, the Community Budget in 1979 will therefore be financed in the first instance by customs duties and agricultural levies, with the remainder coming from the transfer by the

Member States of a certain percentage of their VAT calculated on a uniform basis of assessment. In this preliminary draft budget, the Statement of Revenue (Volume 1) is established on this basis; the traditional financial contributions have thus disappeared (with the exception of those for the Euratom 'complementary programmes').

Table 14 — *Estimated revenue for 1979*  
(in million EUA)

|                            | 1978<br>Budget       | 1979<br>Preliminary<br>Draft | + %   |
|----------------------------|----------------------|------------------------------|-------|
| 1. Agricultural levies     | 1 686.1              | 1 706.0                      | + 1.2 |
| 2. Sugar/isoglucose levies | 376.9                | 467                          | +23.9 |
| 3. Customs duties          | 4 833.—              | 4 745.5                      | - 1.8 |
| 4. 1% of the VAT base      | 8 291.— <sup>1</sup> | 9 104.—                      | + 9.8 |
| 5. Miscellaneous revenue   | 135.9                | 158.5                        | +16.6 |
| 6. Total resources         | 15 322.9             | 16 181                       | + 5.6 |
| 7. Expenditure             | 12 362.7             | 14 059.5                     | +13.7 |
| 8. VAT rate                | 0.64%                | 0.77%                        | +20.3 |

<sup>1</sup> As the uniform assessment base for VAT was not applied on 1 January 1978, the financial contributions based on the GNP were reintroduced by an amending budget.

### **Breakdown of own resources among Member States**

65. During the budgetary procedure last year, the Parliament drew attention to the Community nature of own resources and urged that the presentation of these resources broken down by Member State be changed as from 1978. Consequently the preliminary draft budget for 1979 follows a new layout in which the total figure for each category of own resources is shown in the budget (the breakdown by Member State be-

<sup>1</sup> OJ L145 of 13.6.1977 and Bull. EC 5-1977, points 1.3.1 and 1.3.4.

<sup>2</sup> OJ L 336 of 27.12.1977.

ing provided merely for information in the comments).

The Commission fully agrees with the European Parliament that own resources belong directly to the Community. It also takes the view that the data concerning the origin by Member State of own resources cannot be regarded as valid and adequate information on which to ascertain the financial contribution made by each Member State to the Community budget. Own resources accruing from customs duties and agricultural levies are the financial consequences of the application of the common agricultural policy and of the existence of the CCT. It is incorrect to believe that this revenue levied at the Community frontiers and allocated to its Budget can represent the entire financial burden of each of its Member States.

In addition, it must be remembered that the figures in the 1978 and 1979 budgets do not make allowance for the application of Article 131 of the Accession Treaty. What is more, the same caution must be exercised in any analysis of Community expenditure in each Member State.

An adequate example here is the case of the MCM's paid on exports in trade between Member States. These amounts are paid by the exporting countries but some of the benefits accrue to the importing countries.

#### **Estimates of own resources for 1979**

66. The EUA was introduced for the first time in the 1978 Budget and will of course continue in use in the 1979 Budget. This raises problems in the estimates of own resources which are established in the light of a number of appropriate factors—such as inflation levels, growth in the GNP and trends in trade patterns,—in order to determine the foreseeable amount to be collected in national currencies. These estimates are entered in the Budget after conversion into EUA on the basis of the rates prevailing some time earlier (for the 1979 estimates the EUA rates at 1 February 1978 are used) and consequently

at the time of actual collection there will be substantial discrepancies, because the conversion into EUA will be made at the rates prevailing at that time, and these will inevitably have fluctuated, sometimes appreciably (on average 17 months later).

With the entry into force of own resources accruing from VAT, which is planned for 1979 at a maximum level of 1% of the uniform assessment base, the estimates of own resources will be of particular importance as the development of Community policies may depend on their volume. Consequently, in order to obtain the greatest possible forecasting accuracy, the Commission departments must have the opportunity of amending the figures during the budgetary procedure in the light of any changes in the factors governing the resources.

Thus, estimates had to be amended in respect of the sugar levy when the Amending Letter to the 1979 Preliminary Draft Budget was presented. On the other hand, no amendment was necessary in respect of other own resources. The final step in the budgetary procedure will in any case be to establish the rate of VAT in the light of the decisions on expenditure and the final estimates of resources.

The Committee on Own Resources was consulted on the forecasts on 18 April 1978. The practice of referring the estimates to this Committee before sending them to the Budgetary Authority had been suggested by the Council's subordinate bodies. The estimates of own resources for 1979 take into account amendments requested by some of the Member States in this Committee.

Budgetary estimates are based on economic assumptions about the increase in gross domestic product at current prices, which particularly affect both imports, from which customs duties are derived, and final consumption, on which the VAT assessment base largely depends.

The estimates for 1979 correspond to an assumed increase of 10.5% in GDP at current prices for the Community as a whole. This assumption differs from the target set by the

European Council in Copenhagen on 7 and 8 April, which fixed the GDP growth rate in real terms at 4.5% instead of 3.5%. It should be pointed out that work on the economic budgets for 1979 drawn up by the Economic Policy Committee could lead to the adoption of slightly different assumptions from those used for present purposes.

67. Revenue from customs duties for 1979 is estimated at 4 745.5 million EUA, which corresponds to a 5.7% increase over actual outturn in 1977. This slight increase over two years is due to the fact that the most recent estimates point to lower revenue for 1978 than the actual yield in 1977. This is accounted for partly by the fact that the growth in GDP will be slower than in 1977, and primarily by the stagnation—and sometimes even the cyclical drop—in import prices, unforeseeable when the estimates were drawn up. This affected the revenue from customs duties for the first four months of 1978. The estimates for 1979 are 1.8% lower than the amounts entered in the 1978 Budget.

Table 15 — *Customs duties, 1978 and 1979*  
(in million EUA)

| Member State <sup>1</sup> | 1978 Budget | 1979 Preliminary Draft |
|---------------------------|-------------|------------------------|
| Belgium                   | 323         | 318.7                  |
| Denmark                   | 170         | 118.9                  |
| Germany                   | 1 467       | 1 445.8                |
| France                    | 740         | 718.1                  |
| Ireland                   | 47          | 50.0                   |
| Italy                     | 485         | 451.3                  |
| Luxembourg                | 4           | 3.9                    |
| Netherlands               | 490         | 448.7                  |
| United Kingdom            | 1 107       | 1 190.1                |
| Total                     | 4 833       | 4 745.5                |

<sup>1</sup> The breakdown between Member States shown above appears only in the Remarks column of Chapter 12 of the Budget (see 'Distribution of own resources among Member States').

68. The yield of agricultural levies depends on threshold prices, imports from non-mem-

ber countries, world prices and monthly fluctuations about the representative rates for agricultural products. The high degree of variability of these factors (with the exception of the threshold prices) makes it difficult to extrapolate from statistical sources and makes it necessary to estimate on the basis of average hypotheses and the most up-to-date information. According to the 1979 estimates, cereals will account for approximately 75% of the total levies; maize will yield approximately 56% of the total cereal levies. Total receipts for 1979 are put at 1 706 million EUA, practically the same as the figure in the 1978 Budget.

69. Revenue from sugar and isoglucose levies is estimated at 467 million EUA, representing a 24% increase over the 1978 Budget, due mainly to different production assumptions and levy rates. The estimates of sugar levies had to be amended in September to take account, in particular, of the new storage levy, which was set on 28 June 1978 at 1.98 u.a.<sup>1</sup> per 100 kg of white sugar instead of the rate of 1.77 u.a. set when the Prelimi-

<sup>1</sup> This is the unit of account used in the agricultural sector.

Table 16 — *Agricultural levies for 1978 and 1979*  
(in million EUA)

| Member State <sup>1</sup> | 1978 Budget | 1979 Preliminary Draft |
|---------------------------|-------------|------------------------|
| Belgium                   | 270         | 215.1                  |
| Denmark                   | 36          | 23.8                   |
| Germany                   | 307         | 321.7                  |
| France                    | 84          | 78.9                   |
| Ireland                   | 12          | 9.0                    |
| Italy                     | 352         | 373.4                  |
| Luxembourg                | 0.1         | 0.1                    |
| Netherlands               | 428         | 335.4                  |
| United Kingdom            | 197         | 348.6                  |
| Total                     | 1 686.1     | 1 706.0                |

<sup>1</sup> The breakdown between Member States shown above appears only in the Remarks column of Chapter 10 of the Budget (see 'Distribution of own resources among Member States').

nary Draft Budget was drawn up. As a result of this amendment and of an updating of the production assumptions, the initial estimates of the sugar levy have been increased by 28.9 million EUA.

Table 17 — *Sugar and isoglucose levies 1978-1979*

(in million EUA)

| Member States <sup>1</sup> | 1978 Budget  | 1979 Preliminary Draft |
|----------------------------|--------------|------------------------|
| Belgium                    | 20.5         | 27.5                   |
| Denmark                    | 19.9         | 22.7                   |
| Germany                    | 123.6        | 147.9                  |
| France                     | 106.5        | 161.1                  |
| Ireland                    | 4.5          | 5.7                    |
| Italy                      | 44.1         | 36.8                   |
| Luxembourg                 | —            | —                      |
| Netherlands                | 32.6         | 36.3                   |
| United Kingdom             | 25.2         | 29.0                   |
| <b>Total</b>               | <b>376.9</b> | <b>467.0</b>           |

<sup>1</sup> The breakdown by Member States shown above appears only in the Remarks column of Chapter 11 of the Budget under the heading 'Distribution of own resources among Member States'.

70. Where the VAT base is concerned, as the system still has to get off the ground before closer estimates are possible, the figures entered in the 1978 Budget have been used for calculating the VAT base for 1979.

On the basis of current figures, it is estimated that 1% of the VAT base will represent 9 104 million EUA, giving a 9.8% increase over 1978 (8 291 million EUA). At this stage the VAT rate is 0.77. In view of this rate, the problem of a shortfall in own resources will not arise for the 1979 Budget, as pointed out in the document presented by the Commission to the Joint Council of 7 and 8 April.<sup>1</sup> This problem probably will arise in the early 1980s. The Commission is considering possible solutions and will submit its conclusions to the Budgetary Authority when investigations have been completed.

71. To interpret the following comparative table between the 1978 and 1979 Budgets, it

should be remembered that the GNP contributions were re-instated in an amending budget in the first quarter of 1978 as there had been a delay in the implementation of the Sixth Directive by the Member States.

Table 18 — *GNP contributions in 1978 and VAT-based transfers in 1979*

(in million EUA)

| Member States <sup>1</sup> | 1978 Budget    | 1979 Preliminary Draft |
|----------------------------|----------------|------------------------|
| Belgium                    | 239.7          | 364.3                  |
| Denmark                    | 137.9          | 180.2                  |
| Germany                    | 1 713.2        | 2 262.6                |
| France                     | 1 273.3        | 1 672.0                |
| Ireland                    | 32.3           | 53.7                   |
| Italy                      | 703.7          | 728.7                  |
| Luxembourg                 | 9.5            | 14.5                   |
| Netherlands                | 320.0          | 441.0                  |
| United Kingdom             | 901.2          | 1 265.5                |
| <b>Total</b>               | <b>5 330.8</b> | <b>6 982.5</b>         |

<sup>1</sup> The breakdown by Member States shown above appears only in the Remarks column of Chapter 13 of the Budget under the heading 'Distribution of own resources among Member States'.

## Borrowing and lending operations

72. Borrowing operations have become necessary over the last few years as a result of the following considerations:

1. Although Community Budget aid has virtually always been given on a non-returnable basis so far, it has become obvious that certain Community objectives could be financed by repayable funds, i.e. by using borrowing and lending operations;
2. the need has been recognized to find additional funds to—directly and effectively—help satisfy the ever-growing needs created as Community policy objectives become increasingly clear, mainly because of the continuing economic crisis;
3. use should be made of the first-rate credit status enjoyed by the Community in fi-

<sup>1</sup> Bull. EC 2-1978, points 2.3.4 to 2.3.7.

nancial circles; this is attributable to the budgetary guarantee it can offer. As a result particularly advantageous terms can be obtained for beneficiaries of Community loans because the Community only carries out blank operations;

4. the Community's financial contribution (in the form of a loan) to a project often helps to start it up by facilitating access to other sources of financing or by incorporating them to advantage;

5. such operations do not lead to an increase in resources and are not intended to cover the Community's current expenditure. The sums borrowed by loan-raising have to be paid back sooner or later to the lenders; they do not, however, increase the Community's own resources.

The activities of the ECSC and the EIB respectively over the last 25 and 20 years and the operations carried out by Euratom under the Credit Agreement concluded between the Community and the Eximbank, Washington, on 10 August 1959 (USD 135 million) have been recently supplemented by two new Community financial instruments. These are: Community loans to help Member States in balance of payment difficulties caused by the rising price of oil products, and Euratom loans to finance nuclear power stations.

The first instrument is based on two Council Regulations of 17 February 1975 authorizing the Commission to raise loans up to USD 3 000 million (in principal and interest) under Article 235 of the EEC Treaty.<sup>1</sup> A total of USD 800 million has been borrowed to date. This is a special type of operation, as it is not used to finance investment. The second instrument became operational on 29 March 1977 when the Council authorized the Commission to contract loans within an overall ceiling of 500 million EUA.<sup>2</sup> This is intended to finance investment in production facilities, however. Some 100 million EUA have been borrowed to date. Another form of borrowing and lending operation comes under the Community's General Budget. This is used to finance investment pro-

jects which fulfil the Community's priority objectives in the energy, industrial and infrastructure sectors.

The Commission requested authorization to create this new Community instrument in its proposal to the Council of 31 January 1978;<sup>3</sup> this received the Parliament's backing in a Resolution adopted on 12 April 1978,<sup>4</sup> a favourable Opinion from the Economic and Social Committee on 27 April<sup>5</sup> and finally a favourable Decision in principle by the Council on 22 May 1978.<sup>6</sup> The Community will thus be empowered to contract loans up to a value of 1 000 million EUA in principal, at least during the initial trial period.

As in the case of the ECSC and the EIB, the identity and *raison d'être* of each of these financial instruments lie in the specific nature of the objectives pursued. Maximum coordination between these different instruments is, however, essential to ensure that the results expected from the Community's financial activities are fully achieved.

Although the machinery set up already ensures very good coordination as regards the exploration of financial markets and capital raising, coordination between Community loan granting and the activities of the Member States at national, regional and local level in this area could be improved.

As the Community's borrowing policy expands, there will be an increasing need to provide a suitable budget presentation for borrowing and lending operations. The method used up to now to enter borrowing operations in the Budget (entering a token entry for each category of operation under a heading in the General Budget accompanied by binding remarks and describing the operations in detail in an Annex) does not seem best suited to the special and complex nature

<sup>1</sup> OJ L 46 of 20.2.1975 and Bull. EC 10-1974, points 1201-1203.

<sup>2</sup> Bull. EC 5-1977, point 2.1.2.

<sup>3</sup> OJ C 37 of 14.2.1978 and Bull. EC 1-1978, point 2.1.1.

<sup>4</sup> OJ C 108 of 18.5.1978.

<sup>5</sup> Bull. EC 4-1978, point 2.3.57.

<sup>6</sup> Bull. EC 5-1978, point 2.1.2.



of the operations in question. The Commission thus proposes the creation of a second section in the General Budget to accommodate the budget headings for borrowing and lending operations. The Commission's proposal stems from the ideas put forward by Parliament on several occasions and most recently in the reports by Mr Bangemann and by Mr Spinelli<sup>1</sup>—approved on 12 and 14 April 1978 respectively—and by Lord Bruce.<sup>2</sup>

This will provide the Budgetary Authority with all necessary information for it to effectively exercise its power of authorization and supervision. A technical description of this new proposal is contained in the chapter dealing with legal and budgetary innovations.<sup>3</sup>

Under the new budgetary presentation the Commission also has the difficult task of making forecasts for operations which do not very easily lend themselves to rigid estimation. Loan applications are made by potential beneficiaries in the light of the advantageous terms expected for their loans granted (the possibilities of choice on the capital market are sometimes extremely limited by the need to raise loans on the best possible terms for the beneficiary sector). Any premature announcement of borrowing intentions may prove prejudicial for the capital market, where discretion and the ability to act extremely quickly in line with the fluid state of the market are synonymous with efficiency. These difficulties are also aggravated by the fact that the Commission—unlike a bank—does not possess suitable funds for borrowing operations. However, the Commission believes it is preferable to bring out in the General Budget the special nature of the revenue and expenditure connected with borrowing and lending operations and the internal balance required in these operations.

---

<sup>1</sup> Full report of the meetings, OJ Annex No 228, p. 225 *et seq.*, Annex No 229, p. 330 *et seq.*, and p. 110 *et seq.*; OJ C 108 of 8.5.1978.

<sup>2</sup> OJ C 163 of 10.7.1978.

<sup>3</sup> Points 73 to 84.

## Part 2

# Legal and budgetary innovations

## Principles of entering new policies in the Budget

### *Role of the budgetary executive*

73. The Commission which, in application of Article 205 of the EEC Treaty, is the Authority implementing the Budget, wishes to exercise the powers conferred upon it smoothly and without confusion. Over the last few years, however, the situation has become somewhat ambiguous, since the Commission finds itself in a very uncomfortable position between the holders of the Budgetary Authority—i.e. the Council and the European Parliament. Hence, on 11 October 1977, Mr Tugendhat, the Commissioner responsible for the Budget, made certain highly specific statements before the European Parliament in which he defined the bases on which the Budget is implemented.<sup>1</sup> Both Council and Parliament noted the statements, which were written into the minutes of the meetings of the 'concertation committee' held on 7 and 22 November and 7 December 1977.<sup>2</sup>

### *Basic principles*

The Commission is therefore duty bound to define its principles on this point precisely, particularly as regards new policies which will have financial consequences. The Commission's doctrine is based on the following three principles, for those cases where the Council first has to lay down the legal basis for the implementation of a given Item of expenditure:

(a) entry of appropriations are entered under a budget heading when a Commission proposal has been accepted or, if a Commission proposal has been submitted by 15 June,

when there is every likelihood of it being adopted by 31 December in view of the tenor of the earlier discussions in the Community's institutions;

(b) inclusion of a token entry is made under the appropriate budget heading in Section III and an appropriation entered under Chapter 100 when a Commission proposal has not yet been adopted but there is every reason to believe that it will be adopted during the next financial year. The sum of the appropriation depends on the date when the policy concerned is expected to come into force;

(c) opening of a budget heading which is simply given a token entry<sup>3</sup> when a new policy is under discussion in the Community's institutions but has not yet been embodied in the form of a Commission proposal for a regulation, or where, when such a proposal has been made, it is not yet possible to cost the policy and it is therefore inadvisable to set aside appropriations and thereby unnecessarily increase the amount of own resources that have to be levied.

### *Legal basis of expenditure*

*Statements entered in the minutes of the meetings of the 'concertation committee' held on 7 and 22 November and 7 December 1977 (Brussels, 3 January 1978)*

<sup>1</sup> For the full minutes of the sittings, see OJ Annex No 221, pages 75 and 76.

<sup>2</sup> Point 74.

<sup>3</sup> Token entries are also made in the following instances:

(i) potential, but small, item of expenditure for which the sum required is uncertain (e.g. Item 2101, Deposits on rents);

(ii) expenditure whose level is entirely unforeseeable (e.g. Item 3104 in 1978, Campaign against foot-and-mouth disease within the Community) or an operation which is being wound up and for which any funds required can easily be made available by the transfer procedure (e.g. Article 309 — Community aid to workers made redundant in the Italian sulphur mines);

(iii) where an operation has been completed but for which a balance is outstanding and a budget heading therefore has to be maintained for this expenditure (e.g. Article 852 (Preliminary Draft Budget for 1979) — Premium for grubbing fruit trees).

74. The Council notes the following statement by Mr Tugendhat to the European Parliament on 11 October 1977 in connection with the discussion of Oral Question No 0-54/77 (to the Commission):

'This last case is a fitting introduction, Mr President, to the third part of the question as to whether the Commission considers that the Budget, as approved, provides the legal basis for the use and expenditure of the appropriations. As Mr Cheysson did last year, I can confirm that we do consider that the Budget, as approved, provides a requisite legal basis for the use and expenditure of appropriations. In the absence of such a basis no expenditure or receipts can be incurred. However, this basis is not sufficient in every circumstance to allow the expenditure. The Community can only work within the defined powers of each institution or the framework of regulations and decisions on each Community policy. The Commission, which is responsible according to Article 205 of the EEC Treaty for the implementation of the Budget, confers on each institution—in accordance with Article 18 of the Financial Regulation "the powers needed for the implementation of the budget sections" which concern them, without "for all that" renouncing the overall responsibility conferred by the Treaty.

Each institution exercises these powers as is provided for in Article 4 of the EEC Treaty, "within the limits of the powers conferred upon it by the Treaty". One can say that, where they are not specifically mentioned in the Treaties, the powers conferred upon the institutions by the Treaties arise from the Treaties in the building of the Community. For institutions other than the Commission, the power to implement their own expenditure in practice covers virtually all the appropriations in the sections of the Budget devoted to these institutions. The provisions of the Financial Regulation, the staff regulations and the implementing texts govern the expenditure in question and lay down the limits of the respective administrative powers. The Commission of course enjoys the same scope in respect of its own operating appropriations. But these form only a small part of the total of Section 3, for the implementation of which the Commission is more especially responsible. The other, more numerous appropriations, relate either to Community policy or to individual actions clearly defined as specified measures. The Commission recognizes that a problem can arise if for some budget heading the expenditure cannot be covered directly or indirectly by one of the existing legal or regulatory frameworks.

There are two possible outcomes. In the first case, the budget heading concerned authorizes appropriations for measures which constitute a Community policy but which cannot be precisely defined and specified in the budget, thus having to be left to separate decision. These authorizations cannot then be used until the legal basis required by the Treaties has been enacted. The Commission and Council must clearly make all possible speed to create this basis in time to allow the use of the appropriations. In the second outcome, the appropriations are for the implementation of clearly defined and

specified measures. Every time appropriations are entered in the Budget for such measures, the Commission uses the appropriations and incurs the expenditure in accordance with budgetary rules alone.

To turn to the further question: why have we not implemented all the actions listed? I think, Mr President—I hope so at any rate—that the answer is already clear from my factual comments and from the answer I have just given on the point of principle. The Commission is able to go ahead with many specific actions where the budget provision itself constitutes the legal basis or where the separate legal basis already exists. But where this is not so, the Commission has to wait for the Council to act before implementing the Budget. When presenting the Preliminary Draft Budget the Commission always indicates the legal basis for each heading, mentioning whether this exists or will have to be created. Thus, when the Budgetary Authority enters the appropriations in the Budget it is fully appraised of any legal preliminary to the use of the appropriations concerned.'

The Council concludes that the Commission, the sole authority responsible for the implementation of the Budget, realizes that problems may arise if action under a given budget heading is not based directly or indirectly on an existing legal basis and that, in cases where the extent of an operation cannot be fixed solely by means of a budget entry, no expenditure may be committed before the relevant decision of principle is taken.

*Example of a conflict on the legal basis of an item of expenditure:* it is understood that consultations may be held even where concertation is not mandatory.

### **Entry in the Budget of borrowing and lending operations**

75. The Commission has been, or will be, authorized by a Council Decision to raise loans and lend on sums in the following sectors:

- Community loans in support of balance of payments,
- Euratom loans towards building nuclear power stations,
- Loans intended to generate investment in the Community.

These loans are covered by a guarantee set aside in the Community's General Budget.

In the Budgets for preceding financial years, including 1978, all borrowing and lending

operations were recorded in separate budget headings which form the 'slots' into which can be fitted the financial consequences of the decisions authorizing the said borrowing and lending operations. The headings in the expenditure section also provided for the eventuality of the Community having to pay back the loan if a beneficiary defaulted on his obligations to the Community. The Budgets also included annexes setting out the details of the capital borrowing and lending operations, repayments and the payment of interest and charges. This formula was considered to be inadequate from the budgetary point of view, as it did not permit the Budgetary Authorities any control at the political level on the annual authorizations in respect of borrowing and lending operations, the payment of the costs of such operations or the procedure for repaying loans.

### *Drawing up of Part II of the Budget*

On several occasions—and particularly in the reports by Mr Bangemann, Mr Spinelli and Lord Bruce<sup>1</sup>—Parliament has drawn the Commission's attention to this lack of control. Further at the consultation meeting between the Council and the Parliament on the Financial Regulation in December 1977, it was agreed that the whole question of borrowing and lending operations, and in particular their entry in the Budget, would be re-examined in 1978 at meetings of the concertation committee; this could lead to revision of the Financial Regulation of 21 December 1977.<sup>2</sup>

The Commission too is desirous of improving the situation and has therefore completely reorganized the Budget for the 1979 financial year. The section of the Budget corresponding to the General Budget of previous years has now become Part I of the Budget; a new Part II has been created, comprising the budgetary authorization of borrowing and lending operations as well as the payment of interests and charges and repayment by beneficiaries. Part II (including the figures for the financial years 1977, 1978 and 1979) will be presented as follows:

## Part II — *Borrowing and lending operations*

### Title I — *Sums receivable*

#### Chapter 10 — *Borrowings*

- Article 100 Loans raised from Eximbank  
 101 Community loans raised  
 102 Euratom loans raised  
 103 Loans to generate investment in the Community

#### Chapter 11 — *Repayment of loans granted*

Articles 110 to 113<sup>3</sup>

#### Chapter 12 — *Recovery of interest*

Articles 120 to 123<sup>3</sup>

#### Chapter 13 — *Repayment of costs of borrowing and lending operations*

### Title II — *Sums payable*

#### Chapter 20 — *Loans granted*

Articles 200 to 203 as above

#### Chapter 21 — *Repayment of sums borrowed*

Articles 210 to 213

#### Chapter 22 — *Payment of interest on sums borrowed*

Articles 220 to 223

#### Chapter 23 — *Payment of cost of borrowing and lending operations*

The budget pages for the 1979 financial year will include the figures for 1977, 1978 and 1979 as well as all the other information which previously figured in the annex. The annex will therefore be dropped.

The budgetary authorization to raise loans and the sum which will be the ceiling for borrowing operations in 1979 will be given in Chapter 10. Chapters 11, 12 and 13 will show the sums due to the Commission (or the Commission's agent) by beneficiaries in respect of capital repayment, interest and charges. The budgetary authorization to lend on and the loans corresponding to the ceiling entered in Chapter 10 will be shown in

<sup>1</sup> Point 72.

<sup>2</sup> OJ L 356 of 31 December 1977.

<sup>3</sup> Same financial instruments as in Chapter 10.

Chapter 20. Chapters 21, 22 and 23 authorize the Commission to repay loans and pay charges and the interest. Usually all these payments will be balanced by the sums due from beneficiaries.

### *Maintenance of budgetary balance*

Generally, the operations entered in Part II of the Budget will balance. Nevertheless, even if a beneficiary is unable to pay the Commission the sums due at the due date, the Commission—in accordance with the authorization given in Chapters 21 and 22—will transfer the sums due to the bodies from which it had borrowed. However, Part II will not stand in isolation; in order to cover the possibility of a beneficiary continuing in default, it is necessary to create a link with Part I, which is financed by the Community's own resources. Hence, the guarantees on lending operations remain in Part I—see Articles 3290 and 3291 and Chapters 42 and 43. If Part II runs into deficit because a beneficiary defaults on payments, the remedy will be to introduce a Supplementary Budget in Part I or transfer the relevant sum from own resources, and transfer to Part II, Title I, the sum required to put the account in balance. The Commission is at the same time submitting a proposal to amend the Financial Regulation to cover this major change in the presentation of the Budget.

### **Appropriations for commitment and for payment**

#### *Presentation of the timetables*

76. In the last few Budgets, the principle of distinguishing between 'appropriations for commitment' and 'appropriations for payment' has been applied increasingly widely in order to cope more satisfactorily with the implementation, in various fields, of operations which cover a number of successive years.

The separate entry of appropriations for commitments and appropriations for payment ('differentiated' appropriations) is accompanied by the presentation, for each budget heading, of a timetable showing the estimated rate at which appropriations will be entered in the Budget as being 'for payment' as against 'for commitment'.

However, the presentation of these timetables was not always uniform: consequently, the Commission, with the particular object of facilitating the Budgetary Authority's appraisal, considers that, in the Preliminary Draft Budget for 1979, the timetables should all be presented according to the same layout, based on objective criteria. The layout shown on the next page has been designed according to the following criteria:

#### *Commitments*

When the Preliminary Budget for the financial year 'n+1' is drawn up (in this case financial year 1979), assessment must always be made of the four components listed below for all those budget headings to which 'differentiation' has applied since financial year 'n+1' (1977):

- commitments made before 1978 to be paid from new appropriations for payment;<sup>1</sup>
- appropriations for commitment that remain standing<sup>2</sup> from 1977 to 1978;

components arising from the state of the accounts, i.e., the Revenue and Expenditure Account for 1977

<sup>1</sup> These are the commitments that have been made, less the amounts covered by the automatic carry-over of 1977 appropriations for payment.

<sup>2</sup> These are 1977 appropriations for commitment not used by the end of the financial year 1977, and therefore still standing in 1978.

- appropriations for commitment authorized for 1978;
  - appropriations for commitment requested for 1979.
- } components arising from the Budget for 1978 and the Preliminary Draft Budget for 1979

In the layout adopted for 1979, the left-hand column of the timetable lists these four components: the presentation is thus simple and factual and, if it wishes, the Budgetary Authority can easily check the accuracy of any amount from the Revenue and Expenditure Account (in the case of components 1 and 2) or from the Budget (in the case of components 3 and 4).

*Payments*

The columns relating to financial years 1978 and 1979 show the approximate breakdown of the estimated appropriations for payment

required for each of the four categories of commitment already indicated. The total of column 1978 and column 1979 corresponds to the appropriations for payment authorized in the Budget for 1978 and proposed in the Preliminary Draft Budget for 1979. This is based on the same objective approach as that adopted for commitments (i.e., it is possible to cross-check immediately with the 1978 Budget and the 1979 Preliminary Draft).

To sum up, the layout adopted for 1979 offers the following advantages:

- it reflects the state of commitments and payments for the 'current' part of the operation, while separating off, for simplicity's sake, the automatic carryovers of appropriations for payment. Thus, the timetables do not show a résumé of the implementation of an operation from the very start: this would be too cumbersome and complex;
- the layout is based on objective components (i.e., data obtained from the Revenue and Expenditure Account and from the Budget), which can be easily checked at any time.

*Layout of new timetable<sup>1</sup>*

(Described in the previous section and to appear in Volume 4 of the Preliminary Draft Budget)

| Commitments   |       | Payments |       |       |                           |
|---|-------|----------|-------|-------|---------------------------|
|   |       | 1978     | 1979  | 1980  | 1981 and subsequent years |
| — Commitments made before 1978 to be paid from new appropriations for payment | ..... | .....    | ..... | ..... | .....                     |
| — Appropriations for commitment remaining                                     | ..... | .....    | ..... | ..... | .....                     |
| — Appropriations for commitment 1978  | ..... | .....    | ..... | ..... | .....                     |
| — Appropriations for commitment 1979  | ..... | .....    | ..... | ..... | .....                     |
|   | ..... | .....    | ..... | ..... | .....                     |

<sup>1</sup> Point 76.

### *The problem of re-entering appropriations in the budget*

77. This problem arises where a non-differentiated appropriation committed during a financial year 'n' could not be paid even in the course of financial year 'n+1'. In this case the unpaid portion of the appropriation is cancelled and must either be re-entered in a subsequent budget (in principle 'n+2') or be charged against the normal appropriations of the financial year 'n+2' which would therefore be reduced. To remedy this situation, the principle of differentiated appropriations was introduced in the last few years (appropriations for commitment and appropriations for payment) for all operations the payment of which is normally spread over more than two years. However, the problem persists for a transitional period where a non-differentiated appropriation in financial year 'n' becomes differentiated in the Budget for financial year 'n+1'.

This happened in the case of Article 930, 'Financial cooperation with non-associated developing countries', which became a differentiated appropriation in 1978, but for which it was necessary in 1978—and is still necessary in 1979—to re-enter appropriations committed in 1976 and 1977 but not used for payments by 31 December 1977 or which can foreseeably be paid by 31 December 1978. This meant that the appropriations for commitment belonging to financial year 1978 amounted to 70 000 000 EUA whereas the total appropriations for commitments—which are used in calculating the trend of non-compulsory expenditure from one financial year to the next—amounted to 80 796 000 EUA. This was because 10 796 000 EUA were re-entered.

In the estimates for 1979, the appropriations for commitment belonging to the financial year 1979 are 110 000 000 EUA, whereas the total appropriations for commitments are 133 620 000 EUA (of which 23 620 000 EUA re-entered). To prevent these re-entered amounts being included in the trend of non-compulsory expenditure twice (in the financial year of their first entry and in the finan-

cial year of their re-entry), the Commission gives them in the tables entitled 'application of the rate of increase of non-compulsory expenditure' in respect of total appropriations for commitments and total appropriations for payment, and in the table showing the trend in non-compulsory expenditure.

## **Problems of the EUA**

### *Chapter 102*

78. The purpose of this Chapter is to cover any shortfalls in appropriations, in Titles 1 and 2, when converted into national currencies resulting from differences between the EUA rate used when the Budget is drawn up and the actual rate of exchange into national currencies at the time of implementation.

No exact estimate can be given of the amount needed, for such an estimate would have to be based on a forecast of currency fluctuations between the time when the Budget is drawn up and the time when it is implemented. The Commission has therefore entered in Chapter 102 a lump sum of 10 million EUA.<sup>1</sup>

If the reverse were to happen, i.e., if currency fluctuations were to mean that the appropriations exceed the original estimates, the Commission would not hesitate to freeze—where possible—a portion of the appropriations, so that the appropriations authorized in EUA continue to match commitments in national currencies.

### *Problem of the 'dual rate' in the budget presentation of appropriations for the EAGGF Guarantee Section*

#### *Background*

79. Because of the increasingly outdated nature of the IMF rates in relation to the

<sup>1</sup> A reserve of this type is less necessary for the other titles in the Budget: they are implemented with a wide geographical spread of currencies, and fluctuations tend to offset each other.

true market rates, and because of the generalized use of 'representative market rates' for the conversion in to national currencies of the financial implications of the common agricultural policy, a distinction was introduced, for budget purposes, between entries in 'green u.a.' and the same entries at 'dual rate'.

Starting with the Budget for the financial year 1977, appropriations for the Guarantee Section have been split into two parts:

— appropriations corresponding to the amounts expressed in u.a. used for agricultural policy operations (these appropriations are broken down according to the items of the Guarantee Section nomenclature);

— appropriations corresponding to the effect of the 'dual rate' i.e., those relating to the difference, resulting from the conversion of expenditure into national currency, between the amounts expressed in the unit of account used for agricultural policy operations and the EUA (these appropriations are aggregated in one single budget heading).

The introduction of this distinction was explained in the following way in the Explanatory Memorandum of the Preliminary Draft Budget for 1977:

'... Expenditure arising from the dual rate of exchange is a result of the growing gap between the value of the budget unit of account and the various green units of account which are fixed—for the purposes of the CAP (common agricultural policy)—halfway between the IMF parities and central exchange rates on the one hand and the actual daily exchange rates on the markets on the other. The fact that agricultural expenditure is proportionally higher in countries with weak currencies imposes a net charge on the Budget since expenditure in devalued currencies is financed and entered in the budget at the old parities.

This time the expenditure in question has hardly any connection with the common agricultural policy; it is mainly the result of the increasing obsolescence of the budget unit of account. The replacement of the current IMF parities by the 'basket' unit of account in 1978 will, moreover, lead to the elimination of the major proportion of this expenditure without actually changing anything in the common agricultural policy ...'<sup>1</sup>

However, when the Budget for 1978 was drafted, a new situation arose because of the introduction of the EUA: none the less, the

presentation adopted for 1977 was maintained (although the Parliament transferred the 'dual rate' from Chapter 79 to the new Chapter 46) for the following reasons:

— from the statutory point of view (and although the Budget for 1978 was drafted and discussed on the assumption that the EUA would be applied), it was not until 21 December 1977 that the Council finally took the decision that the EUA would be applied as from 1 January 1978;

— from the practical point of view, although it was originally thought that introduction of the EUA would enable the dual rate phenomenon to be cut to a minimum, this did not prove true, partly owing to the trend of the representative rates used for agricultural policy legislation, which had been expected gradually to approach the market rates, and partly owing to the trend in the value of the EUA expressed in the national currencies;

— finally, although the basis of calculation—and consequently the causes of the 'dual rates'—were different after the EUA was introduced, it was thought preferable to maintain the 1977 presentation in 1978 in the interests of similarity of layout with the previous year and ease of comparison (albeit only apparent) between 1977 and 1978.

However, it now seems that the present layout—adopted to cope with the change-over—must be amended for the reasons set out hereafter.

### **Comparison between the green unit of account and the European unit of account and their different financial implications**

80. The following table illustrates the difference between the green unit of account and the European unit of account:

This comparison leads to the following conclusions:

— the EUA is different from the green unit of account in respect of each country,

<sup>1</sup> General Introduction, of the Preliminary Draft Budget for 1977 (page 17).



| Currency                   | Green unit of account <sup>1</sup><br>(Representative rates) | European unit of account <sup>2</sup><br>(EUA) | Differential factor<br>$\frac{\text{Green u.a.}}{\text{EUA}}$ |
|----------------------------|--|--|---|
| German mark                | 3.40238  | 2.55582  | 1.331   |
| Belgian & Luxembourg franc | 49.3486  | 39.7757  | 1.241   |
| Dutch guilder              | 3.40270  | 2.72747  | 1.248   |
| French franc               | 6.22515 } <sup>3</sup>                                       | 5.72747  | 1.087   |
|                            | 6.45761 }  |  | 1.127   |
| Italian lire               | 1 154.-  | 1 072.29                                       | 1.076   |
| Pound sterling             | 0.634204   | 0.677090                                       | 0.937   |
| Irish pound                | 0.786912   | 0.677090                                       | 1.162   |
| Danish krone               | 8.56656  | 7.02878  | 1.219   |

<sup>1</sup> Pursuant to the Council Decision of 12 May 1978. Bull. EC 5-1978, point 2.1.74.

<sup>2</sup> At 20 April 1978.

<sup>3</sup> For the French franc: — for the marketing year 1978/79, the representative rate becomes: 1 u.a. = 6.22514 for all products except pigmeat; 1 u.a. = FF 6.45761 for pigmeat as from 17 May 1978 — for the marketing year 1979/80, the representative rate becomes 1 u.a. = 6.45761 for all products.

— as things stand, the EUA has a lower value in each country than that represented by the green unit of account, except in the United Kingdom.

The consequence is that all expenditure in national currencies converted into green units of account seems to result in an amount lower than that resulting from a conversion into EUA. Thus, at present the amounts of the appropriations entered under the various EAGGF Guarantee Section headings—expressed in green units of account—are lower than they would be if they were expressed in EUA: the effect of this presentation is to deflate artificially the impact of agricultural expenditure (to which must be added an entry for the 'dual rate'). For example, the 1978 Budget contains an appropriation of 6 959.7 million green units of account for the Guarantee Section: in fact, the correct amount is 7 672.6 million EUA (including the impact of the 'dual rate' entry).

### The purposes of the green unit of account and the EUA

81. Actually, the green unit of account and the EUA have perfectly distinct purposes:

#### *Purpose of the green unit of account*

The purpose of the green unit of account is to establish the conversion rate of the agri-

cultural unit of account for the recipients, i.e. the farmers: in fact, these conversion rates, also called 'representative rates', are different for each country, although efforts are being made to bring them closer to the true market situation. The green unit of account is thus the instrument for establishing the entitlement of the recipients: what we have here is a purpose outside the scope of the budget as such.

#### *Purpose of the EUA*

The purpose of the EUA is to provide a common denominator for the General Budget of the Community. Any expenditure related to this Budget must therefore be expressed in EUA in the estimates and entered in the accounts in EUA when it is effected. This applies to all expenditure, including that of the EAGGF Guarantee Section.

#### **Conclusion: all budget appropriations must be expressed in EUA**

82. To sum up: the appropriations for the EAGGF Guarantee must also be expressed in EUA, in particular for the following reasons:

#### *Correct budget transparency*

The reason which led to the introduction, in 1977, of the distinction in question, i.e. the

fact that the IMF rates were largely out-of-date, disappeared with the introduction of the EUA. It must be stressed that one of the purposes of the Budget is to express the real financial cost of all expenditure. The present presentation in green units of account does not reflect the actual expenditure in respect of each heading of the EAGGF Guarantee Section: a large portion of expenditure is lumped together under the single 'dual rate' heading (which is the result of 'positive' and, possibly, 'negative' coefficients resulting from the geographical composition of the expenditure, taking account of the divergences between the EUA and the 'representative rates').

The EUA having become the common denominator for the Budget—which, in practice, the old IMF unit of account was not—it is natural that the appropriations for all the headings of the EAGGF Guarantee Section should also be expressed in EUA and not in green units of account. Anyone who consults or makes use of the Budget as it now stands—and we are thinking not only of the administering and accounting departments of the Commission, but also of outside political, professional, academic and other circles—must be in a position to discover at once the true financial impact of the appropriation entered under every budget heading for the EAGGF Guarantee Section.

#### *Simplifying the implementation of the Budget*

83. If the green unit of account (corresponding to the various 'representative rates') serve to establish the entitlement of the recipients in national currencies, the amounts in question are obviously paid out in these currencies. It is thus far more simple for the national paying agencies and the Commission's departments to convert the expenditure in national currencies directly into EUA without having to go through the intermediary of the 'representative rates' before entering it in the Budget. The estimates for appropriations in 1979 are thus expressed in EUA: the current Budget for 1978 having been drawn up according to the old system, the corresponding approp-

riations have been converted in the various tables in question into EUA, so as to ensure a correct basis of comparison between 1978 and 1979.

## **Revision of the Budget structure**

### *New presentation of the appropriations in Chapter 33*

84. When the European Parliament and the Council agreed on the Financial Regulation

### *Changes in nomenclature<sup>1</sup>*

| Heading   | Nomenclature in 1978 | Nomenclature in 1979        |
|---|----------------------|-----------------------------|
| Building loans  | Article 145          | Article 199                 |
| CETIS   | (Item 2241) deleted  | (Chapter 33) deleted        |
| European Foundation   | Article 283          | Article 399                 |
| Action in the event of outbreaks of epizootic disease       | Item 3105            | Item 3102                   |
| Aids of coal stocks   | Article 322          | Item 3231                   |
| Scientific and technical work and equipment                 | Article 343          | partly entered in Item 3332 |
| Ecotoxicity, pollution measurements and monitoring networks | Article 351          | Item 3542                   |
| Financial operations in transport infrastructure projects   | Article 373          | Item 3780                   |
| Technical assessments in support of Commission activities   | Article 394          | Item 3332                   |
| Fishing in the Adriatic Sea                                 | Article 470          | Article 890                 |
| Fisheries — refunds and intervention                        | Chapter 71           | Chapter 88                  |
| Fisheries sector — conversion                               | Article 830          | Chapter 86                  |
| Producer groups in the fisheries sector                     | Article 894          | Chapter 86                  |

<sup>1</sup> Point 83.

applicable to the General Budget of the European Communities—which was adopted on 21 December 1977<sup>1</sup>—Council and Parliament took the view that it was necessary to simplify the structure of that part of the Budget concerned with research and investment appropriations. The Commission undertook to examine the possibilities of achieving such simplifications.

Pending the presentation, shortly, of a proposal for an amendment of the Financial Regulation, the Commission took it upon itself to present the research and investment appropriations according to the new formula in the 1979 Preliminary Draft Budget. In modifying the method of presenting these appropriations, the Commission was guided not only by the wish to simplify and to facilitate understanding but also by principle that there must be no calling into question of the accepted functional presentation of the research and investment appropriations; furthermore, account had to be taken of certain specific features peculiar to these appropriations deriving from the provisions of the EAEC Treaty.

*The new presentation* is thus governed by the following rules:

— the research and investment appropriations are presented in Chapter 33 of Section III of the Budget in terms of their destination, i.e. for each Item within this Chapter there is, in principle, a research objective; however, with the aim of simplifying and bringing these appropriations into line with the presentation of the other non-differentiated appropriations in the Budget, the Commission deleted the sub-items which previously broke down the appropriations for each programme operation according to their type of expenditure;

— the remarks were modified so as to achieve a uniform presentation of all the non-differentiated appropriations;

— there will be a new annex to the Budget, one of the main features of which will be a new table breaking down the expenditures under Chapter 33 both by programme oper-

ation, i.e. by destination of the expenditure and, at the same time, by type of expenditure, using for the latter operation the information contained in the sub-items which were deleted from Chapter 33.

This table thus sums up for the Budgetary Authority the allocation according to type of appropriation for each programme operation and, at the end of the financial year, makes it easier to compare the appropriations provided for in the Budget and those actually used. This presentation is a major new contribution towards making the Budget more readily understandable in this sector: the indicative timetable giving a breakdown of the overall financial resources assigned to each objective, the tranches made available from the appropriations and the planned rate of use of the appropriations for commitment and payment throughout the programme will from now on be shown in the same Annex.

In the presentation used in Volume 7, the remarks on each operation have been considerably expanded in order to provide a maximum amount of information for the Budgetary Authority. Breaking down the information regarding the various operations has had to be limited in respect of the JRC programme—which forms a unit—thus requiring grouping of certain information on all projects, for the programme as a whole.

#### *Retention of the appropriations for commitment*

The Commission has carefully examined the European Parliament's proposal on research and investment expenditure, suggesting the elimination of the system of appropriations for commitment in respect of staff and administration. The Commission has come to the conclusion that separating research and investment appropriations into differentiated and non-differentiated appropriations—which would be the effect of the system which Parliament is apparently advocating—would

---

<sup>1</sup> OJ L 356 of 31.12.1977.

inevitably considerably complicate the management of the appropriations, thereby making the implementation of the Budget less transparent and the results much more difficult to monitor. Indeed, it would compromise the role of the function-orientated budget as a management tool and an instrument for checking the results.

This was certainly not the object which parliament envisaged, having recently requested a simplified research and investment budget, more transparent and easier to monitor, which would show clearly the total cost of a research project and make for more adaptable management methods for each operation. In addition, it must be remembered that Article 176<sup>1</sup> of the EAEC Treaty expressly states that the total allocation for commitment and appropriations for payment. The Financial Regulation cannot amend the Treaty. For all these reasons the Commission felt it could not change the practice whereby the total of research and investment appropriations are covered by appropriations for commitment.

The Commission considers that the changes it has made in the form of Chapter 33 largely meet the requirements of the Budgetary Authority in that they are such as to contribute to budget transparency and hence towards easier monitoring of the research and investment appropriations.

---

<sup>1</sup> Table 18.

*Part 3*

**The Preliminary Draft Budget  
for 1979 in figures and  
comparison with the 1978 Budget**

85. The following block diagrams and pie charts are intended to serve as an aid to memorizing the statistics of the substantial changes provided for in the Preliminary Draft Budget for the Financial Year 1979 as against the Budget for the Financial Year 1978. The Tables following the diagrams serve to give a more complete picture of these changes.

## Block diagrams and pie charts

Diagram 1 — Comparison of the budgets for the financial years 1977 and 1978 with the Preliminary Draft Budget for 1979  
(compulsory expenditure, non-compulsory expenditure and EAGGF Guarantee)

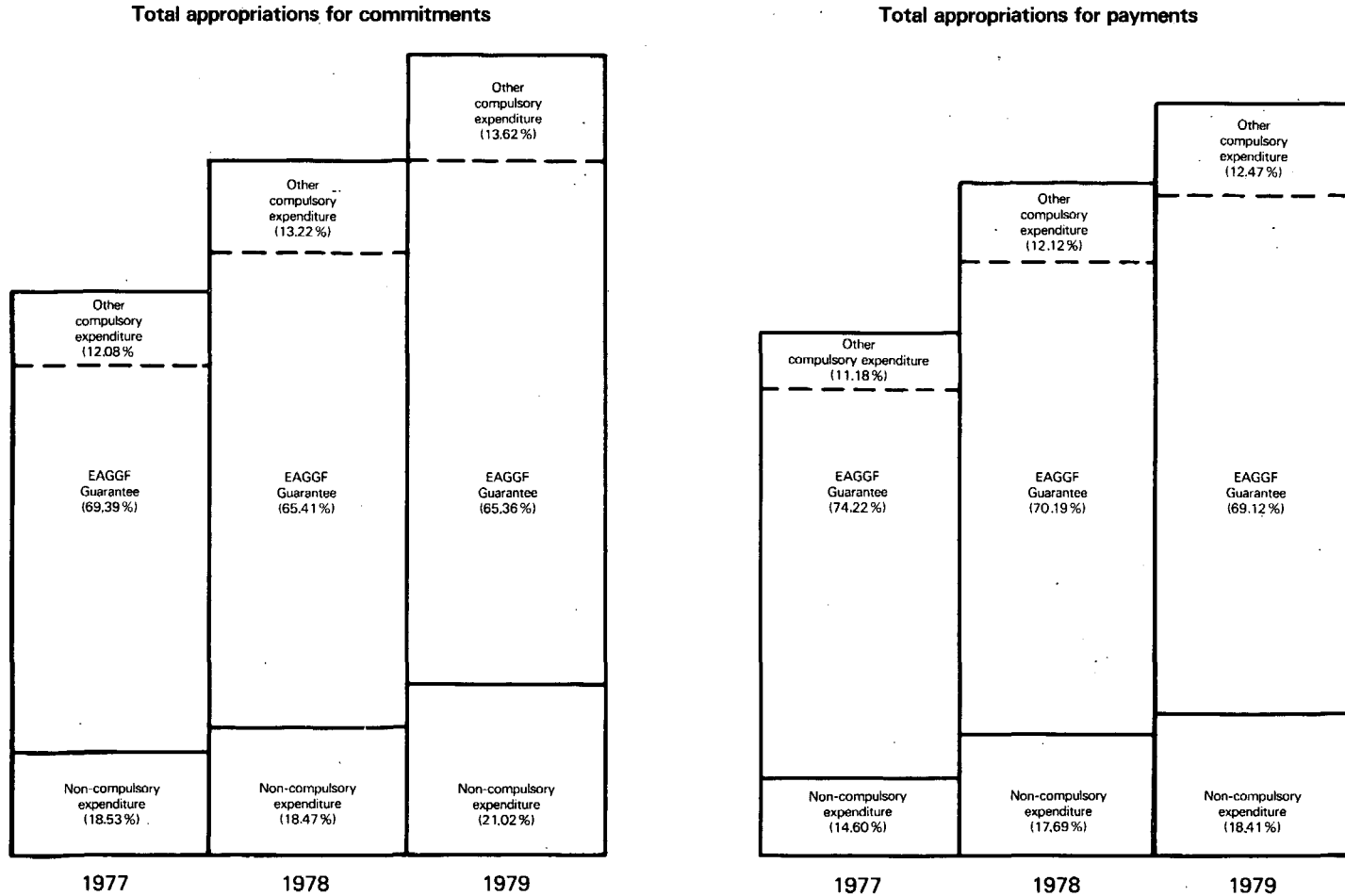


Diagram 2 — Comparison between the maximum rate of increase in non-compulsory expenditure, determined in accordance with Article 203(8) of the EEC Treaty, and the maximum rate actually applied

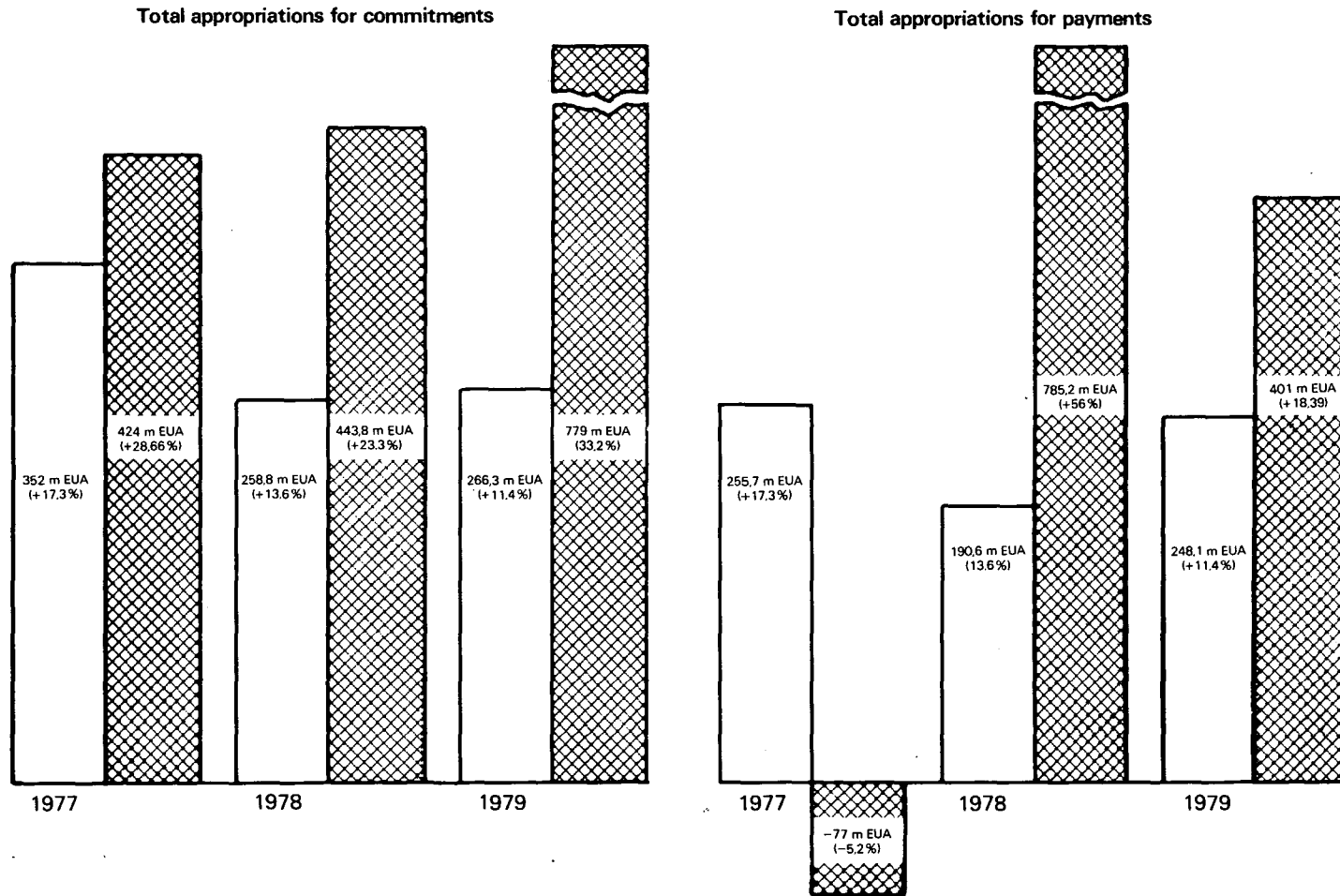




Diagram 3 — Comparison of the changes in compulsory expenditure and non-compulsory expenditure

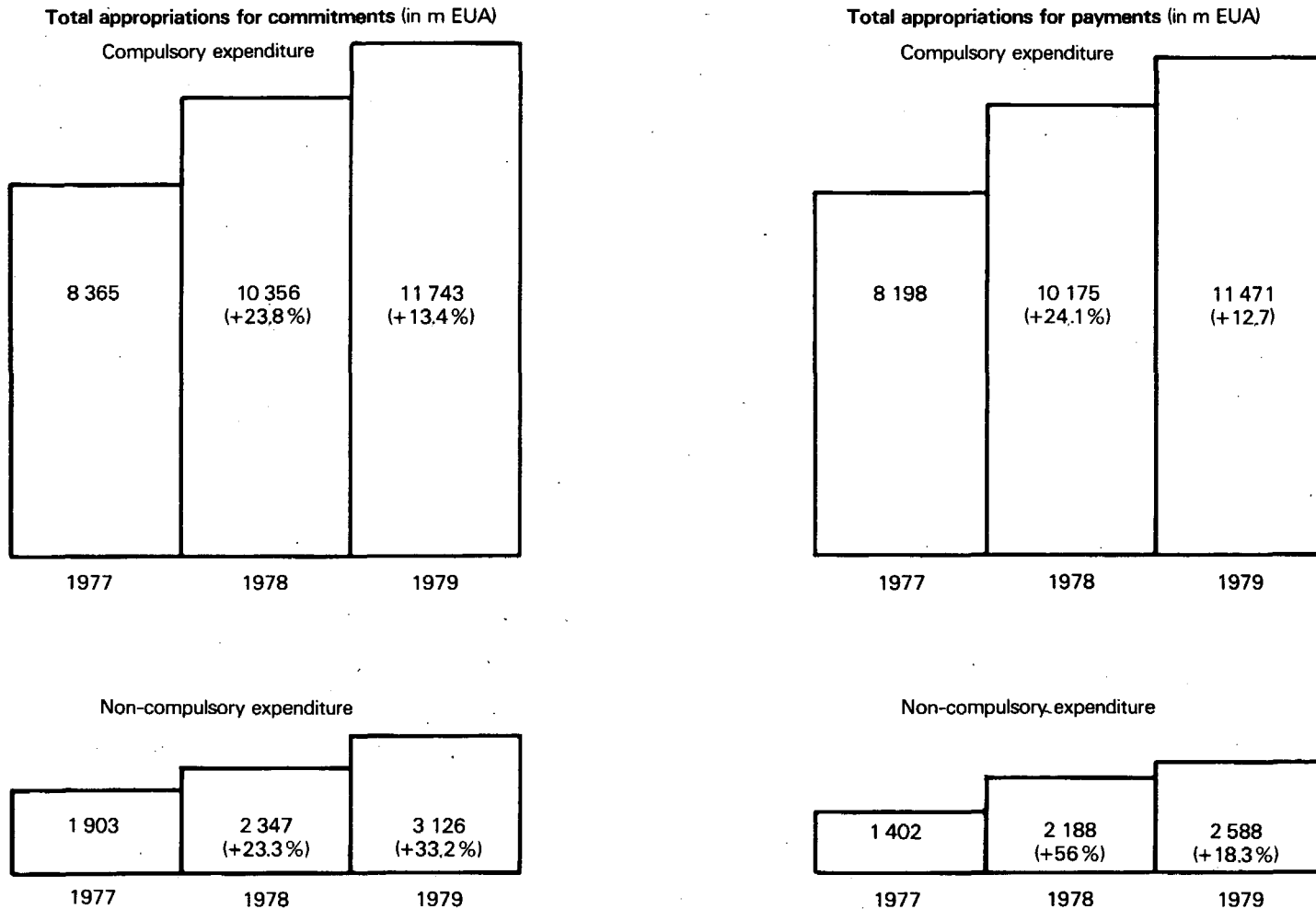
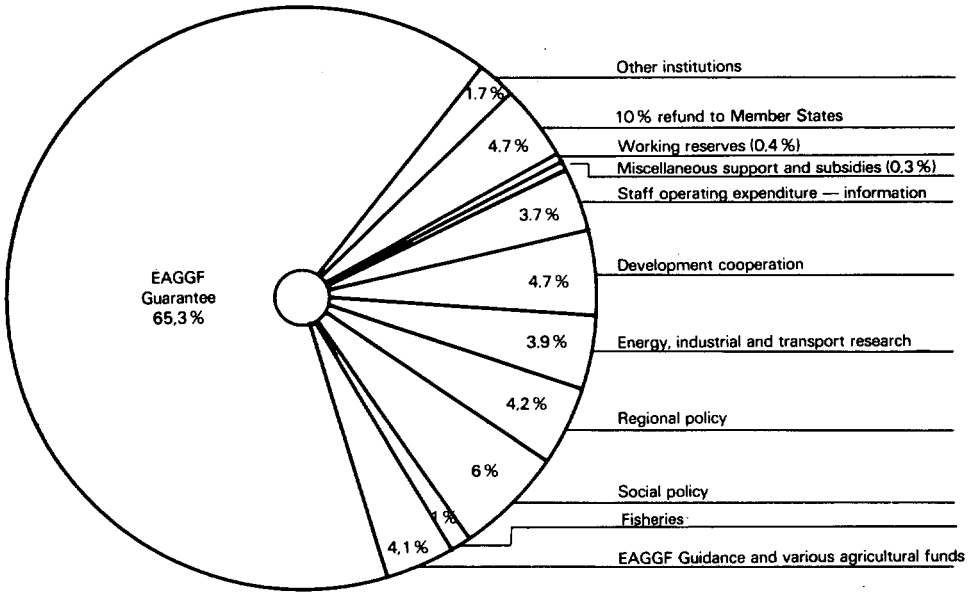


Diagram 4 — Breakdown, by sectors, of the appropriations of the Preliminary Draft Budget for 1979 and the Budget for 1978

**Total appropriations for commitments in 1979**



**Total appropriations for commitments in 1978**

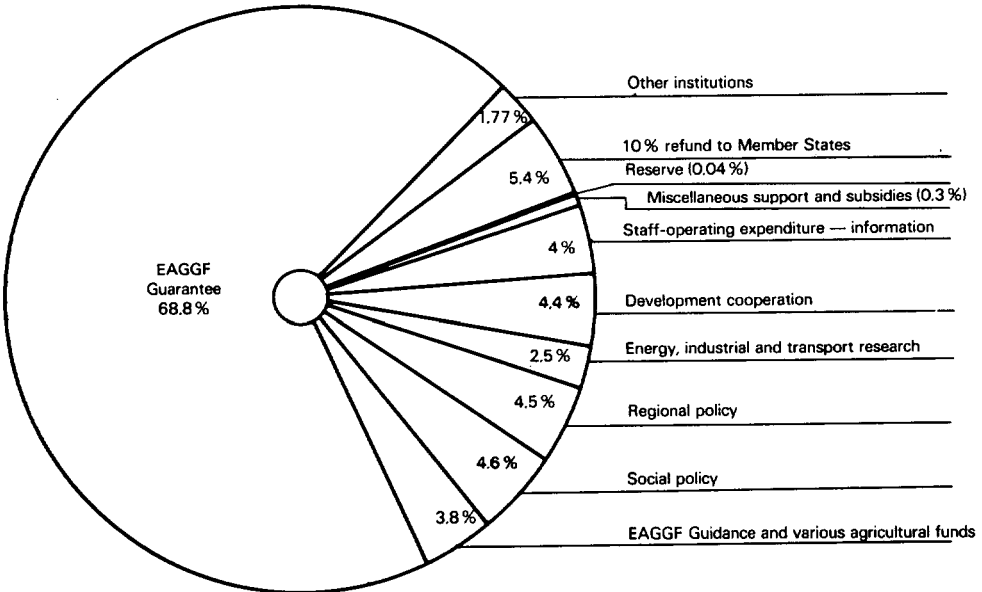
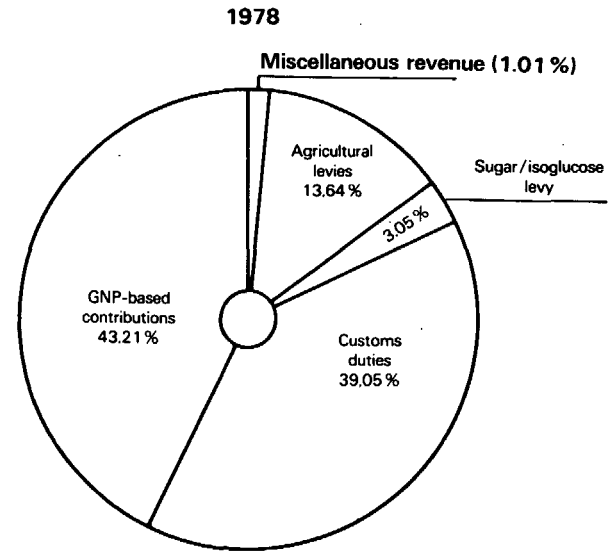
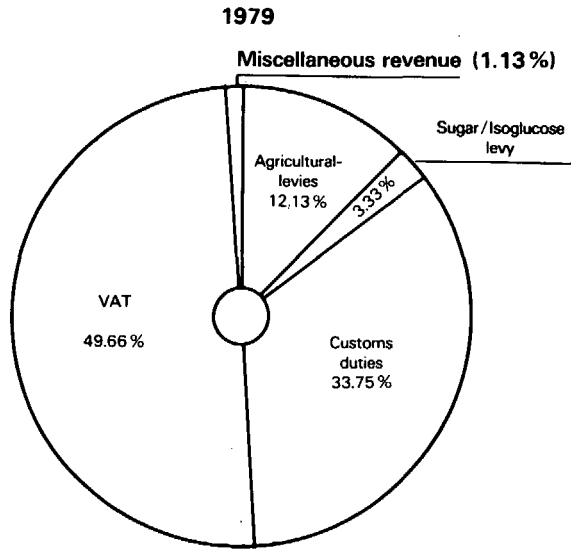


Diagram 5 — Financing of the Preliminary Draft Budget for 1979 and the Budget for 1978. Types of revenue



## Summary Tables

***The Community budget compared with GDP and national budgets***

product of the European Communities and the total Member States' budgets.

86. The table below compares the growth of the General Budget, of the gross domestic

It will be noted that, while the General Budget is small in volume, it is tending to increase slightly in relative importance.

**Table 19**

*(in thousand million)*

| Year     | Unit | GDP (EC)           | Member States' (central government) budgets | General Budget | General budget, as % |                                 |
|----------|------|--------------------|---|----------------|----------------------|---------------------------------|
|          |      |                    |   |                | of GDP (5:3)         | of Member States' budgets (5:4) |
| 1        | 2    | 3                  | 4   | 5              | 6                    | 7                               |
| 1973     | u.a. | 868                | 228   | 4.6            | 0.53                 | 2.0                             |
| 1974     | u.a. | 983                | 268   | 5.0            | 0.51                 | 1.9                             |
| 1975     | u.a. | 1 111              | 337   | 6.2            | 0.55                 | 1.8                             |
| 1976     | u.a. | 1 282              | 388   | 8.0            | 0.62                 | 2.1                             |
| 1977 (a) | u.a. | 1 445              | 446   | 9.6            | 0.66                 | 2.2                             |
| (b)      | EUA  | 1 376              | 406   | 9.6            | 0.70                 | 2.4                             |
| 1978     | EUA  | 1 531 <sup>1</sup> | 461 <sup>1</sup>                            | 12.4           | 0.81                 | 2.7                             |
| 1979     | EUA  | 1 671 <sup>2</sup> |   | 14.0           | 0.89                 |                                 |

<sup>1</sup> Estimate.

<sup>2</sup> Forecast.

<sup>3</sup> A forecast cannot yet be given.

***Increase in the 1979 Preliminary Draft Budget in relation to the 1978 Budget (in absolute terms)***

This slowing down in Budget growth is attributable to greater control over agricultural expenditure and stricter budget discipline on the part of the Community Institutions.

87. The following tables show an increase in the 1979-Budget over the 1978 Budget of: 2 166.2 million EUA in total appropriations for commitments and 1 696.8 million EUA in total appropriations for payments.

It should be remembered that the 1978 Preliminary Draft Budget was

2 883.2 million EUA (total appropriations for commitments) and 2 813.8 million EUA (total appropriations for payments) larger than the 1977 Budget.

Table 20—Growth of appropriations in preliminary draft budgets and budgets of all the institutions of the European Communities since 1974

since the application of Article 203 of the EEC Treaty on the basis of total appropriations for commitments (differentiated and non-differentiated appropriations)

|                   | u.a.              |       |                        |       |                   |       |                        |       |                   |       | EUA                    |       |                   |       |                        |       |                   |       |                        |       |
|-------------------|-------------------|-------|------------------------|-------|-------------------|-------|------------------------|-------|-------------------|-------|------------------------|-------|-------------------|-------|------------------------|-------|-------------------|-------|------------------------|-------|
|                   | Final Budget 1974 |       | Preliminary draft 1975 |       | Final Budget 1975 |       | Preliminary draft 1976 |       | Final Budget 1976 |       | Preliminary draft 1977 |       | Final Budget 1977 |       | Preliminary draft 1978 |       | Final Budget 1978 |       | Preliminary draft 1979 |       |
|                   |                   |       |                        |       |                   |       |                        |       |                   |       |                        |       |                   |       |                        |       |                   |       |                        |       |
| Absolute figures  | 5 225.0           |       | 6 955.7<br>= +33.12%   |       | 6 268.3           |       | 8 058.0<br>= +28.55%   |       | 8 470.6           |       | 10 121.1<br>= +19.49%  |       | 10 267.9          |       | 13 151.1<br>= +28.08%  |       | 12 702.9          |       | 14 869.2<br>= +17.08%  |       |
| of which :        |                   |       |                        |       |                   |       |                        |       |                   |       |                        |       |                   |       |                        |       |                   |       |                        |       |
| - EAGGF guarantee | 3 513.1           | 67.2  | 3 972.1                | 57.1  | 4 240.5           | 67.6  | 5 160.3                | 64.-  | 5 835.3           | 68.9  | 6 628.4                | 65.5  | 7 125.3           | 69.4  | 8 373.4                | 63.7  | 8 695.3           | 68.5  | 9 718.1                | 65.4  |
| - Other           | 1 711.9           | 32.8  | 2 983.6                | 42.9  | 2 027.8           | 32.4  | 2 897.7                | 36.-  | 2 635.3           | 31.1  | 3 492.7                | 34.5  | 3 142.6           | 30.6  | 4 777.7                | 36.3  | 4 007.6           | 31.5  | 5 151.1                | 34.6  |
|                   | 5 225.0           | 100.- | 6 955.7                | 100.- | 6 268.3           | 100.- | 8 058.0                | 100.- | 8 470.6           | 100.- | 10 121.1               | 100.- | 10 267.9          | 100.- | 13 151.1               | 100.- | 12 702.9          | 100.- | 14 869.2               | 100.- |
| CE <sup>1</sup>   | 4 496.9           |       | 5 298.6<br>= +17.83%   |       | 5 243.4           |       | 6 252.1<br>= +19.24%   |       | 6 991.8           |       | 7 981.5<br>= +14.16%   |       | 8 365.2           |       | 10 435.3<br>= +24.75%  |       | 10 356.0          |       | 11 743.1<br>= +13.40%  |       |
| NCE <sup>2</sup>  | 728.1             |       | 1 657.1<br>= +127.59%  |       | 1 024.9           |       | 1 805.9<br>= +76.20%   |       | 1 478.8           |       | 2 139.6<br>= +44.68%   |       | 1 902.7           |       | 2 715.8<br>= +42.73%   |       | 2 346.9           |       | 3 125.9<br>= +33.19%   |       |
|                   |                   |       |                        | 100.- |                   |       |                        | 100.- |                   |       |                        | 100.- |                   |       |                        | 100.- |                   |       |                        | 100.- |

<sup>1</sup> Compulsory expenditure.

<sup>2</sup> Non-compulsory expenditure.

Table 21 — Estimates compared with 1978 Budget

(absolute figures)

| Heading             |   | 1978                                 |                                   | 1979                                 |                                   | Variation (%) (3:1) | Variation (%) (4:2) |
|---------------------|---|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------|---------------------|
|                     |   | Total appropriations for commitments | Total appropriations for payments | Total appropriations for commitments | Total appropriations for payments |                     |                     |
| Commission (in EUA) |   | 1                                    | 2                                 | 3                                    | 4                                 | 5                   | 6                   |
| <b>Title 1</b>      | <b>Expenditure relating to persons working with the Institution</b>   |                                      |                                   |                                      |                                   |                     |                     |
| Chapter             |   |                                      |                                   |                                      |                                   |                     |                     |
| 10                  | Members of the Institution  | 3 238 900                            | 3 238 900                         | 3 133 000                            | 3 133 000                         | - 3.27              | - 3.27              |
| 11                  | Staff   | 352 817 600                          | 352 817 600                       | 381 452 000                          | 381 452 000                       | + 8.12              | + 8.12              |
| 12                  | Allowances and expenses on entering and on leaving the service and on transfer  | 17 629 400                           | 17 629 400                        | 15 395 000                           | 15 395 000                        | - 12.67             | - 12.67             |
| 13                  | Expenditure relating to missions and duty travel  | 10 354 000                           | 10 354 000                        | 11 389 400                           | 11 389 400                        | + 10.00             | + 10.00             |
| 14                  | Expenditure on social welfare   | 1 538 500                            | 1 538 500                         | 1 774 400                            | 1 774 400                         | + 15.33             | + 15.33             |
| 15                  | Organization of internal training courses and further vocational training of staff  | 1 854 600                            | 1 854 600                         | 2 282 500                            | 2 282 500                         | + 23.07             | + 23.07             |
| 19                  | Building loans  |                                      |                                   | 2 500 000                            | 2 500 000                         | —                   | —                   |
|                     | <b>Title 1 — Total</b>  | <b>387 433 000</b>                   | <b>387 433 000</b>                | <b>417 926 300</b>                   | <b>417 926 300</b>                | <b>+ 7.87</b>       | <b>+ 7.87</b>       |
| <b>Title 2</b>      | <b>Buildings, equipment and miscellaneous administrative expenditure</b>  |                                      |                                   |                                      |                                   |                     |                     |
| Chapter             |   |                                      |                                   |                                      |                                   |                     |                     |
| 20                  | Immovable property investments  | 145 000                              | 145 000                           | 124 400                              | 124 400                           | - 14.21             | - 14.21             |
| 21                  | Rental of buildings and associated expenditure  | 42 505 500                           | 42 505 500                        | 47 462 900                           | 47 462 900                        | + 11.66             | + 11.66             |
| 22                  | Movable property and associated expenditure   | 13 006 700                           | 13 006 700                        | 18 783 100                           | 18 783 100                        | + 44.41             | + 44.41             |
| 23                  | Current administrative expenditure  | 13 817 000                           | 13 817 000                        | 14 754 000                           | 14 754 000                        | + 6.78              | + 6.78              |
| 24                  | Entertainment and representation expenses   | 595 000                              | 595 000                           | 651 000                              | 651 000                           | + 9.41              | + 9.41              |
| 25                  | Expenditure on formal and informal meetings   | 11 232 000                           | 11 232 000                        | 12 223 600                           | 12 223 600                        | + 8.83              | + 8.83              |
| 26                  | Expenditure on studies, surveys and consultations   | 13 725 000                           | 13 725 000                        | 15 550 000                           | 15 550 000                        | + 13.30             | + 13.30             |
| 27                  | Expenditure on publishing and information   | 23 586 000                           | 23 586 000                        | 23 602 000                           | 23 602 000                        | + 0.07              | + 0.07              |
| 28                  | Subsidies for balancing budgets   | 43 329 000                           | 43 329 000                        | 45 950 700                           | 45 950 700                        | + 6.05              | + 6.05              |
| 29                  | Subsidies and financial contributions   | 1 479 100                            | 1 479 100                         | 2 064 300                            | 2 064 300                         | + 39.56             | + 39.56             |
|                     | <b>Title 2 — Total</b>  | <b>163 420 300</b>                   | <b>163 420 300</b>                | <b>181 166 000</b>                   | <b>181 166 000</b>                | <b>+ 10.86</b>      | <b>+ 10.86</b>      |
| <b>Title 3</b>      | <b>Community policies in regard, particularly, to research, technology, industry, the social sector, the environment and the supply of energy and raw materials</b> |                                      |                                   |                                      |                                   |                     |                     |
| Chapter             |   |                                      |                                   |                                      |                                   |                     |                     |
| 30                  | Expenditure in the social sector  | 11 765 000                           | 8 919 000                         | 14 202 000                           | 12 082 000                        | + 20.71             | + 35.46             |
| 31                  | Expenditure in the agricultural sector  | 7 993 700                            | 7 993 700                         | 9 234 000                            | 9 234 000                         | + 15.52             | + 15.52             |
| 32                  | Expenditure under the energy policy   | 80 000 000                           | 46 300 000                        | 262 400 000                          | 209 900 000                       | +228.—              | +353.35             |
| 33                  | Expenditure on research and investment  | 181 519 795                          | 212 781 303                       | 225 614 375                          | 240 592 330                       | + 24.29             | + 13.07             |
| 34                  | Expenditure relating to safeguards  | 810 000                              | 810 000                           | 1 767 000                            | 1 767 000                         | +118.15             | +118.15             |
| 35                  | Expenditure relating to the protection of man and his environment   | 6 388 000                            | 6 388 000                         | 8 100 000                            | 8 100 000                         | + 26.80             | + 26.80             |
| 36                  | Expenditure on scientific and technical information and on information management   | 7 430 000                            | 5 155 000                         | 6 500 000                            | 6 825 000                         | - 12.52             | + 32.40             |
| 37                  | Expenditure in the industrial and transport sectors   | 39 705 000                           | 21 485 000                        | 65 441 000                           | 46 141 000                        | + 64.82             | +114.76             |
| 39                  | Other expenditure on specific projects undertaken by the Institution  | 8 805 000                            | 8 805 000                         | 15 040 000                           | 15 040 000                        | +70.81              | + 70.81             |
|                     | <b>Title 3 — Total</b>  | <b>344 416 495</b>                   | <b>318 637 003</b>                | <b>608 298 375</b>                   | <b>549 681 330</b>                | <b>+ 76.62</b>      | <b>+ 72.51</b>      |

Table 21 — *Estimates compared with 1978 Budget (cont'd)*

(absolute figures)

| Heading  | 1978                                       |   | 1979                                       |   | Variation<br>(%)<br>(3:1) | Variation<br>(%)<br>(4:2) |
|--|--|---|--|---|---------------------------|---------------------------|
|  | Total<br>appropriations<br>for commitments | Total<br>appropriations<br>for payments | Total<br>appropriations<br>for commitments | Total<br>appropriations<br>for payments |                           |                           |
| Commission (in EUA)  | 1  | 2                                       | 3  | 4                                       | 5                         | 6                         |
| <i>Title 4</i> Repayments and aid to Member States and other aid   |  |   |  |   |                           |                           |
| Chapter  |  |   |  |   |                           |                           |
| 40 Lump-sum repayment to the Member States of the costs incurred in collecting own resources             | 689 600 000                                | 689 600 000                             | 691 850 000                                | 691 850 000                             | + 0.33                    | + 0.33                    |
| 41 Applications of the financial mechanism pursuant to the Council Decision of 17 May 1976               | Token entry                                | Token entry                             | Token entry                                | Token entry                             |                           |                           |
| 42 Community loans   | Token entry                                | Token entry                             | Token entry                                | Token entry                             |                           |                           |
| 43 Community lending to finance industrial investment  | Token entry                                | Token entry                             | Token entry                                | Token entry                             |                           |                           |
| 48 Exchange rate losses  | Token entry                                | Token entry                             | Token entry                                | Token entry                             |                           |                           |
| Title 4 — Total  | 689 600 000                                | 689 600 000                             | 691 850 000                                | 691 850 000                             | + 0.33                    | + 0.33                    |
| <i>Title 5</i> Social and Regional Funds   |  |   |  |   |                           |                           |
| Chapter  |  |   |  |   |                           |                           |
| 50 New Social Fund — Expenditure provided for under Article 4 of the Council Decision of 1 February 1971 | 238 000 000                                | 225 500 000                             | 355 000 000                                | 304 000 000                             | + 49.16                   | + 34.81                   |
| 51 New Social Fund — Expenditure provided for under Article 5 of the Council Decision of 1 February 1971 | 330 000 000                                | 312 000 000                             | 492 000 000                                | 411 000 000                             | + 49.09                   | + 31.73                   |
| 52 Social Fund — Pilot schemes and preparatory studies   | 1 500 000                                  | 1 300 000                               | 3 000 000                                  | 3 000 000                               | +100.—                    | +130.77                   |
| 53 New Social Fund — New operations  | Token entry                                | Token entry                             |  |   |                           |                           |
| 54 Social Fund — Expenditure provided for under Article 125(1)(a) of the EEC Treaty                      | —  | —                                       |  |   |                           |                           |
| Social Fund — Total  | 569 500 000                                | 538 800 000                             | 850 000 000                                | 718 000 000                             | + 49.25                   | +33.26                    |
| 55 European Regional Development Fund  |  |   |  |   |                           |                           |
| Regional Fund — Total  | 581 000 000                                | 525 000 000                             | 620 000 000                                | 390 000 000                             | + 6.71                    | - 25.77                   |
| 59 Aid to disaster victims in the Community  | 5 000 000                                  | 5 000 000                               | 10 000 000                                 | 10 000 000                              | +100.00                   | +100.00                   |
| Title 5 — Total  | 1 155 500 000                              | 1 068 800 000                           | 1 480 000 000                              | 1 118 000 000                           | +28.08                    | + 4.60                    |
| <i>Titles 6 and 7</i>  |  |   |  |   |                           |                           |
| European Agricultural Guidance and Guarantee Fund — Guarantee section                                    | 8 677 250 000                              | 8 677 250 000                           | 9 718 100 000                              | 9 718 100 000                           | + 12.00                   | + 12.00                   |
| <i>Title 8</i>   |  |   |  |   |                           |                           |
| European Agricultural Guidance and Guarantee Fund — Guidance section (except Fisheries sector)           | 473 400 000                                | 423 400 000                             | 607 870 000                                | 463 094 000                             | + 28.41                   | + 9.38                    |
| Fisheries sector   | 23 315 000                                 | 23 315 000                              | 141 700 000                                | 72 700 000                              | +507.76                   | +211.82                   |



Table 21 — Estimates compared with 1978 Budget (cont'd)

(absolute figures)

| Heading             |   | 1978                                       |   | 1979                                       |   | Variation<br>(%)<br>(3:1) | Variation<br>(%)<br>(4:2) |
|---------------------|---|--|---|--|---|---------------------------|---------------------------|
|                     |   | Total<br>appropriations<br>for commitments | Total<br>appropriations<br>for payments | Total<br>appropriations<br>for commitments | Total<br>appropriations<br>for payments |                           |                           |
| Commission (in EUA) |   | 1  | 2                                       | 3  | 4                                       | 5                         | 6                         |
| <i>Title 9</i>      | <b>Cooperation with developing countries and non-linear States</b>  |  |   |  |   |                           |                           |
| Chapter             |   |  |   |  |   |                           |                           |
| 90                  | Cooperation with the ACP States linked to the EEC by the Lomé Convention  | Token entry                                | Token entry                             | Token entry                                | Token entry                             |                           |                           |
| 92                  | Food aid  | 223 710 000                                | 223 710 000                             | 345 014 000                                | 345 014 000                             | + 54.27                   | + 54.22                   |
| 93                  | Financial and technical cooperation with non-associated developing countries  | 86 196 000                                 | 45 196 000                              | 139 620 000                                | 60 620 000                              | + 61.98                   | + 34.13                   |
| 94                  | Specific measures for cooperation with developing countries   | 19 636 000                                 | 13 636 000                              | 22 499 900                                 | 19 499 900                              | + 14.58                   | + 43.00                   |
| 95                  | Exceptional measures to assist developing countries and non-member countries  | 900 000                                    | 900 000                                 | 3 000 000                                  | 3 000 000                               | +233.33                   | +233.33                   |
| 96                  | Cooperation with non-member countries   | 228 300 000                                | 97 500 000                              | 195 100 000                                | 136 800 000                             | - 14.54                   | - 40.31                   |
|                     | Title 9 — Total   | 558 742 000                                | 380 942 000                             | 705 233 900                                | 564 933 900                             | + 26.22                   | + 48.30                   |
| <i>Title 10</i>     | <b>Other expenditure</b>  |  |   |  |   |                           |                           |
| Chapter             |   |  |   |  |   |                           |                           |
| 100                 | Provisional appropriations  |  |   |  |   |                           |                           |
| 101                 | Contingency reserve   | 1  | 1                                       | <sup>1</sup> 50 000 000 <sup>2</sup>       | <sup>1</sup> 15 000 000 <sup>2</sup>    | —                         | —                         |
| 102                 | Reserve to cover any shortfall in appropriations when converted into national currencies resulting from differences between the EUA rates used when the budget estimates were drawn up and the rates of conversion into national currencies obtaining at the time of implementation | 5 000 000                                  | 5 000 000                               | 5 000 000                                  | 5 000 000                               | —                         | —                         |
|                     |   | Token entry                                | Token entry                             | 10 000 000                                 | 10 000 000                              | —                         | —                         |
|                     | Title 10 — Total  | 5 000 000                                  | 5 000 000                               | 65 000 000                                 | 30 000 000                              |                           |                           |
|                     | Commission — Grand total  | 12 478 076 795                             | 12 137 797 303                          | 14 617 144 575                             | 13 807 451 530                          | + 17.17                   | + 13.76                   |

<sup>1</sup> The appropriations from Chapter 100 are entered under the relevant headings, except for <sup>2</sup> the overall provision relating to the intervention appropriations.

### *Trend in compulsory expenditure*

88. It can be seen from Table 22 that there is an overall increase in compulsory expenditure of 11.44% in total appropriations for commitments and 10.81% in total appropriations for payments. This relatively modest increase (1 185.1 million EUA) breaks down as follows in respect of total appropriations for commitments:

|  | <i>Variation<br/>of<br/>amount</i> | <i>Percen-<br/>tage<br/>variation</i> |
|--|------------------------------------|---------------------------------------|
| 1. EAGGF Guarantee Section                                     | +1 040.8                           | + 12.00                               |
| 2. EAGGF Guidance Section                                      | + 134.5                            | + 28.51                               |
| 3. Fisheries sector  | + 118.4                            | +507.70                               |
| 4. Cooperation with developing countries and non-member States | + 85.3                             | + 18.74                               |
| 5. 10% repayment of own resources                              | + 2.2                              | + 0.33                                |
| 6. Miscellaneous   | + 6.-                              | + 0.50                                |
|  | <hr/>                              |                                       |
|  | +1 387.2                           |                                       |

Table 22 — *Development of compulsory expenditure from 1978 to 1979*

(in EUA)

| Chapter | Heading  | 1978                           |                             | 1979                           |                             | Absolute increase<br>Col. 3<br>—<br>Col. 1 | %       | Absolute increase<br>Col. 4<br>—<br>Col. 2 | %       |
|---------|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------|--|---------|--|---------|
|         |  | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |  |         |  |         |
|         |  | 1                              | 2                           | 3                              | 4                           |  |         |  |         |
| 1       | Expenditure relating to persons working with the institution   | 36 384 600                     | 36 384 600                  | 41 957 300                     | 41 957 300                  | + 5 572 700                                | + 15.3  | + 5 572 700                                | + 15.3  |
| 2       | Buildings, equipment and miscellaneous administrative expenditure  | 713 100                        | 713 100                     | 1 155 300                      | 1 155 300                   | + 442 200                                  | + 62.0  | + 442 200                                  | + 62.0  |
| 3       | Community policies in regard particularly to research, technology, industry, the social sector, the environment and the supply of energy and raw materials | 50 000                         | 50 000                      | Token entry                    | Token entry                 | — 50 000                                   | —       | — 50 000                                   | —       |
| 4       | Repayments and aids to Member States and other aid   | 689 600 000                    | 689 600 000                 | 691 850 000                    | 691 850 000                 | + 2 250 000                                | + 0.33  | + 2 250 000                                | + 0.33  |
| 5       | Social Fund  | —                              | —                           | —                              | —                           | —  | —       | —  | —       |
| 6 & 7   | European Agricultural Guidance and Guarantee Fund — Guarantee Section  | 8 677 250 000                  | 8 677 250 000               | 9 718 100 000                  | 9 718 100 000               | +1 040 850 000                             | + 12.00 | +1 040 850 000                             | + 12.00 |
| 8       | European Agricultural Guidance and Guarantee Fund — Guidance Section (except Fisheries sector)   | 473 400 000                    | 423 400 000                 | 6 078 700 000                  | 463 094 000                 | + 134 470 000                              | + 28.41 | + 39 694 000                               | + 9.38  |
| 8       | Fisheries sector   | 23 315 000                     | 23 315 000                  | 141 700 000                    | 72 700 000                  | + 118 385 000                              | +507.7  | + 49 385 000                               | +211.8  |
| 9       | Cooperation with developing countries and non-member States  | 455 301 000                    | 324 501 000                 | 540 614 000                    | 482 314 000                 | + 85 313 000                               | + 18.74 | + 157 813 000                              | + 48.63 |
| 10      | Other expenditure  | —                              | —                           | —                              | —                           | —  | —       | —  | —       |
|         | Commission — total   | 10 356 013 700                 | 10 175 213 700              | 11 743 296 600                 | 11 471 170 600              | +1 387 232 900                             | + 13.40 | +1 299 956 900                             | + 12.74 |
|         | Other institutions   | —                              | —                           | —                              | —                           | —  | —       | —  | —       |
|         | Grand total  | 10 356 013 700                 | 10 175 213 700              | 11 743 246 600                 | 11 471 170 600              | 1 387 232 900                              | + 13.40 | +1 299 956 900                             | + 12.74 |

*Trend in non-compulsory expenditure*

89. It should be remembered that Article 203(8) of the EEC Treaty requires a maximum rate of increase to be fixed each year for non-compulsory expenditure. In accordance with the procedure laid down for this purpose the Commission declared a maximum rate of 11.4% for 1979 on 21 April. This is the lowest rate of increase since this procedure was set up. By way of comparison the maximum rate was 13.6% for 1978, 17.3% for 1977, 15.3% for 1976 and 14.6% for 1975. Since the 1978 Budget the provisions of Article 203 have been applied separately to total appropriations for commitments and total appropriations for payments.

The following tables show the theoretical implications of this rate. The results are theoretical because a new, and higher, rate may be fixed by agreement between Council and Parliament under Article 203.

The tables also highlight Community policies which have undergone a significant expansion. As described in the policy introduction, emphasis has been chiefly given to the following areas:

*(in appropriations for commitment)*

|   | <i>Variation<br/>of<br/>amount</i> | <i>Per-<br/>centage<br/>variation</i> |
|---|------------------------------------|---------------------------------------|
| • Research, energy, industry and transport                    | + 263.9                            | + 76.64                               |
| • Social Fund   | + 280.5                            | + 49.25                               |
| • Regional Fund   | + 39.-                             | + 6.71                                |
| • Disasters   | + 5.-                              | + 100.-                               |
| • Cooperation with developing countries and non-member States | + 61.2                             | + 59.14                               |
| • Reserve   | + 60.-                             | —                                     |
| • Staff and administrative expenditure                        | + 42.2                             | + 8.22                                |
| • Other institutions  | + 27.2                             | + 12.10                               |
|   | <hr/>                              | <hr/>                                 |
|   | 779.0                              | + 33.19                               |

Table 23 — Growth of non-compulsory expenditure from 1978 to 1979

(in EUA)

| Chapter | Heading  | 1978                           |                             | 1979                           |                             | Absolute increase<br>Col. 3<br>Col. 1 | %      | Absolute increase<br>Col. 4<br>Col. 2 | %      |
|---------|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------------|--------|---------------------------------------|--------|
|         |  | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                                       |        |                                       |        |
|         |  | 1                              | 2                           | 3.                             | 4                           | 5                                     | 6      | 7                                     | 8      |
| 1       | Expenditure relating to persons working with the institution   | 351 048 400                    | 351 048 400                 | 375 969 000                    | 375 969 000                 | + 24 920 600                          | + 7.10 | + 24 920 600                          | + 7.10 |
| 2       | Buildings, equipment and miscellaneous administrative expenditure  | 162 707 200                    | 162 707 200                 | 180 010 700                    | 180 010 700                 | + 17 303 500                          | +10.63 | + 17 303 500                          | +10.63 |
| 3       | Community policies in regard, particularly, to research, technology, industry, the social sector, the environment and the supply of energy and raw materials | 344 366 495                    | 318 587 003                 | 608 298 375 <sup>1</sup>       | 549 681 330 <sup>1</sup>    | +263 931 880                          | +76.64 | +231 094 327                          | +72.54 |
| 4       | Repayments and aids to Member States and other aid   | —                              | —                           | —                              | —                           | —                                     | —      | —                                     | —      |
| 5       | Social and Regional Funds  | 1 155 500 000                  | 1 068 800 000               | 1 480 000 000                  | 1 118 000 000               | +324 500 000                          | +28.08 | + 49 200 000                          | + 4.60 |
| 6 & 7   | European Agricultural Guidance and Guarantee Fund — Guarantee Section  | —                              | —                           | —                              | —                           | —                                     | —      | —                                     | —      |
| 8       | European Agricultural Guidance and Guarantee Fund — Guidance Section   | —                              | —                           | —                              | —                           | —                                     | —      | —                                     | —      |
| 9       | Cooperation with developing countries and non-member States  | 103 441 000. <sup>2</sup>      | 56 441 000. <sup>2</sup>    | 164 619 900. <sup>3</sup>      | 82 619 900. <sup>3</sup>    | + 61 178 900                          | +59.14 | + 26 178 900                          | +46.38 |
| 10      | Other expenditure  | 5 000 000                      | 5 000 000                   | 65 000 000                     | 30 000 000                  | + 60 000 000                          | —      | + 25 000 000                          | —      |
|         | Commission — Total   | 2 122 063 095                  | 1 962 583 603               | 2 873 897 975                  | 2 336 280 930               | + 751 834 880                         | +35.43 | + 373 697 327                         | +19.04 |
|         | Other institutions   | 224 857 289                    | 224 857 289                 | 252 062 310                    | 252 062 310                 | + 27 205 021                          | +12.10 | + 27 205 021                          | +12.10 |
|         | Grand total  | 2 346 920 384                  | 2 187 440 892               | 3 125 960 285                  | 2 588 343 240               | +779 039 901                          | +33.19 | +400 902 348                          | +18.33 |

<sup>1</sup> Including 132 000 EUA in re-entered appropriations.

<sup>2</sup> Including 10 796 000 EUA in re-entered appropriations.

<sup>3</sup> Including 23 620 000 EUA in re-entered appropriations.

Table 24 — 1979 estimates compared with the 1978 Budget

(non-compulsory expenditure)

| Heading             |   | Non-compulsory expenditure in 1978   |                                   | Non-compulsory expenditure in 1979   |                                   | Variation (%) (3:1) | Variation (%) (4:2) |
|---------------------|---|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------|---------------------|
|                     |   | Total appropriations for commitments | Total appropriations for payments | Total appropriations for commitments | Total appropriations for payments |                     |                     |
| Commission (in EUA) |   | 1                                    | 2                                 | 3                                    | 4                                 | 5                   | 6                   |
| <i>Title 1</i>      | <b>Expenditure relating to persons working with the Institution</b>   |                                      |                                   |                                      |                                   |                     |                     |
| Chapter             |   |                                      |                                   |                                      |                                   |                     |                     |
| 10                  | Members of the Institution  | —                                    | —                                 | —                                    | —                                 |                     |                     |
| 11                  | Staff   | 332 427 800                          | 332 427 800                       | 353 485 600                          | 353 485 600                       | + 6.33              | + 6.33              |
| 12                  | Allowances and expenses on entering and on leaving the service and on transfer  | 4 873 500                            | 4 873 500                         | 4 537 100                            | 4 537 100                         | - 6.90              | - 6.90              |
| 13                  | Expenditure relating to missions and duty travel  | 10 354 000                           | 10 354 000                        | 11 389 400                           | 11 389 400                        | + 10.-              | + 10.-              |
| 14                  | Expenditure on social welfare   | 1 538 500                            | 1 538 500                         | 1 774 400                            | 1 774 400                         | + 15.33             | + 15.33             |
| 15                  | Organization of internal training courses and further vocational training of  | 1 854 600                            | 1 854 600                         | 2 282 500                            | 2 282 500                         | + 23.07             | + 23.07             |
| 19                  | Housing loans   |                                      |                                   | 2 500 000                            | 2 500 000                         | —                   | —                   |
|                     | <b>Title 1 — Total</b>  | <b>351 048 400</b>                   | <b>351 048 400</b>                | <b>375 969 000</b>                   | <b>375 969 000</b>                | <b>+ 7.10</b>       | <b>+ 7.10</b>       |
| <i>Title 2</i>      | <b>Buildings, equipment and miscellaneous administrative expenditure</b>  |                                      |                                   |                                      |                                   |                     |                     |
| Chapter             |   |                                      |                                   |                                      |                                   |                     |                     |
| 20                  | Immovable property investments  | 145 000                              | 145 000                           | 124 400                              | 124 400                           | - 14.21             | - 14.21             |
| 21                  | Rental of buildings and associated expenditure  | 42 505 500                           | 42 505 500                        | 47 462 900                           | 47 462 900                        | + 11.66             | + 11.66             |
| 22                  | Movable property and associated expenditure   | 13 006 700                           | 13 006 700                        | 18 783 100                           | 18 783 100                        | + 44.41             | + 44.41             |
| 23                  | Current administrative expenditure  | 13 417 000                           | 13 417 000                        | 14 291 500                           | 14 291 500                        | + 6.52              | + 6.52              |
| 24                  | Entertainment and representation expenses   | 595 000                              | 595 000                           | 651 000                              | 651 000                           | + 9.41              | + 9.41              |
| 25                  | Expenditure on formal and informal meetings   | 11 232 000                           | 11 232 000                        | 12 223 600                           | 12 223 600                        | + 8.83              | + 8.83              |
| 26                  | Expenditure on studies, surveys and consultations   | 13 725 000                           | 13 725 000                        | 15 550 000                           | 15 550 000                        | + 13.30             | + 13.30             |
| 27                  | Expenditure on publishing and information   | 23 586 000                           | 23 586 000                        | 23 602 000                           | 23 602 000                        | + 0.07              | + 0.07              |
| 28                  | Subsidies for balancing budgets   | 43 329 000                           | 43 329 000                        | 45 950 700                           | 45 950 700                        | + 6.05              | + 6.05              |
| 29                  | Subsidies and financial contributions   | 1 166 000                            | 1 166 000                         | 1 371 500                            | 1 371 500                         | + 17.62             | + 17.62             |
|                     | <b>Title 2 — Total</b>  | <b>162 707 200</b>                   | <b>162 707 200</b>                | <b>180 010 700</b>                   | <b>180 010 700</b>                | <b>+ 10.63</b>      | <b>+ 10.63</b>      |
| <i>Title 3</i>      | <b>Community policies in regard, particularly, to research, technology, industry, the social sector, the environment and the supply of energy and raw materials</b> |                                      |                                   |                                      |                                   |                     |                     |
| Chapter             |   |                                      |                                   |                                      |                                   |                     |                     |
| 30                  | Expenditure in the social sector  | 11 715 000                           | 8 869 000                         | 14 202 000                           | 12 082 000                        | + 21.23             | + 36.23             |
| 31                  | Expenditure in the agricultural sector  | 7 993 700                            | 7 993 700                         | 9 234 000                            | 9 234 000                         | + 15.52             | + 15.52             |
| 32                  | Expenditure under the energy policy   | 80 000 000                           | 46 300 000                        | 262 400 000                          | 209 900 000                       | +228.-              | +353.35             |
| 33                  | Expenditure on research and investment  | 181 519 795                          | 212 781 303                       | 225 614 375                          | 240 592 330                       | + 24.29             | + 13.07             |
| 34                  | Expenditure relating to safeguards  | 810 000                              | 810 000                           | 1 767 000                            | 1 767 000                         | +118.15             | +118.15             |
| 35                  | Expenditure relating to the protection of man and his environment   | 6 388 000                            | 6 388 000                         | 8 100 000                            | 8 100 000                         | + 26.80             | + 26.80             |
| 36                  | Expenditure on scientific and technical information and on information management   | 7 430 000                            | 5 155 000                         | 6 500 000                            | 6 825 000                         | - 12.52             | + 32.40             |
| 37                  | Expenditure in the industrial and transport sectors   | 39 705 000                           | 21 485 000                        | 65 441 000                           | 46 141 000                        | + 64.82             | +114.76             |
| 39                  | Other expenditure on specific projects undertaken by the Institution  | 8 805 000                            | 8 805 000                         | 15 040 000                           | 15 040 000                        | + 70.81             | + 70.81             |
|                     | <b>Title 3 — Total</b>  | <b>344 366 495</b>                   | <b>318 587 003</b>                | <b>608 298 375</b>                   | <b>549 681 330</b>                | <b>+ 76.64</b>      | <b>+ 72.51</b>      |

Table 24 — 1979 estimates compared with the 1978 Budget (cont'd)

(non-compulsory expenditure)

| Heading               |   | Non-compulsory expenditure in 1978   |                                   | Non-compulsory expenditure in 1979   |                                   | Variation (%) (3:1) | Variation (%) (4:1) |
|-----------------------|---|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------|---------------------|
|                       |   | Total appropriations for commitments | Total appropriations for payments | Total appropriations for commitments | Total appropriations for payments |                     |                     |
| Commission (in EUA)   |   | 1                                    | 2                                 | 3                                    | 4                                 | 5                   | 6                   |
| <i>Title 4</i>        | <b>Repayments and aid to Member States and other aid</b>  |                                      |                                   |                                      |                                   |                     |                     |
| Chapter               |   |                                      |                                   |                                      |                                   |                     |                     |
| 40                    | Lump-sum repayment to the Member States of the costs incurred in collecting own resources             |                                      |                                   |                                      |                                   |                     |                     |
| 41                    | Applications of the financial mechanism pursuant to the Council Decision of 17 May 1976               | —                                    | —                                 | —                                    | —                                 |                     |                     |
| 42                    | Community loans   | —                                    | —                                 | —                                    | —                                 |                     |                     |
| 43                    | Community lending to finance industrial investment  | —                                    | —                                 | —                                    | —                                 |                     |                     |
| 48                    | Exchange rate losses  | —                                    | —                                 | —                                    | —                                 |                     |                     |
|                       | Title 4 — Total   | —                                    | —                                 | —                                    | —                                 |                     |                     |
| <i>Title 5</i>        | <b>Social and Regional Funds</b>  |                                      |                                   |                                      |                                   |                     |                     |
| Chapter               |   |                                      |                                   |                                      |                                   |                     |                     |
| 50                    | New Social Fund — Expenditure provided for under Article 4 of the Council Decision of 1 February 1971 | 238 000 000                          | 225 500 000                       | 355 000 000                          | 304 000 000                       | + 49.16             | + 37.81             |
| 51                    | New Social Fund — Expenditure provided for under Article 5 of the Council Decision of 1 February 1971 | 330 000 000                          | 312 000 000                       | 492 000 000                          | 411 000 000                       | + 49.09             | + 31.73             |
| 52                    | Social Fund — Pilot schemes and preparatory studies   | 1 500 000                            | 1 300 000                         | 3 000 000                            | 3 000 000                         | +100.—              | +130.77             |
|                       | Social Fund — Total   | 569 500 000                          | 538 800 000                       | 850 000 000                          | 718 000 000                       | + 49.25             | + 33.26             |
| 55                    | European Regional Development Fund  |                                      |                                   |                                      |                                   |                     |                     |
|                       | Regional Fund — Total   | 581 000 000                          | 525 000 000                       | 620 000 000                          | 390 000 000                       | + 6.71              | - 25.71             |
| 59                    | Aid to disaster victims in the Community  | 5 000 000                            | 5 000 000                         | 10 000 000                           | 10 000 000                        | +100.—              | +100.—              |
|                       | Title 5 — Total   | 1 155 500 000                        | 1 068 800 000                     | 1 480 000 000                        | 1 118 000 000                     | + 28.08             | + 4.60              |
| <i>Titles 6 and 7</i> | <b>European Agricultural Guidance and Guarantee Fund — Guarantee section</b>                          | —                                    | —                                 | —                                    | —                                 |                     |                     |
| <i>Title 8</i>        | <b>European Agricultural Guidance and Guarantee Fund — Guidance section (except Fisheries sector)</b> | —                                    | —                                 | —                                    | —                                 |                     |                     |

Table 24 — 1979 estimates compared with the 1978 Budget (cont'd)

(non-compulsory expenditure)

| Heading   | Non-compulsory expenditure in 1978   |                                   | Non-compulsory expenditure in 1979   |                                   | Variation (%) (3:1) | Variation (%) (4:1) |
|---|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------|---------------------|
|   | Total appropriations for commitments | Total appropriations for payments | Total appropriations for commitments | Total appropriations for payments |                     |                     |
| Commission (in EUA)   | 1                                    | 2                                 | 3                                    | 4                                 | 5                   | 6                   |
| <b>Title 9 Cooperation with developing countries and non-linear States</b>  |                                      |                                   |                                      |                                   |                     |                     |
| Chapter   |                                      |                                   |                                      |                                   |                     |                     |
| 92 Food aid   | 86 196 000                           | 45 196 000                        | 139 620 000                          | 60 620 000                        | + 61.98             | + 34.13             |
| 93 Financial and technical cooperation with non-associated developing countries   | 16 345 000                           | 10 345 000                        | 19 899 900                           | 16 899 900                        | + 21.75             | + 63.36             |
| 94 Specific measures for cooperation with developing countries  |                                      |                                   |                                      |                                   |                     |                     |
| 95 Exceptional measures to assist developing countries and non-member countries   | 900 000                              | 900 000                           | 3 000 000                            | 3 000 000                         | +233.33             | +233.33             |
| 96 Cooperation with non-member countries  | Token entry                          | Token entry                       | 2 100 000                            | 2 100 000                         | —                   | —                   |
| Title 9 — Total   | 103 441 000                          | 56 441 000                        | 164 619 900                          | 82 619 900                        | + 59.14             | - 46.38             |
| <b>Title 10 Other expenditure</b>   |                                      |                                   |                                      |                                   |                     |                     |
| Chapter   |                                      |                                   |                                      |                                   |                     |                     |
| 100 Provisional appropriations  |                                      |                                   |                                      |                                   |                     |                     |
| 101 Contingency reserve   | 1                                    | 1                                 | 1 50 000 000 <sup>2</sup>            | 1 15 000 000 <sup>2</sup>         | —                   | —                   |
| 102 Reserve to cover any shortfall in appropriations when converted into national currencies resulting from differences between the EUA rates used when the budget estimates were drawn up and the rates of conversion into national currencies obtaining at the time of implementation | 5 000 000                            | 5 000 000                         | 5 000 000                            | 5 000 000                         | —                   | —                   |
|   | Token entry                          | Token entry                       | 10 000 000                           | 10 000 000                        | —                   | —                   |
| Title 10 — Total  | 5 000 000                            | 5 000 000                         | 65 000 000                           | 30 000 000                        |                     |                     |
| Commission — Grand total  | 2 122 063 095                        | 1 962 583 603                     | 2 873 897 975                        | 2 336 280 930                     | + 35.43             | + 19.04             |

<sup>1</sup> The appropriations from Chapter 100 are entered under the relevant headings, except <sup>2</sup> the overall provision relating to the intervention appropriations.



Table 25 — Application of the rate of increase in non-compulsory expenditure to total appropriations for commitments

(in. EUA)

| Title                    | Base <sup>1</sup><br>1978<br>Budget <sup>2</sup> | Council's<br>degree of<br>freedom: | Parliaments'<br>degree of<br>freedom      | Total<br>Col. 2<br>+ Col. 3<br>= 17.1% |
|--------------------------|--|------------------------------------|---|--|
|                          |  | Maximum<br>rate<br>= 11.4%         | Margin of<br>manoeuvre<br>11.4 : 2 = 5.7% |  |
|                          | 1  | 2                                  | 3   | 4                                      |
| 1                        | 351 048 400                                      | } 266 318 180                      | } 133 159 090                             | } 399 477 270                          |
| 2                        | 162 707 200                                      |                                    |   |  |
| 3                        | 344 366 495                                      |                                    |   |  |
| 4                        | —  |                                    |   |  |
| 5                        | 1 155 500 000                                    |                                    |   |  |
| 6-7                      | —  |                                    |   |  |
| 8                        | —  |                                    |   |  |
| 9                        | 92 645 000                                       |                                    |   |  |
| 10                       | 5 000 000  |                                    |   |  |
| Total<br>Commis-<br>sion | 2 111 267 095                                    |                                    |   |  |
| Other<br>institutions    | 224 857 289                                      |                                    |   |  |
| Grand<br>total           | 2 336 124 384                                    |                                    |   |  |

<sup>1</sup> This is the sum of appropriations for commitment and non-differentiated appropriations.

<sup>2</sup> Including Second Supplementary Budget.

<sup>3</sup> Excluding 10 796 000 EUA re-entered in Article 930.

Table 26 — Application of the rate of increase in non-compulsory expenditure to total appropriations for payments

in EUA

| Title                      | Base <sup>1</sup><br>1978<br>Budget <sup>2</sup> | Council's<br>degree of<br>freedom | Parliament's<br>degree of<br>freedom | Total<br>Col. 2<br>+ Col. 3<br>= 17.1% |
|----------------------------|--|-----------------------------------|--------------------------------------|--|
|                            |  | Maximum<br>rate<br>= 11.4%        | Margin of<br>manoeuvre<br>= 5.7%     |  |
|                            | 1  | 2                                 | 3                                    | 4                                      |
| 1                          | 351 048 400                                      | } 248 137 518                     | } 124 068 759                        | } 372 206 277                          |
| 2                          | 162 707 200                                      |                                   |                                      |  |
| 3                          | 318 587 003                                      |                                   |                                      |  |
| 4                          | —  |                                   |                                      |  |
| 5                          | 1 068 800 000                                    |                                   |                                      |  |
| 6-7                        | —  |                                   |                                      |  |
| 8                          | —  |                                   |                                      |  |
| 9                          | 45 645 000                                       |                                   |                                      |  |
| 10                         | 5 000 000  |                                   |                                      |  |
| Total —<br>Commis-<br>sion | 1 951 787 603                                    |                                   |                                      |  |
| Other<br>institutions      | 224 857 289                                      |                                   |                                      |  |
| Grand<br>total             | 2 176 644 892                                    |                                   |                                      |  |

<sup>1</sup> This is the sum of appropriations for payment and non-differentiated appropriations.

<sup>2</sup> Including Second Supplementary Budget.

<sup>3</sup> Excluding 10 796 000 EUA re-entered in Article 930.

*Analysis, by budgetary title,  
of the changes in appropriations  
from 1978 to 1979*

overall analysis, in total appropriations for commitments and total appropriations for payments, of the changes in appropriations from 1978 to 1979.<sup>3</sup>

90. The following two tables, which precede the lists of new measures<sup>1</sup> and the measures which are substantially expanded,<sup>2</sup> give an

<sup>1</sup> Point 91.

<sup>2</sup> Point 92.

<sup>3</sup> Tables 27 and 28.

Table 27 — *The reasons for the changes from 1978 to 1979*  
Total appropriations for commitments

(in million EUA)

| Title      | Heading  | Total change | New measures | Substantial increases | Difference = 1 - (3 + 2) |
|------------|--|--------------|--------------|-----------------------|--------------------------|
|            |  | 1            | 2            | 3                     | 4                        |
| 1          | Expenditure relating to persons working with the Institution   | + 30.5       | + 2.8        | —                     | + 27.7                   |
| 2          | Buildings, equipment and miscellaneous administrative expenditure  | + 17.7       | + 0.1        | + 6.2                 | +11.4                    |
| 3          | Community policies in regard, particularly, to research, technology, industry, the social sector, the environment and the supply of energy and raw materials | + 263.9      | +132.0       | +131.0                | + 0.9                    |
| 4          | Repayments and aid to Member States and other aid (excluding Chapter 40)   | —            | —            | —                     | —                        |
| 5          | Social and Regional funds  | + 324.5      | +160.0       | +125.5                | +39.0                    |
| 6 and 7    | European Agricultural Guidance and Guarantee Fund - Guarantee Section  | +1 040.8     | +265.1       | +775.7                | —                        |
| 8          | European Agricultural Guidance and Guarantee Fund - Guarantee Section  |              |              |                       |                          |
|            | — Agricultural structures  | + 134.5      | +193.5       | —                     | -59.0                    |
|            | — Fisheries  | + 118.4      | + 99.0       | + 19.4                | —                        |
|            | Total Title 8  | + 252.9      | +292.5       | + 19.4                | -59.0                    |
| 9          | Cooperation with developing countries and non-member countries   | + 146.5      | + 1.8        | +178.0                | -33.3                    |
| 10         | Other expenditure  | + 60.0       | + 60.0       | —                     | —                        |
|            | Other institutions   | + 27.2       | —            | —                     | +27.2                    |
| Chapter 40 | Lump-sum repayment to the Member States of the costs incurred in collecting own resources  | + 2.2        | —            | —                     | + 2.2                    |
|            | Total  | +2 166.2     | +914.3       | +1 235.8              | +16.10                   |

Table 28 — *The reasons for the changes from 1978 to 1979*  
**Total appropriations for payments**

(in million EUA)

| Titles     | Heading  | Total change    | New measures  | Substantial increases | Difference = (1 - (3+2)) |
|------------|--|-----------------|---------------|-----------------------|--------------------------|
|            |  | 1               | 2             | 3                     | 4                        |
| 1          | Expenditure relating to persons working with the Institution   | + 30.5          | + 2.8         | —                     | + 27.7                   |
| 2          | Buildings, equipment and miscellaneous administrative expenditure  | + 17.7          | + 0.1         | + 6.2                 | + 11.4                   |
| 3          | Community policies in regard, particularly, to research, technology, industry, the social sector, the environment and the supply of energy and raw materials | + 231.0         | +119.5        | +115.7                | - 4.2                    |
| 4          | Repayments and aid to Member States and other aid (excluding Chapter 40)   | —               | —             | —                     | —                        |
| 5          | Social and Regional funds  | + 49.2          | + 45.0        | +139.2                | -135.0                   |
| 6 and 7    | European Agricultural Guidance and Guarantee Fund - Guarantee Section  | +1 040.8        | +265.1        | +775.7                | —                        |
| 8          | European Agricultural Guidance and Guarantee Fund - Guarantee Section  |                 |               |                       |                          |
|            | — Agricultural structures  | + 39.7          | +127.4        | —                     | - 87.7                   |
|            | — Fisheries  | + 49.4          | + 47.0        | + 2.4                 | —                        |
|            | Total Title 8  | + 89.1          | +174.4        | + 2.4                 | - 87.7                   |
| 9          | Cooperation with developing countries and non-member countries   | + 184.0         | + 1.8         | +143.0                | + 39.2                   |
| 10         | Other expenditure  | + 25.0          | + 25.0        | —                     | —                        |
|            | Other institutions   | + 27.2          | —             | —                     | + 27.2                   |
| Chapter 40 | Lump-sum repayment to the Member States of the costs incurred in collecting own resources  | + 2.2           | —             | —                     | + 2.2                    |
|            | <b>Total</b>   | <b>+1 696.7</b> | <b>+633.7</b> | <b>+1 182.2</b>       | <b>-119.2</b>            |

### *New measures*

91. The following table lists the new measures planned for 1979. The breakdown, by major categories, of the appropriations for these measures, which total 847.4 million EUA in total appropriations for commitments, and 566.8 million EUA in total appropriations for payments, is as follows:

|   | <i>Total<br/>appro-<br/>priations<br/>for<br/>commit-<br/>ments</i> | <i>Total<br/>appro-<br/>priations<br/>for<br/>payments</i> |
|---|---|--|
| — EAGGF Guarantee<br>Section                                    | 265.1   | 265.1  |
| — Agricultural<br>structures                                    | 193.5   | 127.4  |
| — Fisheries   | 99.—  | 47.—   |
| — Research, energy,<br>industry and transport                   | 123.9   | 111.4  |
| — Social Fund   | 160.—   | 45.—   |
| — Cooperation with<br>developing countries                      | 1.8   | 1.8  |
| — Total reserve in<br>respect of intervention<br>appropriations | 50.—  | 15.—   |
| — Reserve for other<br>purposes (EUA)                           | 10.—  | 10.—   |
| — Other   | 11.—  | 11.—   |
|   | <u>814.3</u>  | <u>633.7</u>   |

For some new measures there is a token entry, in accordance with the principles enunciated earlier.<sup>1</sup>

---

<sup>1</sup> Point 73.

Table 29 — 1979 Budget — list of new measures

|   |                  |   | Appropriations<br>for commitment | Appropriations<br>for payment |
|---|------------------|---|----------------------------------|-------------------------------|
| <i>EAGGF Guarantee Section</i>            |                  |   |                                  |                               |
| 682                                       | CE <sup>1</sup>  | Aid in respect of products processed from fruit and vegetables  | 149 700 000                      | 149 700 000                   |
| 691                                       | CE               | Aid in respect of concentrated musts for the enrichment of wine   | 22 000 000                       | 22 000 000                    |
| 735                                       | CE               | Potatoes  | 10 000 000                       | 10 000 000                    |
| 736                                       | CE               | Sheepmeat   | 80 000 000                       | 80 000 000                    |
| 737                                       | CE               | Peas and field beans  | 3 400 000                        | 3 400 000                     |
|   |                  |   | 265 100 000                      | 265 100 000                   |
| <i>EAGGF Guidance Section</i>             |                  |   |                                  |                               |
| 814                                       | CE               | Forestry measures for the improvement of agricultural structures  | 5 000 000                        | 5 000 000                     |
| 815                                       | CE               | Special aid for young farmers   | 4 000 000                        | 4 000 000                     |
| 816                                       | CE               | Agricultural advisory service in Italy  | 30 000                           | 30 000                        |
| 8203                                      | CE               | Marketing and processing of agricultural products in the Mezzogiorno and Languedoc Roussillon                   | 42 000 000                       | 2 000 000                     |
| 8351                                      | CE               | Joint-trade table wine organizations  | 170 000                          | 170 000                       |
| 8360                                      | CE               | Premium for the non-marketing of milk and for the conversion of dairy herds                                     | 44 900 000                       | 44 900 000                    |
| 8361                                      | CE               | Premiums for the cessation of dairy farming   | 500 000                          | 500 000                       |
| 840                                       | CE               | Collective irrigation works in the Mezzogiorno  | 26 700 000                       | 20 000 000                    |
| 841                                       | CE               | Improvement of public services in certain rural areas   | 25 000 000                       | 15 000 000                    |
| 842                                       | CE               | Restructuring and conversion of vineyards in Languedoc Roussillon and certain other French regions              | 21 700 000                       | 17 000 000                    |
| 843                                       | CE               | Forestry measures in certain dry Mediterranean regions  | 20 000 000                       | 16 000 000                    |
| 844                                       | CE               | Land drainage operations in Ireland   | 3 500 000                        | 2 800 000                     |
|   |                  |   | 193 500 000                      | 127 400 000                   |
| <i>Fisheries</i>                          |                  |   |                                  |                               |
| 861                                       | CE               | Common measures to improve the structures of the deepsea fishing industry                                       | 10 000 000                       | 10 000 000                    |
| 870                                       | CE               | Immediate measures to adjust capacity   | 49 000 000                       | 21 000 000                    |
| 871                                       | CE               | Financial participation in inspection and surveillance operations in the maritime waters of Denmark and Ireland | 40 000 000                       | 16 000 000                    |
|   |                  |   | 99 000 000                       | 47 000 000                    |
| <i>Research—energy—industry—transport</i> |                  |   |                                  |                               |
| 3232                                      | NCE <sup>2</sup> | Aid for Intra-Community trade in power-station coal   | 100 000 000                      | 100 000 000                   |
| 3360                                      | NCE              | Secondary raw materials   | 4 295 000                        | 1 795 000                     |
| 3363                                      | NCE              | Light-water reactor safety  | 3 319 000                        | 1 219 000                     |
| 3365                                      | NCE              | Recycling of waste paper and board  | 1 621 000                        | 621 000                       |
| 3366                                      | NCE              | Climatology   | 2 117 000                        | 717 000                       |
| 3371                                      | NCE              | Launching of concerted projects (part)  | 1 547 000                        | 1 045 000                     |
| 3741                                      | NCE              | Harmonization of industrial laws  | 500 000                          | 500 000                       |
| 3751                                      | NCE              | Measures in the oil and gas refining sector   | 10 000 000                       | 5 000 000                     |
| 379                                       | NCE              | Monitoring of freight markets   | 300 000                          | 300 000                       |
|   |                  |   | 123 699 000                      | 111 197 000                   |

<sup>1</sup> Compulsory expenditure.

<sup>2</sup> Non-compulsory expenditure.

Table 29 — 1979 Budget — list of new measures (cont'd)

|                    |                 |   | Appropriations<br>for commitments | Appropriations<br>for payment |
|--------------------|-----------------|---|-----------------------------------|-------------------------------|
| <i>Social fund</i> |                 |   |                                   |                               |
|                    |                 | (Chapters 50 and 51—New measures for young people)  | 110 000 000                       | 30 000 000                    |
| 512                | NCE             | Consequences of industrial conversion   | 50 000 000                        | 15 000 000                    |
| <i>Title 9</i>     |                 |   |                                   |                               |
| 9412               | NCE             | Information visits by senior Arab officials to the Commission's departments   | 60 000                            | 60 000                        |
| 946                | NCE             | EEC Grant towards the operation of the Independent Commission on International Development Issues (ICIDI)   | 100 000                           | 100 000                       |
| 948                | NCE             | Evaluation of the results of Community aid  | 500 000                           | 500 000                       |
| 949                | NCE             | Expenditure in connection with the renegotiation of the Lomé Convention   | 1 100 000                         | 1 100 000                     |
|                    |                 |   | 1 760 000                         | 1 760 000                     |
| <i>Sundry</i>      |                 |   |                                   |                               |
| 153                | NCE             | Consultations and measures in the field of organization and methods in the Commission departments   | 250 000                           | 250 000                       |
| 190                | NCE             | Building loans  | 2 500 000                         | 2 500 000                     |
| 2987               | CE <sup>1</sup> | International agreements on fisheries   | 115 000                           | 115 000                       |
| 3543               | NCE             | Measures required to implement the directives on the environment  | 400 000                           | 400 000                       |
| 3544               | NCE             | Permanent inventory of sources of information on the environment in the Community   | 100 000                           | 100 000                       |
| 3931               | NCE             | Financial contributions to cultural events of Community interest  | 30 000                            | 30 000                        |
| 3950               | NCE             | Support measures to promote Community exports   | 2 000 000                         | 2 000 000                     |
| 3951               | NCE             | Scholarships for young European industrial executives   | 570 000                           | 570 000                       |
| 396                | NCE             | Subsidy for the operation of the European Foundation  | 5 000 000                         | 5 000 000                     |
| 100                | NCE             | Provisional appropriations  | 50 000 000                        | 15 000 000                    |
| 102                | NCE             | Reserve to cover any shortfall in appropriations, when converted into national currencies, resulting from differences between the EUA rates used when the Budget estimates were drawn up and the rates of conversion into national currencies obtaining at the time of implementation | 10 000 000                        | 10 000 000                    |
|                    |                 |   | 847 124 000                       | 566 522 000                   |

<sup>1</sup> Compulsory expenditure.

Table 30 — *List of token entries<sup>1</sup>—new measures*

|      |     |   |
|------|-----|---|
| 3071 | NCE | Aid to employers' and workers' organizations for the provision of training and information for their representatives on the subject of European affairs |
| 317  | NCE | Community supervision of the application of agricultural rules  |
| 3211 | NCE | Prospecting for uranium outside the Community   |
| 3212 | NCE | Aid for uranium stockpiling   |
| 325  | NCE | Energy saving from the modernization of existing buildings  |
| 3703 | NCE | Development of electronics technology   |
| 3722 | NCE | Operations in the ceramics sector   |
| 373  | NCE | Actions in respect of mineral raw materials   |
| 3781 | NCE | Intervention in respect of transport infrastructures  |
| 560  | NCE | Regional Fund—Specific Community operations   |
| 891  | NCE | Payment of compensation for salmon fishing in the Baltic  |
| 892  | NCE | Payments in respect of compensation and dues relating to fishing in the maritime waters of certain African countries                                    |

<sup>1</sup> Non-compulsory expenditure.

*Operations showing a significant increase between 1978 and 1979*

92. The following table give the operations (excluding new ones) in which there has been an increase of at least 20% in appropriations. In view of the total volume accounted for by the EAGGF Guarantee Section, this has also been included.

Table 31 — Operations showing a significant increase<sup>1</sup> between 1978 and 1979  
(Excluding new operations mentioned in the preceding table)

(in EUA)

| Chapter  | Heading   | 1978                           |                             | 1979                           |                             | Absolute increase<br>Col. 3<br>Col. 1 | %       | Absolute increase<br>Col. 4<br>Col. 2 | %       |
|----------|---|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------------|---------|---------------------------------------|---------|
|          |   | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                                       |         |                                       |         |
|          |   | 1                              | 2                           | 3                              | 4                           | 5                                     | 6       | 7                                     | 8       |
| 22       | Movable property and associated expenditure                                       | 13 006 700                     | 13 006 700                  | 18 783 100                     | 18 783 100                  | 5 776 400                             | + 44.41 | + 5 776 400                           | + 44.41 |
| 29       | Subsidies and financial contributions   | 1 479 100                      | 1 479 100                   | 1 949 300                      | 1 949 300                   | + 470 200                             | + 31.79 | + 470 200                             | + 31.79 |
|          | <i>Title 2 - Total</i>  | 14 485 800                     | 14 485 800                  | 20 732 400                     | 20 732 400                  | 6 246 600                             | 43.12   | 6 246 600                             | 43.12   |
| 30       | Expenditure in the social sector  | 11 765 000                     | 8 919 000                   | 14 202 000                     | 12 082 000                  | + 2 437 000                           | + 20.71 | + 3 163 000                           | + 35.46 |
| 32       | Expenditure under the energy policy   | 80 000 000                     | 46 300 000                  | 161 400 000                    | 109 900 000                 | + 81 400 000                          | +101.75 | + 63 600 000                          | +137.37 |
| 33       | Expenditure on research and investment  | 181 519 795                    | 212 781 003                 | 212 489 375                    | 234 969 330                 | + 30 969 580                          | + 17.06 | + 22 188 327                          | + 10.43 |
| 34       | Expenditure relating to safeguards  | 810 000                        | 810 000                     | 1 767 000                      | 1 767 000                   | + 957 000                             | +118.15 | + 957 000                             | +118.15 |
| 35       | Expenditure relating to the protection of man and his environment                 | 6 388 000                      | 6 388 000                   | 7 600 000                      | 7 600 000                   | + 1 212 000                           | + 18.97 | + 1 212 000                           | + 18.97 |
| 36       | Expenditure on scientific and technical information and on information management | 7 430 000                      | 5 155 000                   | 6 500 000                      | 6 825 000                   | - 930 000                             | - 12.52 | + 1 670 000                           | + 32.40 |
| 37       | Expenditure in the industrial and transport sectors                               | 39 705 000                     | 21 485 000                  | 54 641 000                     | 44 341 000                  | + 14 936 000                          | + 37.62 | + 22 856 000                          | +106.38 |
|          | <i>Title 3 - Total</i>  | 327 617 795                    | 301 838 033                 | 458 599 375                    | 417 484 330                 | +130 981 580                          | + 39.98 | +115 646 327                          | + 38.31 |
|          | Social Fund   | 569 500 000                    | 538 800 000                 | 690 000 000                    | 673 000 000                 | +120 500 000                          | + 21.16 | +134 200 000                          | + 24.91 |
| 59       | Aid to disaster victims   | 5 000 000                      | 5 000 000                   | 10 000 000                     | 10 000 000                  | + 5 000 000                           | +100—   | + 5 000 000                           | +100—   |
|          | <i>Title 5 - Total</i>  | 574 500 000                    | 543 800 000                 | 700 000 000                    | 683 000 000                 | 125 500 000                           | + 21.85 | 139 200 000                           | + 25.60 |
|          | <i>Titles 6 and 7 EAGGF Guarantee Section</i>                                     | 8 677 250 000                  | 8 677 250 000               | 9 453 000 000                  | 9 453 000 000               | +775 750 000                          | + 8.94  | +775 750 000                          | + 8.94  |
| 86 to 89 | <i>Title 8 - Fisheries</i>  | 23 315 000                     | 23 315 000                  | 42 700 000                     | 25 700 000                  | + 19 385 000                          | + 83.14 | + 2 385 000                           | + 10.23 |
| 92       | Food aid  | 223 710 000                    | 223 710 000                 | 345 014 000                    | 345 014 000                 | +121 304 000                          | + 54.22 | +121 304 000                          | + 54.22 |
| 93       | Financial and technical cooperation with non-associated developing countries      | 86 196 000                     | 45 196 000                  | 139 620 000                    | 60 620 000                  | + 53 424 000                          | + 62.—  | + 15 424 000                          | + 34.13 |
| 94       | Specific measures for cooperation with developing countries                       | 19 636 000                     | 13 636 000                  | 20 739 000                     | 17 739 000                  | + 1 103 000                           | + 5.62  | + 4 103 000                           | + 30.09 |
| 95       | Exceptional measures to assist developing countries and non-member countries      | 900 000                        | 900 000                     | 3 000 000                      | 3 000 000                   | + 2 100 000                           | +233.—  | + 2 100 000                           | +233.—  |
|          | <i>Title 9 - Total</i>  | 330 442 000                    | 283 442 000                 | 508 373 000                    | 426 373 000                 | +177 931 000                          | + 53.85 | 142 931 000                           | + 50.43 |
|          | <b>Grand total</b>  |                                |                             |                                |                             | 1 235 794 180                         |         | 1 182 158 927                         |         |

<sup>1</sup> Increase of the order of 20% or more, except for the EAGGF Guarantee Section which is included in the table because of its importance.



**Comparison of trends in staff expenditure (Title I)  
and administrative expenditure (Title II)  
in the Preliminary Draft Budget for 1979 and the 1978 Budget**

**Table 32 — Trend of appropriations in the staff sector\*<sup>1</sup>**

(in EUA)

| Chapter | Heading   | 1978                           |                             | 1979                           |                             | Absolute increase 3/1 | %      | Absolute increase 4/2 | %      |
|---------|---|--------------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------|--------|-----------------------|--------|
|         |   | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                       |        |                       |        |
|         |   | 1                              | 2                           | 3                              | 4                           |                       |        |                       |        |
| 10      | Commission  | 3 238 900                      | 3 238 900                   | 3 133 000                      | 3 133 000                   | - 105 900             | - 3.27 | - 105 900             | - 3.27 |
| 11      | Staff   | 352 817 600                    | 352 817 600                 | 381 452 000                    | 381 452 000                 | +28 634 400           | + 8.12 | +28 634 400           | + 8.12 |
| 12      | Allowances and expenses                                   | 17 629 400                     | 17 629 400                  | 15 395 000                     | 15 395 000                  | - 2 234 400           | -12.67 | - 2 234 400           | -12.67 |
| 13      | Missions and duty travel                                  | 10 354 000                     | 10 354 000                  | 11 389 400                     | 11 389 400                  | + 1 035 400           | +10.00 | + 1 035 400           | +10.00 |
| 14      | Social welfare  | 1 538 500                      | 1 538 500                   | 1 774 400                      | 1 774 400                   | + 235 900             | +15.33 | + 235 900             | +15.33 |
| 15      | Internal training courses and further vocational training | 1 854 600                      | 1 854 600                   | 2 282 500                      | 2 282 500                   | + 427 900             | +23.07 | + 427 900             | +23.07 |
| 19      | Building loans  | —                              | —                           | 2 500 000                      | 2 500 000                   | + 2 500 000           | —      | + 2 500 000           | —      |
|         | Total   | 387 433 000                    | 387 433 000                 | 417 926 300                    | 417 926 300                 | +30 493 300           | + 7.87 | +30 493 300           | + 7.87 |

\* Although the appropriations for this sector are identical for 'commitments' and 'payments', the table is set out in this way so as to correspond to the layout for the operating appropriations.

<sup>1</sup> Point 93.

Table 33 — *Trend of appropriations for administrative expenditure*<sup>1\*</sup>

(in EUA)

| Chapter                 | Heading                        | 1978                           |                             | 1979                           |                             | Absolute increase 3/1 | %      | Absolute increase 4/2 | %      |
|-------------------------|--------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------|--------|-----------------------|--------|
|                         |                                | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                       |        |                       |        |
|                         |                                | 1                              | 2                           | 3                              | 4                           |                       |        |                       |        |
| 20                      | Immovable property investments | 145 000 <sup>2</sup>           | 145 000 <sup>2</sup>        | 124 400                        | 124 400                     | - 20 600              | -14.21 | - 20 600              | -14.21 |
| 21                      | Rental of buildings            | 42 505 500 <sup>3</sup>        | 42 505 500 <sup>3</sup>     | 47 462 900                     | 47 462 900                  | + 4 957 400           | +11.66 | + 4 957 400           | +11.66 |
| 22                      | Movable property               | 13 006 700                     | 13 006 700                  | 18 783 100                     | 18 783 100                  | + 5 776 400           | +44.41 | + 5 776 400           | +44.41 |
| 23                      | Administrative expenditure     | 13 817 000 <sup>4</sup>        | 13 817 000 <sup>4</sup>     | 14 754 000                     | 14 754 000                  | + 937 000             | + 6.78 | + 937 000             | + 6.78 |
| 24                      | Representation expenditure     | 595 000                        | 595 000                     | 651 000                        | 651 000                     | + 56 000              | + 9.41 | + 56 000              | + 9.41 |
| 25 (except 254)         | Formal and informal meetings   | 11 012 000                     | 11 012 000                  | 11 863 100                     | 11 863 100                  | + 851 100             | + 7.73 | + 851 000             | + 7.73 |
| 26                      | Studies and surveys            | 13 725 000                     | 13 725 000                  | 15 550 000                     | 15 550 000                  | + 1 825 000           | +13.30 | + 1 825 000           | +13.30 |
| 27 (except 272 and 273) | Publishing                     | 10 788 000                     | 10 788 000                  | 11 952 000                     | 11 952 000                  | + 1 164 000           | +10.80 | + 1 164 000           | +10.80 |
|                         | Total                          | 105 594 200                    | 105 594 200                 | 121 140 500                    | 121 140 500                 | + 15 546 300          | +14.72 | +15 546 300           | +14.72 |

<sup>1\*</sup> Although the appropriations for this sector are identical for 'commitments' and 'payments', the table is set out in this way so as to correspond to the layout for the operating appropriations.

<sup>2</sup> This appropriation is entered under Article 100.

<sup>3</sup> Of which 494 000 EUA under Article 100.

<sup>4</sup> Of which 120 000 EUA under Article 100.

Table 34 — *Trend of appropriations for information*<sup>1\*</sup>

(in EUA)

| Chapter       | Heading   | 1978                           |                             | 1979                           |                             | Absolute increase Col. 3 Col. 1 | %      | Absolute increase Col. 4 Col. 2 | %      |
|---------------|---|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------|--------|---------------------------------|--------|
|               |   | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                                 |        |                                 |        |
|               |   | 1                              | 2                           | 3                              | 4                           |                                 |        |                                 |        |
| 25 (Art. 254) | Measures for young people   | 220 000                        | 220 000                     | 360 500                        | 360 500                     | + 140 500                       | +63.86 | + 140 500                       | +63.86 |
| 27 (Art. 272) | Expenditure on the dissemination of information and on participation in public events | 11 500 000                     | 11 500 000                  | 10 150 000                     | 10 150 000                  | -1 350 000                      | -11.74 | -1 350 000                      | -11.74 |
| (Art. 273)    | Dissemination of information to young people  | 1 298 000                      | 1 298 000                   | 1 500 000                      | 1 500 000                   | + 202 000                       | +15.56 | + 202 000                       | +15.56 |
|               | Total   | 13 018 000                     | 13 018 000                  | 12 010 500                     | 12 010 500                  | -1 007 500                      | - 7.74 | -1 007 500                      | - 7.74 |

<sup>1\*</sup> Although the appropriations for this sector are identical for 'commitments' and 'payments', the table is set out in this way so as to correspond to the layout for the operating appropriations.

Table 35 — Trend of appropriations in the aids and subsidies sector<sup>1\*</sup>

(in EUA)

| Chapter | Heading                               | 1978                           |                             | 1979                           |                             | Absolute increase<br>Col. 3<br>Col. 1 | %      | Absolute increase<br>Col. 4<br>Col. 2 | %      |
|---------|---------------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------------|--------|---------------------------------------|--------|
|         |                                       | Total approps. for commitments | Total approps. for payments | Total approps. for commitments | Total approps. for payments |                                       |        |                                       |        |
|         |                                       | 1                              | 2                           | 3                              | 4                           | 5                                     | 6      | 7                                     | 8      |
| 28      | Subsidies for balancing budgets       | 43 329 000 <sup>2</sup>        | 43 329 000 <sup>2</sup>     | 45 950 700 <sup>3</sup>        | 45 950 700 <sup>3</sup>     | + 2 621 700                           | + 6.05 | + 2 621 700                           | + 6.05 |
| 29      | Subsidies and financial contributions | 1 479 100                      | 1 479 100                   | 2 064 300                      | 2 064 300                   | + 585 200                             | +39.56 | + 585 200                             | +39.56 |
|         | Total                                 | 44 808 100                     | 44 808 100                  | 48 015 000                     | 48 015 000                  | + 3 206 900                           | + 7.16 | + 3 206 900                           | + 7.16 |

<sup>1\*</sup> Although the appropriations for this sector are identical for 'commitments' and 'payments', the table is set out in this way so as to correspond to the layout for the operating appropriations.

<sup>2</sup> Of which 4 132 000 EUA under Article 100.

<sup>3</sup> Of which 2 250 000 EUA under Article 100.

*List of budget headings in which the distinction is made between 'appropriations for commitment' and 'appropriations for payment'*

93. During the last few years it has become increasingly apparent that, for operations extending over several financial years, a distinction must be made between appropriations for commitment (maximum sum which may be committed) and appropriations for payment (commitments in respect of which payment is due during a given financial year). Since the adoption of the Financial Regulation of 21 December 1977 (last subparagraph of Article 3(1)), the decision to make this distinction is taken as part of budgetary procedure and is no longer covered by an *ad hoc* financial regulation. The following table lists all budget headings in which the distinction is made; the headings where this occurs for the first time in 1979 are marked with an asterisk.<sup>1</sup>

<sup>1</sup> Table 36.

Table 36 — Budget headings in which the distinction is made 'appropriations for commitment' and 'appropriations for payment'

(in EUA)

| Chapter, Article or Item  | Appropriations for commitment | Appropriations for payment |
|---------------------------|-------------------------------|----------------------------|
| 3030                      | 600 000                       | 465 000                    |
| 3031                      | 600 000                       | 365 000                    |
| 306                       | 5 750 000                     | 4 000 000                  |
| 3200                      | 20 000 000                    | 31 000 000                 |
| 3201                      | 15 000 000                    | 13 000 000                 |
| 3210                      | 20 000 000                    | 9 000 000                  |
| 3230                      | 75 000 000                    | 40 000 000                 |
| 3240                      | 16 000 000                    | 7 000 000                  |
| 3241                      | 16 000 000                    | 9 500 000                  |
| 33                        | 225 614 375                   | 240 592 330                |
| 3620                      | 2 800 000                     | 3 350 000                  |
| 3621                      | 1 700 000                     | 1 475 000                  |
| 3701                      | token entry                   | 700 000                    |
| 3702                      | 17 000 000 (*)                | 8 000 000 (*)              |
| 3710                      | 5 000 000                     | 7 000 000                  |
| 3750                      | 30 000 000                    | 22 000 000                 |
| 3751                      | 10 000 000 (*)                | 5 000 000 (*)              |
| 50                        | 355 000 000                   | 304 000 000                |
| 51 Social Fund            | 492 000 000                   | 411 000 000                |
| 52                        | 3 000 000                     | 3 000 000                  |
| 55 Regional Fund          | 620 000 000                   | 390 000 000                |
| Title 8                   |                               |                            |
| — Agricultural structures | 607 870 000                   | 463 094 000                |
| — Fishing                 | 141 700 000                   | 72 700 000                 |
| 930                       | 133 620 000                   | 55 620 000                 |
| 9310                      | 5 500 000                     | 4 500 000                  |
| 945                       | 12 000 000                    | 9 000 000                  |
| 961                       | 2 500 000                     | 3 000 000                  |
| 962                       | 16 500 000                    | 13 500 000                 |
| 963                       | 66 000 000                    | 33 000 000                 |
| 964                       | 4 000 000                     | 2 200 000                  |
| 9650                      | 14 100 000                    | 10 100 000                 |
| 9651                      | 23 700 000                    | 19 400 000                 |
| 9652                      | 17 300 000                    | 14 200 000                 |
| 9660                      | 24 600 000                    | 18 000 000                 |
| 9661                      | 7 000 000                     | 6 300 000                  |
| 9662                      | 3 000 000                     | 3 000 000                  |
| 9663                      | 8 300 000                     | 6 000 000                  |
| 100                       | 50 000 000 <sup>1</sup>       | 15 000 000 <sup>1</sup>    |
| Total                     | 3 068 754 375                 | 2 259 061 330              |

(\*) New budget headings where the distinction between appropriations for commitment and appropriations for payment has been made for the first time in the financial year 1979.

<sup>1</sup> Total reserve for intervention appropriations.

European Communities — Commission

**Preliminary draft general budget of the European Communities for the financial year 1979 — General introduction**

Supplement 6/78 to Bulletin of the EC

Luxembourg: Office for Official Publications of the European Communities

1978 — 100 p. — 17.6 × 25.0 cm.

DA, DE, EN, FR, IT, NL

ISBN 92-825-0550-2

Catalogue Number: CB-NF-78-006-EN-C

| BFR   | DKR  | DM   | FF    | LIT   | HFL  | UKL | USD  |
|-------|------|------|-------|-------|------|-----|------|
| 125,- | 20,- | 8,50 | 17,50 | 3 000 | 8,75 | 2,- | 3.50 |

Acting on Parliament's Resolution on the draft budget of the European Communities, adopted at its sitting on 26 October 1977, the Commission has decided to publish as a supplement to the Bulletin of the European Communities the general introduction to the preliminary draft budget for 1979.

|       |      |      |       |      |      |     |      |
|-------|------|------|-------|------|------|-----|------|
| BFR   | DKR  | DM   | FF    | LIT  | HFL  | UKL | USD  |
| 125,- | 20,- | 8,50 | 17,50 | 3000 | 8,75 | 2,- | 3,50 |



OFFICE FOR OFFICIAL PUBLICATIONS  
OF THE EUROPEAN COMMUNITIES

ISBN 92 825 0550-2

Boîte postale 1003 - Luxembourg

Catalogue Number : CB N° 78-006-EN-C