



PRELIMINARY DRAFT
GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1994

OVERVIEW



**PRELIMINARY DRAFT GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1994**

CONTENTS

	Pages
Foreword	3
I. General framework	4
II. The broad lines of the preliminary draft general budget for 1994	7
III. Expenditure	12
1. Common agricultural policy (heading 1)	17
2. Structural operations (heading 2)	19
3. Internal policies (heading 3)	21
4. External action (heading 4)	24
5. Administrative expenditure of the institutions (heading 5)	26
6. Reserves (heading 6)	28
IV. Revenue	29
Annex	32

FOREWORD

The circumstances surrounding the 1994 budgetary procedure have grown more difficult as regards both the economic and the institutional context.

As regards the economic background, the forecasts have, unfortunately, not been so pessimistic since the early eighties. The economic slowdown which started in early 1990 has turned out to be unexpectedly severe and persistent. Public finances are under great strain in nearly all the Community countries; drastic savings have had to be made in many cases. Because of the slower economic growth, the increase in the Community's own resources is also very limited.

There is therefore little room for manoeuvre in the budget for 1994. After an unusually large increase in 1993, the appropriations for the Structural Funds are the same in real terms, while the allocation for the Cohesion Fund has risen substantially. Expenditure for external action and research has tended to level off. There is little overall increase for the other internal policies, but the Commission has set a number of clear priorities in the preliminary draft budget: development of the trans-European networks, implementation of the internal market programme and environmental protection. Agricultural expenditure in the preliminary draft is within the limit set by the agricultural guideline. However, if the effects of the currency realignments since last September should cause the guideline to be exceeded, the mechanisms agreed by the Edinburgh European Council will have to be applied. The administrative budgets of all the institutions have also been severely affected by the appreciation of the Belgian and Luxembourg franc against the ecu resulting from these currency alignments. If no appropriate solution is found for these difficulties in the course of the budgetary procedure, drastic savings will have to be made in the administrative budgets. This would be a threat for the smooth operation of the Community institutions, especially since they face new tasks with the implementation of the Maastricht Treaty.

On the institutional side, it will be noted that the negotiation of a new Interinstitutional Agreement still has to be completed. However, it is in the interests of the Community and all the institutions involved to agree on a binding medium-term financial framework and on an efficient code of discipline as soon as possible. All parties must be prepared to compromise. The Commission is ready and willing to make every effort to bring the negotiations to a successful conclusion as soon as possible.

During the 1994 budgetary procedure, a sense of proportion with regard to what is financially possible will have to be combined with a realistic assessment of the Community's expenditure requirements. I am confident that the budget for 1994 will be adopted on time at the end of the year and will comply with the financial requirements and constraints in the Member States and at Community level while allowing the Community to carry out its internal and external tasks satisfactorily.



Peter M. SCHMIDHUBER

*Member of the Commission
for budgetary matters*

OVERVIEW

I. GENERAL FRAMEWORK**1. The Edinburgh Financial Perspective 1993-1999**

The preliminary draft budget for 1994 has been drawn up within the new medium-term financial framework. The Commission adopted its proposal for the new framework early in 1992 (COM(92) 2000 and COM(92) 2001) and the subsequent negotiations culminated in the Edinburgh conclusions last December. It now has to be incorporated into an Interinstitutional Agreement to make it binding on the three institutions involved.

The conclusions of the Edinburgh European Council allow for average annual growth of 3,3 % in the ceiling on commitment appropriations and 3,2 % in the ceiling on payment appropriations over the period 1993-1999.

However, the increase varies considerably from heading to heading. Special emphasis has been placed on the policy areas given top priority by the Treaty on European Union, such as the need for economic and social cohesion, the creation of a favourable environment for the competitiveness of the European economy, notably by developing trans-European networks, and the importance attached to external action. The biggest increase (7,1 % per year in real terms over the whole period) is for structural operations. There will also be a substantial increase in the allocation for external action (5,1 % per year), although less than what was proposed by the Commission, while the annual rates of increase for internal policies (3,9 %) and in particular for administrative expenditure (2,8 %) are well below the Commission's proposals.

The Edinburgh European Council also decided that the own resources ceiling of 1,20 % of GNP would not be raised in 1993 or 1994. It will only be increased from 1995 and will reach 1,27 % of GNP in 1999.

2. Financial framework of the preliminary draft budget for 1994

The Commission's preliminary draft budget has been drawn up in line with the financial perspective adopted at Edinburgh and again leaves margins beneath the ceilings of headings 3 and 4 in order to give the budgetary authority room for manoeuvre and also to allow for the financing of any unforeseen expenditure, given that there would be no possibility of revising the financial perspective in 1994.

The 1994 preliminary draft is subject to particularly tight financial constraints, made to look even tighter by the rather generous framework enjoyed by the 1993 budget. This was based on forecasts of real GNP (in ecus) and the GNP deflator which date back to February 1992 and which have since been revised downwards. Consequently, the scope for increase relative to 1993 is smaller than would appear from the financial framework adopted at Edinburgh at 1992 prices.

Against this background of relatively scarce resources, even greater importance has been attached to cost-effectiveness criteria when drawing up the expenditure proposals, in line with the approach adopted since the preparation of the preliminary draft for 1992 and further elaborated in the preparation of the 1993 preliminary draft.

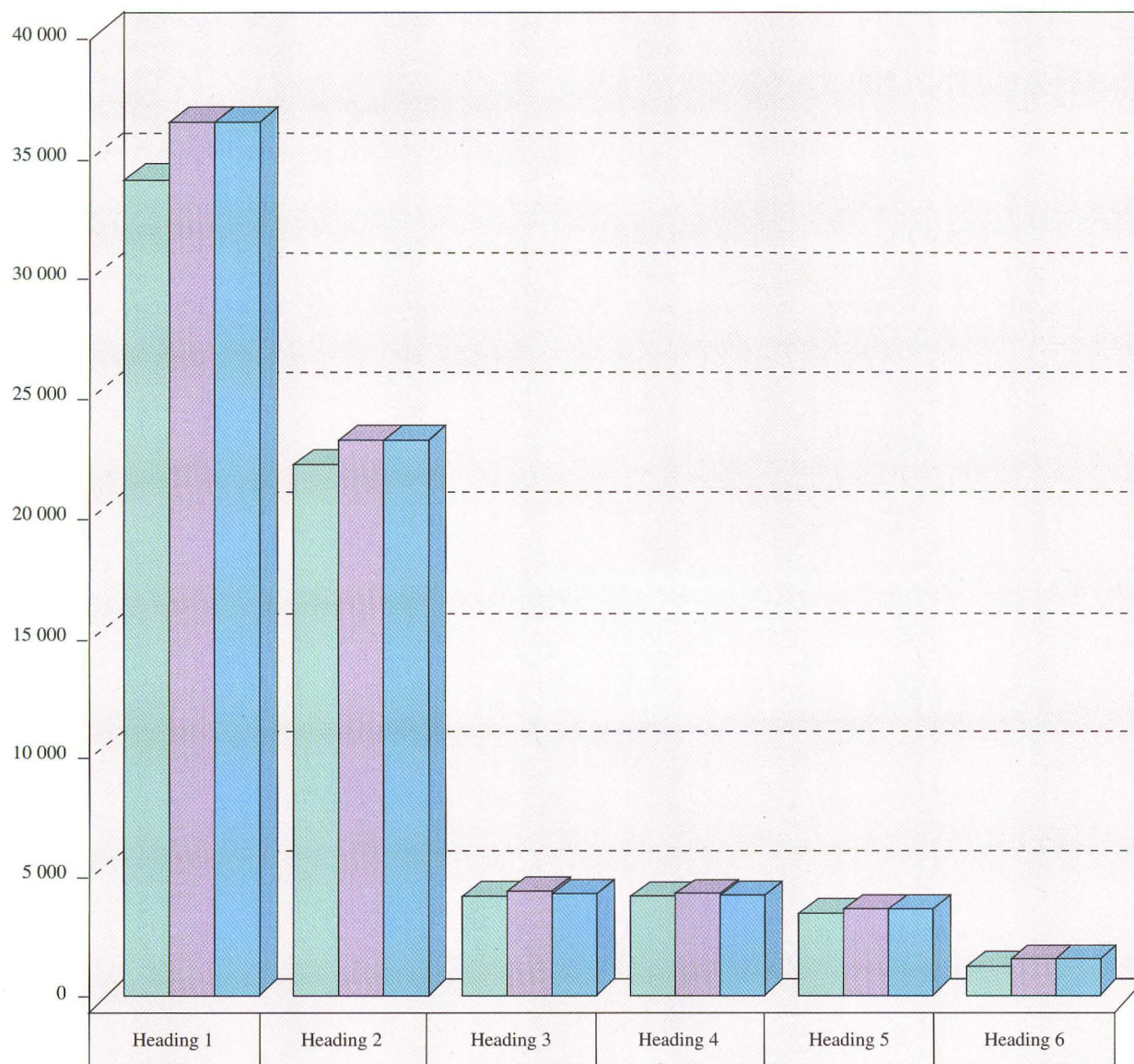
The graph 1 compares the ceilings of the financial perspective for 1994 at current prices, the broad lines of the preliminary draft budget for 1994 and the broad lines of the 1993 budget.

OVERVIEW

Graph 1

1993 budget, financial framework and preliminary draft budget for 1994
(appropriations for commitments)

(ECU million)



Heading	Budget 1993	Financial perspective 1994	Preliminary draft budget 1994
1. Common agricultural policy	34 052	36 465	36 465
2. Structural operations	22 178	23 176	23 176
3. Internal policies	4 109	4 325	4 243
4. External action	4 110	4 236	4 174
5. Administrative expenditure of the institutions	3 401	3 579	3 579
6. Reserves	1 209	1 530	1 530
Total	69 058	73 311	73 167

II. THE BROAD LINES OF THE PRELIMINARY DRAFT BUDGET FOR 1994

The expenditure proposals in the preliminary draft budget total ECU 73 167 million in commitment appropriations and ECU 70 099 million in payment appropriations. These figures are up by 5,9 % and 7,0 % respectively on 1993 (1). The following table and chart, based on the budget nomenclature, compare the allocations for 1993 and 1994.

The revenue required to finance the preliminary draft budget is compatible with the forecast level of own resources of 1,20 % of GNP. The call-in rate for the VAT resource is 1,2673 % and that for the GNP resource is 0,33 % (as against 0,24 % in 1993).

(1) Not including preliminary draft supplementary and amending budget No 1/1993.

OVERVIEW

General summary of appropriations for 1993 and 1994

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1993		Appropriations 1994		Difference 1994/1993	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
		PART A						
5	A-1	Expenditure relating to persons working with the institution	1 464 728 600	1 464 728 600	1 572 042 500	1 572 042 500	+ 107 313 900	+ 107 313 900
5	A-2	Buildings, equipment and miscellaneous operating expenditure	336 269 400	336 269 400	352 372 000	352 372 000	+ 16 102 600	+ 16 102 600
5	A-3	Expenditure resulting from special functions carried out by the institution	192 118 688	192 118 688	206 376 000	206 376 000	+ 14 257 312	+ 14 257 312
5	A-5	Data processing	93 652 000	93 652 000	96 500 000	96 500 000	+ 2 848 000	+ 2 848 000
5	A-6	Expenditure on staff and administration outside the Community	179 441 000	179 441 000	188 550 500	188 550 500	+ 9 109 500	+ 9 109 500
5	A-10	Other expenditure	17 400 000	17 400 000	p.m.	p.m.	- 17 400 000	- 17 400 000
		Part A — Total	2 283 609 688	2 283 609 688	2 415 841 000	2 415 841 000	+ 132 231 312	+ 132 231 312
		PART B						
	B1	European Agricultural Guidance and Guarantee Fund, Guarantee Section						
1	B1-1	Plant products	20 473 000 000	20 473 000 000	23 414 000 000	23 414 000 000	+ 2 941 000 000	+ 2 941 000 000
1	B1-2	Animal products	11 655 000 000	11 655 000 000	10 945 000 000	10 945 000 000	- 710 000 000	- 710 000 000
1	B1-3	Ancillary expenditure	1 683 000 000	1 683 000 000	1 505 000 000	1 505 000 000	- 178 000 000	- 178 000 000
1	B1-4	Income aid	59 000 000	59 000 000	58 000 000	58 000 000	- 1 000 000	- 1 000 000
1	B1-5	Accompanying measures	182 000 000	182 000 000	543 000 000	543 000 000	+ 361 000 000	+ 361 000 000
6	B1-6	Monetary reserve	1 000 000 000	1 000 000 000	1 000 000 000	1 000 000 000	—	—
		B1 — Sub-total	35 052 000 000	35 052 000 000	37 465 000 000	37 465 000 000	+ 2 413 000 000	+ 2 413 000 000
	B2	Structural operations, other agricultural and regional operations, transport and fisheries						
2	B2-1	Structural Funds	20 598 800 000	19 233 094 000	21 323 000 000	19 565 979 000	+ 724 200 000	+ 332 885 000
2	B2-2	Other structural operations	14 163 000	264 396 000	p.m.	209 170 000	- 14 163 000	- 55 226 000
2	B2-3	Cohesion Fund	1 565 000 000	1 000 000 000	1 853 000 000	1 679 000 000	+ 288 000 000	+ 679 000 000
3	B2-5	Other agricultural operations	203 800 000	127 127 000	205 825 000	133 504 000	+ 2 025 000	+ 6 377 000

General summary of appropriations for 1993 and 1994 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1993		Appropriations 1994		Difference 1994/1993	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
3	B2-6	Other regional operations	30 000 000	53 003 000	31 000 000	53 599 000	+ 1 000 000	+ 596 000
3	B2-7	Transport	12 770 000	12 570 000	13 000 000	11 800 000	+ 230 000	- 770 000
3	B2-9	Other operations relating to fisheries	25 000 000	18 670 000	25 640 000	28 300 000	+ 640 000	+ 9 630 000
		B2 — Sub-total	22 449 533 000	20 708 860 000	23 451 465 000	21 681 352 000	+ 1 001 932 000	+ 972 492 000
		B3 Training, youth, audiovisual, culture, information and other social operations						
3	B3-1	Education, vocational training and youth	270 579 000	253 845 000	281 000 000	260 000 000	+ 10 421 000	+ 6 155 000
3	B3-2	Culture and audiovisual	63 575 000	62 009 000	65 300 000	68 100 000	+ 1 725 000	+ 6 091 000
3	B3-3	Information and communication	33 731 000	22 137 000	40 000 000	38 400 000	+ 6 269 000	+ 16 263 000
3	B3-4	Other social operations	168 695 000	130 407 000	143 000 000	148 440 000	- 25 695 000	+ 18 033 000
		B3 — Sub-total	536 580 000	468 398 000	529 300 000	514 940 000	- 7 280 000	+ 46 542 000
		B4 Energy, Euratom nuclear safeguards and environment						
3	B4-1	Energy	202 292 000	139 876 000	202 250 000	181 470 000	- 42 000	+ 41 594 000
3	B4-2	Euratom nuclear safeguards	11 500 000	7 367 000	19 480 000	16 778 000	+ 7 980 000	+ 9 411 000
3	B4-3	Environment	100 733 000	95 323 000	111 450 000	105 698 000	+ 10 717 000	+ 10 375 000
		B4 — Sub-total	314 525 000	242 566 000	333 180 000	303 946 000	+ 18 655 000	+ 61 380 000
		B5 Consumer protection, internal market, industry and trans-European networks						
3	B5-1	Consumer protection	16 000 000	10 011 000	15 000 000	16 340 000	- 1 000 000	+ 6 329 000
3	B5-2	Aid for reconstruction	12 900 000	12 471 000	9 250 000	9 250 000	- 3 650 000	- 3 221 000
3	B5-3	Internal market	108 315 000	90 284 000	137 764 000	129 860 000	+ 29 449 000	+ 39 576 000
3	B5-4	Industry	37 350 000	32 540 000	39 100 000	38 850 000	+ 1 750 000	+ 6 310 000
3	B5-5	Information market	10 000 000	11 601 000	11 200 000	12 050 000	+ 1 200 000	+ 449 000

OVERVIEW

General summary of appropriations for 1993 and 1994 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1993		Appropriations 1994		Difference 1994/1993	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
3	B5-6	Statistical information	29 000 000	30 936 000	30 000 000	33 870 000	+ 1 000 000	+ 2 934 000
3	B5-7	Trans-European networks	221 500 000	112 359 000	310 000 000	201 363 000	+ 88 500 000	+ 89 004 000
3	B5-8	Cooperation policy in the fields of justice and home affairs			p.m.	p.m.	—	—
		B5 — Sub-total	435 065 000	300 202 000	552 314 000	441 583 000	+ 117 249 000	+ 141 381 000
	B6	Research and technological development						
3	B6-1	Joint Research Centre — Staff and resources	206 249 000	199 124 000	215 582 000	210 101 000	+ 9 333 000	+ 10 977 000
3	B6-3	Joint Research Centre — Direct operating appropriations — Framework programme 1990 to 1994	36 038 000	27 097 000	45 592 000	38 348 000	+ 9 554 000	+ 11 251 000
3	B6-4	Joint Research Centre — Direct operating appropriations — Activities in support of the 1987 to 1991 and 1990 to 1994 framework programmes	17 000 000	14 108 000	18 609 000	21 551 000	+ 1 609 000	+ 7 443 000
3	B6-5	Indirect action projects (shared-cost projects) and concerted action projects — Framework programme 1987 to 1991	15 800 000	493 047 000	4 600 000	215 475 000	— 11 200 000	— 277 572 000
3	B6-6	Indirect action projects (shared-cost projects), concerted action projects and supplementary programmes — Framework programme 1990 to 1994	2 050 915 000	1 382 559 000	1 807 752 000	1 605 277 000	— 243 163 000	+ 222 718 000
3	B6-7	Dissemination and exploitation activities — Framework programme 1990 to 1994	22 000 000	18 791 000	19 161 000	17 200 000	— 2 839 000	— 1 591 000
3	B6-8	Accompanying and support activities for the 1987 to 1991 and 1990 to 1994 framework programmes	202 820 000	217 751 000	441 700 000	293 548 000	+ 238 880 000	+ 75 797 000
3	B6-9	Global reserve for the fourth framework programme			p.m.	p.m.	—	—
		B6 — Sub-total	2 550 822 000	2 352 477 000	2 552 996 000	2 401 500 000	+ 2 174 000	+ 49 023 000

General summary of appropriations for 1993 and 1994 (cont'd)

Heading in the financial perspective	Sub-section Title	Heading	Appropriations 1993		Appropriations 1994		Difference 1994/1993	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
	B7	Cooperation with developing countries and other third countries						
4	B7-0	Common foreign and security policy	p.m.	p.m.	p.m.	p.m.	—	—
4	B7-1	European Development Fund	p.m.	p.m.	p.m.	p.m.	—	—
4	B7-2	Food aid	574 000 000	570 832 000	582 600 000	574 000 000	+ 8 600 000	+ 3 168 000
4	B7-3	Cooperation with Latin American and Asian developing countries	634 000 000	354 168 000	643 700 000	359 500 000	+ 9 700 000	+ 5 332 000
4	B7-4	Cooperation with Mediterranean countries	408 700 000	352 148 000	424 500 000	387 583 124	+ 15 800 000	+ 35 435 124
4	B7-5	Other cooperation measures	626 700 000	497 636 000	641 900 000	567 407 239	+ 15 200 000	+ 69 771 239
4	B7-6	Cooperation with countries of central and eastern Europe and the independent States of the former Soviet Union	1 573 000 000	692 573 000	1 573 000 000	981 558 000	—	+ 288 985 000
4	B7-7	Cooperation with other third countries	—	29 003 000	—	14 744 637	—	— 14 258 363
4	B7-8	External aspects of certain Community policies	293 700 000	291 917 000	307 915 000	296 800 000	+ 14 215 000	+ 4 883 000
6	B7-9	Reserve for emergency aid	209 000 000	209 000 000	212 000 000	212 000 000	+ 3 000 000	+ 3 000 000
		B7 — Sub-total	4 319 100 000	2 997 277 000	4 385 615 000	3 393 593 000	+ 66 515 000	+ 396 316 000
	B0	Repayments, guarantees, reserves						
6	B0-1	Repayments and refunds to Member States	p.m.	p.m.	318 000 000	318 000 000	+ 318 000 000	+ 318 000 000
6	B0-2	Guarantees for borrowing and lending operations	p.m.	p.m.	p.m.	p.m.	—	—
6	B0-3	Deficit carried over from previous year	p.m.	p.m.	p.m.	p.m.	—	—
		B0-4	Reserves and provisions					
		B0 — Sub-total	p.m.	p.m.	318 000 000	318 000 000	+ 318 000 000	+ 318 000 000
		Part B — Sub-total	65 657 625 000	62 121 780 000	69 587 870 000	66 519 914 000	+ 3 930 245 000	+ 4 398 134 000
5		Other institutions	1 117 249 364	1 117 249 364	1 163 159 000	1 163 159 000	+ 45 909 636	+ 45 909 636
		Grand total	69 058 484 052	65 522 639 052	73 166 870 000	70 098 914 000	+ 4 108 385 948	+ 4 576 274 948

OVERVIEW

III. EXPENDITURE

Breakdown by heading in the financial perspective ⁽¹⁾

(ECU million)

Heading	Budget 1993	Financial perspective 1994	Preliminary draft budget 1994	Difference	
				%	Amount
				3 : 1	3 - 1
<i>Appropriations for commitments</i>					
1. Common agricultural policy <i>Margin</i>	34 052,000	36 465	36 465,000 —	+ 7,09	+ 2 413,000
2. Structural operations :					
— Structural Funds	20 612,963	21 323	21 323,000	+ 3,44	+ 710,037
— Cohesion Fund	1 565,000	1 853	1 853,000	+ 18,40	+ 288,000
<i>Total 2 Margin</i>	22 177,963	23 176	23 176,000 —	+ 4,50	+ 998,037
3. Internal policies <i>Margin</i>	4 108,562	4 325	4 243,255 81,745	+ 3,28	+ 134,693
4. External action <i>Margin</i>	4 110,100	4 236	4 173,615 62,385	+ 1,55	+ 63,515
5. Administrative expenditure of the institu- tions <i>Margin</i>	3 400,859	3 579	3 579,000 —	+ 5,24	+ 178,141
6. Reserves :					
— monetary reserve	1 000,000	1 000	1 000,000	—	—
— guarantees p.m.		318	318,000		+ 318,000
— reserve for emergency aid	209,000	212	212,000	+ 1,44	+ 3,000
<i>Total 6 Margin</i>	1 209,000	1 530	1 530,000 —	+ 26,55	+ 321,000
Total appropriations for commitments <i>Margin</i>	69 058,484	73 311	73 166,870 144,130	+ 5,95	+ 4 108,386
<i>Appropriations for payments</i>					
Total appropriations for payments <i>Margin</i>	65 522,639	70 232	70 098,914 133,086	+ 6,98	+ 4 576,275
Own resources (% GNP)	1,14		1,20		

(1) The figures for the financial perspective are based on the decision of the Edinburgh European Council.

OVERVIEW

**Breakdown by heading in the financial perspective (1)
(with subdivisions)**

(ECU million)

Heading	Budget 1993	Financial perspective 1994	Preliminary draft budget 1994	Difference	
				%	Amount
				3 : 1	3 - 1
<i>Appropriations for commitments</i>					
1. Common agricultural policy					
— markets (Titles B1-1 to B1-3)	33 811,000		35 863,000	+ 6,07	+ 2 052,000
— accompanying measures (Titles B1-4 and B1-5)	241,000		602,000	+ 149,79	+ 361,000
Total 1	34 052,000	36 465	36 465,000	+ 7,09	+ 2 413,000
<i>Margin</i>			—		
2. Structural operations					
— Structural Funds (Title B2-1)	20 612,963	21 323	21 323,000	+ 3,44	+ 710,037
— Cohesion Fund (Title B2-3)	1 565,000	1 853	1 853,000	+ 18,40	+ 288,000
Total 2	22 177,963	23 176	23 176,000	+ 4,50	+ 998,037
<i>Margin</i>			—		
3. Internal policies					
— research and technological development (Subsection B6)	2 550,822		2 552,996	+ 0,09	+ 2,174
— other agricultural operations (Title B2-5)	203,800		205,825	+ 0,99	+ 2,025
— other regional operations (Title B2-6)	30,000		31,000	+ 3,33	+ 1,000
— transport (Title B2-7)	12,770		13,000	+ 1,80	+ 0,230
— other operations relating to fisheries (Title B2-9)	25,000		25,640	+ 2,56	+ 0,640
— education, vocational training and youth (Title B3-1)	270,579		281,000	+ 3,85	+ 10,421
— culture and audiovisual (Title B3-2)	63,575		65,300	+ 2,71	+ 1,725
— information and communication (Title B3-3)	33,731		40,000	+ 18,59	+ 6,269
— other social operations (Title B3-4)	168,695		143,000	+ 3,10	— 25,695
— energy (Title B4-1)	202,292		202,250	— 0,02	— 0,042
— Euratom nuclear safeguards (Title B4-2)	11,500		19,480	+ 69,39	+ 7,980
— environment (Title B4-3)	100,733		111,450	+ 10,64	+ 10,717

OVERVIEW

**Breakdown by heading in the financial perspective
(with subdivisions) (cont'd)**

(ECU million)

Heading	Budget 1993	Financial perspective 1994	Preliminary draft budget 1994	Difference	
				%	Amount
				3 : 1	3 - 1
— consumer protection (Title B5-1)	16,000		15,000	- 6,25	- 1,000
— aid for reconstruction (Title B5-2)	12,900		9,250	- 28,29	- 3,650
— internal market (Title B5-3)	108,315		137,764	+ 27,19	+ 29,449
— industry (Title B5-4)	37,350		39,100	+ 4,69	+ 1,750
— information market (Title B5-5)	10,000		11,200	+ 12,00	+ 1,200
— statistical information (Title B5-6)	29,000		30,000	+ 3,45	+ 1,000
— trans-European networks (Title B5-7)	221,500		310,000	+ 39,95	+ 88,500
— cooperation policy in the fields of justice and home affairs (Title B5-8)			p.m.	—	—
Total 3	4 108,562	4 325	4 243,255	+ 3,28	+ 134,693
<i>Margin</i>			<i>81,745</i>		
4. External action					
— European Development Fund (Title B7-1)	p.m.		—	—	—
— food aid (Title B7-2)	574,000		582,600	+ 1,50	+ 8,600
— cooperation with Latin American and Asian developing countries (Title B7-3)	634,000		643,700	+ 1,53	+ 9,700
— cooperation with Mediterranean countries (Title B7-4)	408,700		424,500	+ 3,87	+ 15,800
— other cooperation measures (Title B7-5)	626,700		641,900	+ 2,43	+ 15,200
— cooperation with central and eastern European countries and the independent States of the former Soviet Union (Title B7-6)	1 573,000		1 573,000	—	—
— cooperation with other third countries (Title B7-7)	—		—		0,000
— common foreign and security policy and external aspects of certain Community policies (Titles B7-0 and B7-8)	293,700		307,915	+ 4,84	+ 14,215
Total 4	4 110,100	4 236	4 173,615	+ 1,55	+ 63,515
<i>Margin</i>			<i>62,385</i>		

OVERVIEW

Breakdown by heading in the financial perspective
(with subdivisions) (cont'd)

(ECU million)

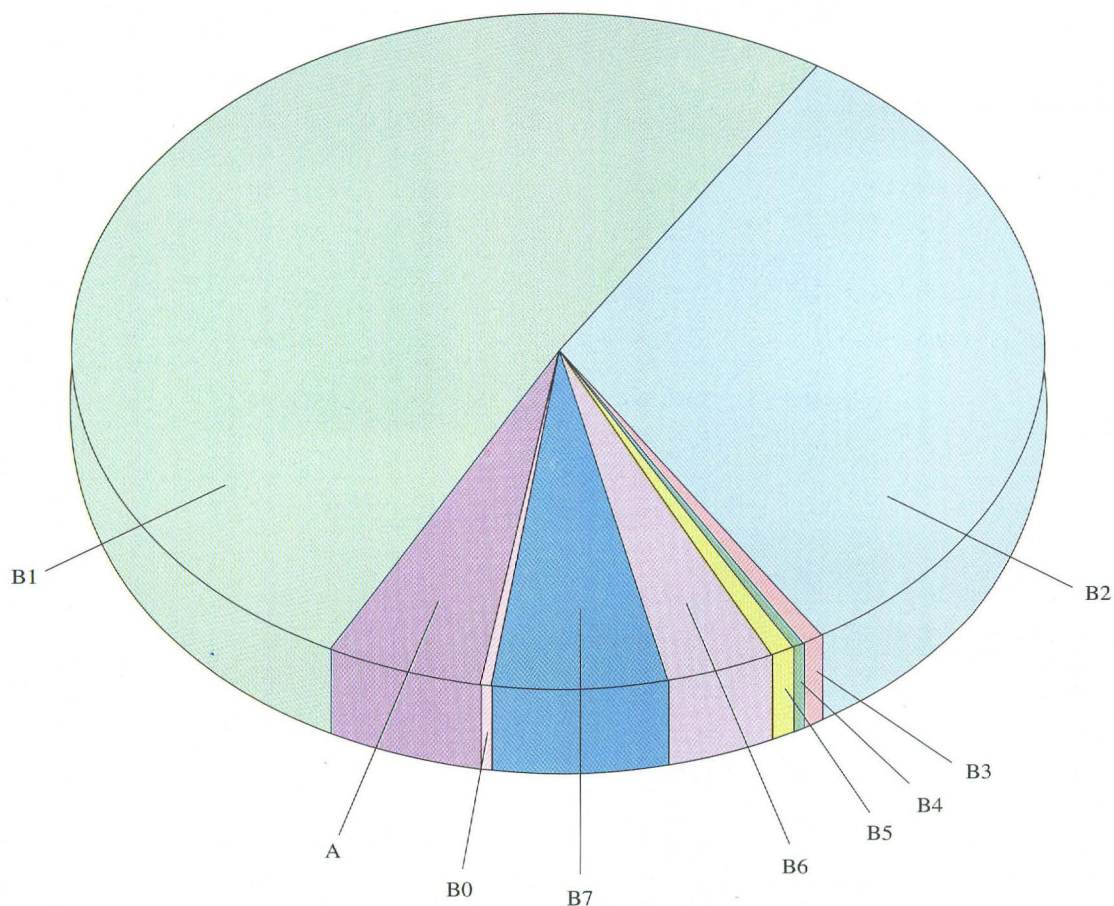
Heading	Budget 1993	Financial perspective 1994	Preliminary draft budget 1994	Difference	
				%	Amount
				3 : 1	3 - 1
5. Administrative expenditure of the institutions					
— Part A (not including pensions)	1 998,941		2 081,080	+ 4,11	+ 82,139
— pensions	284,669		334,761	+ 17,60	+ 50,092
Commission — Total	2 283,610		2 415,841	+ 5,79	+ 132,231
Other institutions — Total	1 117,249		1 163,159	+ 4,11	+ 45,910
Total 5	3 400,859	3 579	3 579,000	+ 5,24	+ 178,141
Margin			—		
6. Reserves					
— monetary reserve (Title B1-6)	1 000,000		1 000,000	—	—
— reserve for emergency aid (Title B7-9)	209,000		212,000	+ 1,44	+ 3,000
— repayments, guarantees, reserves (Subsection B0)	p.m.		318,000		+ 318,000
Total 6	1 209,000	1 530	1 530,000	+ 26,55	+ 321,000
Margin			—		
Appropriations for commitments					
Grand total	69 058,484	73 311	73 166,870	+ 5,95	+ 4 108,386
Margin			144,130		
of which compulsory expenditure	36 291,162		39 099,834	+ 7,74	+ 2 808,672
of which non-compulsory expenditure	32 767,322		34 067,036	+ 3,97	+ 1 299,714
Appropriations for payments					
Appropriations for payments					
Grand total	65 522,639	70 232	70 098,914	+ 6,98	+ 4 576,275
Margin			133,086		
of which compulsory expenditure	36 211,962		39 033,870	+ 7,79	+ 2 821,908
of which non-compulsory expenditure	29 310,677		31 065,044	+ 5,99	+ 1 754,367

(1) The figures for the financial perspective are based on the decision of the Edinburgh European Council.

OVERVIEW

Graph 2

Preliminary draft budget for 1994
Breakdown of expenditure by subsection
(appropriations for commitments)



(ECU million)

Subsection	Amount	%
B1 : European Agricultural Guidance and Guarantee Fund, Guarantee Section	37 465,0	51,2
B2 : Structural operations, other agricultural and regional operations, transport and fisheries	23 451,5	32,1
B3 : Training, youth, culture, audiovisual media, information and other social operations	529,3	0,7
B4 : Energy, Euratom nuclear safeguards and environment	333,2	0,5
B5 : Consumer protection, internal market, industry and trans-European networks	552,3	0,7
B6 : Research and technological development	2 553,0	3,5
B7 : Cooperation with developing countries and other third countries	4 385,6	6,0
B0 : Repayments, guarantees, reserves	318,0	0,4
A : Administrative expenditure	3 579,0	4,9
Total	73 166,9	100

The following comments can be made on expenditure under the various headings in the financial perspective :

1. Common agricultural policy (heading 1)

There will be heavy budgetary strains on the European Agricultural Guidance and Guarantee Fund, Guarantee Section in 1994.

Appropriations required, currently estimated at ECU 37 569 million, are significantly higher than in 1993 (up by 10,3 % on the budget adopted in December 1992 and up by 4,5 % on the amount in preliminary draft supplementary and amending budget No 1/1993), the reasons being that the common agricultural policy reform decided in May 1992 will take effect in the 1993/1994 marketing year and the budgetary impact (estimated at ECU 1 514 million in 1994) of the currency realignments in September and November 1992 and January 1993 must be accommodated. Another factor is the cost of measures recently adopted by the Council such as the establishment of the market organization for bananas, the arrangements to speed up the introduction of the single market in Spain and Portugal and the extension of the premium for suckler cows to mixed herds. Apart from arable crops and beef, for which the increase in requirements is connected with the introduction of new support mechanisms, the level of expenditure for other sectors remains stable or even drops significantly in sectors such as milk products and sheepmeat in relation to the reassessed requirements in preliminary draft supplementary and amending budget No 1/1993.

At the same time the 1994 agricultural guideline is maintained very close to its 1993 level because of the slackening in economic growth.

The 1994 preliminary draft none the less complies with the agricultural guideline (ECU 36 465 million) in accordance with the spirit of the Edinburgh conclusions and as dictated by budgetary discipline. However, requirements not covered can already be estimated at ECU 1 104 million. If no savings, additional revenue or reductions in expenditure emerge during the year, the mechanisms agreed by the Edinburgh European Council may have to be applied, in particular the monetary reserve may have to be drawn on. The reserve will only be mobilized, however, if the utilization of appropriations so requires and once it is possible to produce fairly accurate estimates of actual needs and of the impact of movements in the United States dollar/ecu parity.

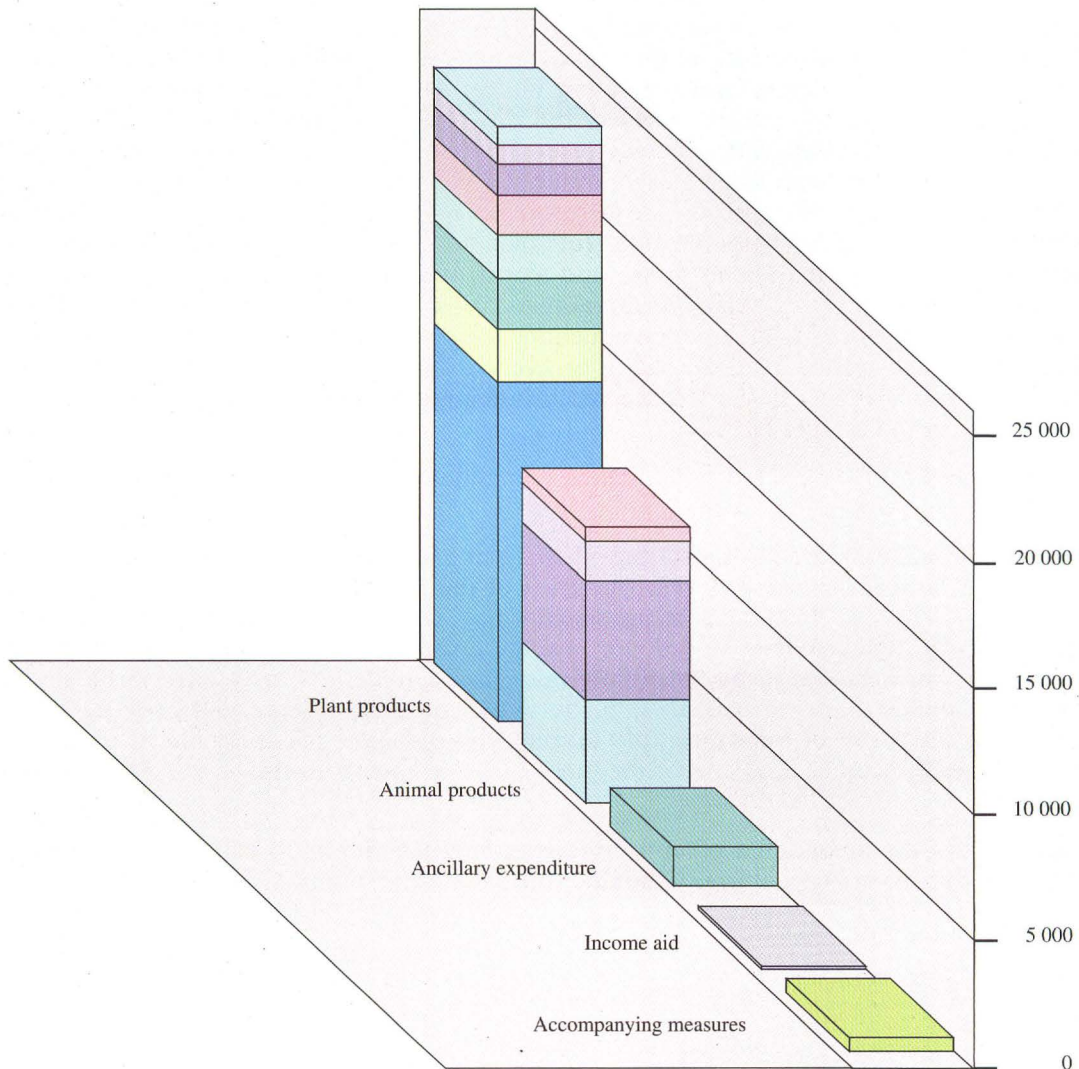
The graph 3 gives the breakdown of appropriations between the main categories of expenditure covered by the European Agricultural Guidance and Guarantee Fund, Guarantee Section.

OVERVIEW

Graph 3

Preliminary draft budget for 1994
Heading 1 : Common agricultural policy

(ECU million)



EAGGF Guarantee section	Amount	%	EAGGF Guarantee section	Amount	%
Plant products	23 414	64,2	Animal products	10 945	30,0
Arable crops	13 361	36,6	Milk and milk products	4 050	11,1
Sugar	2 088	5,7	Beef/veal	4 765	13,1
Olive oil	1 979	5,4	Sheepmeat	1 568	4,3
Fruit and vegetables	1 701	4,7	Other	562	1,5
Wine	1 559	4,3	Ancillary expenditure	1 505	4,1
Tobacco	1 228	3,4	Income aid	58	0,2
Cotton	742	2,0	Accompanying measures	543	1,5
Other	756	2,1			
			Total	36 465	100

2. Structural operations (heading 2)

Appropriations for all structural operations covered by heading 2 total ECU 23 176 million, an increase of 4,5 % over 1993. This is the exact amount agreed by the Edinburgh European Council.

The appropriations for the Structural Funds proper (ECU 21 323 million) are, at current prices, up by 3,4 % on 1993. The main reason for this small growth rate is that additional allocations were provided in 1993 corresponding to transfers of earlier appropriations which had not been used.

The circumstances surrounding the preparation of the preliminary draft were rather special. The Community support frameworks for the new programming period have not yet been established nor have appropriations been distributed by objective for the period 1994-1999. The proposed distribution of appropriations by objective and then by Fund for 1994 is therefore based, purely as a safeguard measure, on the relative shares in 1993 of objectives No 2, 3/4 and 5b. This is not the case with objective No 1, for which the Edinburgh conclusions gave a specific figure, and objective 5a, to which the same conclusions gave a lower priority.

The ECU 1 853 million for the Cohesion Fund is what is specified in the Edinburgh decisions. It represents an increase of 18,4 % at current prices. Finally, it should be noted that payment appropriations are entered to cover commitments already made for the integrated Mediterranean programmes and specific programme for the development of Portuguese industry.

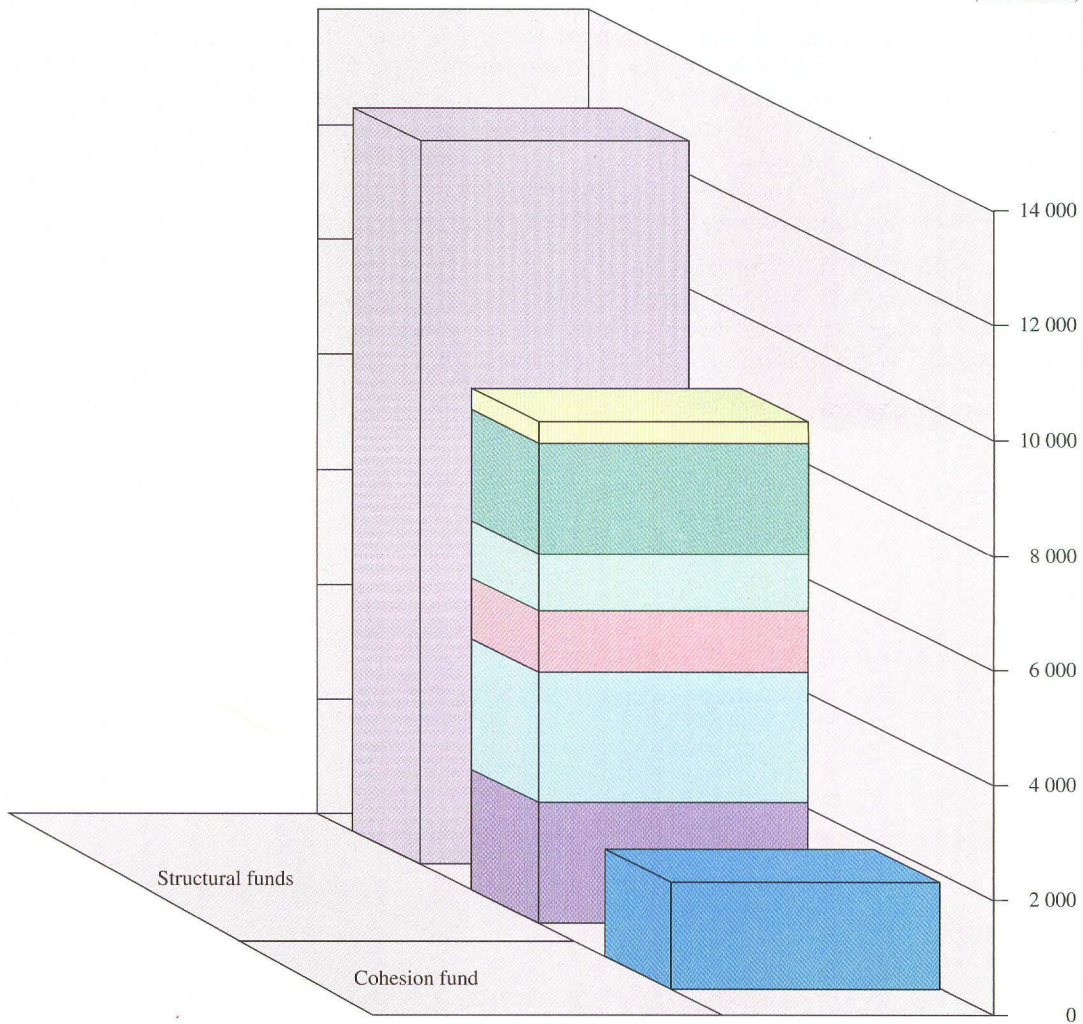
The graph 4 gives the breakdown between the various components of heading 2.

OVERVIEW

Graph 4

Preliminary draft budget for 1994
 Heading 2 : Structural operations
 (appropriations for commitments)

(ECU million)



Funds	Amount	%
Structural Funds	21 323	92,0
Objective 1	12 807	55,3
Objective 2	2 097	9,0
Objectives 3 and 4	2 270	9,8
Objective 5 a)	1 076	4,6
Objective 5 b)	999	4,3
Community initiatives	1 706	7,4
Other	368	1,6
Cohesion Fund	1 853	8,0
Total	23 176	100

3. Internal policies (heading 3)

The total appropriations for heading 3 (ECU 4 243,3 million) are 3,3 % up on the 1993 budget, leaving a margin of some ECU 80 million below the ceiling for the heading.

The expenditure forecasts for 1994 are as follows :

a) *Research and technological development (RTD)*

The commitment appropriations for research and technological development (ECU 2 553 million) are virtually the same as in 1993 (ECU 2 551 million on a comparable base). The main reason for merely rolling over the overall research and technological development allocation in value terms is that the sliding programme, which should have seen the move from the end of the third framework programme to the beginning of the fourth in 1994, will not apply as planned because of delays in the adoption of the fourth framework programme. The research appropriations for 1994 are therefore based on completion of the second and third framework programmes, the deferred entry in the budget of the bulk of the increase for the third framework programme (ECU 750 million out of the ECU 900 million agreed by the Council) and a massive increase for support operations. The proposed amount, which represents around 59 % of appropriations for heading 3, is still entirely consistent with the Edinburgh conclusions, under which the proportion of appropriations for research and technological development must be between a half and two-thirds of the appropriations for the entire heading. The amounts proposed break down as follows :

	<i>(ECU million)</i>
— Framework programmes	2 021
— second framework programme (1987-1991)	5
— third framework programme (1990-1994)	1 266
— third framework programme (additional)	750
— Support operations	532
— high definition television ⁽¹⁾	100
— other	432

b) *Trans-European networks*

The priority given to trans-European networks by the European Union Treaty is evident in the financial framework agreed at Edinburgh, which authorizes a significant increase in expenditure on this type of operations. In the preliminary draft for 1994, ECU 310 million is earmarked for a Community contribution of ECU 30 million to the European Investment Fund and for the development of networks in the following areas: transport (ECU 200 million), energy (ECU 8 million), telecommunications infrastructure (ECU 20 million), and data interchange between administrations (ECU 52 million).

⁽¹⁾ The increase in the appropriations for high definition television reflects a new Commission's approach with more attention being paid to digital transmission and programme production.

OVERVIEW

c) *The other internal policies*

Substantial increases are possible for only a few policies such as the internal market (27 %), for which the Sutherland Report highlighted the measures needed to ensure smooth operation, action to promote small businesses under the growth initiative agreed at Edinburgh (8,1 %), environment (10,6 %) in accordance with COM(92) 2001, and information/communication (18,6 %). In the specific cases of the internal market and the environment, the appropriations proposed cover the implementation in 1994 of three agencies on which final political agreement is expected in 1993; these are the Community Trade Marks Office, the European Agency for the Evaluation of Medicinal Products and the European Environment Agency.

Because of the constraints on this heading the increases for the other internal policies have to be small or even non-existent (other agricultural operations : 1 %; education, vocational training and youth : 3,8 %; audiovisual media and culture : 2,7 %; other regional operations : 3,3 %; energy). It should be pointed out, however, that the apparent decline in appropriations for social operations can be accounted for by the fact that the conversion programme for customs agents, which was allocated ECU 30 million in 1993, will not be renewed in 1994. In reality there is an increase of 3,1 % for these operations, which is around the average increase for the other internal policies.

The graph 5 shows the relative size of the various policies in the heading in 1994.

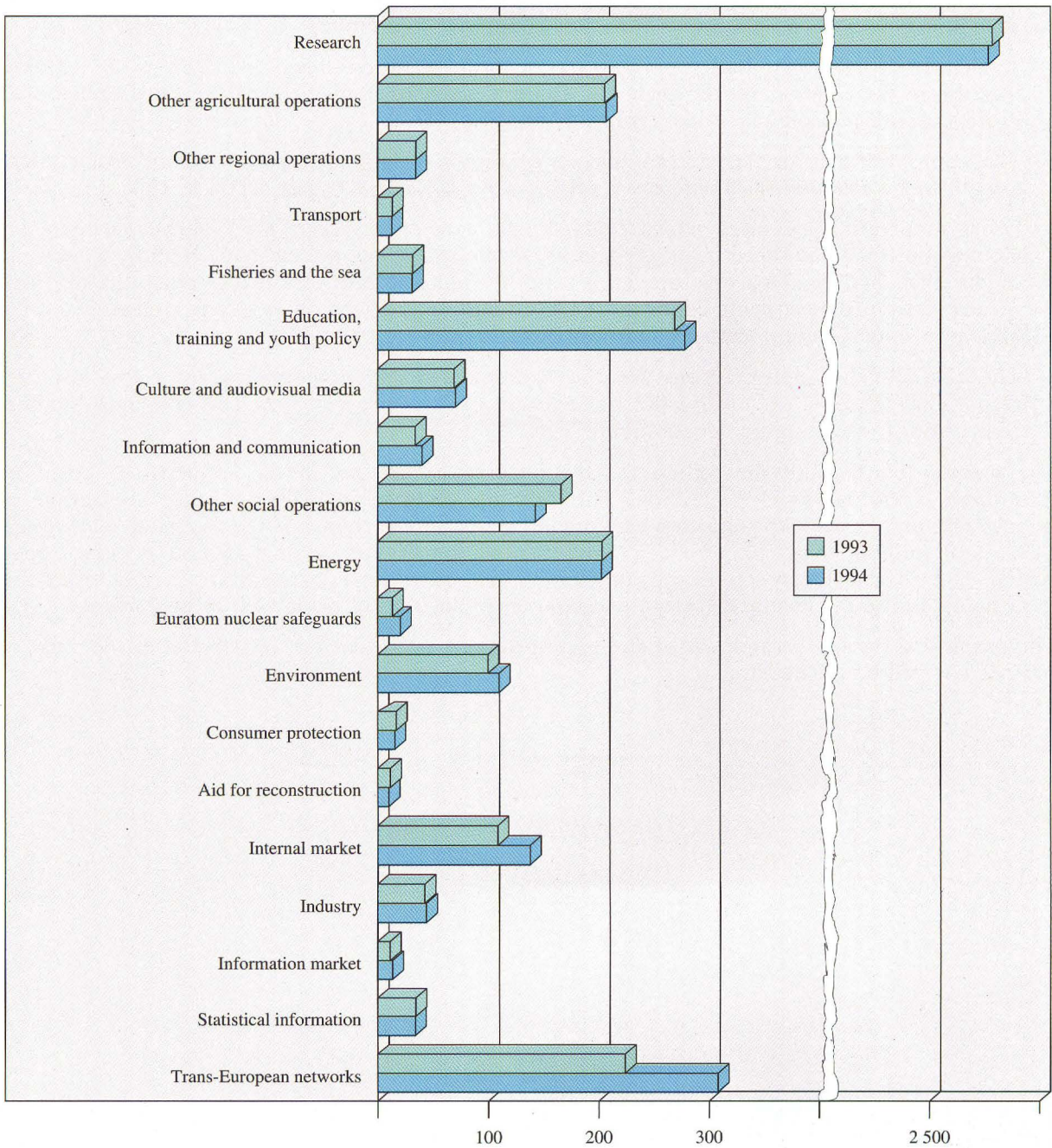
d) *European Economic Area*

As provided for in the Protocol adjusting the Agreement on the European Economic Area, the European Free Trade Association States (with the exception of Switzerland) will, with effect from 1994, participate in a wide range of Community policies covered by heading 3 in return for a financial contribution to the operating appropriations calculated by applying a proportionality factor based on the relationship between the 1992 GNP of the European Free Trade Association countries and of the Community. These financial contributions will not be formally entered in the budget; each heading involving activities in which the European Free Trade Association countries are to be associated will include a memorandum item to record their participation.

Graph 5

1993 budget and preliminary draft budget for 1994
Heading 3 : Internal policies
(appropriations for commitments)

(ECU million)



OVERVIEW

4. External action (heading 4)

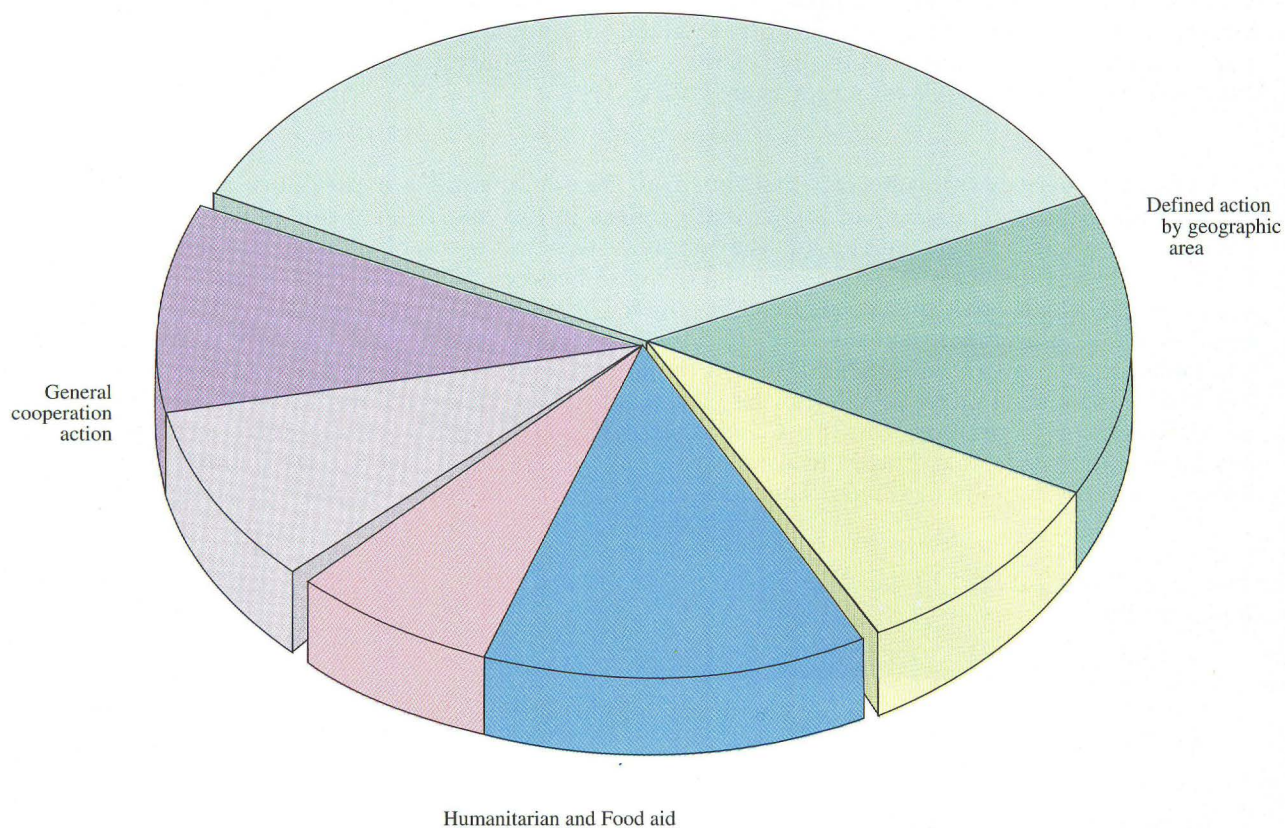
The appropriations for action covered by heading 4 total ECU 4 173,6 million. The very small increase in allocations compared with 1993 (1,6 %) is divided between the following :

- Food aid, with an increase of 1,5 % over the 1993 allocations. This increase will guarantee virtually constant quantities. It should be added that the allocation for the emergency humanitarian aid increases by 3,9 %,
- Cooperation with developing countries in Asia and Latin America is given a small increase of some 1,5 %, which, despite the budgetary constraints, will enable development aid and economic cooperation operations with these countries to continue,
- A significant effort is made for cooperation with Mediterranean countries, with a 3,9 % increase in allocations. Special priority has been given to implementing the third and fourth protocols with the southern Mediterranean countries, for which the increase over 1993 is 9,5 %,
- The appropriations for the external aspects of certain Community policies (such as fisheries) are allowed a relatively large increase : 4,8 %,
- Other cooperation measures, which enjoyed a far larger increase in the 1993 budget than the Commission had envisaged in its preliminary draft, and which are cut back slightly in relation to the 1993 budget. Two new operations are introduced : one concerning rehabilitation and reconstruction in developing countries (ECU 10 million) and the other to pay compensation to banana-producing non-member countries (ECU 30 million),
- The commitment appropriations for the Phare and Tacis programmes are rolled over in response to the need to improve the management of these programmes. This is a consolidation phase prior to stepping up cooperation efforts.

The margin left beneath the ceiling for the heading as set out in the framework agreed at Edinburgh is around ECU 60 million. This must be retained in order to be in a position to finance any unforeseen expenditure which might emerge in the course of the financial year. Some ECU 5-10 million could be provided from the margin if the Council should decide, under Article J.11 of the Treaty on European Union, that operational expenditure arising from the implementation of the common foreign and security policy should be entered in the budget.

The graph 6 gives the breakdown of the appropriations proposed for 1994 between the various policies covered by the heading.

Graph 6
Preliminary draft budget for 1994
External action
(appropriations for commitments)



(ECU million)

External action	Amount	%
Central and Eastern Europe and former Soviet Union	1 573,00	36,0
Asia and Latin America	643,70	14,7
Mediterranean countries	424,50	9,7
Food aid	582,60	13,3
External aspects of certain Community policies	390,00	8,9
Humanitarian aid and emergency reserve	307,90	7,1
Other cooperation measures	463,90	10,2
Total	4 385,60	100

OVERVIEW

5. Administrative expenditure of the institutions (heading 5)

The position concerning administrative expenditure (heading 5) is particularly difficult in 1994.

The specific constraint is not a direct result of the financial framework agreed in Edinburgh. The growth path for administrative expenditure agreed at Edinburgh is indeed stringent, but it does allow, until 1997 at least, a steady increase in the resources available to the Community institutions. The increase in resources from 1992 to 1994 is 5 % in 1992 ecus.

The difficulty derives from the fact that much of the administrative expenditure is in Belgian or Luxembourg francs. The result of this is that changes in the ecu, Belgian and Luxembourg francs parity have an immediate impact on the amounts that are available for this expenditure. The following figures illustrate this: the nominal increase between 1992 and 1994 in the allocations in ecus is 11 %, which, with the ecu depreciating by 4,7 % against the Belgian/Luxembourg franc ⁽¹⁾, corresponds to a nominal increase of allocations in Belgian/Luxembourg francs of 6 %. Resources available for administrative expenditure will therefore remain virtually constant in real terms. For the 1993 budget the impact of this can be put at around ECU 130 million for all the institutions, of which ECU 85 million for the Commission alone, i.e. 3,7 % of the total appropriations available; this means that drastic measures will have to be taken to keep expenditure within the limits of what is actually available. This additional burden will again have to be borne in 1994.

The main items covered by heading 5, for which the ceiling is 5,2 % higher than in 1993, break down as follows:

- Pensions increase by 18 % compared with 1993 as a result of the changing age structure of Community staff,
- Administrative expenditure for all the institutions (excluding pensions) can therefore be increased by 4,1 %. This is the rate of increase used in the preliminary draft for the administrative expenditure of both the Commission and the other institutions,
- As regards the Commission, the possible increase over the 1993 budgetary allocations is not sufficient to finance all estimated requirements since the amount needed by far exceeds resources available. The following measures have therefore had to be taken in preparing the requests for appropriations in this preliminary draft:
 - requests have been systematically reduced to a strict minimum, with some expenditure being deferred to 1995, when funds available should be much larger ⁽²⁾,

(1) On the basis of the (budgetary) exchange rates of 3 February 1992 and 1 February 1993.

(2) The real increase in the heading 5 ceiling in 1995 over 1994 is twice as big as the average for the whole period covered by the financial perspective: 5,9 %.

OVERVIEW

- the economy measures planned for 1993 because of the depreciation of the ecu which has already occurred will have to be extended to 1994, with around 965 posts having to remain vacant in order to limit salary payments and with cuts in the technical assistance appropriations,
- finally, drastic cuts have been made in certain appropriations for items such as studies, seconded national experts, officials participating in exchange schemes, etc.

These cuts, if maintained in the final budget, will appreciably reduce the Commission's working capacity, in particular because 965 posts will be left vacant.

OVERVIEW

6. Reserves (heading 6)

As agreed by the Edinburgh European Council, this heading now contains three reserves to be entered in the preliminary draft budget, for which resources will be called in only if the need arises during the financial year. The first one is the monetary reserve for the European Agricultural Guidance and Guarantee Fund guarantee expenditure (ECU 1 000 million), to which are now added the emergency aid reserve (ECU 212 million) and the guarantees reserve (ECU 318 million). The legislative proposals are currently before the Council and have been submitted to Parliament for its opinion.

IV. REVENUE

The forecasts of own resources for 1994 set out below are based on the estimates adopted at the meeting of the Advisory Committee on Own Resources on 21 April 1993.

Total revenue comes to ECU 70 099 million, which breaks down as follows :

— *Agricultural and sugar and isoglucose levies*

The forecasts for 1994 are ECU 921 million and ECU 1 118 million respectively. They are calculated on the basis of the Commission's proposals for prices and related measures for the 1993/1994 marketing year. Agricultural levies would thus be slightly lower than in 1993.

— *Customs duties*

The forecasts for customs duties do not assume any change in customs tariffs in relation to 1993 and take account of a slight drop in the value of imports from outside the Community. The estimate of customs duties thus amounts to ECU 12 619 million, 18 % of the revenue in the 1994 budget after the Member States' collection costs are deducted.

— *VAT*

The Community VAT base for 1994, capped at 55 % of the GNP of four of the Member States, comes to ECU 28 353 million at the 1 % rate.

The uniform call-in rate is estimated at 1,2673 %.

The VAT resource comes to ECU 35 850 million, 51 % of the financing of the budget.

— *The additional resource*

The additional resource is based on the total GNP of Member States at market prices. It will increase by 5 % in 1994. The GNP base comes to ECU 58 234 million at the 1 % rate. The rate that will have to be applied to finance the part of the budget not covered by the other resources (i.e. 27 % of the total) including the European Agricultural Guidance and Guarantee Fund monetary reserve, is estimated at 0,3264 %.

— *Miscellaneous revenue*

Miscellaneous revenue estimated at ECU 500 million comes from deductions from staff remunerations, bank interest, contributions to additional programmes and repayment of certain expenditure.

OVERVIEW

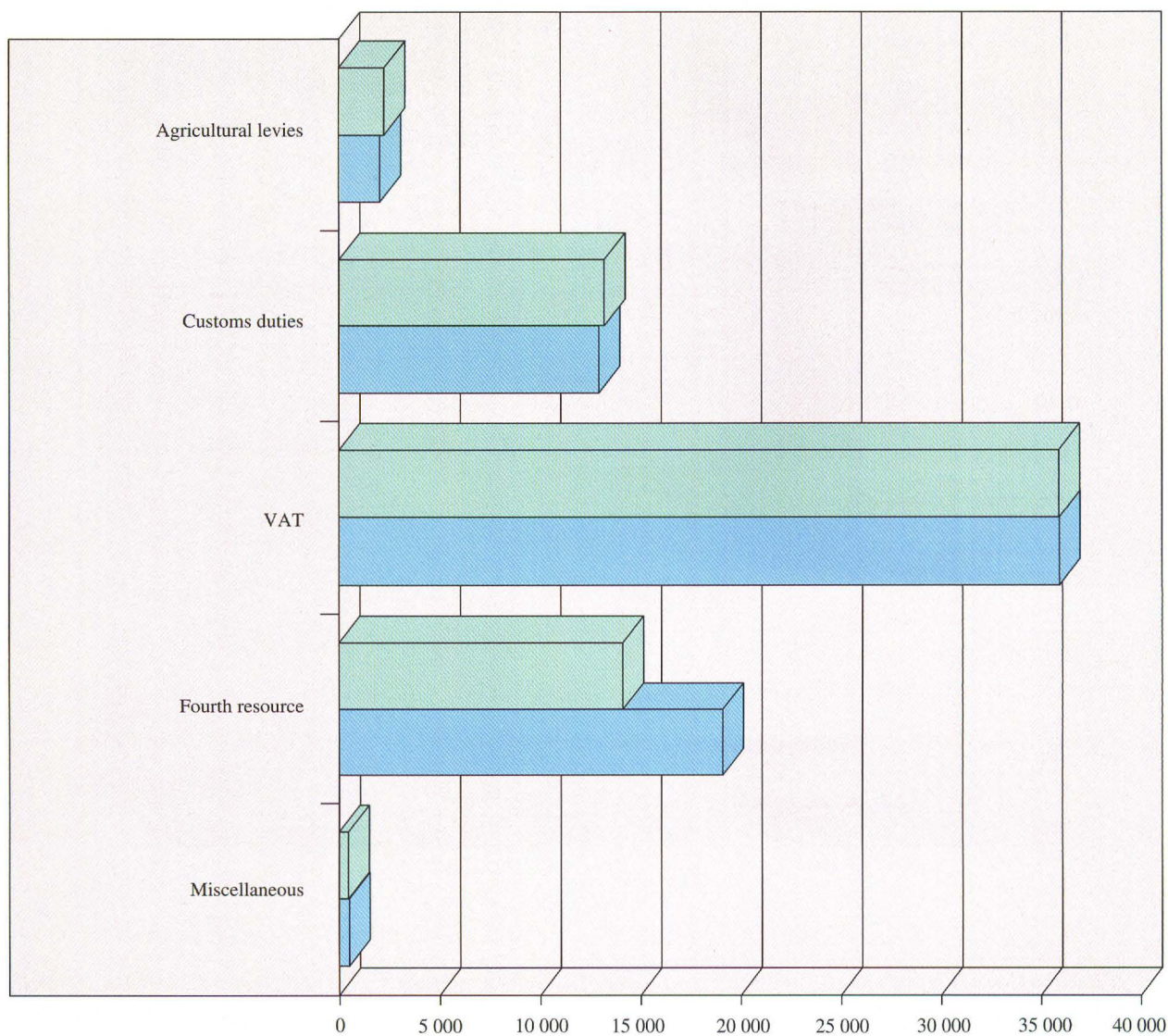
The proportion of financing accounted for by each of the main categories of resource in 1993 budget and 1994 preliminary draft is shown in graph 7.

The amount of the correction for the United Kingdom under the Council Decision of 24 June 1988 on the system of the Communities' own resources is estimated at ECU 2 701 million. This correction is mainly based on the United Kingdom's share of expenditure, on its share of payments of VAT and additional resources and on the volume of the budget.

Graph 7

1993 budget and preliminary draft budget for 1994
Breakdown by type of revenue

(ECU million)



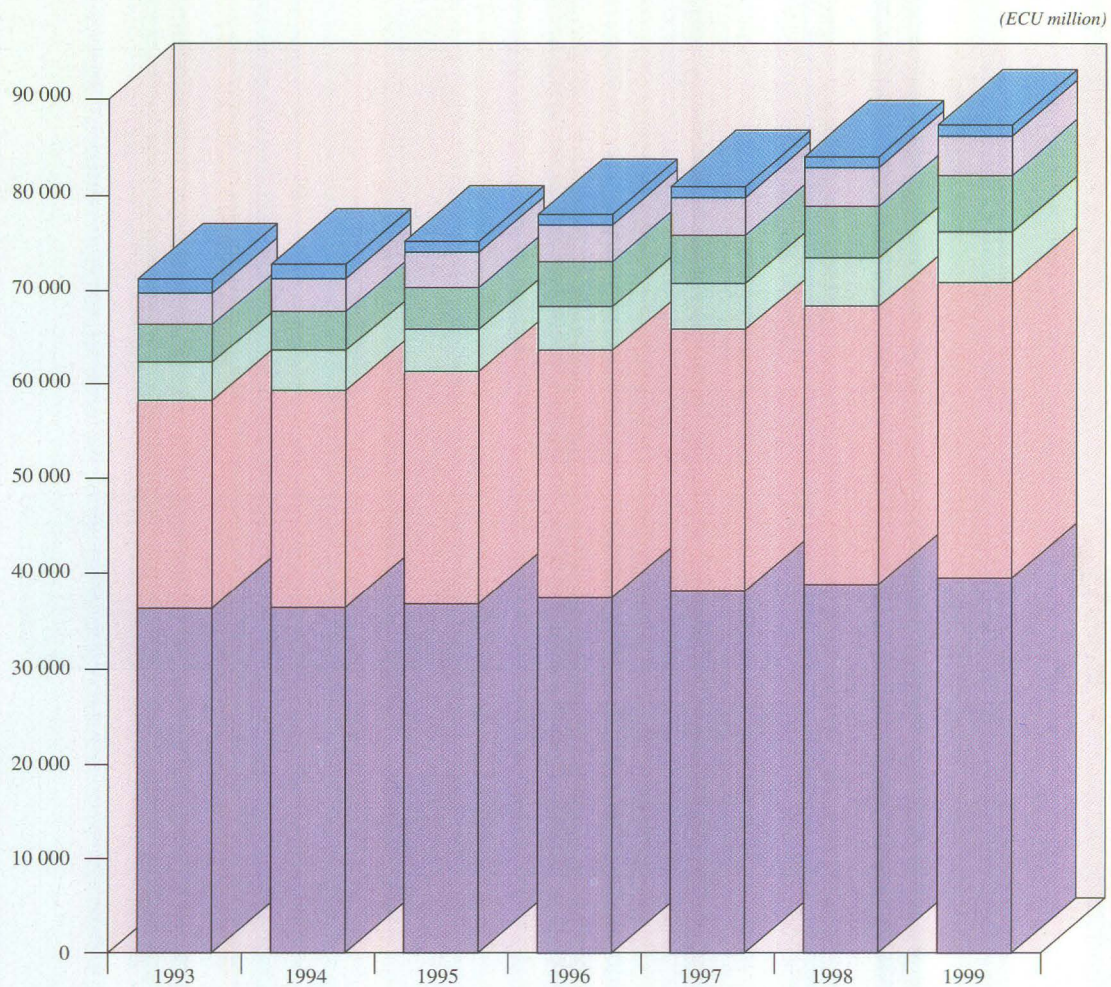
Type of revenue	1993		1994	
	Amount	%	Amount	%
Agricultural levies	2 239,6	3,4	2 039,0	2,9
Customs duties	13 118,3	20,0	12 619,4	18,0
VAT	35 677,1	54,5	35 850,5	51,1
Fourth resource	14 029,9	21,4	19 088,6	27,3
Miscellaneous	457,7	0,7	501,4	0,7
Total	65 522,6	100	70 098,9	100

OVERVIEW

ANNEX

Graph 8

**Financial framework adopted at Edinburgh
(appropriations for commitments)**



Heading	1993 (1)	1994 (2)	1995 (2)	1996 (2)	1997 (2)	1998 (2)	1999 (2)
1. Common agricultural policy	36 657	36 730	37 102	37 772	38 459	39 163	39 884
2. Structural operations	22 192	23 176	24 865	26 464	28 091	29 906	31 770
Structural Funds	20 627	21 323	22 747	24 082	25 444	27 206	29 017
Cohesion Fund	1 565	1 853	2 118	2 383	2 648	2 700	2 753
3. Internal policies	4 109	4 325	4 578	4 787	4 988	5 200	5 401
4. External action	4 120	4 236	4 533	4 829	5 115	5 486	5 930
5. Administration	3 421	3 579	3 791	3 908	4 024	4 077	4 130
6. Reserves	1 522	1 530	1 135	1 135	1 135	1 135	1 135
Total appropriations for commitment	72 021	73 576	76 004	78 895	81 812	84 967	88 251
Total appropriations for payment	68 611	70 497	72 473	74 729	78 108	81 019	84 041

(1) Current prices 1993.
(2) 1994 prices.