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# THE COMMUNITY BUDGET: THE FACTS IN FIGURES

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Cataloguing data can be found at the end of this publication.

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## Introduction

The Community's public finances are governed by a number of basic instruments:

The Treaties establishing the three Communities, and the subsequent amendments to these treaties, provide a framework for the procedure for adopting each annual budget. The main aspects are listed on page 9.

The general provisions of the Treaties have been supplemented by a number of texts, in particular:

- the Decision of 21 April 1970 setting up the own resources system, followed by the new own resources decision of 31 October 1994 described in detail on page 17,
- the 1982 Joint Declaration on various measures to improve the budgetary procedure,
- the 1988 Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, which is one of the key elements in the 1988 reform of the Community's public finances and is presented in greater detail on page 47,
- the Interinstitutional Agreement of 29 October 1993 which contains the financial framework for expenditure over the period 1993 to 1999 (see '*Financial perspective 1993 to 1999*', page 57).

As stated on page 6, the Community also has several financial instruments which, for a variety of reasons, are not included in the general budget. Information on the ECSC operating

budget, the EDF and borrowing and lending activities can be found in Tables 1, 5, 34 and 35.

All the information in this edition is set out chronologically. An introductory chapter lists a number of concepts which should help readers. In particular, it describes developments affecting the financial perspective and the expenditure and revenue of the European Union. The history of the budget from its beginnings to the present day is contained in Part I which, in addition to general data on changes in revenue and expenditure (Tables 1 to 4), focuses on more specific data such as changes in the staffing levels of the institutions (Table 6) or the development of borrowing and lending activities (Table 5). The period 1988 to 1992, which is closely linked to the implementation of the Single Act, heralds the modern era of the Community's public finances. This is the subject of Part II which provides details of the financial perspective introduced in the Interinstitutional Agreement and draws a comparison between the budget and the ceilings of the financial perspective. The current period (1993 to 1996) is divided into three separate parts in order to provide particularly detailed information on the latest developments: Part III presents the new financial framework (1993 to 1999) arising from the new Interinstitutional Agreement of 29 October 1993 (including changes to take account of enlargement), Part IV gives a detailed description of the budget adopted for 1996 and, finally, Part V describes the preliminary draft budget for 1997. A glossary at the end of the volume gives the meanings of the abbreviations and acronyms used and a bibliography proposes further publications for readers seeking more detailed information.

## Some important concepts

### THE COMMUNITY BUDGET — BASIC PRINCIPLES

The Community budget is governed by six major principles.

1. The principle of **unity**, laid down in Article 199 of the Treaty, means that all the Community's revenue and expenditure must be brought together in a single document. In the early years of the Community, because of the autonomy enjoyed by the institutions set up under the ECSC, the EEC and the EAEC, as many as five separate budgets had to be drawn up for some financial years. Since the Treaty of Luxembourg of 22 April 1970 the development of the Community's main financial activities has contributed to a unification of these budgets and there are now only two budgets — the general budget and the ECSC operating budget. However, borrowing and lending activities are not covered by this framework and the entry of the European Development Fund (EDF) in the budget is still largely symbolic: since 1993 it has been given a subsection in the budget with a token entry and in 1995 the Cannes European Council called for the general budget to contribute to the financing of the eighth fund from 1997 (see *'The Community budget from its beginnings'*, page 23 and *'The European Development Fund'*, page 16).
2. The principle of **universality** is based on two rules: budgetary revenue may not be allocated to particular items of expenditure and all revenue and expenditure must be entered in full in the budget without any adjustment against each other.
3. **Annuality** means that budget operations relate to a given budget year in order to facilitate control of the work of the Community executive. The Community must, however, reconcile this principle with the need to engage in multiannual operations, which account for a growing proportion of the budget. The answer to this dual requirement is provided by the entry of *differentiated appropriations*, which consist of commitment appropriations and payment appropriations. The *commitment appropriations* cover the total cost in the financial year of the legal obligations entered into in respect of operations to be carried out over a period of more than one financial year. The *payment appropriations* cover expenditure, up to the amount entered in the budget, resulting from the commitments entered into during the financial year and/or earlier financial years. Unlike the differentiated appropriations, *non-differentiated appropriations* are to cover operations which should, in principle, be completed (both commitment and payment) in a single budget year. The terms 'appropriations for commitments' and 'appropriations for payments' are used for the totals of commitment appropriations and payment appropriations corresponding to both differentiated and non-differentiated appropriations.
4. The principle of **equilibrium** requires that the estimated revenue for a financial year should be equal to the appropriations for payments of that year (see *'Revenue of the European Union'*, page 17). No funds may be borrowed to cover a budget deficit. A surplus is entered as revenue in the following year's budget and any unforeseen additional expenditure in the course of the year must be financed by a supplementary and/or amending budget which will redeploy appropriations within the budget adopted or call in additional resources (see *'Budgetary procedure'*, page 9).
5. **Specification** of expenditure means that each appropriation must have a given purpose and be assigned to a specific objective in order to prevent any confusion between appropriations, at both the authorization and the execution stage, and thus to ensure that the budget as established is quite unambiguous and that it is executed in accordance with the wishes of the budgetary authority. The principle of specification determines the horizontal structure (distinction between statement of revenue and statement of expenditure, subdivision of the statement of expenditure into six sections, one for each of the institutions) and the vertical structure of the budget (the budget nomenclature enables the type and purpose of appropriations to be identified by subdividing the sections, in particular Section III which contains all the Community's operating expenditure, into titles, chapters, articles and items) (see *'Expenditure of the European Union'*, page 12). The possibility offered under certain conditions, of transferring appropriations to reallocate funds to headings other than those they were intended for when the budget was adopted, introduces flexibility into the principle of specification. These transfers are provided for in the Treaty so that budget appropriations can be used as effectively as possible.
6. The Union's monetary unit is the **European Currency Unit (ECU)** which represents a 'basket' of the twelve Community currencies. The estimates of expenditure and revenue in the budget are drawn up in ecus. However, much of the expenditure is still effected in national currency, leading to exchange rate differences which sometimes pose problems in the event of currency realignments, especially for agricultural and administrative expenditure.

## DEFINITIONS

**Compulsory expenditure****Non-compulsory expenditure**

The distinction between compulsory expenditure and non-compulsory expenditure is essentially political in that it determines the division of power over the budget between Parliament and the Council (Parliament has the last word on non-compulsory expenditure and the Council on compulsory expenditure).

The rather vague definition of the two concepts contained in the Treaty was clarified in 1982 in a Joint Declaration by the three institutions stating that compulsory expenditure is expenditure which the budgetary authority is obliged to enter in the budget to enable the Community to meet its obligations, both internally and externally, under the Treaties and acts adopted in accordance therewith. All other expenditure is non-compulsory.

Under the 1982 Declaration, the Presidents of the three institutions hold a triologue meeting before the Council establishes its draft budget in order to resolve any disputes which might arise in connection with the classification of new budget headings and of any for which the legal basis might have changed. The 1993 Interinstitutional Agreement also established the principle that some budget expenditure should be regarded as non-compulsory expenditure and laid down an *ad hoc* conciliation procedure to determine the level of compulsory expenditure (see '*Financial perspective 1993 to 1999*', 3. *Negotiation of the new Interinstitutional Agreement*, page 58). However, these various agreements have not prevented the periodic recurrence of disputes concerning classification. For example, the Council brought a case against the 1995 budget on the grounds that Parliament had decided on expenditure which the Council considered compulsory and for which the Council alone was therefore responsible. The Court of Justice annulled the 1995 budget at the very end of the financial year (7 December 1995) and confirmed its 1986 ruling that the budgetary procedure cannot be considered complete until the two arms of the budgetary authority have agreed on the classification of expenditure.

**Maximum rate of increase for non-compulsory expenditure**

Article 203 of the EEC Treaty sets out the procedure for establishing the budget. Article 203 (9) allows Parliament, in certain circumstances, to increase the amount of non-compulsory expenditure by amending the Council's draft budget subject to a maximum rate of increase in relation to the previous financial year. This maximum rate of increase is calculated by the Commission on the basis of various macroeconomic data and may be exceeded only if the Council agrees. Application of these rules was a frequent source of conflict between the two arms of the budgetary authority before the Interinstitutional Agreements were concluded to mitigate this (see '*Some important concepts : the financial perspective*', page 10).

**Token entries and dashes**

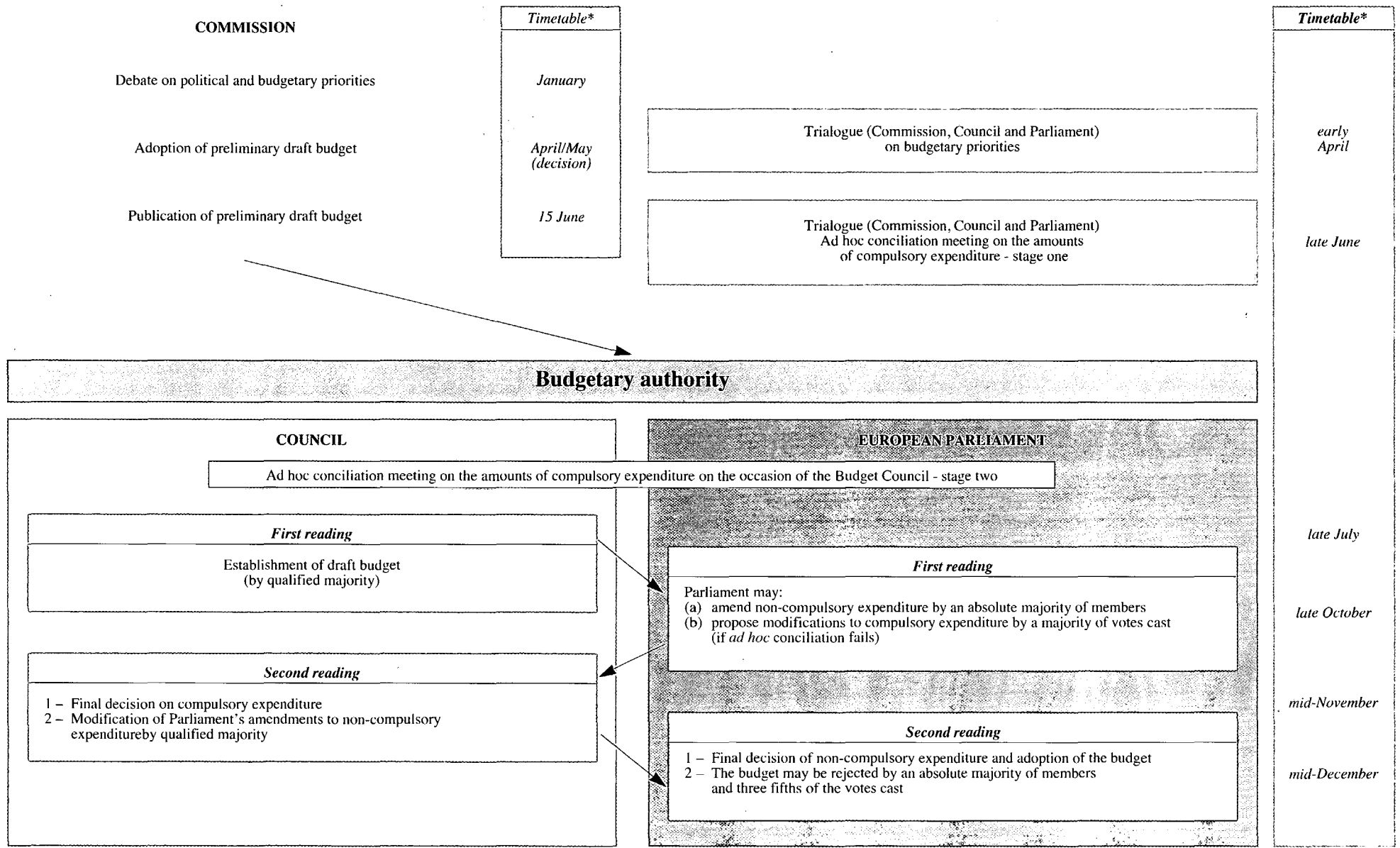
Budget items carry one of three possible types of entry:

- A given amount is entered: this is the normal state of affairs.
- The item carries a token entry (p.m.). This situation arises when the legal basis determining the principle and the arrangements for the expenditure does not exist when the budget is adopted (in particular, this is the case with the appropriations entered in the reserve in Subsection B0) or when the budgetary authority wants implementation of a measure to be temporarily suspended. The token entry thus means that the budgetary authority accepts expenditure in principle under the heading concerned, subject to a number of conditions.
- A dash (—) is entered against a budget heading. This is used to indicate headings which have ceased to be operational but which have to be kept in the budget for historical or accounting reasons, for instance in order to complete the implementation of payment appropriations for previous financial years.

**Budget execution**

All the statistical series on the implementation of expenditure relate to annual appropriations which are actually committed or paid in the same financial year or, in the case of carryovers, in the following financial year.

## BUDGETARY PROCEDURE



\* Pragmatic timetable.



## THE BUDGETARY PROCEDURE

### 1. Main stages of the procedure

The budgetary procedure is set out in Article 203 of the EEC Treaty which stipulates the sequence of stages and the time limits which must be respected by the two arms of the budgetary authority : the Council and Parliament. The budgetary procedure, as defined in the Treaty, extends from 1 September to 31 December of the year preceding the budget year in question.

In practice, however, a 'pragmatic' timetable has been applied by the three institutions since 1977. The different stages of the procedure are now as follows:

— *Establishment of the preliminary draft budget by the Commission and transmission to the budgetary authority by no later than 15 June*

After an internal policy debate to lay down the main political and budgetary priorities for the coming year, the Commission prepares its 'statement of estimates' by compiling the requests of all spending departments and arbitrating between conflicting claims. It also takes account of the conclusions of a trialogue meeting between the three institutions to discuss budgetary priorities. In addition, it receives the estimates of the other institutions and puts them all together in a preliminary draft budget, which is the overall forecast of revenue and expenditure for a given year. This preliminary draft is adopted by the Commission early in May and sent to the budgetary authority in all Community languages by no later than 15 June.

The preliminary draft can subsequently be amended by the Commission by means of a letter of amendment to allow for new information which was not available when the preliminary draft was established.

— *Establishment of the draft budget by the Council*

The Council conducts its first reading of the preliminary draft and, on this basis and after a conciliation meeting with a delegation from Parliament, establishes, before 31 July, the draft budget, which it sends to Parliament in the first half of September. While this reading is going on, the *ad hoc* conciliation procedure is initiated on the compulsory expenditure to be entered in the budget, leading to a trialogue meeting between the institutions in late June.

— *First reading by Parliament*

Parliament conducts its first reading in October on the basis of the Council's draft; amendments to non-compulsory expenditure require the votes of an absolute majority of members. Proposed modifications to compulsory expenditure require an absolute majority of votes cast.

— *Second reading by the Council*

The Council conducts this second reading during the third week of November, after a conciliation meeting with a delegation from Parliament. The draft budget is amended in the light of Parliament's amendments (non-compulsory expenditure) or proposed modifications (compulsory expenditure). As a rule the Council's decisions on second reading relating to compulsory expenditure determine the final amount: unless the entire budget is subsequently rejected by Parliament, the Council has the 'last word' on this category of expenditure. The draft budget as amended is returned to Parliament around 22 November.

— *Second reading by Parliament and adoption of the budget*

As the Council has had the last word on compulsory expenditure, Parliament devotes most of its December part-session to reviewing non-compulsory expenditure, for which it can accept or refuse the Council's proposals.

Acting by a majority of its members and three-fifths of the votes cast, Parliament then adopts the budget. The President of Parliament declares the budget adopted and it can then be implemented.

### 2. Supplementary and amending budgets

In the event of unavoidable, exceptional or unforeseen circumstances, the Commission may propose during the year that the budget as adopted be amended; it does this by submitting preliminary draft supplementary and/or amending budgets.

These are subject to the same procedural rules as the general budget.

## FINANCIAL PERSPECTIVE

### 1. Why is there a financial perspective ?

The political and institutional balance of the Community's system of finance gradually deteriorated in the 1980s when increasing tension caused more and more difficulties in the annual budgetary procedure and resources were increasingly unable to meet requirements. The succession of budget crises prompted the Community institutions to agree on a method designed to ensure application of budgetary discipline and to improve the budgetary procedure. In concluding an Interinstitutional Agreement, Parliament, the Council and the Commission agree in advance on the main budgetary priorities for the following period and establish a framework for Community expenditure in the shape of a financial perspective. This financial perspective shows the maximum amount and the composition of foreseeable Community expenditure.

The first Interinstitutional Agreement was concluded in 1988 for the application of the 1988 to 1992 financial perspective (Delors I package) which was intended to provide the resources needed for the budgetary implementation of the Single Act. As the application of the Interinstitutional Agreement and the financial perspective proved a success, the institutions again adopted this approach and on 29 October 1993 concluded a new Interinstitutional Agreement including the 1993 to 1999 financial perspective agreed by the Edinburgh European Council of December 1992 (Delors II package).

### 2. What is the financial perspective ?

The main categories of Community expenditure are divided into headings: each of these headings carries an annual expenditure ceiling in commitment appropriations. However, in the case of structural operations (Structural Funds and Cohesion Fund), the amount entered in the financial perspective also constitutes an expenditure target. The financial perspective also indicates the maximum amount of payable appropriations expressed in millions of ecus and as a percentage of Community GNP (based on forecast GNP growth)

so that it may be compared with the ceiling on own resources which is also fixed as a percentage of Community GNP by the own resources decision (see '*Revenue of the European Union*' on page 17 and '*1988 to 1992*' on page 47).

Between the own resources ceiling and the ceiling of payment appropriations there is a margin for unforeseen expenditure. This margin has a dual role: it leaves a safety margin should the growth rate be lower than forecast thus reducing the resources available to the Community, and also allows the various ceilings of the financial perspective to be revised to cover any unforeseen expenditure which arises. This margin, which represented 0,03 % of GNP in the 1988 to 1992 financial perspective, was reduced to 0,01 % of GNP in the new financial perspective.


Under the Interinstitutional Agreement the three institutions undertake to respect the various ceilings set in the financial perspective. In return, the rule concerning the 'maximum rate of increase' (see '*Some important concepts : Definitions*', page 7) is no longer applicable: the two arms of the budgetary authority now agree to accept the rates of increase for non-compulsory expenditure resulting from budgets established within the limits of the financial perspective.

The financial perspective is drawn up at current prices — 1988 prices for the first financial perspective and 1992 prices for the new financial perspective. It therefore has to be updated each year by the Commission to allow for increases in Community GNP and in prices. It is then expressed at current prices for the year in question.

Under the Interinstitutional Agreement, the financial perspective can also be adjusted in line with outturn, where the amounts planned for structural operations cannot be used in full during a given year and therefore have to be re-entered in the budget for a later year. Similarly, the total amount of payment appropriations may be adjusted to guarantee an orderly development between commitments and payments.

Apart from these adjustments, the financial perspective may also be revised to raise (or lower) the ceiling for one or more headings in order to accommodate expenditure which could not be foreseen when the agreement was signed.

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The call-in rate for own resources cannot be raised above the own resources ceiling as a result of these adjustments and revisions of the financial perspective.

### 3. What is the link between the financial perspective and the budget ?

The classification of Community expenditure in the headings of the financial perspective reflects the various policy options. The breakdown of total expenditure between the various headings must therefore revolve around the main political priorities adopted for the period. Since 1988, the summary budget tables have been systematically organized by heading of the financial perspective in order to make it easier to assess the funds provided for implementing these political priorities. Most of the comparative tables in Parts III, IV and V of this publication adopt the same approach.

The amounts entered in the financial perspective are expenditure ceilings, which means that the field of activities covered by each heading must be sufficiently large in order to preserve the flexibility needed for budgetary management.

The financial perspective differs from indicative financial programming in that the ceilings are binding on the parties to the Interinstitutional Agreement. However, the financial perspective cannot be regarded as a multiannual budget, as the annual budgetary procedure is still essential for determining the actual level of expenditure under the ceilings and, above all, for dividing appropriations between the various budget headings. The budgetary nomenclature accordingly guarantees a transparent and accurate analysis of all Community operations contributing to the achievement of the main political priorities reflected in the financial perspective. The budgetary nomenclature was radically changed in 1991 so that the budget would be more transparent, easier to read and easier to compare with the financial perspective. Even if each budget heading comes under a specific heading of the financial perspective, there will be no complete match with the structure of the financial perspective because of the analytical breakdown of budgetary nomenclature which is required. The presentation of the budget in accordance with the budgetary nomenclature is therefore set out in detail in the tables and charts in Part IV ('1996 budget').

## THE EXPENDITURE OF THE EUROPEAN UNION

The expenditure of the European Union has considerably increased and diversified in the course of European integration (the main stages in this development are described on page 23). These days the general budget of the Union takes the form of a document consisting of a statement of revenue and a statement of the expenditure of all the institutions. The statement of expenditure is divided into five sections for the five institutions: Parliament (Section I), the Council (Section II), the Commission (Section III), the Court of Justice (Section IV), the Court of Auditors (Section V) and the Economic and Social Committee and the Committee of the Regions (Section VI).

While the appropriations entered in Sections I, II, IV, V and VI are exclusively for administrative expenditure, the Commission section is in two parts — A and B.

### Part A (administrative appropriations) covers:

- the institution's expenditure on staff, buildings and equipment, various activities (meetings, studies, etc.), the Official Journal, publications, data processing and the staff and operation of delegations,
- expenditure resulting from special functions carried out by the institution such as general subsidies, subsidies for various bodies (e.g. the European University Institute, Florence, and the College of Europe, Bruges) or participation in events of interest for the Union,
- certain expenditure of an interinstitutional nature such as pensions for officials and temporary staff of all the institutions, the subsidy for the European Schools, the operating expenditure of the Office for Official Publications (the appropriations are set out in detail in Annex II to Part A).

Tables 30 and 31 and Chart 17 contain a breakdown of the institutions' administrative expenditure.

### Part B (operating appropriations) is divided into eight subsections:

*Subsection B1* contains all the guarantee expenditure by the European Agricultural Guidance, Guarantee Section and Guarantee Fund. This subsection gives budgetary shape

to the common agricultural policy (CAP), the objectives of which are laid down in the Treaty establishing the European Economic Community: to increase agricultural productivity, to ensure a fair standard of living for the agricultural community, to stabilize markets, to guarantee the availability of supplies and to ensure that supplies reach consumers at reasonable prices.

To achieve these objectives, the common agricultural market was based on three principles: a single market, Community preference and financial solidarity, the latter being a key factor in the common agricultural policy. In April 1962, the Member States decided to set up a Community fund — the European Agricultural Guidance and Guarantee Fund — to put this into effect. The EAGGF is included in the budget of the European Union and is thus subject to budgetary rules even though it is governed in some cases by its own, specific provisions.

In 1964, this fund was divided into two sections — the Guarantee Section for Community expenditure arising from market and prices policy and the Guidance Section for Community expenditure resulting from the agricultural structures policy.

The objectives of the Treaty have been largely achieved but this has demanded constant adjustment, the latest being the reform of the common agricultural policy decided by the Council of Ministers in May 1992. On the basis of more competitive prices and direct aid to farmers who most need it, this reform is intended to cut surpluses, slow down the drift away from the land and preserve the environment by discouraging intensive production.

To deal with the problem of the exhaustion of own resources, caused in particular by the rise in agricultural spending as a result of imbalance on some markets, the June 1988 European Council laid down the principles for tighter budgetary discipline in order to produce a better balance between the various categories of expenditure and to control their growth. These principles were confirmed by the Edinburgh European Council in December 1992. One of the pillars of this budgetary discipline was the establishment of an agricultural guideline imposing a ceiling on EAGGF Guarantee Section expenditure.

The EAGGF Guarantee Section finances refunds on exports of agricultural products to non-member countries, the various types of intervention on the agricultural markets, rural development schemes and control and prevention.

From 1993 onwards, it has also covered the new compensatory aid and the measures to accompany the reform of the CAP (early retirement, environment, afforestation), expenditure on income aid and expenditure under the Guarantee Fund for fisheries.

Apart from the EAGGF Guarantee Section, Subsection B1 contains a monetary reserve of ECU 500 million which can be drawn on, under the rules on budgetary discipline, to provide appropriations for agricultural sectors should there be a shortfall caused by a decline of the dollar against the ecu.

The agricultural appropriations for 1996 came to ECU 40 828 million, including ECU 69,5 million of reserves and provisions (Chapter B1-4 0), but excluding the ECU 500 million for the monetary reserve. As the agricultural guideline had been fixed at ECU 40 828 million, no margin was left.

As Chart 10 shows, agricultural expenditure accounts for around 48 % of the Community's expenditure.

Agricultural requirements in 1996 outstrip the 1995 appropriation (ECU 36 897 million after the supplementary and amending budget) by ECU 3 931 million. This sharp increase is mainly due to the final stage of the reform of the CAP (which accounts for ECU 2,3 billion) and enlargement, since the compensatory aid for arable crops and beef was paid for the first time in 1996 (+ ECU 1 250 million). The costs incurred as a result of the unfavourable movement in the ecu/dollar rate (+ ECU 600 million) must be added to this total. However, the 1996 budget benefited from the early payment, in 1994, of some premiums to Spain and Portugal as a result of the drought.

Table 21 provides a detailed breakdown of EAGGF Guarantee Section expenditure by sector and chapter.

*Subsection B2* covers structural operations, including operations under the Structural Funds (European Regional Development Fund — ERDF, European Social Fund — ESF and the EAGGF Guidance Section), the Financial Instrument for Fisheries Guidance (FIFG) and, since 1993, the Cohesion Fund. It also includes some internal policies: other agricultural and regional operations, transport and fisheries.

With the appropriations for the Structural Funds and the FIFG, the Union supports the six following objectives:

Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind;

Objective 2: converting the regions (including employment areas and urban communities) seriously affected by industrial decline;

Objective 3: combating long-term unemployment and facilitating the integration into working life of young people and of persons exposed to exclusion from the labour market;

Objective 4: facilitating the adaptation of workers of either sex to industrial changes and to changes in production systems;

Objective 5(a): speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy;

Objective 5(b): facilitating the development and structural adjustment of rural areas;

Objective 6: development and structural adjustments of regions with an extremely low population density.

Each of the Community's four structural instruments supports two or more objectives through Community support frameworks and Community initiatives; each instrument also earmarks a small amount for innovation schemes and transitional measures. For the period 1994 to 1999 the Edinburgh European Council proposed commitment appropriations of ECU 141 471 million at 1992 prices (ECU 149 818 million at 1994 prices) for these four instruments, 68,1 % of which is for regions covered by Objective 1.

A further ECU 4 747 million at 1995 prices is earmarked for the Structural Funds in the new Member States over the period 1995-99 — 3,9 % of this amount is for Objective 1 regions and 17 % for Objective 6 regions. Finally, the financing of the expenditure for the financial mechanism of the European Economic Area resulting from the accession of Austria, Finland and Sweden will in future be incorporated in the budget of the European Union.

With the Cohesion Fund appropriations, the Union is making a financial contribution to environmental projects and trans-European transport infrastructure networks in those Member States with a per capita gross national product which is less than 90 % of the Community average, measured on the basis of purchasing power parities (Greece, Spain, Ireland and Portugal). The rate of Community aid amounts to between 80 % and 85 % of public or similar expenditure. The Edinburgh European Council proposes commitment appropriations of ECU 15 150 million at 1992 prices for the Cohesion Fund over the period 1993 to 1999, suggesting that between 52 % and 58 % of the total resources should go to Spain, between 16 % and 20 % to Greece, between 16 % and 20 % to Portugal and between 7 % and 10 % to Ireland.

The internal policies included in this subsection cover a wide range of Community operations in the agricultural, regional, transport and fisheries sectors such as disease eradication and monitoring programmes, controls of various sectors of agricultural production, the establishment and development of a common transport policy, the contribution to the International Fund for Ireland and to business and innovation centres and participation in inspection and surveillance operations in Community and international maritime waters.

This expenditure is the second major category of expenditure in the budget, accounting for 34 % of appropriations in 1996 (see Table 20). Table 22 and Charts 13 and 14 show how the appropriations are broken down within the subsection.

*Subsection B3* covers expenditure on training, education, youth policy, culture, audiovisual media, various social operations which cannot be financed by the Structural Funds — in particular the ESF — and information and communication. This subsection finances programmes designed to promote education (Socrates), the young (Youth for Europe and the European voluntary service pilot scheme) and training (Leonardo). The Socrates programme, which is based on the experience gained from implementation of previous programmes such as Erasmus and Lingua, seeks to enhance the quality of education and promote a barrier-free area in education by encouraging mobility (of students and teachers), the mutual recognition of qualifications, language teaching and open and distance learning. This approach is supplemented by the measures in favour of the young under the Youth

for Europe programme which reflects the more informal side of education (outside the normal education and training structures). The aspects relating to vocational training and previously covered by programmes such as Comett, Force or Petra are now combined in the Leonardo programme.

The Union also supports measures for the development of the audiovisual industry (MEDIA), the production, conversion and broadcasting of high-definition television programmes and measures to protect the cultural heritage (Raphael programme), support artistic and cultural activities (Kaleidoscope 2000) and promote books and reading (Ariane programme).

The Community's operations in the social sector mainly relate to development of the social dialogue and employment (measures to achieve equality between men and women, EURES — European Employment Services), improved social protection for the most vulnerable sections of society (the elderly, disabled and socially excluded), freedom of movement, increased awareness of public health problems (measures to combat cancer, drugs and AIDS) and improvement of safety, hygiene and health at work.

Finally, this expenditure also finances information and communication activities both in the form of general public information and more specialized information for specific target groups and socio-economic sectors.

*Subsection B4* covers expenditure on energy, nuclear safeguards and the environment. This expenditure has two goals: to manage energy resources and preserve the environment. Expenditure on the energy policy mainly relates to programmes and pilot projects promoting renewable sources of energy (Altener), the rational use of energy (SAVE) and energy technologies. The purpose of the expenditure on nuclear safeguards is to ensure that nuclear materials are not used for any purpose other than that for which they are intended. In particular, it finances the purchase and installation of control equipment in large-scale plutonium processing and handling plants. Expenditure on environmental policy goes towards horizontal activities such as the internal part of the LIFE programme (for

demonstration and technical assistance projects), the drafting and monitoring of environmental legislation and the financing of the European Environment Agency. Direct expenditure on environmental infrastructure projects in the less prosperous Member States is financed by Subsection B2 while expenditure on environmental problems of a dimension which exceeds the territory of the Union is charged to Subsection B7 (External action).

*Subsection B5* covers expenditure on consumer protection, the internal market, industry and modernization, statistical information and the trans-European networks. This expenditure reflects the Community's determination to consolidate the internal market and increase its effectiveness in the interest not only of businessmen but of consumers too. In particular, commitment appropriations of ECU 148 million are earmarked in 1996 for standardization, certification and sectoral harmonization, improvement of the business environment, proper application and transparency of rules, Community subsidies to the Office for Harmonization in the Internal Market and the Agency for the Evaluation of Medicinal Products and procedures for the publication and award of public supply and works contracts. A further ECU 97 million is provided specifically for the promotion of small and medium-sized enterprises in order to boost economic growth in the Union. ECU 91 million has been granted to improve industrial competitiveness and modernize the textile industry in Portugal. The establishment of the networks is considered to be a priority and should represent one of the main means of stimulating growth, competitiveness and employment in the European Union between now and the year 2000. The Community is promoting the interconnection and interoperability of national networks and access to these networks. The Community's contribution in 1996 comes to ECU 410 million, mostly for feasibility studies, loan guarantees and interest subsidies. Financial support is concentrated on the following sectors: transport infrastructure (ECU 280 million), energy infrastructure (ECU 33 million), data-transmission networks between administrations which are essential for the operation of the internal market (ECU 30 million) and the *INFO 2000* programme to promote the development of a European multimedia industry (ECU 19 million).

Expenditure on research and technological development is found in *Subsection B6*. In this sector, the Union has launched multiannual framework programmes allowing it to support several projects linking research teams from all the Member States by concentrating efforts on areas which are considered strategic for the future of Europe such as analysis of

the human genome, information technology (Esprit), telecommunications technology (RACE), biotechnology (Bridge) and controlled thermonuclear fusion (JET). The fourth framework programme (1994 to 1998), an extension of the third programme which ended in 1994, is currently allocated ECU 13 100 million and, apart from taking over the main parts of the previous programme, incorporates new fields such as targeted socio-economic research and scientific cooperation with third countries and international organizations. This ECU 13 100 million is ECU 800 million higher than the initial allocation, the difference being intended to adjust the ceiling for the programmes to take account of the new Member States (Austria, Finland and Sweden) which already contributed to R&TD, but outside the ceiling, under the Agreement on the European Economic Area.

The ECU 3 183 million in commitment appropriations provided for 1996 are divided between direct action by the Commission via the Joint Research Centre (ECU 236 million) and indirect (shared-cost) action. A wide range of sectors are covered and the indirect action appropriations are mainly allocated to the following fields: information and communications technology (ECU 709 million), industrial technologies (ECU 488 million), environment (ECU 169 million), life sciences and technologies (ECU 537 million), clean and efficient energy technologies (ECU 171 million), transport (ECU 84 million), targeted socio-economic research (ECU 18 million), cooperation with third countries and international organizations (ECU 145 million), dissemination and exploitation of results (ECU 59 million), training and mobility of researchers (ECU 268 million), nuclear safety and safeguards (ECU 73 million) and controlled thermonuclear fusion (ECU 194 million).

These are just the budgetary appropriations. Under the Agreement on the European Economic Area, some EFTA countries make a contribution to the non-nuclear parts of the framework programme. For 1996, this additional amount is estimated at 1,58 % of the year's appropriations.

Tables 23 to 26 and Chart 15 contain details of expenditure in Subsections B3 to B6.

*Subsection B7* contains expenditure coming under heading 4 (External action) of the 1993 to 1999 financial perspective and the emergency aid reserve (part of heading 6). The overall allocation for this subsection in 1996 comes to ECU 5 398,6 million (including ECU 326 million for the emergency aid reserve).

This subsection covers a range of activities involving various types of assistance and financial instruments. A distinction may be made between financial, technical and economic cooperation, divided into geographical areas, and other cooperation measures which are often of a horizontal nature and normally apply to all non-member countries.

Financial, technical and economic cooperation measures are intended to help the development and economic restructuring of non-member countries (the countries of central and eastern Europe, the independent States of the former Soviet Union, Mediterranean countries and countries in Asia and Latin America).

Other cooperation measures include humanitarian and food aid, initiatives for democracy and the protection of human rights, rehabilitation and reconstruction measures for developing countries, environment and health in developing countries, international fisheries agreements and, if necessary, emergency aid.

Table 27 and Chart 16 show the breakdown of appropriations within Subsection B7.

*Subsection B8* consists of only one chapter which covers operational expenditure on joint action decided under the common foreign and security policy, which is charged to the Community budget under Articles J3 and J11 of the Treaty on European Union. Half of the ECU 62 million in commitment appropriations provided for 1996 has already been allocated to the joint action of the European Union in Mostar.

Finally, *Subsection B0* is rather different, since it contains the guarantees and reserves. It is the budget headings in this subsection which will be used to record any expenditure which the Union might have to finance if a country defaults on a loan which the Union has guaranteed (via the Guarantee Fund). This subsection also contains the appropriations which cannot yet be used because no legal basis for the expenditure existed when the budget was adopted but which are expected to be used in the course of the year.

This subsection also contains the budgetary compensation for the three new Member States.

## EUROPEAN DEVELOPMENT FUND (EDF)

Development cooperation with the countries of Africa, the Caribbean and the Pacific is mainly financed by the European Development Fund set up under the Lomé conventions, which now link the Community with some 70 ACP States <sup>(1)</sup>.

The seventh EDF covers the first five-year period (1990 to 1994) provided for in the financial protocol annexed to the Fourth Lomé Convention which was signed for a term of ten years. It entered into force on 1 September 1991 after being ratified by the national parliaments of the Member States; it initially came to ECU 10 940 million (including ECU 140 million for the overseas countries and territories). For the purposes of comparison, the appropriations for the 7th EDF represent some 38 % of the total amount of commitment appropriations allocated to the Community's external action between 1990 and 1994 (i.e. the aggregate of Subsection B7 and EDF appropriations) and almost 45 % of the aid granted to the developing countries over this period.

Although a title has been reserved for it in Subsection B7 since 1993, this amount is not entered in the general budget but is financed by contributions from the Member States and has its own financial rules: the level of the EDFs and the amount of direct contributions to the Funds by the Member States are decided by agreements within the Council on the financing and management of Union aid. However, the agreement reached at the Cannes European Council in June 1995 on the amount and financing of the 8th EDF (which will cover the second four-year period of the Fourth Lomé Convention) calls for only a modest contribution from the general budget (only ECU 160 million of the ECU 13 132 million planned for the period), but one that is important symbolically.

<sup>(1)</sup> The 1st EDF was for colonies, referred to as overseas countries and territories (OCT). They later became independent and formed the Associated African States and Madagascar which concluded Yaoundé I and II with the Community. With the accession of the United Kingdom in 1973, this was extended to the countries of the Commonwealth and other independent African States, leading to the association of the ACP States and the Lomé Conventions.



## THE REVENUE OF THE EUROPEAN UNION

In order to finance its expenditure the European Union has its own resources, which may be defined as tax revenue allocated once and for all to the Union and accruing to it automatically without the need for any subsequent decision by the national authorities.

The ECSC had its own resources from the time the Treaty of Paris entered into force in 1952. The Rome Treaties, on the other hand, which were signed in 1957, provided for the two Communities (EEC and Euratom) to be financed by contributions from the Member States. However, provision was made for the Community to derive resources of its own from the establishment of the customs union. On this basis the Decision of 21 April 1970 replaced national contributions by a system of own resources comprising agricultural levies, customs duties and a budget-balancing resource calculated by applying a rate of 1 % — subsequently raised to 1,4 % in 1985 — to the VAT base.

When own resources ran out in 1984, the Commission, pending a solution in the form of a revision of the decision on the system of the Communities' own resources, first proposed that the Member States provide the amounts required in the form of interest-bearing loans. It then amended its proposal to take account of the feedback from the Council and Parliament, replacing the idea of loans with the idea of interest-free advances on new own resources.

Finally, the Council agreed to an intergovernmental solution on 2 October 1984. The representatives of all the Governments of the Member States undertook to make available to the Community, in the form of repayable advances, the amounts necessary to finance draft supplementary and amending budget No 1/1984. In April 1985, the representatives of the Governments of the Member States undertook to pay advances to the Community to complete the financing of the 1985 budget; this time the amounts paid took the form of non-repayable advances. The draft budget for 1985, Parliament upheld its position but explicitly increased the level of the intergovernmental advances.

The Community budget was therefore partly financed by advances from the Member States: ECU 1 003 million in 1984 and ECU 1 982 million in 1985; the VAT base was

used as the scale for determining Member States' contributions. The advances from 1984 were repaid to the Member States in eight six-monthly instalments from 1986 onwards. With the revision of the own resources decision on 7 May 1985, which entered into force on 1 January 1986, the problem of the inadequacy of the Communities' own resources was resolved.

The reform of the Community's finances in 1988 altered and broadened the composition of the Community's own resources. In order to contain the growth of the resources taken up by the Community, the Decision of 24 June 1988 set an overall ceiling rising to 1,20 % of total Community GNP in 1992. Pending a new decision on own resources, the 1,20 % ceiling remained applicable in 1993 and 1994.

As agreed at the Edinburgh European Council, a new decision on the system of own resources was adopted on 31 October 1994. This decision raises the own resources ceiling to 1,21 % of GNP in 1995 and, in stages, up to 1,27 % of GNP in 1999. The uniform VAT rate will be gradually reduced from 1,4 % to 1 % in 1999 and the VAT base to be taken into account will be restricted, again being cut in stages, to 50 % of GNP instead of the current 55 %. The Member States eligible for assistance under the Cohesion Fund will have their VAT base restricted to 50 % of GNP in 1995.

The new own resources decision entered into force with effect from 1 January 1995 after it had been ratified by all the Member States in 1996.

The Community's own resources are now:

### 1. **Agricultural duties and sugar and isoglucose levies:**

Agricultural duties have replaced agricultural levies, the variable taxes charged up to 30 June 1995 on imports of agricultural products covered by a market organization and coming from a non-member country and designed to offset the difference between world prices and the price levels which it has been agreed to apply within the Community (principle of Community preference).

As a result of the GATT agreements, the agricultural levies have largely been replaced by customs duties. The new arrangements have applied since 1 July 1995.

Sugar levies are provided for in the sugar market arrangements and comprise:

- production levies, which ensure that producers contribute to market support expenditure,
- storage levies, which finance the storage cost equalization system to ensure a regular flow of sugar onto the market,
- an additional levy intended to offset in full the overall loss since the 1988/89 marketing year not covered by the yield of the production levies.

Isoglucose and inulin production levies are treated like sugar production levies.

2. **Customs duties:** These derive from the application of the Common Customs Tariff to the customs value of goods imported from non-member countries.

3. **VAT resources:** These derive from the application of a uniform rate to each Member State's VAT base, determined in a uniform manner in accordance with Community rules. Since the June 1988 reform, the uniform rate is found by applying a 1,4 % rate to the VAT base and deducting the gross compensation paid to the United Kingdom. A Member State's base may not exceed 55 % of its GNP. Under the new own resources decision which has just been ratified, the VAT rate will be gradually reduced to 1,0 % and the capping rate to 50 % in 1999. The resulting reduction in the relative share of VAT resources in the total own resources needed to finance the budget will be offset by an increase in the 'fourth resource'.

4. A new category of revenue known as the **fourth resource** was also created in 1988: This resource is based on GNP and is derived from the application of a rate to the sum of the GNPs of all the Member States.

It is a variable, budget-balancing resource for which the call-in rate is calculated during the budgetary procedure in such a way as to cover the amounts not yielded by the other budget revenue. For this reason it is known as the additional resource.

All this revenue, plus miscellaneous revenue such as deductions from the salaries of Community officials (tax and social security contributions), interest on late payments, fines and any surplus from earlier years, must cover the total payment appropriations required to finance the expenditure entered in the budget for a given year.

Table 4 records all Community revenue since the own resources system was introduced. The amounts shown under 'miscellaneous' include all types of miscellaneous revenue entered in the accounts since 1970; in the first 10 years, this item mainly consisted of contributions by Member States (VAT and GNP-based resources were not introduced until the 1980s). The surpluses carried over have accounted for a significant proportion of this item since 1988 only. Charts 5 and 6 show how revenue has developed.

Traditional own resources are paid to the Commission within two months of establishment of the entitlement, with 10 % deducted to cover Member States' collection costs. VAT and GNP-based resources are paid every month when one-twelfth of the amount contained in the annual budget is transferred; an adjustment is made during the next financial year in line with the actual bases determined for that year.

Tables 12 and 18 record the total contribution (all types of own resources) of each Member State between 1988 and 1997. For 1996 the data for each Member State are set out in the tables and charts showing each Member State's share of total financing (Chart 18, Tables 32 to 34).

## THE ECSC BUDGET

### ECSC BUDGET EXPENDITURE

#### *Social aid*

ECU 117 million has been provided in 1996 for aid for the social redeployment of coal and steel workers under Article 56(2)(b) and (1)(c) of the ECSC Treaty (traditional redeployment and social measures for the coal industry).

Social aid provides the essential social support for the Community's industrial policy in the ECSC sectors. When permanent closures, cutbacks or changes of activity lead to job losses, the Community attempts to mitigate the social repercussions for the workers through redeployment measures. It helps finance aid measures to provide income support for the workers affected or give them the possibility of remaining in employment and making a productive contribution to the economy through training courses and resettlement allowances. The grant of this aid is conditional upon payment by the Member State concerned of a special contribution of not less than the amount of that aid. This aid is granted under arrangements defined in bilateral agreements concluded with the Member States (early retirement, unemployment, transfer, retraining and vocational training). This assistance is additional to the aids and loans granted elsewhere under Community support frameworks.

#### *Research aids*

Under Article 55 of the ECSC Treaty, ECU 85 million has been earmarked in aid for technical, social and medical research in the coal and steel sector in 1996.

The main aims of aid for steel industry research (ECU 53 million) are to reduce manufacturing costs, improve the quality and performance of products, promote and extend the uses of steel, and adapt production conditions to environmental demands. The main objectives of aid in the coal research sector (ECU 31 million) are lower production costs, higher underground and pithead productivity, improved safety and working conditions, the maintenance of existing markets and the opening of new outlets, and, above all, improved use of coal with a view to better environmental protection. In the social and

medical sectors, limited aid of ECU 1 million was used to finance transitional expenditure in areas such as the evaluation and dissemination of information under programmes previously financed by the ECSC.

#### *Interest subsidies on ECSC loans*

Finally, the ECSC budget provides considerable aid (ECU 40 million in 1996) in the form of interest subsidies on conversion loans granted under Article 56(2)(a) to encourage job-creating investments in healthy economic sectors and to assist the economic conversion of regions affected by the decline in ECSC activities. The practical rules for granting these loans and interest subsidies were last adopted by the Commission in 1990 and supplemented in 1992 with the adoption of the rules for coordination with the Structural Funds.

#### *Additional social measures*

In 1996, the ECSC budget is providing ECU 30 million in connection with the restructuring of the coal industry.

### ECSC BUDGET REVENUE

The High Authority (Commission) is empowered to procure the funds it requires to carry out its tasks by imposing levies on the production of coal and steel.

ECSC levies go towards financing expenditure under the operating budget. Historically, they are the first genuinely 'Community' tax.

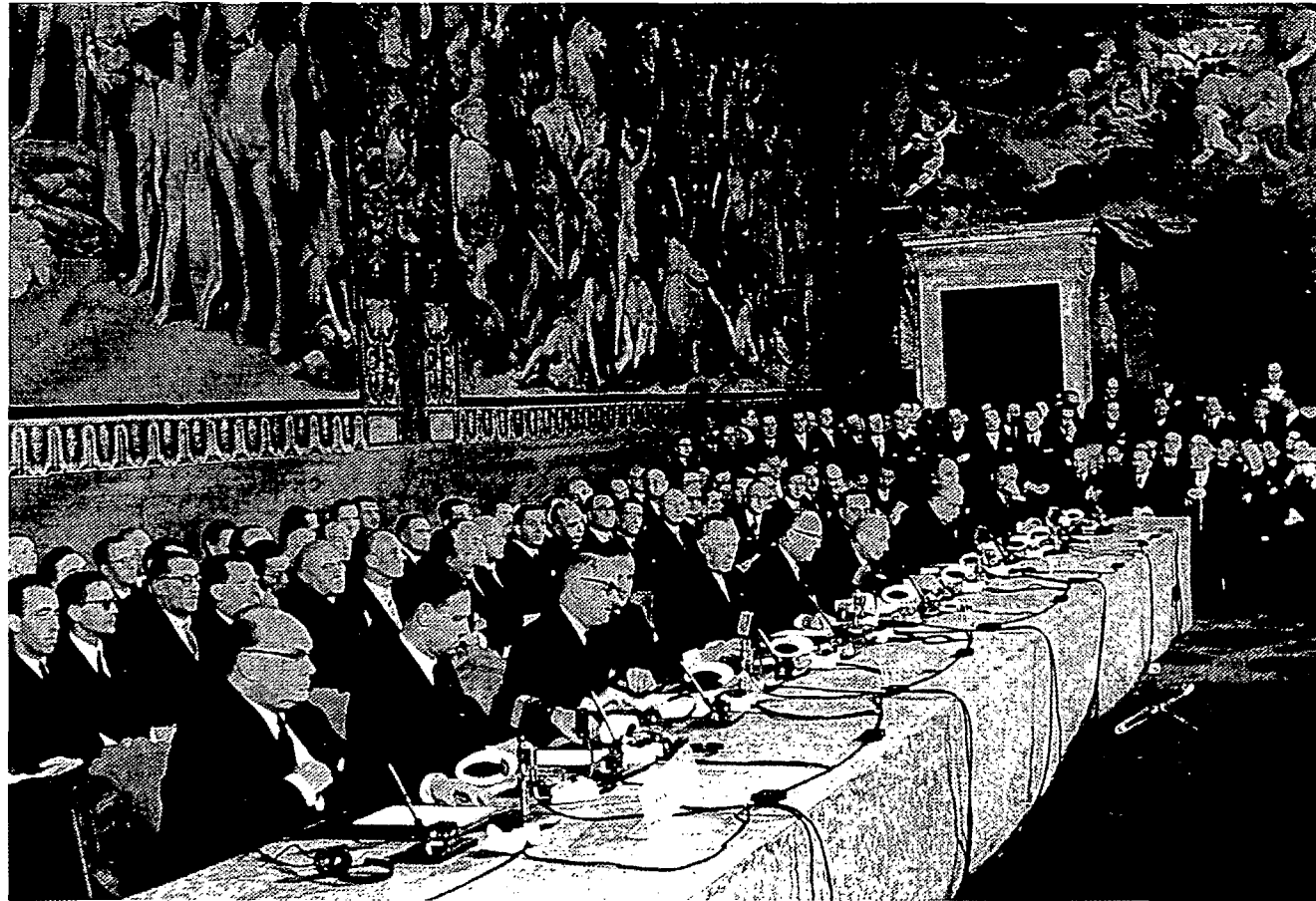
Levies are fixed annually for the various coal and steel products according to their average value. In 1996, the ECSC levy is set at 0,19 % and will yield ECU 101 million.

Most of the resources other than levies derive from the 'net balance' from annual financial operations, in particular the interest on loans from own resources and the investments, reserves and provisions entered in the ECSC balance sheet. The net balance for 1996 is estimated at ECU 105 million.

Total revenue in the ECSC's operating budget comes to ECU 261,6 million for 1996.

# Part I

## The Community budget from its beginnings



*Signature of the Treaty of Rome,  
25 March 1957*

## The Community budget from its beginnings

### THE COMMUNITY BUDGET FROM ITS BEGINNINGS

The Treaty of Paris of 18 April 1951 establishing the ECSC and the Treaty of Rome of 25 March 1957 establishing the EEC laid down the budgetary mechanisms which applied virtually unchanged until 1970.

During this period, the Council completely dominated the budgetary decision-making process. Under Article 203 of the EEC Treaty the Council established its draft budget after consulting the Commission on the changes it wished to make to the preliminary draft which the Commission had drawn up on the basis of the institutions' statements of estimates. It then declared the budget finally adopted after taking a decision on the modifications proposed by Parliament.

After expenditure on the common agricultural policy was entered in the Community budget in 1962, the Commission made a number of proposals to the Council in 1965 on the financing of the common agricultural policy, the introduction of own resources and the strengthening of Parliament's powers.

More than four years of negotiations were needed before the Luxembourg agreements were concluded in 1970. The Treaty of 22 April 1970 provided for a gradual increase in Parliament's powers. Initially, up to 1974, Parliament was able to alter the breakdown of expenditure without changing the total; the Council could reject this by a qualified majority. After 1975 the provisions of Article 203 were substantially amended: Parliament's powers of amendment were increased and depended on whether the expenditure was compulsory or non-compulsory. Parliament was given the 'final word' on non-compulsory expenditure provided that it did not exceed the maximum rate of increase (see *'Some important concepts: Definitions'*, page 7). Furthermore, it was the President of Parliament and no longer the President of the Council who was to declare the budget finally adopted.

The Luxembourg package also included the Decision of 21 April 1970 on the replacement of financial contributions from the Member States by the European Communities' own resources. This decision was of key importance in the history of the Community budget. The Community was to be gradually given financial autonomy through the provision of own resources. It was granted fiscal revenue in the form of agricultural levies, customs duties and a percentage of the VAT receipts collected in the Member States. The Treaty of 22 July 1975 further developed and confirmed the approach adopted in 1970. In particular, Parliament's power to reject the budget, which had been implicitly assumed by Parliament

and the Commission since the Treaty of Luxembourg, was now expressly laid down in Article 203. In actual fact, the main innovation of the 1975 Treaty was the creation of the Court of Auditors.

These budgetary mechanisms continued to work — though less and less efficiently from 1979 onwards — until 1988, the next milestone in the history of the Community budget (see *'1988 to 1992'*, page 47). In the meantime, however, the Fontainebleau agreements of June 1984 settled a number of questions of considerable financial importance, including the problem of budgetary imbalances and compensation for the United Kingdom, the third enlargement with the accession of Spain and Portugal, containment of agricultural expenditure, development of structural policies and the exhaustion of own resources (which had been provisionally resolved by raising the percentage of VAT receipts going to the Community).

It was during this period that European integration entered a new stage with the signature of the Single Act in February 1986, prompting the Commission to present the Delors I package which served as a basis for the 1988 Brussels agreements. The Interinstitutional Agreement of 1988 and the financial perspective which formed an integral part of this agreement laid down the rules for balanced interinstitutional relations in the budgetary sector (see *'1988 to 1992'*, page 47). Since this agreement was, on the whole, a success, it was followed in 1993 by a new Interinstitutional Agreement which set a financial framework for the period 1993 to 1999 for the expenditure required to implement the Treaty on European Union signed at Maastricht on 7 February 1992 (see *'Financial perspective 1993 to 1999'*, page 57).

The main features of the development of the Community budget are as follows:

#### 1. Unification of the budget instruments

The main stages are as follows:

- the 1951 ECSC Treaty provides for an administrative budget and an operating budget,
- in 1957 the EEC Treaty established a single budget; the Euratom Treaty, on the other hand, set up an administrative budget and a research and investment budget,
- the 1965 Merger Treaty incorporated the ECSC and Euratom administrative and operating budgets into the EEC budget (that is why Table 1 does not contain any figures for Euratom from 1968 onwards),

— finally, the 1970 Luxembourg Treaty incorporated the Euratom research and investment budget into the general budget; this left only two budget instruments: the general budget and the ECSC operating budget.

The financial operations of the European Development Fund (see foot of Table 1) have, since the very beginning (1959), been conducted outside all Community budgets and the only result of the attempts to have them included in the general budget has been the token entry in the 1993 budget. The EDF is financed by Member States' contributions, is governed by its own financial rules and is administered by a Steering Committee in accordance with specific procedures (see *'The European Development Fund'*, page 16).

While the Euratom Treaty expressly authorized borrowing and lending operations from the outset, it was not until 1975 that rules for such activities were entered in the EEC Treaty. These activities take the form of balance-of-payments support and the granting of loans both inside and outside the Community, in particular through the new Community instrument (NCI) to promote investment. The development of this non-budget activity since 1980 is presented in Table 5.

## 2. The development of common policies

The main stages are as follows:

- establishment in 1962 of the European Agricultural Guidance and Guarantee Fund (EAGGF),
- research policy, initially founded on the Euratom Treaty (and therefore limited at the outset to nuclear matters), but gradually extended to many other areas,
- common fisheries policy, for which the first regulations date from 1970,
- strengthening in 1971 of the European Social Fund (ESF), set up by the Treaty of Rome,
- creation in 1975 of the European Regional Development Fund (ERDF),

- common environment policy, enshrined in the Single Act,
- reform of the Structural Funds (ERDF, ESF, EAGGF Guidance Section) in 1988,
- development of the common transport policy,
- second reform of the Structural Funds, establishment of the Financial Instrument for Fisheries Guidance and the Cohesion Fund in 1993,
- establishment, in the Treaty on European Union, of a policy of cooperation in the fields of justice and home affairs and of a common defence and security policy ('second and third pillars').

## 3. Successive enlargements

From six at the outset, the Community now has 12 members:

- the Paris (1951) and Rome (1957) Treaties were signed by France, Germany, Italy and the Benelux countries,
- the Acts of Accession of the United Kingdom, Ireland and Denmark, signed in 1972, entered into force on 1 January 1973,
- Greece became the tenth Member State on 1 January 1981,
- Spain and Portugal acceded on 1 January 1986,
- Austria, Finland and Sweden acceded on 1 January 1995.

In addition, under the Agreement on the European Economic Area, three <sup>(1)</sup> of the seven members of the European Free Trade Association (EFTA) participate in various Community policies in return for a financial contribution calculated according to a proportionality factor based on GNP.

<sup>(1)</sup> Iceland and Norway, since the EEA entered into force on 1 January 1994 and Liechtenstein since May 1995.

Map 1

Enlargement of the European Union

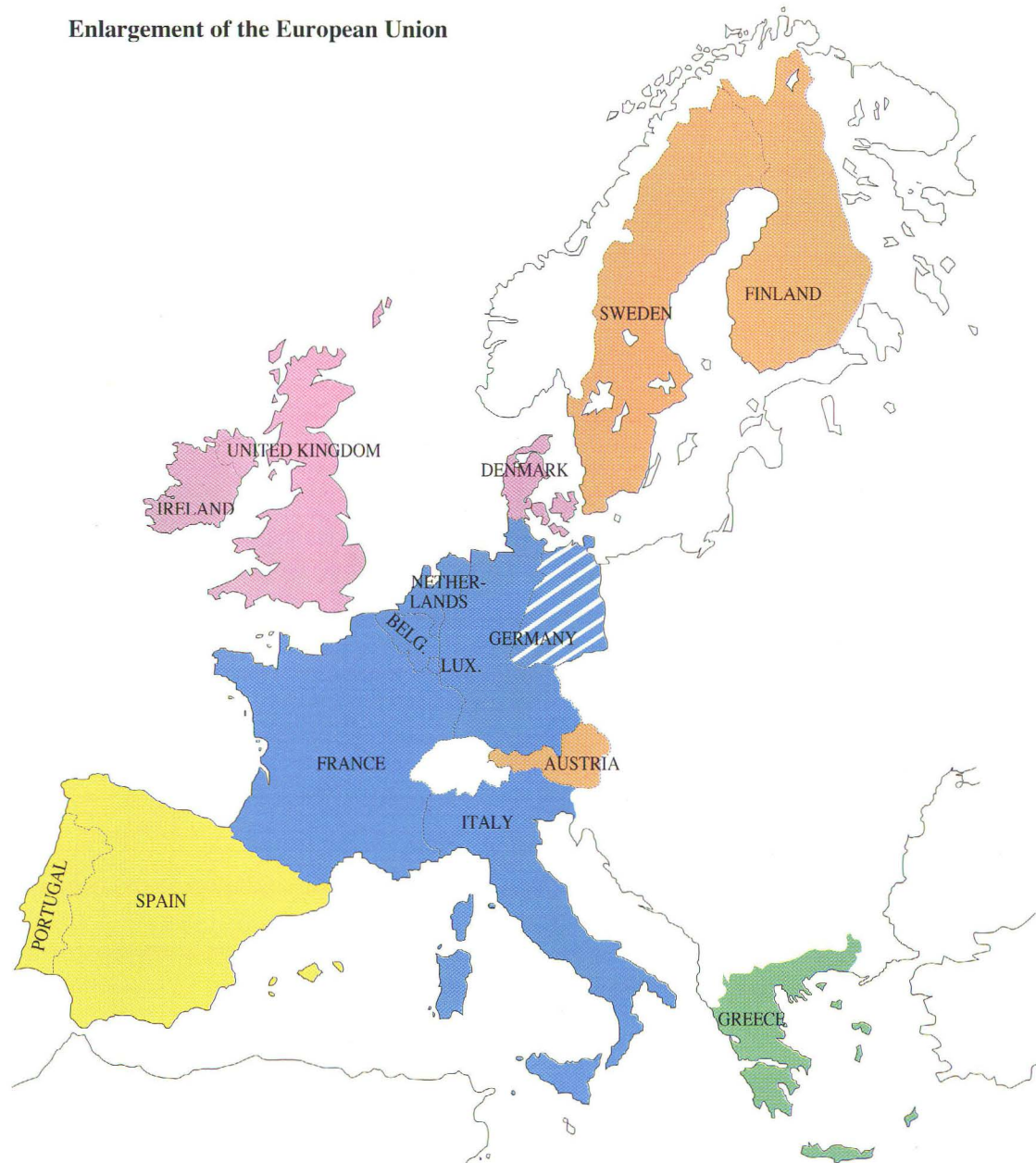
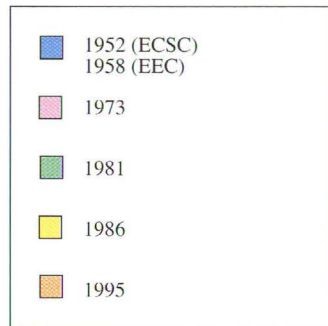


Table 1

**Community expenditure from 1958 to 1997**  
(Outturn in payments)

(ECU million)

Heading	Financial year													
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
<b>General budget</b>														
EAGGF Guarantee Section								28,7	50,7	340,0	1 259,7	1 668,6	3 108,1	1 755,6
Structural Funds, of which:				8,6	11,3	4,6	7,2	4,6	22,1	81,1	58,5	70,8	95,4	118,0
— EAGGF Guidance Section											34,0	51,3	58,4	61,5
— ERDF														
— ESF											24,5	19,5	37,0	56,5
Research											73,4	59,2	63,4	64,9
External action									0,9	0,8	1,0	1,0	1,4	0,4
Administration	7,3	18,1	21,2	25,4	30,2	35,2	39,6	43,3	50,9	53,7	94,7	104,3	115,3	137,8
Repayments and other									0,6	0,5	0,6	0,9	1,6	130,4
<b>General budget — Total</b>	<b>7,3</b>	<b>18,1</b>	<b>21,2</b>	<b>34,0</b>	<b>41,5</b>	<b>39,8</b>	<b>46,8</b>	<b>76,6</b>	<b>125,2</b>	<b>476,1</b>	<b>1 487,9</b>	<b>1 904,8</b>	<b>3 385,2</b>	<b>2 207,1</b>
<b>EDF</b>			<b>3,4</b>	<b>15,8</b>	<b>53,3</b>	<b>65,3</b>	<b>83,4</b>	<b>106,7</b>	<b>108,3</b>	<b>104,6</b>	<b>106,5</b>	<b>115,0</b>	<b>145,6</b>	<b>154,4</b>
<b>ECSC</b>	<b>70,3</b>	<b>21,8</b>	<b>28,2</b>	<b>20,8</b>	<b>22,3</b>	<b>22,6</b>	<b>29,1</b>	<b>35,7</b>	<b>31,0</b>	<b>37,7</b>	<b>32,4</b>	<b>45,7</b>	<b>45,6</b>	<b>49,8</b>
<b>Euratom <sup>(1)</sup></b>	<b>3,7</b>	<b>8,5</b>	<b>5,8</b>	<b>6,9</b>	<b>54,8</b>	<b>84,7</b>	<b>100,1</b>	<b>120,0</b>	<b>129,2</b>	<b>129,5</b>				
<b>Grand total</b>	<b>81,3</b>	<b>48,4</b>	<b>58,6</b>	<b>77,5</b>	<b>171,9</b>	<b>212,4</b>	<b>259,4</b>	<b>339,0</b>	<b>393,7</b>	<b>747,9</b>	<b>1 626,8</b>	<b>2 065,5</b>	<b>3 576,4</b>	<b>2 411,3</b>

(1) The Euratom budget was incorporated in the general budget in 1969.



Table 1 (cont'd)

## Community expenditure from 1958 to 1997

(Outturn in payments)

(ECU million)

Heading	Financial year													
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>General budget</b>														
EAGGF Guarantee Section	2 485,6	3 614,4	3 459,8	4 327,7	5 636,7	6 587,1	8 679,3	10 387,1	11 291,9	11 063,7	12 259,8	15 785,8	18 330,4	19 727,8
Structural Funds, of which:	136,9	259,1	281,8	375,3	623,8	685,5	1 388,7	1 515,5	1 808,5	3 566,8	4 570,1	4 081,3	3 220,0	3 702,9
— EAGGF Guidance Section	53,2	10,8	37,8	76,7	112,1	113,0	325,6	286,5	314,6	539,9	650,8	575,3	595,6	685,5
— ERDF				150,0	300,0	400,0	525,0	699,0	793,4	2 406,5	2 905,4	2 306,6	1 412,5	1 610,0
— ESF	83,7	248,3	244,0	148,6	211,7	172,5	538,1	530,0	700,5	620,4	1 013,9	1 199,4	1 211,9	1 407,4
— Cohesion Fund														
Research	76,3	70,1	110,3	115,9	127,2	180,8	266,9	267,6	364,2	311,6	437,3	1 345,5	1 660,0	677,9
External action	71,8	63,3	358,5	250,9	202,8	194,1	313,2	443,7	603,9	738,4	891,2	901,3	996,5	963,8
Administration	173,6	245,3	306,2	364,0	430,7	501,6	686,6	775,6	829,9	941,8	1 048,2	1 108,2	1 212,9	1 304,8
Repayments and other	178,1	253,0	309,8	383,1	541,6	586,8	707,1	831,2	958,9	1 103,7	1 263,0	1 283,9	1 661,6	1 490,1
<b>General budget — Total</b>	<b>3 122,3</b>	<b>4 505,2</b>	<b>4 826,4</b>	<b>5 816,9</b>	<b>7 562,8</b>	<b>8 735,9</b>	<b>12 041,8</b>	<b>14 220,7</b>	<b>15 857,3</b>	<b>17 726,0</b>	<b>20 469,6</b>	<b>24 506,0</b>	<b>27 081,4</b>	<b>27 867,3</b>
<b>EDF</b>	<b>131,5</b>	<b>157,8</b>	<b>172,0</b>	<b>208,5</b>	<b>248,6</b>	<b>244,7</b>	<b>401,0</b>	<b>465,3</b>	<b>481,9</b>	<b>663,7</b>	<b>647,2</b>	<b>718,8</b>	<b>703,0</b>	<b>698,0</b>
<b>ECSC</b>	<b>51,0</b>	<b>40,5</b>	<b>58,0</b>	<b>76,0</b>	<b>84,2</b>	<b>95,5</b>	<b>67,3</b>	<b>87,5</b>	<b>115,6</b>	<b>139,7</b>	<b>184,0</b>	<b>207,7</b>	<b>255,2</b>	<b>267,9</b>
<b>Grand total</b>	<b>3 304,8</b>	<b>4 703,5</b>	<b>5 056,4</b>	<b>6 101,4</b>	<b>7 895,6</b>	<b>9 076,1</b>	<b>12 510,1</b>	<b>14 773,5</b>	<b>16 454,8</b>	<b>18 529,4</b>	<b>21 300,8</b>	<b>25 432,5</b>	<b>28 039,6</b>	<b>28 833,2</b>

Table 1 (cont'd)

**Community expenditure from 1958 to 1997**  
(Outturn in payments)

(ECU million)

Heading	Financial year														
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996 <sup>(1)</sup>	1997 <sup>(2)</sup>			
<b>General budget</b>															
EAGGF Guarantee Section	22 118,1	22 950,1	27 635,2	25 844,3	27 094,2	30 960,8	31 225,4	34 678,4	32 906,2	34 451,1	41 328,0	42 305,0			
Structural Funds, of which:	5 664,7	5 859,6	6 419,3	7 945,1	9 591,4	13 971,0	18 298,3	20 478,5	15 872,1	19 223,3	26 005,6	27 564,8			
— EAGGF Guidance Section	771,2	789,5	1 140,9	1 349,0	1 825,3	2 085,4	2 847,4	2 914,2	2 476,5	2 530,6	3 859,4	3 709,8			
— ERDF	2 456,7	2 560,1	2 979,8	3 920,0	4 554,1	6 306,8	8 553,8	9 545,6	6 331,2	8 373,6	10 663,1	11 377,7			
— ESF	2 436,8	2 510,0	2 298,6	2 676,1	3 212,0	4 030,0	4 303,7	5 382,6	4 315,4	4 546,9	6 031,6	6 453,2			
— Cohesion Fund								795,0	851,6	1 699,3	1 919,3	2 326,0			
— FIG									395,0	248,1	314,0	381,0			
Research	775,4	964,4	1 129,5	1 517,5	1 790,3	1 706,3	1 903,2	2 240,8	2 472,2	2 544,8	3 096,6	3 220,0			
External action	1 057,3	809,2	768,1	1 044,3	1 430,6	2 209,6	2 027,4	2 857,3	3 055,0	3 412,9	4 718,2	4 775,5			
Administration	1 533,9	1 696,9	1 915,7	2 070,7	2 353,4	2 656,4	2 751,6	2 988,3	3 223,3	3 560,4	4 128,6	4 292,7			
Repayments and other	3 526,0	2 807,8	3 153,9	2 335,2	1 803,0	2 146,1	1 740,6	961,2	1 370,0	3 085,0	2 611,4	2 246,6			
<b>General budget — Total</b>	<b>34 675,4</b>	<b>35 088,0</b>	<b>41 021,7</b>	<b>40 757,1</b>	<b>44 062,9</b>	<b>53 650,2</b>	<b>57 946,5</b>	<b>64 204,5</b>	<b>58 898,8</b>	<b>66 277,5</b>	<b>81 888,4</b>	<b>84 444,6</b>			
<b>EDF</b>	<b>846,7</b>	<b>837,9</b>	<b>1 196,3</b>	<b>1 297,1</b>	<b>1 256,5</b>	<b>1 191,3</b>	<b>1 941,7</b>	<b>1 353,6</b>	<b>1 781,6</b>	<b>1 563,7</b>	<b>1 434,0</b>	<b>1 810,0</b>			
<b>ECSC</b>	<b>298,1</b>	<b>308,9</b>	<b>277,2</b>	<b>229,9</b>	<b>288,6</b>	<b>314,3</b>	<b>412,2</b>	<b>596,4</b>	<b>424,0</b>	<b>297,5</b>	<b>247,0</b>	<b>265,5</b>			
<b>Grand total</b>	<b>35 820,2</b>	<b>36 234,8</b>	<b>42 495,2</b>	<b>42 284,1</b>	<b>45 608,0</b>	<b>55 155,8</b>	<b>60 300,5</b>	<b>66 154,5</b>	<b>61 104,4</b>	<b>68 138,7</b>	<b>83 569,4</b>	<b>86 520,1</b>			

<sup>(1)</sup> 1996 budget.<sup>(2)</sup> Preliminary draft budget 1997.

Chart 1

Community expenditure from 1958 to 1997 (at current prices and 1996 prices)

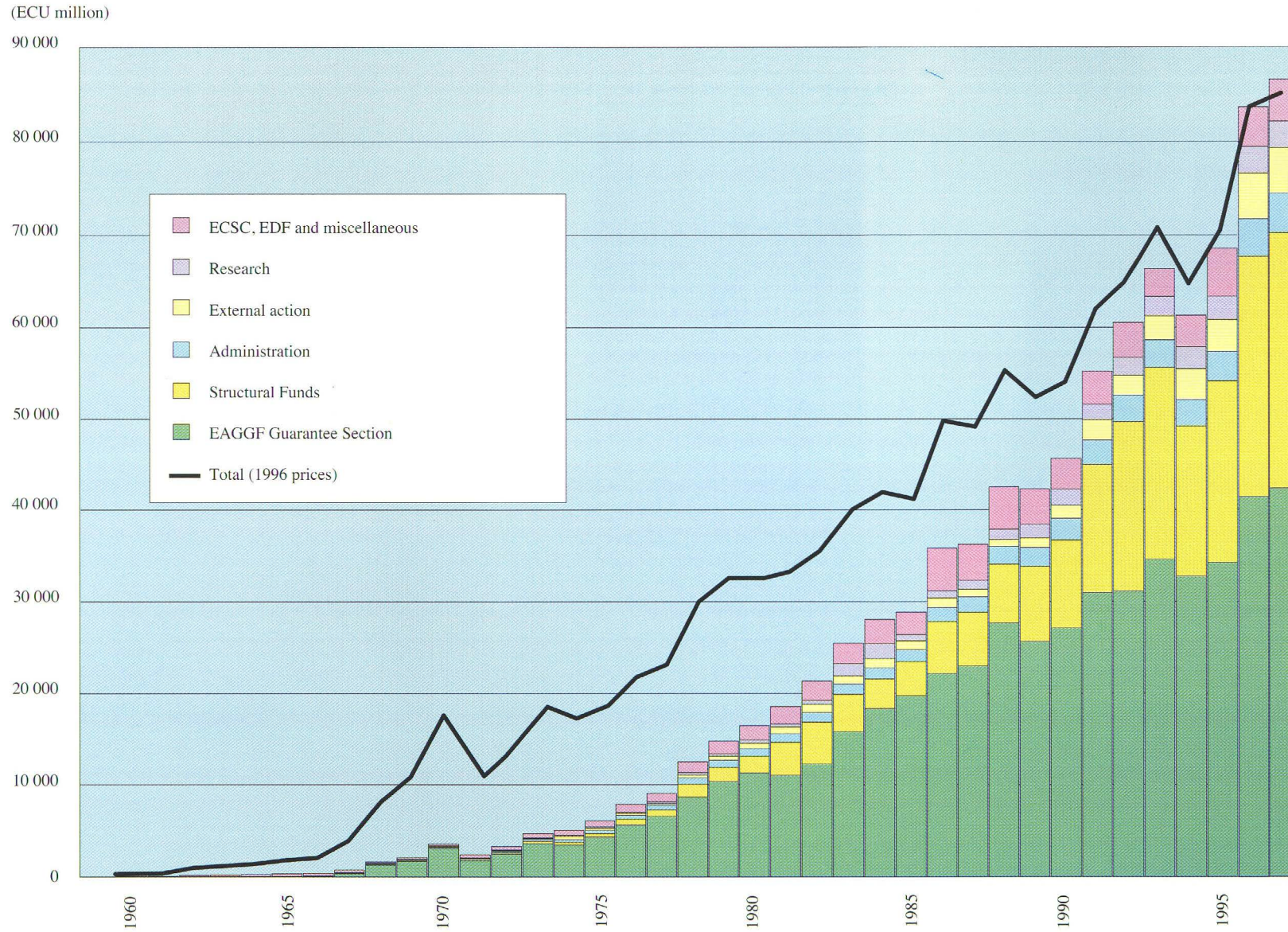


Table 2

**Community expenditure from 1958 to 1997**  
(Outturn in payments)

(in %)

Heading	Financial year													
	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
<b>General budget</b>														
EAGGF Guarantee Section								8,5	12,9	45,5	77,4	80,8	86,9	72,8
Structural Funds, of which:				11,1	6,6	2,2	2,8	1,4	5,6	10,8	3,6	3,4	2,7	4,9
— EAGGF Guidance Section											2,1	2,5	1,6	2,6
— ERDF											1,5	0,9	1,0	2,3
— ESF											4,5	2,9	1,8	2,7
Research											4,5	2,9	1,8	2,7
External action									0,2	0,1	0,1	0,0	0,0	0,0
Administration	9,0	37,4	36,2	32,8	17,6	16,6	15,3	12,8	12,9	7,2	5,8	5,0	3,2	5,7
Repayments and other										0,1	0,0	0,0	0,0	5,4
<b>General budget — Total</b>	<b>9,0</b>	<b>37,4</b>	<b>36,2</b>	<b>43,9</b>	<b>24,1</b>	<b>18,7</b>	<b>18,0</b>	<b>22,6</b>	<b>31,8</b>	<b>63,7</b>	<b>91,5</b>	<b>92,2</b>	<b>94,7</b>	<b>91,5</b>
<b>EDF</b>			5,8	20,4	31,0	30,7	32,2	31,5	27,5	14,0	6,5	5,6	4,1	6,4
<b>ECSC</b>	86,5	45,0	48,1	26,8	13,0	10,6	11,2	10,5	7,9	5,0	2,0	2,2	1,3	2,1
<b>Euratom <sup>(1)</sup></b>	4,6	17,6	9,9	8,9	31,9	39,9	38,6	35,4	32,8	17,3				
<b>Grand total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>(1)</sup> The Euratom budget was incorporated in the general budget in 1969.



Table 2 (cont'd)  
**Community expenditure from 1958 to 1997**  
 (Outturn in payments)

(in %)

Heading	Financial year														
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996 <sup>(1)</sup>	1997 <sup>(2)</sup>			
<b>General budget</b>															
EAGGF Guarantee Section	61,7	63,3	65,0	61,1	59,4	56,1	51,8	52,4	53,9	50,6	49,5	48,9			
Structural Funds, of which:	15,8	16,2	15,1	18,8	21,0	25,3	30,3	31,0	26,0	28,2	31,1	31,9			
— EAGGF Guidance Section	2,2	2,2	2,7	3,2	4,0	3,8	4,7	4,4	4,1	3,7	4,6	4,3			
— ERDF	6,9	7,1	7,0	9,3	10,0	11,4	14,2	14,4	10,4	12,3	12,8	13,2			
— ESF	6,8	6,9	5,4	6,3	7,0	7,3	7,1	8,1	7,1	6,7	7,2	7,5			
— Cohesion Fund								1,2	1,4	2,5	2,3	2,7			
— FIFG								0,6	0,6	0,4	0,4	0,4			
Research	2,2	2,7	2,7	3,6	3,9	3,1	3,2	3,4	4,0	3,7	3,7	3,7			
External action	3,0	2,2	1,8	2,5	3,1	4,0	3,4	4,3	5,0	5,0	5,6	5,5			
Administration	4,3	4,7	4,5	4,9	5,2	4,8	4,6	4,5	5,3	5,2	4,9	5,0			
Repayments and other	9,8	7,7	7,4	5,5	4,0	3,9	2,9	1,5	2,2	4,5	3,1	2,6			
<b>General budget — Total</b>	<b>96,8</b>	<b>96,8</b>	<b>96,5</b>	<b>96,4</b>	<b>96,6</b>	<b>97,3</b>	<b>96,1</b>	<b>97,1</b>	<b>96,4</b>	<b>97,3</b>	<b>98,0</b>	<b>97,6</b>			
<b>EDF</b>	<b>2,4</b>	<b>2,3</b>	<b>2,8</b>	<b>3,1</b>	<b>2,8</b>	<b>2,2</b>	<b>3,2</b>	<b>2,0</b>	<b>2,9</b>	<b>2,3</b>	<b>1,7</b>	<b>2,1</b>			
<b>ECSC</b>	<b>0,8</b>	<b>0,9</b>	<b>0,7</b>	<b>0,5</b>	<b>0,6</b>	<b>0,6</b>	<b>0,7</b>	<b>0,9</b>	<b>0,7</b>	<b>0,4</b>	<b>0,3</b>	<b>0,3</b>			
<b>Grand total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>			

<sup>(1)</sup> 1996 budget.<sup>(2)</sup> Preliminary draft budget 1997.

Chart 2

Community expenditure from 1958 to 1997

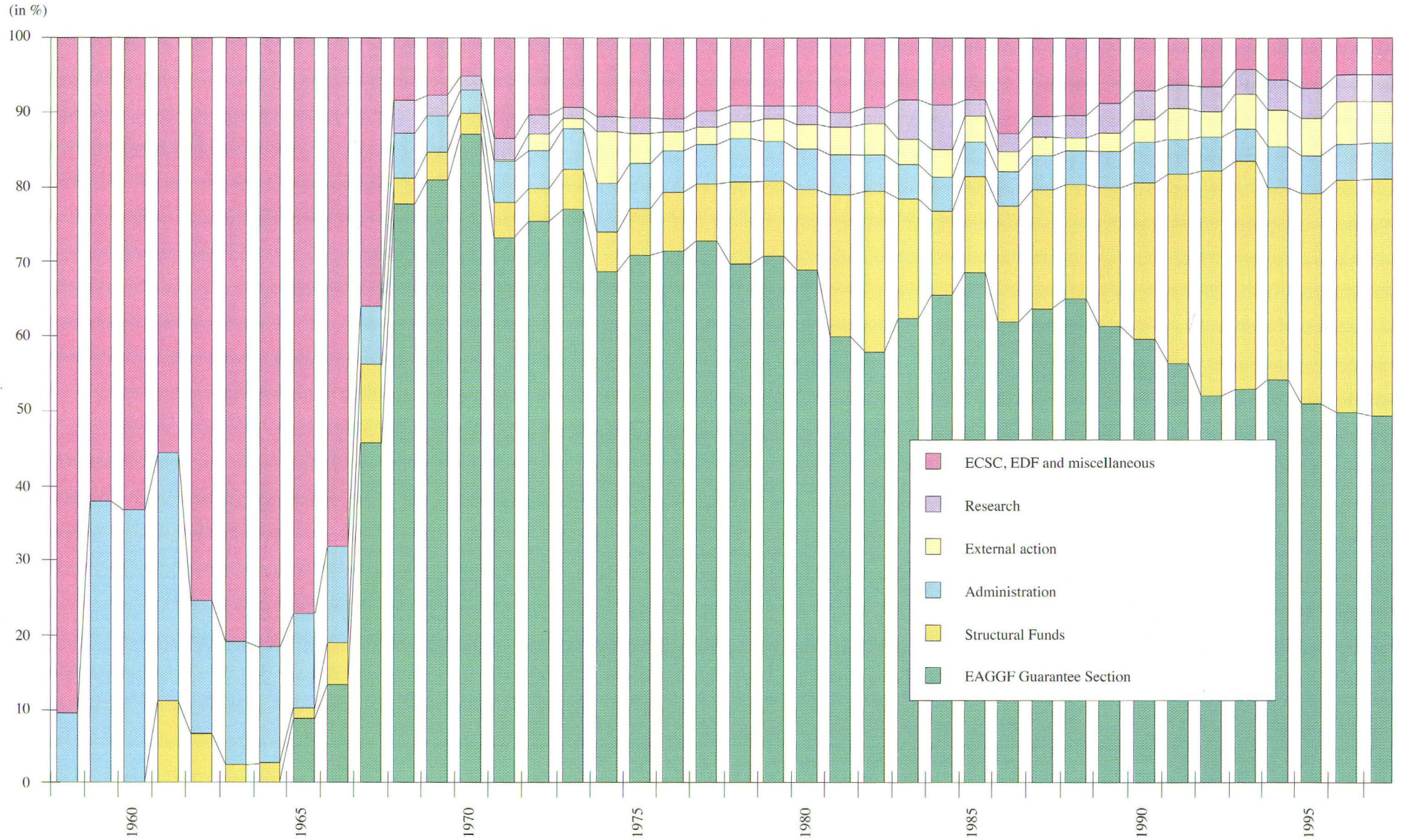


Table 3

## Community expenditure in relation to the total of Member States' budgets and Community GDP

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	81,3	48,4	58,6	77,5	171,9	212,4	259,4	339,0	393,7	747,9
Annual growth in nominal terms (%)		(40,5)	21,0	32,3	121,8	23,6	22,1	30,7	16,1	90,0
Total Community expenditure (1996 prices) (ECU million)			438,3	556,0	1 178,8	1 392,4	1 627,3	2 051,3	2 305,9	4 244,7
Annual growth in real terms (%)				26,8	112,0	18,1	16,9	26,1	12,4	84,1
Community expenditure as % of public expenditure in Member States			0,1	0,1	0,2	0,2	0,3	0,3	0,3	0,6
Expenditure as % of Community GDP			0,03	0,04	0,08	0,09	0,09	0,11	0,12	0,22
Expenditure per capita (ECU)			0,3	0,4	1,0	1,2	1,4	1,9	2,2	4,1
Expenditure per capita (1996 prices)			2,4	3,1	6,4	7,4	8,6	10,7	12,0	21,9

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	1 626,8	2 065,5	3 576,4	2 411,3	3 304,8	4 703,5	5 056,4	6 101,4	7 895,6	9 076,1
Annual growth in nominal terms (%)	117,5	27,0	73,1	(32,6)	37,1	42,3	7,5	20,7	29,4	15,0
Total Community expenditure (1996 prices) (ECU million)	8 669,5	10 513,6	17 386,5	10 914,6	13 851,1	18 102,3	17 406,6	18 505,6	21 889,9	23 191,3
Annual growth in real terms (%)	104,2	21,3	65,4	(37,2)	26,9	30,7	(3,8)	6,3	18,3	5,9
Community expenditure as % of public expenditure in Member States	1,1	1,3	1,9	1,2	1,4	1,3	1,2	1,2	1,3	1,4
Expenditure as % of Community GDP	0,42	0,48	0,74	0,45	0,55	0,53	0,50	0,54	0,61	0,63
Expenditure per capita (ECU)	8,8	11,1	19,0	12,7	17,3	18,3	19,6	23,6	30,5	35,0
Expenditure per capita (1996 prices)	44,5	53,5	85,7	53,3	67,2	65,4	62,6	66,4	77,9	82,4



Table 3 (cont'd)

## Community expenditure in relation to the total of Member States' budgets and Community GDP

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	12 510,1	14 773,5	16 454,8	18 529,4	21 300,8	25 432,5	28 039,6	28 833,2	35 820,2	36 234,8
Annual growth in nominal terms (%)	37,8	18,1	11,4	12,6	15,0	19,4	10,3	2,8	24,2	1,2
Total Community expenditure (1996 prices) (ECU million)	29 680,7	32 274,9	32 240,4	33 064,9	35 064,9	39 496,6	41 393,0	40 653,8	49 614,3	48 964,4
Annual growth in real terms (%)	28,0	8,7	(0,1)	2,6	6,0	12,6	4,8	(1,8)	20,4	(1,3)
Community expenditure as % of public expenditure in Member States	1,7	1,8	1,7	1,7	1,7	1,9	1,9	1,9	2,1	2,0
Expenditure as % of Community GDP	0,78	0,81	0,80	0,81	0,85	0,94	0,97	0,93	1,00	0,96
Expenditure per capita (ECU)	48,2	56,8	63,0	68,3	78,3	93,4	102,9	105,6	111,3	112,3
Expenditure per capita (1996 prices)	105,2	115,9	115,4	113,9	120,5	135,6	142,0	139,2	153,7	151,3

	1988	1989	1990	1991	1992	1993	1994	1995	1996 <sup>(1)</sup>	1997 <sup>(2)</sup>
Total Community expenditure (ECU million) (including ECSC, Euratom and EDF)	42 495,2	42 284,1	45 608,0	55 155,8	60 300,5	66 154,5	61 104,4	68 138,7	83 569,4	86 520,1
Annual growth in nominal terms (%)	17,3	(0,5)	7,9	20,9	9,3	9,7	(7,6)	11,5	22,6	3,5
Total Community expenditure (1996 prices) (ECU million)	55 109,6	52 174,9	53 852,9	61 907,5	65 330,1	70 613,2	64 006,6	70 251,0	83 569,4	84 823,7
Annual growth in real terms (%)	12,6	(5,3)	3,2	15,0	5,5	8,1	(9,4)	9,8	19,0	1,0
Community expenditure as % of public expenditure in Member States	2,2	2,0	2,0	2,2	2,2	2,3	2,1	2,1	2,5	2,5
Expenditure as % of Community GDP	1,04	0,95	0,95	1,06	1,10	1,20	1,06	1,06	1,24	1,23
Expenditure per capita (ECU)	131,2	130,0	139,5	160,0	174,1	190,1	175,1	183,2	224,0	231,3
Expenditure per capita (1996 prices)	169,7	160,0	164,2	179,1	188,1	202,4	182,9	188,3	224,0	226,8

<sup>(1)</sup> 1996 budget<sup>(2)</sup> 1997 preliminary draft budget.

Chart 3

## Total per capita expenditure at current prices and 1996 prices

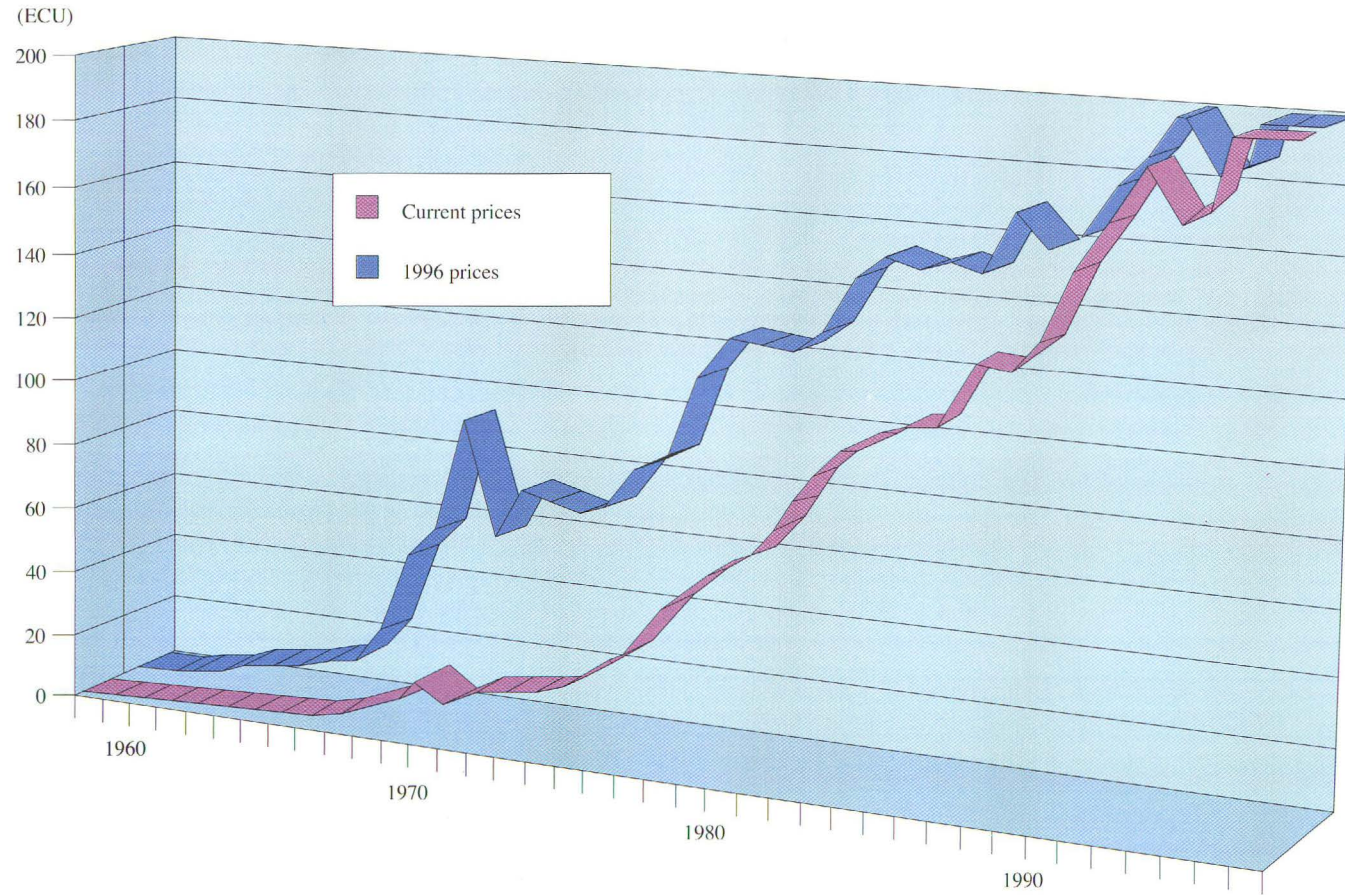


Chart 4

Community expenditure as a percentage of Member States' budgets and Community GDP

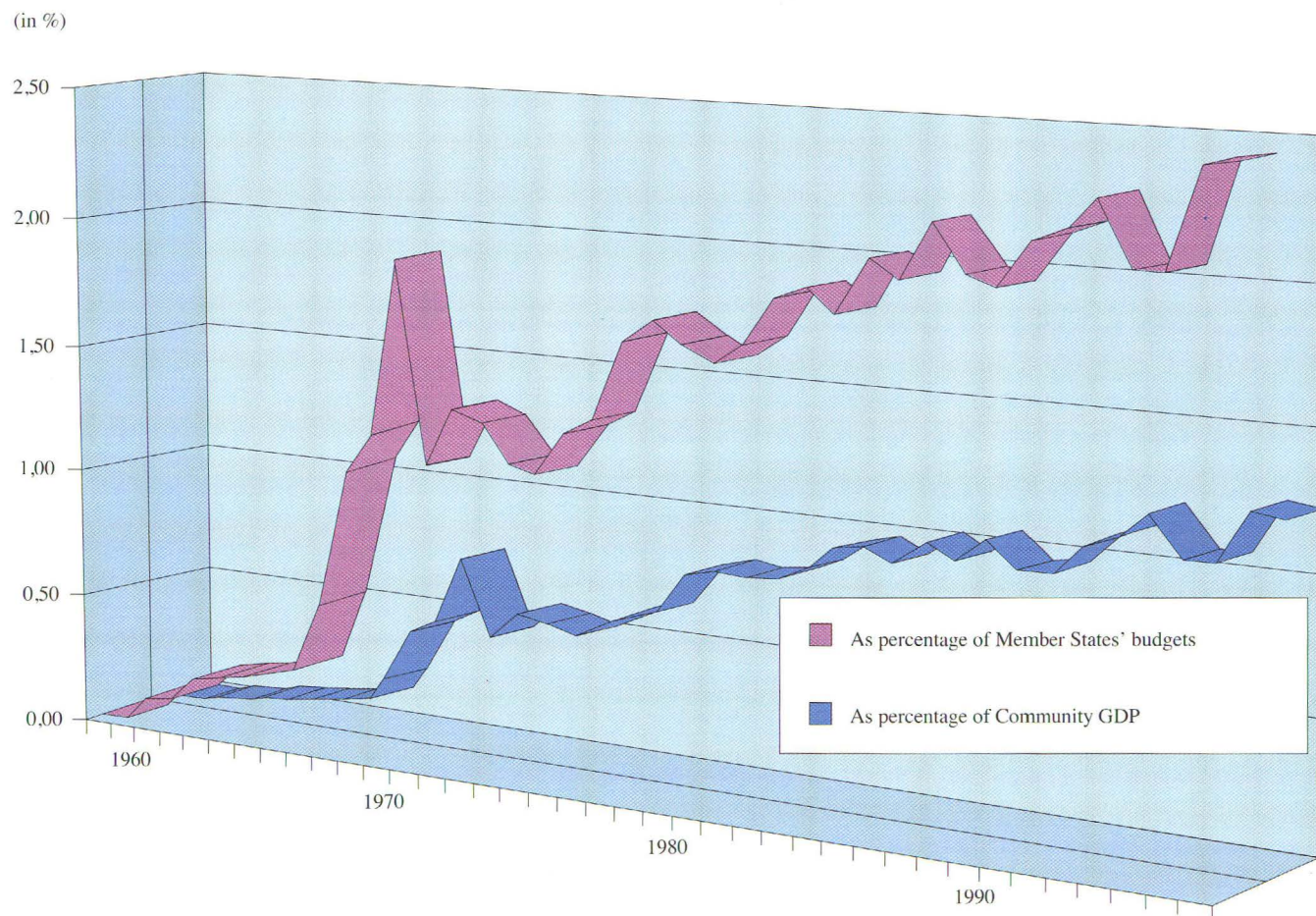


Table 4

## Community revenue from 1971 to 1997

(ECU million)

Type of revenue	1971		1972		1973		1974		1975		1976		1977		1978		1979	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	713,8	30,6	799,5	25,6	510,3	10,4	330,1	6,4	590,1	9,2	1 163,7	14,2	1 778,5	20,5	2 278,9	18,3	2 143,5	14,4
Customs duties	582,3	25,0	957,3	30,7	1 986,3	40,4	2 737,6	53,2	3 151,0	49,3	4 064,5	49,7	3 927,2	45,3	4 390,9	35,3	5 189,1	34,8
VAT																	4 737,7	31,8
Fourth resource																		
Miscellaneous	1 033,2	44,4	1 360,7	43,6	2 417,7	49,2	2 075,7	40,4	2 644,0	41,4	2 956,5	36,1	2 969,4	34,2	5 783,0	46,4	2 821,2	18,9
<b>Total</b>	<b>2 329,3</b>	<b>100</b>	<b>3 117,5</b>	<b>100</b>	<b>4 914,3</b>	<b>100</b>	<b>5 143,4</b>	<b>100</b>	<b>6 385,1</b>	<b>100</b>	<b>8 184,7</b>	<b>100</b>	<b>8 675,1</b>	<b>100</b>	<b>12 452,8</b>	<b>100</b>	<b>14 891,5</b>	<b>100</b>

(ECU million)

Type of revenue	1980		1981		1982		1983		1984		1985		1986		1987		1988	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	2 002,3	12,2	1 747,4	9,2	2 227,8	10,1	2 433,9	9,5	2 950,0	11,3	2 179,1	7,8	2 287,0	6,8	3 097,8	8,7	2 605,8	6,2
Customs duties	5 905,7	35,9	6 392,4	33,8	6 815,3	30,9	7 234,6	28,1	7 623,5	29,2	8 310,1	29,6	8 173,0	24,3	8 936,5	25,0	9 310,2	22,3
VAT	7 258,5	44,2	9 187,8	48,6	12 000,5	54,3	13 691,0	53,2	14 565,9	55,8	15 218,9	54,2	22 223,4	66,0	23 463,5	65,6	23 927,6	57,2
Fourth resource																	4 445,8	10,6
Miscellaneous	1 265,8	7,7	1 590,4	8,4	1 038,5	4,7	2 369,7	9,2	943,0	3,6	2 377,0	8,4	983,8	2,9	285,5	0,7	1 554,0	3,7
<b>Total</b>	<b>16 432,3</b>	<b>100</b>	<b>18 918,0</b>	<b>100</b>	<b>22 082,1</b>	<b>100</b>	<b>25 729,2</b>	<b>100</b>	<b>26 082,4</b>	<b>100</b>	<b>28 085,1</b>	<b>100</b>	<b>33 667,2</b>	<b>100</b>	<b>35 783,3</b>	<b>100</b>	<b>41 843,4</b>	<b>100</b>

Table 4 (cont'd)

## Community revenue from 1971 to 1997

(ECU million)

Type of revenue	1989		1990		1991		1992		1993		1994		1995		1996 <sup>(1)</sup>		1997 <sup>(2)</sup>	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Agricultural duties	2 397,7	5,2	1 875,7	4,0	2 486,0	4,4	1 987,8	3,3	1 929,9	2,9	2 074,1	3,1	1 944,6	2,6	1 963,4	2,4	2 015,5	2,4
Customs duties	10 312,9	22,5	10 285,1	22,1	11 476,0	20,4	11 292,4	18,9	11 055,6	16,8	11 178,0	16,9	12 508,6	16,7	12 852,9	15,7	12 203,2	14,5
VAT	26 293,4	57,3	27 440,1	59,1	30 269,0	53,8	34 659,3	58,0	34 489,9	52,5	33 254,5	50,4	39 183,2	52,2	39 792,3	48,6	34 587,7	41,0
Fourth resource	4 519,0	9,8	94,9	0,2	7 445,1	13,2	8 322,2	13,9	16 517,9	25,2	17 682,2	26,8	14 191,2	18,9	26 711,8	32,6	35 021,9	41,5
Miscellaneous	2 376,8	5,2	6 773,3	14,6	4 573,1	8,1	3 450,1	5,8	1 679,5	2,6	1 813,3	2,7	7 249,5	9,7	568,1	0,7	616,3	0,7
<b>Total</b>	<b>45 899,8</b>	<b>100</b>	<b>46 469,1</b>	<b>100</b>	<b>56 249,2</b>	<b>100</b>	<b>59 711,8</b>	<b>100</b>	<b>65 672,7</b>	<b>100</b>	<b>66 002,1</b>	<b>100</b>	<b>75 077,1</b>	<b>100</b>	<b>81 888,4</b>	<b>100</b>	<b>84 444,6</b>	<b>100</b>

<sup>(1)</sup> 1996 budget.<sup>(2)</sup> 1997 preliminary draft budget.

Chart 5

Community revenue from 1971 to 1997

(ECU million)

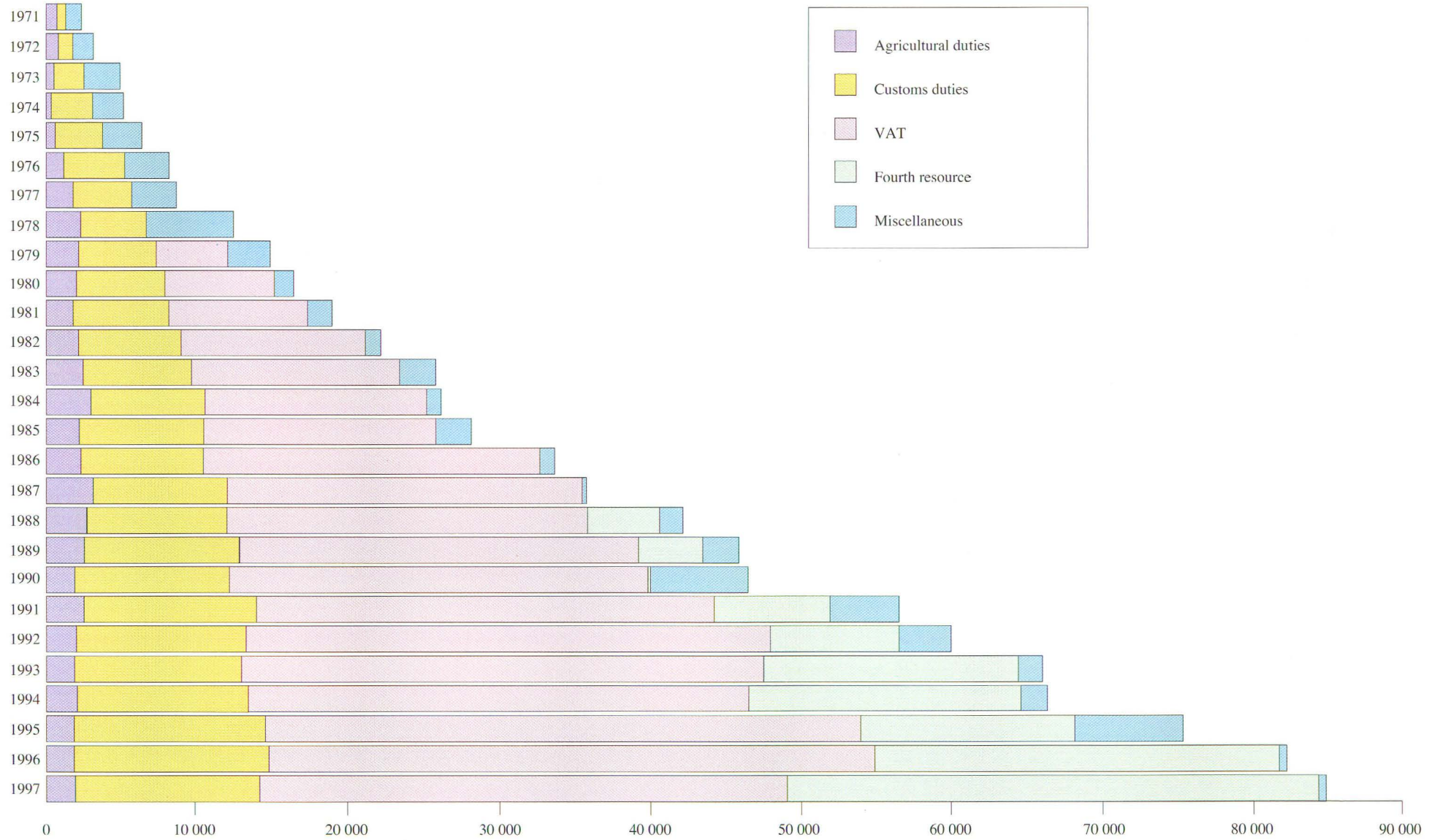


Chart 6

Community revenue from 1971 to 1997

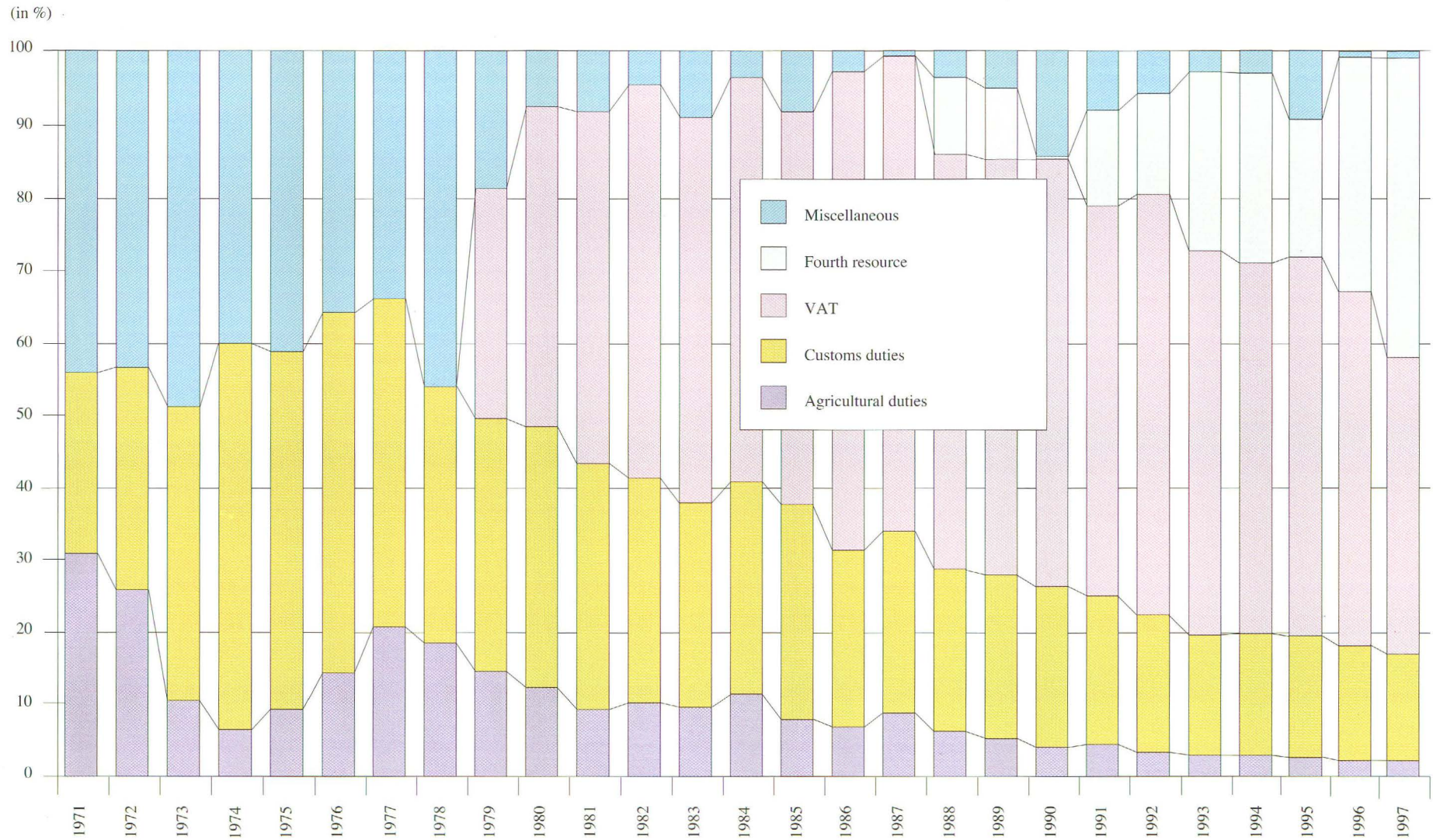


Table 5

## Community borrowing and lending from 1980 to 1997

(ECU million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996 <sup>(1)</sup>	1997 <sup>(1)</sup>
<b>Loans raised</b>																		
ECSC	1 004	325	712	750	822	1 265	1 517	1 487	880	913	1 086	1 446	1 474	908	644	386	600	300
Balance of payments				4 247			862	860			350	1 695	1 209	4 969	388	409	2 535	2 000
Euratom	181	373	363	369	214	344	488	853	93					49	0	150 <sup>(3)</sup>	400 <sup>(3)</sup>	
NCI	305	339	773	1 617	967	860	541	611	945	522	76	49		70	66	0	0	
European Investment Bank (EIB)	2 384	2 243	3 146	3 508	4 339	5 699	6 786	5 593	7 666	9 034	10 996	13 672	12 974	14 224	14 148	12 395	<sup>(2)</sup>	<sup>(2)</sup>
<b>Community — Total</b>	<b>3 874</b>	<b>3 280</b>	<b>4 994</b>	<b>10 941</b>	<b>6 342</b>	<b>8 168</b>	<b>10 194</b>	<b>9 404</b>	<b>9 584</b>	<b>10 469</b>	<b>12 508</b>	<b>16 862</b>	<b>15 657</b>	<b>20 101</b>	<b>15 298</b>	<b>13 256</b>		
<b>Loans granted</b>																		
ECSC	1 031	388	740	778	825	1 010	1 069	969	908	700	993	1 382	1 486	918	674	403	600	300
Balance of payments				4 247			862	860			350	1 695	1 209	4 969	388	409	2 535	2 000
Euratom	181	357	362	366	186	211	443	314						0	0	150 <sup>(3)</sup>	400 <sup>(3)</sup>	
NCI	197	540	791	1 200	1 182	884	393	425	357	78	24	39	9	30	0	0	0	0
European Investment Bank (EIB)	2 724	2 524	3 446	4 146	5 007	5 641	6 678	6 967	8 844	11 507	12 605	14 438	16 140	17 724	17 682	18 603	<sup>(2)</sup>	<sup>(2)</sup>
<b>Community — Total</b>	<b>4 133</b>	<b>3 809</b>	<b>5 339</b>	<b>10 737</b>	<b>7 200</b>	<b>7 746</b>	<b>9 445</b>	<b>9 535</b>	<b>10 109</b>	<b>12 285</b>	<b>13 972</b>	<b>17 554</b>	<b>18 844</b>	<b>23 641</b>	<b>18 743</b>	<b>19 415</b>		

<sup>(1)</sup> Provisional figures.<sup>(2)</sup> Figures not available.<sup>(3)</sup> Countries of central and eastern Europe.



Table 6  
Staff of the Community institutions from 1968 to 1996

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
<b>Parliament</b>	514	529	532	589	787	1 096	1 172	1 206	1 404	1 537	1 709	2 112	2 573	2 927	2 931
<b>Council</b>	563	569	618	628	980	1 218	1 330	1 481	1 501	1 508	1 517	1 547	1 599	1 700	1 755
<b>Commission</b>	7 703	7 707	7 801	8 025	8 239	9 247	9 573	9 987	10 641	11 068	11 418	11 649	11 947	12 283	12 675
of which: Administrative budget	4 953	5 003	5 201	5 455	5 827	6 799	7 194	7 605	7 777	8 048	8 378	8 580	8 885	9 173	9 565
Research budget	2 750	2 704	2 501	2 450	2 277	2 277	2 198	2 184	2 658	2 806	2 816	2 771	2 736	2 753	2 747
Publications Office			99	120	135	171	181	198	206	214	224	237	265	284	288
Other bodies <sup>(1)</sup>												61	61	73	75
<b>Court of Justice</b>	110	110	114	126	138	223	254	261	264	275	288	315	363	452	474
<b>Court of Auditors</b>	19	24	26	29	30	35	35	35	35	35	164	214	259	284	294
<b>Economic and Social Committee <sup>(2)</sup> and Committee of the Regions</b>	117	129	144	156	192	252	284	292	302	305	315	325	339	374	378
<b>Total</b>	<b>9 026</b>	<b>9 068</b>	<b>9 235</b>	<b>9 553</b>	<b>10 366</b>	<b>12 071</b>	<b>12 648</b>	<b>13 262</b>	<b>14 147</b>	<b>14 728</b>	<b>15 411</b>	<b>16 162</b>	<b>17 080</b>	<b>18 020</b>	<b>18 507</b>

	1983	1984	1985	1986	1987	1988	1989	1990	43-44	1992	1993	1994	1995	1996
<b>Parliament</b>	2 941	2 966	2 998	3 277	3 360	3 405	3 405	3 482		3 686	3 790	3 790	4 091	4 095
<b>Council</b>	1 798	1 792	1 888	2 016	2 066	2 130	2 165	2 184		2 225	2 256	2 304	2 464	2 529
<b>Commission</b>	12 998	13 280	13 703	14 262	15 161	15 905	16 309	16 720	1	17 946	18 576	19 027	20 017	20 831
of which: Administrative budget	9 852	10 037	10 369	10 881	11 622	12 328	12 611	12 887	1	13 975	14 540	14 918	15 836	16 449
Research budget	2 779	2 851	2 922	2 939	3 053	3 073	3 176	3 285		3 409	3 430	3 497	3 497	3 694
Publications Office	292	312	331	350	380	396	406	424		428	463	465	525	525
Other bodies <sup>(1)</sup>	75	80	81	92	106	108	116	124		134	143	147	159	163
<b>Court of Justice</b>	478	480	480	571	646	672	733	752		800	825	837	950	953
<b>Court of Auditors</b>	303	303	307	345	366	375	377	379	384	394	402	427	503	503
<b>Economic and Social Committee <sup>(2)</sup> and Committee of the Regions</b>	391	400	405	448	471	485	494	501	506	510	510	599	716	727
<b>Total</b>	<b>18 909</b>	<b>19 221</b>	<b>19 781</b>	<b>20 919</b>	<b>22 070</b>	<b>22 972</b>	<b>23 483</b>	<b>24 018</b>	<b>24 629</b>	<b>25 561</b>	<b>26 359</b>	<b>26 984</b>	<b>28 741</b>	<b>29 638</b>

<sup>(1)</sup> The European Centre for the Development of Vocational Training, Berlin, and the European Foundation for the Improvement of Living and Working Conditions, Dublin, only.

<sup>(2)</sup> Until 1993, the staff of the Economic and Social Committee were included in Section II of the budget. From 1994, they are included in the new Section VI together with the staff of the Committee of the Regions, which was set up in

## Part II

1988 to 1992



*Brussels European Council,  
12 February 1988*

## 1988 to 1992

### 1. The 1988 reform

The new political impetus which the Community received with the third enlargement to include Spain and Portugal in 1986 and then the conclusion of the Single Act opened up prospects for a thorough reform of the Community's financial system. The main objective was to provide the financial resources to launch a policy of 'economic and social cohesion' at Community level while ensuring that these new funds would not be absorbed by the common agricultural policy. The method employed is based on prior agreement on the main medium-term priorities between all the parties involved in the Community budget.

This reform was set out in a comprehensive proposal, the 'Delors package', presented by the Commission in February 1987. Acting on these proposals the Brussels European Council in February 1988 agreed on the broad political lines of the reform which centred on three main categories:

#### (a) *Own resources*

In order to provide the Community with resources that would enable it to operate correctly, the total of own resources was no longer to be tied to a specific item of revenue (VAT) but an overall ceiling on own resources fixed each year expressed as a percentage of Community GNP (1,15 % in 1988, 1,20 % in 1992). Initially, this ceiling was based on the estimated requirements contained in the financial perspective (see '*Some important concepts: the financial perspective*', page 10).

The range of own resources was extended with the creation of a fourth 'balancing' resource based on the GNP of the Member States (see '*Revenue of the European Union*', page 17). This resource is in proportion to the wealth of the Member States and is intended to limit the regressive nature of the VAT resource and counteract the decline in traditional own resources due to reductions in customs duties and self-sufficiency in food.

#### (b) *Budgetary discipline*

In order to ensure a better balance between the various categories of expenditure and controlled growth of this expenditure, emphasis was laid on stricter budgetary discipline: the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary

procedure, which came into force on 1 July 1988, makes budgetary discipline the shared responsibility of Parliament, the Council and the Commission.

The financial perspective, which is an integral part of the agreement, is the key to the new budgetary discipline arrangements. It is designed to produce a harmonious and controlled development of the broad sectors of budget expenditure and at the same time to establish a new balance in expenditure to the benefit, in particular, of the structural policies.

Budgetary discipline is designed first and foremost to contain agricultural expenditure, by setting a guideline (appearing in heading 1 of the financial perspective) which may not rise each year by more than 74 % of the annual growth rate of Community GNP. A monetary reserve is also entered in the budget to contend with the effects of fluctuations in the exchange rate between the dollar and the ecu on EAGGF Guarantee Section expenditure.

#### (c) *Reform of the Structural Funds*

The Single Act provided for close coordination between the three Structural Funds financed from the Community budget with a view to clarifying their tasks and enhancing their effectiveness.

It was also decided to provide a guarantee that the allocations for the Funds would be twice as high in real terms in 1993 as in 1987 — reflected in the rise in the ceilings for heading 2 (Structural operations) of the financial perspective 1988 to 1992 — and also to target Community action through these funds at five objectives (1. Development and structural adjustment of regions whose development is lagging behind; 2. Conversion of regions affected by industrial decline; 3. Combating long-term unemployment; 4. Occupational integration of young people; 5. (a) and (b). Adjustment of agricultural structures and development of rural areas).

### 2. Financial perspective 1988 to 1992

The financial perspective initially adopted in 1988 is shown in Table 7.

It contained six headings:

— Heading 1: 'EAGGF Guarantee Section' covering agricultural guarantee expenditure and half the aid for set-aside.

- Heading 2: 'Structural operations', which mainly contains expenditure under the Structural Funds (European Regional Development Fund — ERDF, European Social Fund — ESF, and the EAGGF Guidance Section) as well as some structural expenditure connected with fisheries and structural programmes for geographical areas such as the specific programme for the development of Portuguese industry (PEDIP), the other half of the set-aside aid and the income aid for farmers.
- Heading 3: 'Policies with multiannual allocations', covering research and the integrated Mediterranean programmes (IMP).
- Heading 4: 'Other policies', covering expenditure on all other operations in fields such as transport, environment, audiovisual media, internal market and all external action.
- Heading 5: 'Repayments and administration', consisting of the institutions' administrative expenditure as well as expenditure on certain repayments to the Member States (to Spain and Portugal in the early years of membership or in connection with the depreciation of agricultural stocks).
- Heading 6: 'Monetary reserve', for which the necessary resources would be called in only if required.

In accordance with the Interinstitutional Agreement, the financial perspective, which was drawn up in 1988 prices, was updated each year by the Commission to allow for increases in prices. The financial perspective could also be adjusted in line with conditions of implementation.

Table 8 shows the effects of the technical adjustments and the adjustment in line with conditions of implementation between 1988 and 1992.

Finally, the financial perspective could also be revised to raise (or lower) the ceiling for one or more headings (see *'Some important concepts: the financial perspective'*, page 10).

There were seven revisions between 1988 and 1992, resulting mainly from the upheavals on the international scene between 1990 and 1992 and their effect on Community regional aid policies (German unification) or on the Community's foreign aid programmes such as assistance for the countries of central and eastern Europe and the republics of the CIS, humanitarian aid following the fighting in the States of former Yugoslavia, the Gulf War, aid to Kurdish refugees and measures to combat famine in Africa.

Apart from these adjustments in response to unforeseen circumstances, the financial perspective was revised half way through its term to boost internal policies and assistance to a number of developing countries.

Experience has shown that these revisions have been too frequent, in particular because the financial framework was too inflexible to respond to international crises. Furthermore, the revisions were often complicated to negotiate and tended to merge with the budgetary procedure, thus reducing their function as a medium-term framework.

The various revisions and amendments are set out in Table 8. Table 9 summarizes all the changes since 1988. Table 10 shows the budgets adopted during the period covered by this financial perspective.

### 3. Outcome of the 1988 reform

The reform has been broadly positive as regards the three main objectives pursued : orderly growth in expenditure, improvement of the budgetary procedure and budget management and an adequate level of own resources.

It is true that the favourable economic situation contributed to this success, but the Community has also had to contend with exceptional events which forced it to assume new budgetary responsibilities as a result of the upheavals in eastern Europe.

#### (a) Growth in expenditure

The desired growth in expenditure has been achieved, and the results have proved even better than expected:

- The allocations for the Structural Funds doubled between 1987 and 1993.
- Agricultural expenditure remained within the agricultural guideline and the additional costs arising from German unification were covered without this guideline having to be raised. However, this was the result not so much of a fundamental improvement in

Community agriculture as of the favourable market situation. The reform of the CAP undertaken in 1992 was therefore still necessary.

- The various revisions of the financial perspective boosted the trend towards a rebalancing of expenditure in favour of external action in particular.

*(b) Improvement of the budgetary procedure and budget management*

There has been a distinct improvement here: each year the budget was adopted within the required deadlines without any major clash between the institutions and the basic principles of the financial framework were respected.

Table 11 shows the trend in budget outturn. The savings which were often made under the CAP in the course of the financial year must not be allowed to conceal the improved utilization rate for most of the other headings in relation to the situation before 1988.

*(c) Adequate financial resources*

Although the expenditure ceilings were raised a number of times, the overall ceiling of the financial perspective and thus the actual amount of budget spending remained below the own resources ceiling. The combination of two favourable factors — moderate rise in agricultural expenditure and more rapid economic growth than expected — did, admittedly, contribute to this outcome.

Table 11 also shows that the own resources ceilings were complied with throughout the period and that a substantial margin was often available.

As for the structure of own resources, the success hoped for from the 1988 reform has not yet been forthcoming. While traditional own resources have continued to decline, the VAT resource still yields by far the largest proportion of revenue and the GNP-based resource still accounts for no more than a modest proportion (see *'Revenue of the European Union'*, page 17, and Table 4 and Charts 5 and 6).

Table 7  
Initial financial perspective (1988 to 1992) <sup>(1)</sup>

(ECU million)

	1988	1989	1990	1991	1992
<b>Appropriations for commitments</b>					
1. EAGGF Guarantee Section	27 500	27 700	28 400	29 000	29 600
2. Structural operations	7 790	9 200	10 600	12 100	13 450
3. Policies with multiannual allocations	1 210	1 650	1 900	2 150	2 400
4. Other policies	2 103	2 385	2 500	2 700	2 800
of which: non-compulsory expenditure	1 646	1 801	1 860	1 910	1 970
5. Repayments and administration	5 700	4 950	4 500	4 000	3 550
of which: stock disposal	1 240	1 400	1 400	1 400	1 400
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
<b>Total</b>	<b>45 303</b>	<b>46 885</b>	<b>48 900</b>	<b>50 950</b>	<b>52 800</b>
of which:					
— compulsory expenditure	33 698	32 607	32 810	32 980	33 400
— non-compulsory expenditure	11 605	14 278	16 090	17 970	19 400
<b>Appropriations for payments</b>					
Appropriations for payments required	43 779	45 300	46 900	48 600	50 100
of which:					
— compulsory expenditure	33 640	32 604	32 740	32 910	33 110
— non-compulsory expenditure	10 139	12 696	14 160	15 690	16 990
Appropriations for payments as % of GNP	1,12	1,14	1,15	1,16	1,17
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

<sup>(1)</sup> Interinstitutional Agreement (OJ No L 185, 15. 7. 1988).

Table 8  
Changes made to the initial financial perspective (1988 to 1992)

1. Ceilings in initial financial perspective after technical adjustments in line with prices and GNP <sup>(1)</sup>  
(ECU million — current prices)

	1988	1989	1990	1991	1992
Ceiling (commitments)	45 303	48 464	52 948	57 939	63 090
Ceiling (payments)	43 779	46 885	50 772	55 259	59 805

<sup>(1)</sup> Paragraph 9 of the Interinstitutional Agreement.

2. Adjustments in line with conditions of implementation <sup>(1)</sup>  
(ECU million)

Year of decision	Heading	1990	1991	1992
1989	Heading 2	24		
	Heading 3	4		
	Heading 4	9		
	<b>Total</b>	<b>37</b>		
1990	Heading 2		157	250
	Heading 3		63	80
	Heading 4			
	<b>Total</b>		<b>220</b>	<b>330</b>
1991	Heading 2			350
	Heading 3			115
	Heading 4			
	<b>Total</b>			<b>465</b>
	<b>Commitments — Total</b>	<b>37</b>	<b>220</b>	<b>795</b>
	<b>Payments — Total</b>	<b>19</b>	<b>466</b>	<b>758</b>

<sup>(1)</sup> Paragraph 10 of the Interinstitutional Agreement.

Table 8 (cont'd)  
**Changes made to the initial financial perspective (1988 to 1992)**

## 3. Revisions and amendments

(ECU million)

Date of revision	Heading	1990	1991	1992
June 1990	Heading 2: Correction for inflation: Structural Funds		90	
	Heading 4:	500	1 175	1 628
	NCE: Central and eastern Europe	500	820	970
	NCE: Other external and internal policies		355	658
	Heading 5:		- 40	- 150
	Stock disposal			- 450
	Administration		- 40	300
	<b>Commitments — Total</b>	<b>500</b>	<b>1 225</b>	<b>1 478</b>
	<b>Payments — Total</b>	<b>500</b>	<b>1 225</b>	<b>1 478</b>
December 1990	Heading 2: German unification		750	1 000
	Heading 3: Unused margin		- 50	
	Heading 4:		665	110
	CE: German unification		10	10
	NCE: German unification		90	100
	NCE: Internal policies		35	
	NCE: Gulf crisis		530	
	Heading 5:		0	0
	Stock disposal		- 220	- 40
	Repayments Spain / Portugal		180	
Administration German unification		40	40	
	<b>Commitments — Total</b>		<b>1 365</b>	<b>1 110</b>
	<b>Payments — Total</b>		<b>1 085</b>	<b>910</b>
May 1991	Heading 4:		728	
	NCE: Technical assistance USSR		400	
	NCE: Israel and Occupied Territories		88	
	NCE: Kurdish refugees		100	
	NCE: Famine in Africa		140	
	Heading 5:		0	
	Stock disposal		- 3	
Repayments Spain / Portugal		3		
	<b>Commitments — Total</b>		<b>728</b>	
	<b>Payments — Total</b>		<b>423</b>	<b>180</b>

## 3. Revisions and amendments (cont'd)

(ECU million)

Date of revision	Heading	1990	1991	1992
February 1992	Heading 2: Correction for inflation: Structural Funds			100
	Heading 3: Carryovers from 1991			- 200
	Heading 4:			412
	CE: Available margin			- 88
	NCE: IS technical assistance			450
	NCE: Tropical forests			50
	Heading 5:			- 312
	Stock disposal			- 381
	Repayments Spain / Portugal			30
	Administration			40
	<b>Commitments — Total</b>			<b>0</b>
	<b>Payments — Total</b>			<b>0</b>
May 1992	Heading 3: Redeployment			- 10
	Heading 4: Other policies			200
	CE: Redeployment			- 5
	NCE: Food aid — Africa			205
		<b>Commitments — Total</b>		
	<b>Payments — Total</b>			<b>190</b>
September 1992	NCE: New <i>Länder</i> and certain research programmes			550
				<b>0</b>
				<b>550</b>
September 1992	Heading 4: Humanitarian aid to former Yugoslavia			100
	CE			- 20
	NCE			120
		<b>Commitments — Total</b>		
	<b>Payments — Total</b>			<b>100</b>

*Table 9*  
Updated financial perspective (1988 to 1992)

(ECU million — current prices)

Description	1988	1989	1990	1991	1992
<b>Appropriations for commitments</b>					
1. EAGGF Guarantee Section	27 500	28 613	30 700	33 000	35 039
2. Structural operations	7 790	9 522	11 555	14 804	18 109
3. Policies with multiannual allocations	1 210	1 708	2 071	2 466	2 905
4. Other policies	2 103	2 468	3 229	5 648	5 936
of which: non-compulsory expenditure	1 646	1 864	2 523	4 738	5 029
5. Repayments and administration	5 700	5 153	4 930	4 559	3 893
of which: stock disposal	1 240	1 449	1 523	1 375	810
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
<b>Total</b>	<b>45 303</b>	<b>48 464</b>	<b>53 485</b>	<b>61 477</b>	<b>66 882</b>
of which:					
— compulsory expenditure	33 698	33 764	35 454	37 199	38 503
— non-compulsory expenditure	11 605	14 700	18 031	24 278	28 379
<b>Appropriations for payments</b>					
Appropriations for payments required	<b>43 779</b>	<b>46 885</b>	<b>51 291</b>	<b>58 458</b>	<b>64 081</b>
of which:					
— compulsory expenditure	33 640	33 745	35 372	37 195	38 435
— non-compulsory expenditure	10 139	13 140	15 919	21 263	25 646
Appropriations for payments required as % of GNP	1,08	1,06	1,08	1,13	1,19
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20

*Table 10*  
Budgets 1988 to 1992 by heading of the financial perspective

(ECU million)

Description	1988	1989	1990	1991	1992
<b>Appropriations for commitments</b>					
1. EAGGF Guarantee Section	27 500	26 761	26 522	31 516	32 095
2. Structural operations	7 790	9 488	11 533	14 804	18 109
3. Policies with multiannual allocations	1 210	1 695	2 071	2 466	2 905
4. Other policies	2 103	2 415	3 220	5 602	5 936
of which: non-compulsory expenditure	1 646	1 863	2 523	4 738	5 029
5. Repayments and administration	5 700	5 066	4 862	3 982	3 863
of which: stock disposal	1 240	1 449	1 470	810	810
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
<b>Total</b>	<b>45 303</b>	<b>46 425</b>	<b>49 208</b>	<b>59 370</b>	<b>63 907</b>
of which:					
— compulsory expenditure	33 698	31 740	31 390	35 306	35 530
— non-compulsory expenditure	11 605	14 685	17 818	24 064	28 377
<b>Appropriations for payments</b>					
Appropriations for payments required	<b>43 779</b>	<b>44 841</b>	<b>46 928</b>	<b>56 085</b>	<b>61 097</b>
of which:					
— compulsory expenditure	33 640	31 792	31 364	35 268	35 457
— non-compulsory expenditure	10 139	13 049	15 564	20 817	25 640
Appropriations for payments required as % of GNP	1,08	1,02	0,99	1,09	1,13
Own resources ceiling as % of GNP	1,15	1,17	1,18	1,19	1,20



Chart 7

## General budget — Payments 1988 to 1992 as % of Community GNP

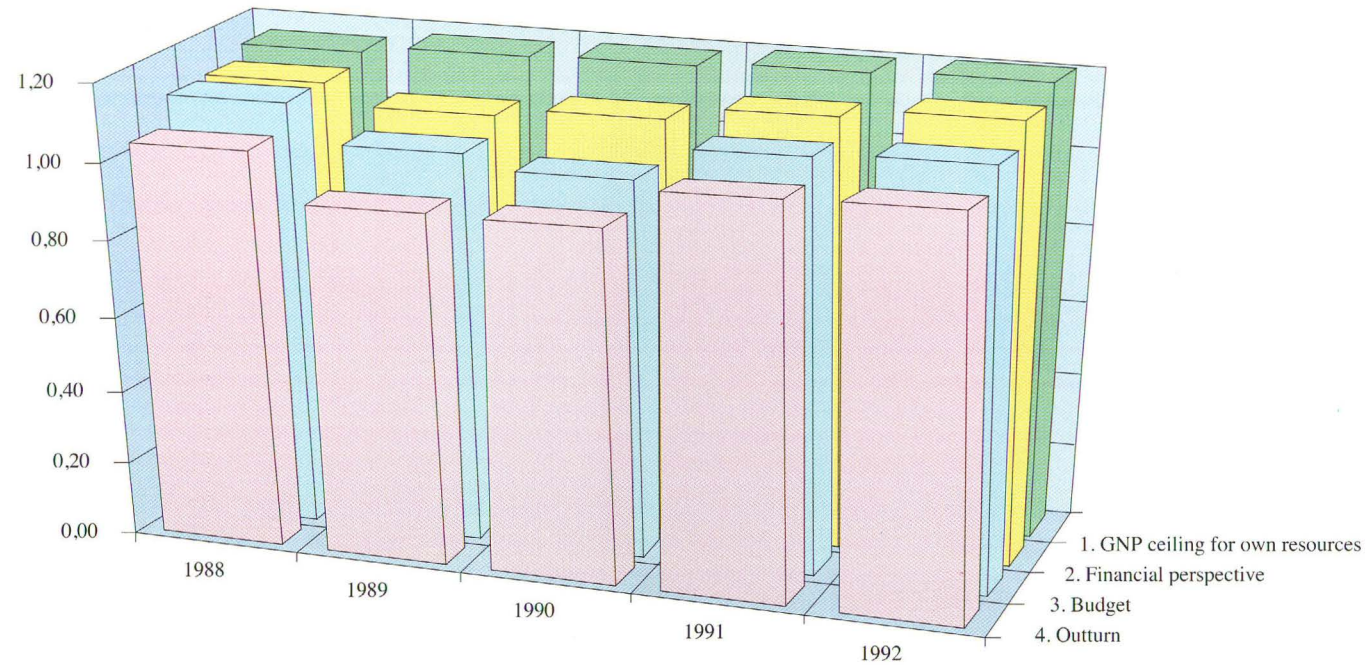


Table 11

## Appropriations for payments (1988 to 1992)

(ECU million)

	1988		1989		1990		1991		1992	
	% GNP	Amount	% GNP	Amount	% GNP	Amount	% GNP	Amount	% GNP	Amount
1. GNP ceiling for own resources	1,15	44 954	1,17	51 152	1,18	55 590	1,19	61 440	1,20	66 432
2. Appropriations for payments required for financial perspective (FP)	1,08	43 779	1,06	46 885	1,08	51 291	1,13	58 458	1,19	64 081
3. Appropriations for payments in budget	1,08	43 779	1,02	44 841	0,99	46 928	1,09	56 085	1,13	61 097
4. Outturn in payments	1,01	41 022	0,92	40 757	0,93	44 063	1,04	53 650	1,07	57 947

*Table 12*  
**Summary of own resources by Member State from 1988 to 1992**

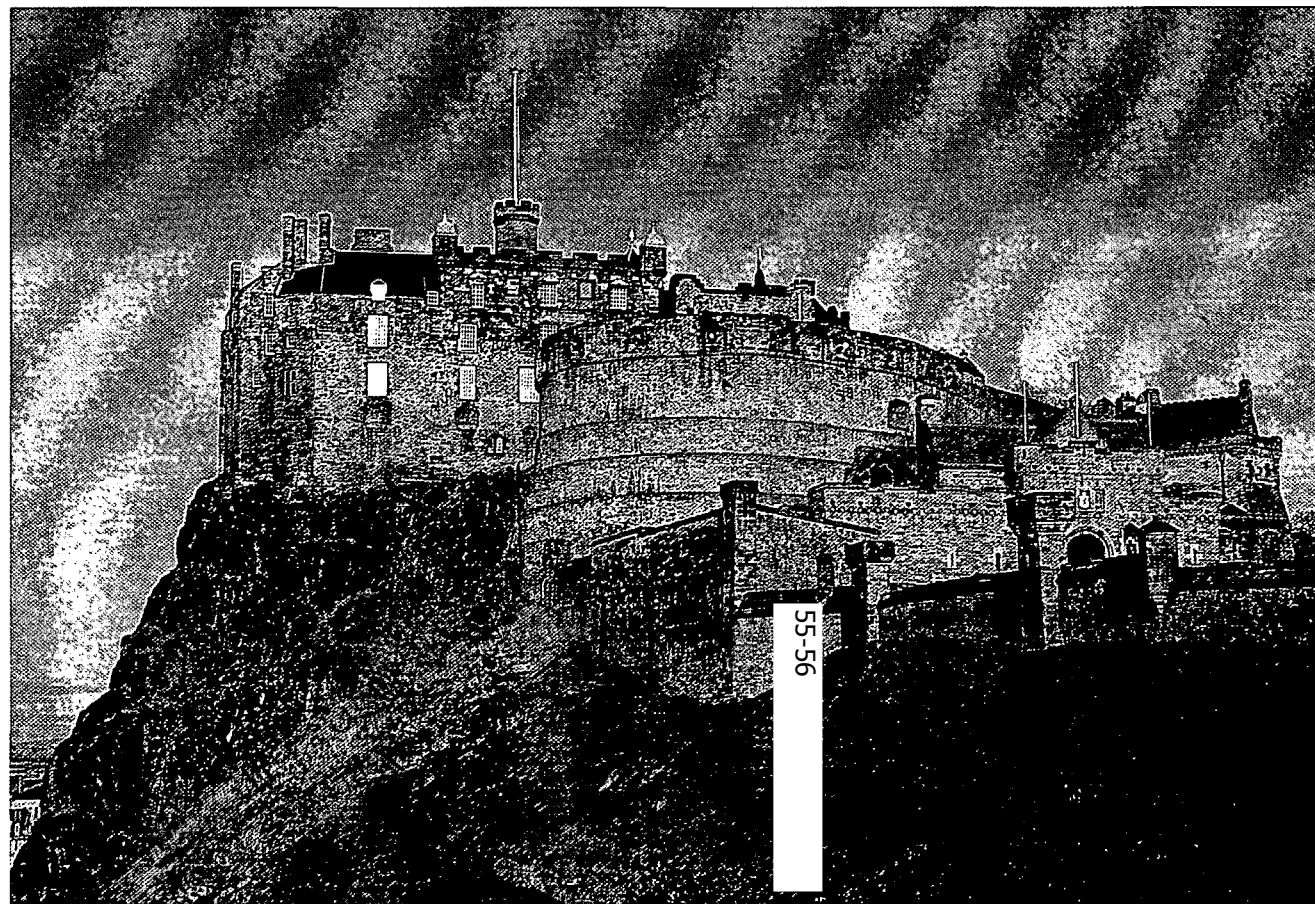
(ECU million)

	1988		1989		1990		1991		1992	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Belgium	1 833,5	4,5	1 807,2	4,1	1 763,7	4,3	2 217,4	4,2	2 239,1	4,0
Denmark	955,6	2,3	871,0	2,0	775,1	1,9	1 033,5	2,0	1 034,8	1,8
Germany	11 534,9	28,2	11 110,4	25,1	10 357,5	25,0	15 394,2	29,1	16 997,5	30,2
Greece	429,9	1,1	566,3	1,3	563,6	1,4	762,1	1,4	728,6	1,3
Spain	2 678,1	6,6	3 575,1	8,1	3 671,4	8,9	4 580,2	8,7	4 828,0	8,6
France	9 095,4	22,2	8 622,8	19,5	8 089,1	19,5	10 601,9	20,1	10 493,4	18,7
Ireland	328,2	0,8	370,9	0,8	368,5	0,9	452,4	0,9	462,3	0,8
Italy	5 426,7	13,3	7 605,9	17,2	6 097,7	14,7	8 699,7	16,5	8 279,9	14,7
Luxembourg	81,6	0,2	72,8	0,2	74,5	0,2	108,8	0,2	123,5	0,2
Netherlands	2 795,6	6,8	2 700,5	6,1	2 615,2	6,3	3 537,7	6,7	3 534,0	6,3
Portugal	399,9	1,0	458,3	1,0	502,4	1,2	712,0	1,3	838,1	1,5
United Kingdom	5 323,9	13,0	6 568,1	14,8	6 534,3	15,8	4 736,4	9,0	6 702,4	11,9
<b>Total <sup>(1)</sup></b>	<b>40 883,3</b>	<b>100</b>	<b>44 329,3</b>	<b>100</b>	<b>41 413,0</b>	<b>100</b>	<b>52 836,3</b>	<b>100</b>	<b>56 261,7</b>	<b>100</b>

<sup>(1)</sup> The total revenue figure also includes surpluses and miscellaneous revenue (see Table 4).

# Part III

## Financial perspective 1993 to 1999



*Edinburgh Castle*

## Financial perspective 1993 to 1999

### 1. Negotiation of the financial perspective for a twelve-nation Community

In early 1992 the Commission proposed a new financial perspective (the 'Delors II package') which also took account of the objectives of the Treaty on European Union even if the direct budgetary implications of the new Treaty are relatively limited. To allow for the strict constraints on Member States' budgets at a time when the economy was more depressed than expected, the Commission felt that it ought to adjust its proposal by extending the period for achieving the objectives from five to seven years, ending in 1999. This overall proposal was very much a continuation of the 1988 reform as regards the Structural Funds, budgetary discipline and own resources even though certain adjustments were made.

After changes had been negotiated to various aspects of the Commission's proposal, the European Council agreed on a financial perspective for 1993 to 1999 at its meeting in Edinburgh in December 1992. As proposed by the Commission, the Edinburgh European Council gave top priority to structural operations in the Community's most underprivileged regions. Particular attention was also paid to external action. The Edinburgh conclusions called for an increase in the resources provided for internal policies even though this increase was not as high as the Commission had hoped when it set the objective of establishing an environment favourable to the competitiveness of European industry.

Compared with the previous period, the objective of greater proportionality as regards resources was reinforced with a gradual reduction in the call-in rate for VAT which automatically increased the proportion of budget financing accounted for by the GNP-based resource (see *Revenue of the European Union*, page 17).

The financial perspective comprises the following six headings, which have been slightly changed in comparison with the previous period:

- Heading 1: Common agricultural policy, which now includes the accompanying measures, all aid for set-aside and income aid for farmers and the Guarantee Fund for fishery products.
- Heading 2: Economic and social cohesion measures, which in addition to Structural Fund operations and the Financial Instrument for Fisheries Guidance, covers the Cohesion Fund established by the Treaty on European Union.

- Heading 3: Internal policies of a horizontal nature, including research and technological development and the trans-European networks.
- Heading 4: External action — operations in specific geographical areas, expenditure on food aid, humanitarian aid and emergency aid and the external aspects of certain Community policies (fisheries, environment).
- Heading 5: Administrative expenditure of the institutions.
- Heading 6: Reserves.

For the sake of continuity the proposed breakdown is largely the same as in the financial perspective 1988 to 1992. Apart from various adjustments in the content of certain headings, the main changes concern the splitting of the old heading 4 'Other policies' into two separate headings — 'Internal policies' (new heading 3) and 'External action' (new heading 4) — the disappearance of the old heading 3 'Policies with multiannual allocations', research being included in the internal policies, and the extension of heading 6 'Reserves' to include two new reserves for external policies (emergency aid and guarantee of loans granted to non-member countries) alongside the agricultural monetary reserve.

The introduction of these new reserves will ensure that budget funds are available and can be drawn on quickly throughout the year to meet unforeseen expenditure. They were also set up in view of past experience since they should reduce the number of revisions of the financial perspective, which were needed quite frequently in the previous period (see *1988 to 1992: 3. Outcome of the 1988 reform*, page 48).

### 2. The broad outlines of the financial framework agreed in Edinburgh

The financial perspective (1992 prices) drawn up for the twelve-nation Community is set out in Table 13.

#### (a) Common agricultural policy

The increase in expenditure under the reformed agricultural policy will still be governed by the agricultural guideline set in 1988. Under this budgetary discipline measure, the

annual growth in the ceiling for agricultural expenditure must not exceed 74 % of the real rate of growth of Community GNP.

(b) *Economic and social cohesion*

Following on from the doubling of the Structural Fund appropriations between 1988 and 1993, the Community will continue its regional and social development effort over the next period. Map 2 shows the regions which will be eligible for assistance from the Structural Funds for objectives 1, 2 and 5 (b) in the period 1993 to 1999. Even more budgetary resources will be concentrated on the most underprivileged regions where per capita GNP is less than 75 % of the Community average (Objective 1 regions). The new *Länder* will count as Objective 1 regions from 1994 onwards.

The purpose of the Cohesion Fund for countries with a per capita GNP of less than 90 % of the Community average — Greece, Spain, Ireland and Portugal — is to finance environmental or transport infrastructure projects to help the recipient countries comply with Community legislation or guidelines, subject to the establishment of an economic convergence programme by these countries. With the combined assistance of the Cohesion Fund and Objective 1 of the Structural Funds, the four Member States eligible for the Cohesion Fund will, together, receive in 1999 twice what they obtained under Objective 1 in 1992.

(c) *Internal policies*

According to the conclusions of the European Council, expenditure on internal policies should increase by around 30 % during this period. Research and trans-European networks were specially mentioned in the Edinburgh conclusions.

Contrary to the Commission's proposals, which attached special importance to research, expenditure in this sector will grow in line with the rest of heading 3. As agreed at Edinburgh, it should still account for between half and two thirds of the total amount for this heading, thus remaining by far the most important item of expenditure classified under the internal policies. The adoption of the fourth framework programme (1994 to 1998) with an allocation of ECU 12,3 billion (current prices) and a reserve of ECU 700 million confirms the renewed importance attached to Community research, placing it in the upper part of the bracket agreed at Edinburgh.

The highest growth rate under internal policies is for financing the trans-European networks. The Community will contribute to the development of networks in the transport, telecommunications and energy sectors in order to promote cross-frontier links between the national networks. As Community finance will remain modest compared with the level of investment required in this sector, the Community's activities will be limited to making a financial contribution to certain projects of common interest in a bid to attract funding from other sources.

(d) *External action*

The funds provided for the Community's external action will increase by more than 40 % over the period, a trend which is considerably reinforced by the establishment of two new reserves: the reserve for emergency aid and the reserve for loan guarantees.

Although there is no predetermined breakdown of the new funds available for external action, special attention should be paid to the countries closest to the Community, i.e. the countries of eastern Europe and the Mediterranean countries.

### 3. Negotiation of the new Interinstitutional Agreement

The conclusions of the Edinburgh European Council could not be put into effect until Parliament agreed to respect the various annual ceilings when exercising its powers. This was the purpose of the negotiations between Parliament, the Council and the Commission which ultimately led to the adoption of the new Interinstitutional Agreement.

The new Agreement signed on 29 October 1993 adopts the same basic principles as the previous Agreement as regards management of the financial perspective (see '*Some important concepts: the financial perspective*', page 10). However, a number of improvements were made to improve interinstitutional cooperation and strengthen budgetary discipline.

A new collaboration procedure was introduced between the institutions at two different stages of the budgetary procedure:

- A triologue meeting has to be held to discuss possible priorities for the following financial year after the technical adjustment of the financial perspective and before the Commission's decision on the preliminary draft budget.

— An *ad hoc* conciliation procedure is introduced for compulsory expenditure in order to secure an agreement between the two arms of the budgetary authority. The procedure consists of a trialogue meeting followed by a conciliation meeting which must be held, at the latest, on the day on which the Council adopts the draft budget. Parliament can thus inform the Council directly of its guidelines for compulsory expenditure, but the respective powers of the two arms of the budgetary authority are not affected by this procedure.

In addition, the principle of 'negative co-decision' will apply to the three reserves. This means that the Commission proposal will be considered adopted if the Council and Parliament fail to amend it or to reject it by common agreement.

The Agreement also lays down a number of principles to tighten budgetary discipline:

- The principles laid down in the 1982 declaration — no budget appropriations to be implemented before adoption of a legal base and no maximum amounts to be entered in basic texts — must be respected and application of these principles improved.
- The possibility of reallocating appropriations, at least within the heading concerned, should be considered whenever the financial perspective is revised or the reserve for emergency aid is drawn on.
- When the budget is adopted, margins should be left, where possible, under the ceilings for each heading of the financial perspective so that additional appropriations may be entered if necessary without the need for any revision.
- As far as possible, headings containing insignificant amounts should not be entered in the budget.

#### 4. Adjustment of the financial perspective with a view to enlargement of the European Union

At a trialogue meeting on 29 November 1994 Parliament, the Council and the Commission agreed on a financial perspective for the enlarged European Union following accession of Austria, Finland and Sweden in accordance with paragraph 24 of the Interinstitutional Agreement of 29 October 1993. The new financial framework was approved by the Council on 5 December 1994 and by Parliament on 13 December 1994. As a result, it was possible not only to retain the Interinstitutional Agreement itself but also to adopt on time the 1995 budget for a fifteen-nation Union.

The ceilings for headings 1 to 5 were raised for the whole of the period to cover the requirements resulting from enlargement of the Union:

- common agricultural policy: the agricultural guideline was increased by 74 % of the relative GNP of the three acceding countries;
- structural operations: the Structural Fund allocations were increased in line with the Act of Accession. A new objective 6 was created for the regions with a population density not exceeding eight inhabitants per km<sup>2</sup>. The European Union budget will also cover the acceding countries' contribution to the EEA financial mechanism (grant of structural aid by the EFTA countries taking part in the Agreement on the European Economic Area). A new subheading has therefore been entered in the financial perspective for this purpose;
- internal policies: the ceiling for heading 3 was raised by 7 % in line with the relative size of the acceding countries' GNP;
- external action: the ceiling for this heading was raised by 6,3 % in proportion to the relative population of the acceding countries;
- administrative expenditure: the ceiling for this heading rises by an average 4,66 % over the period 1995 to 1999; however, there is a provision that expenditure under this heading will be reviewed in 1996 to take account of the financing requirements for the buildings of the European institutions and the staff requirements for the new Member States.

A new heading 7 was also added to cover the compensation which the new Member States will receive over the period 1995 to 1998 as part of the agricultural budget package. This compensation is being granted because the new Member States are not being paid any direct per hectare aid for arable crops and beef and veal in 1995 and because of their outlay on agricultural support as they bring their prices into line with Community prices.

The institutions also took advantage of this adjustment of the financial perspective to adapt it in line with specific requirements which are not directly linked to enlargement.

Heading 2 (Structural operations) was increased by ECU 200 million (at 1995 prices) in three equal instalments between 1995 and 1997 to finance the Northern Ireland peace programme under the Community initiatives.

Heading 3 (Internal policies) was increased by ECU 400 million (1994 prices), spread evenly over the next five years, to finance the programme for the modernization of the textile industry in Portugal.

Table 14 sets out the new financial framework (1992 prices) negotiated for the enlarged European Union in November 1994. From 1 January 1995, this has replaced the financial

perspective adopted by the Edinburgh European Council in December 1992. The figures are updated in Table 15 (see 'Some important concepts: the financial perspective', page 10). The updated financial perspective (Table 16) forecasts that the margin for unforeseen expenditure between the ceiling for appropriations for payments and the own resources ceiling will be far greater than the previous figure and will now come to 0,03 % of GNP at the end of the period.

Table 13

## Initial financial perspective (1993 to 1999) (EUR 12)\*

(ECU million — 1992 prices)

	1993	1994	1995	1996	1997	1998	1999
<b>Commitment appropriations</b>							
1. Common agricultural policy	35 230	35 095	35 722	36 364	37 023	37 697	38 389
2. Structural operations	21 277	21 885	23 480	24 990	26 526	28 240	30 000
2.1. Structural Funds	19 777	20 135	21 480	22 740	24 026	25 690	27 400
2.2. Cohesion Fund	1 500	1 750	2 000	2 250	2 500	2 550	2 600
3. Internal policies	3 940	4 084	4 323	4 520	4 710	4 910	5 100
4. External action	3 950	4 000	4 280	4 560	4 830	5 180	5 600
5. Administrative expenditure	3 280	3 380	3 580	3 690	3 800	3 850	3 900
6. Reserves	1 500	1 500	1 100	1 100	1 100	1 100	1 100
Monetary reserve	1 000	1 000	500	500	500	500	500
External action:							
— loan guarantees	300	300	300	300	300	300	300
— emergency aid	200	200	300	300	300	300	300
<b>Commitment appropriations — Total</b>	<b>69 177</b>	<b>69 944</b>	<b>72 485</b>	<b>75 224</b>	<b>77 989</b>	<b>80 977</b>	<b>84 089</b>
<b>Payment appropriations — Total</b>	<b>65 908</b>	<b>67 036</b>	<b>69 150</b>	<b>71 290</b>	<b>74 491</b>	<b>77 249</b>	<b>80 114</b>
Total payment appropriations (% GNP)	1,20	1,19	1,20	1,21	1,23	1,25	1,26
Margin (% GNP)	0,00	0,01	0,01	0,01	0,01	0,01	0,01
Own resources ceiling (% GNP)	1,20	1,20	1,21	1,22	1,24	1,26	1,27

\* Interinstitutional Agreement (OJ No C 331, 7. 12. 1993).



Table 14

## Initial financial perspective for the enlarged union (EUR 15) 1995 to 1999\*

(ECU million – 1992 prices)

	1995	1996	1997	1998	1999
<b>Appropriations for commitments</b>					
1. Common agricultural policy	35 354	37 245	37 922	38 616	39 327
2. Structural operations	24 477	26 026	27 588	29 268	30 945
2.1. Structural Funds	22 369	23 668	24 980	26 610	28 345
2.2. Cohesion Fund	2 000	2 250	2 500	2 550	2 600
2.3. EEA financial mechanism	108	108	108	108	0
3. Internal policies	4 702	4 914	5 117	5 331	5 534
4. External action	4 549	4 847	5 134	5 507	5 953
5. Administration	3 738	3 859	3 974	4 033	4 093
6. Reserves	1 100	1 100	1 100	1 100	1 100
Monetary reserve	500	500	500	500	500
Guarantee reserve	300	300	300	300	300
Emergency aid reserve	300	300	300	300	300
7. Compensation	1 547	701	212	99	0
<b>Total appropriations for commitments</b>	<b>75 467</b>	<b>78 692</b>	<b>81 047</b>	<b>83 954</b>	<b>86 952</b>
<b>Total appropriations for payments</b>	<b>72 020</b>	<b>74 605</b>	<b>77 372</b>	<b>80 037</b>	<b>82 778</b>
Appropriations for payments as % of GNP	1,21	1,21	1,22	1,22	1,24
Margin as % of GNP	0,00	0,01	0,02	0,03	0,03
Own resources ceiling as % of GNP	1,21	1,22	1,24	1,26	1,27

\* OJ No C 395, 31. 12. 1994.

Table 15

## Changes made to the initial financial perspective (1993 to 1999)

1. Ceilings in initial financial perspective after technical adjustments in line with prices and GNP <sup>(1)</sup>

(ECU million — current prices)

	EUR 12		EUR 15				
	1993	1994	1995	1996	1997	1998	1999
Ceiling (commitments)	72 021	73 311	80 943	85 735	88 969		
Ceiling (payments)	68 611	70 232	77 229	81 288	84 925		

2. Adjustments in line with conditions of implementation <sup>(2)</sup>

(ECU million — current prices)

Year of decision	Heading	EUR 12		EUR 15				
		1993	1994	1995	1996	1997	1998	1999
April 1995	Heading 2: Structural Funds transfer (CA)				869	869		
	All headings: Adjustment payments (PA)				935	696	434	173
April 1996	Heading 2: Structural Funds transfer (CA)					380	1 000	693
	Cohesion Fund transfer (CA)					11		
	Ceiling (payments)					186	633	632
	<b>Commitments — Total</b>				<b>869</b>	<b>1 260</b>	<b>1 000</b>	<b>693</b>
	<b>Payments — Total</b>				<b>935</b>	<b>882</b>	<b>1 067</b>	<b>805</b>

3. Revisions and amendments <sup>(3)</sup>

(ECU million — current prices)

Date of revision	Heading	EUR 12		EUR 15				
		1993	1994	1995	1996	1997	1998	1999
March 1994	Heading 3: Restimulate economic activity		45					
	Heading 4: Middle East peace process		75					
	Heading 5: Depreciation of ecu against Belgian franc		55					
	<b>Commitments — Total</b>		<b>175</b>					
	<b>Payments — Total</b>		<b>120</b>					

<sup>(1)</sup> Paragraph 9 of the Interinstitutional Agreement. <sup>(2)</sup> Paragraph 10 of the Interinstitutional Agreement. <sup>(3)</sup> Paragraphs 11 to 13 of the Interinstitutional Agreement.

*Table 16*  
**Updated financial perspective (1993 to 1999)**

	EUR 12		EUR 15				
	Current prices		Current prices			1997 prices (indicative)	
	1993	1994	1995	1996	1997	1998	1999
<b>Commitment appropriations</b>							
1. Common agricultural policy	36 657	36 465	37 944	40 828	41 805	42 571	43 356
2. Structural operations	22 192	23 176	26 329	29 131	31 477	33 057	34 596
2.1. Structural Funds	20 627	21 323	24 069	26 579	28 620	30 157	31 749
2.2. Cohesion Fund	1 565	1 853	2 152	2 444	2 749	2 792	2 847
2.3. EEA financial mechanism			108	108	108	108	0
3. Internal policies	4 109	4 370	5 060	5 337	5 603	5 837	6 060
4. External action	4 120	4 311	4 895	5 264	5 622	6 030	6 519
5. Administrative expenditure	3 421	3 634	4 022	4 191	4 352	4 416	4 482
6. Reserves	1 522	1 530	1 146	1 152	1 158	1 158	1 158
Monetary reserve	1 000	1 000	500	500	500	500	500
Guarantee reserve	313	318	323	326	329	329	329
Emergency aid reserve	209	212	323	326	329	329	329
7. Compensation			1 547	701	212	99	0
<b>Commitment appropriations — Total</b>	<b>72 021</b>	<b>73 486</b>	<b>80 943</b>	<b>86 604</b>	<b>90 229</b>	<b>93 168</b>	<b>96 171</b>
<b>Payment appropriations — Total</b>	<b>68 611</b>	<b>70 352</b>	<b>77 229</b>	<b>82 223</b>	<b>85 807</b>	<b>88 927</b>	<b>91 692</b>
Total payment appropriations (% GNP) <sup>(1)</sup>	1,20	1,20	1,20	1,20	1,22	1,24	1,24
Margin (% GNP)	0,00	0,00	0,01	0,02	0,02	0,02	0,03
Own resources ceiling (% GNP)	1,20	1,20	1,21	1,22	1,24	1,26	1,27

<sup>(1)</sup> 1993, 1994, 1996 and 1997 on the basis of data and GNP forecasts used for the technical adjustments for each of these years.

1995 on the basis of data and GNP forecasts used for the adjustment of the financial perspective with a view to enlargement (December 1994).

1998 and 1999 indicative estimates on the basis of the technical adjustment for 1997.



Table 17

## Comparison between financial perspective, budget and outturn from 1993 to 1997

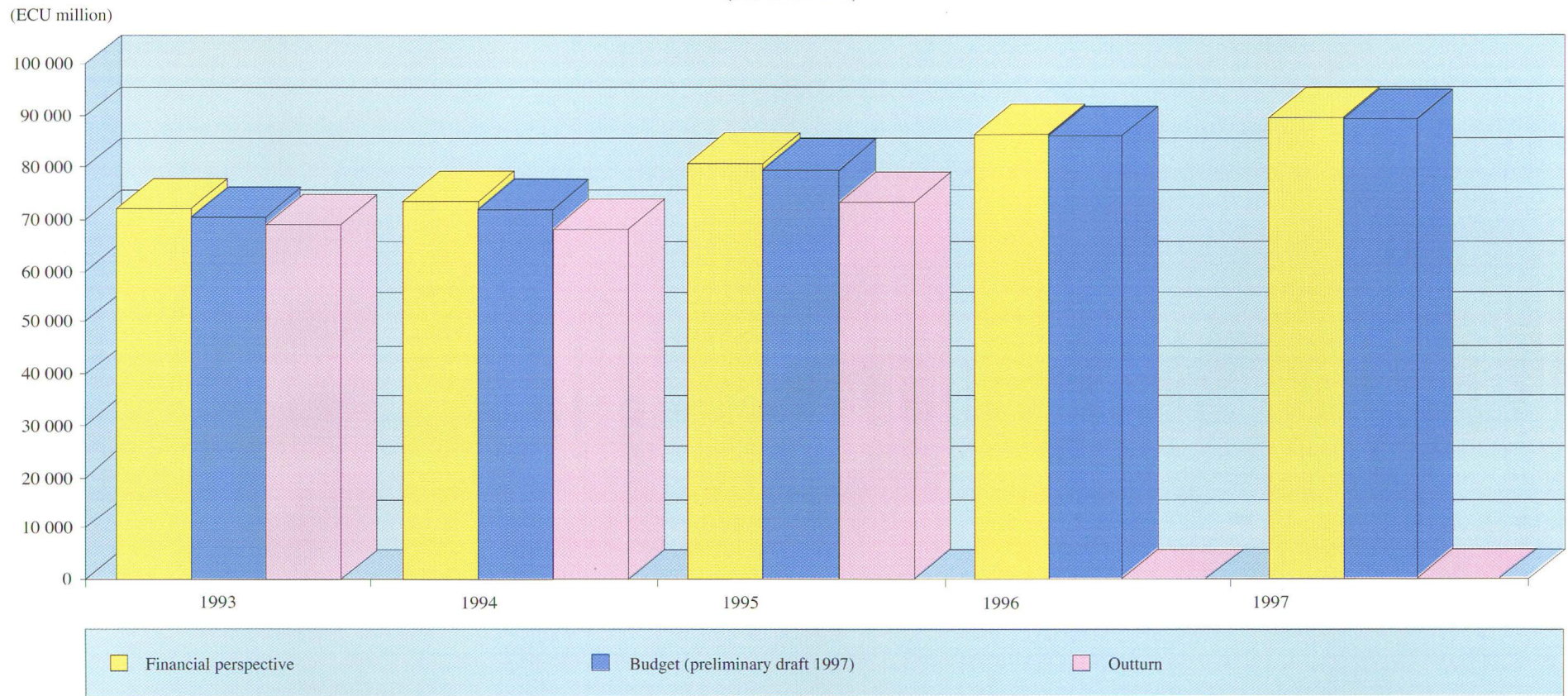
(ECU million)

	1993			1994			1995			1996			1997		
	Financial perspective	Budget	Outturn	Financial perspective	Budget	Outturn	Financial perspective	Budget	Outturn	Financial perspective	Budget	Outturn	Financial perspective	PDB	Outturn
<b>Commitment appropriations</b>															
1. Common agricultural policy	36 657	35 352	35 032	36 465	34 787	32 970	37 944	36 894	34 503	40 828	40 797		41 805	41 805	
2. Structural operations	22 192	22 192	22 178	23 176	23 176	21 430	26 329	26 329	24 250	29 131	29 131		31 477	31 477	
2.1. Structural Funds	20 627	20 627	20 614	21 323	21 323	19 577	24 069	24 069	22 009	26 579	26 579		28 620	28 620	
2.2. Cohesion Fund	1 565	1 565	1 565	1 853	1 853	1 853	2 152	2 152	2 152	2 444	2 444		2 749	2 749	
2.3. EEA financial mechanism							108	108	90	108	108		108	108	
3. Internal policies	4 109	4 108	4 097	4 370	4 365	4 324	5 060	5 055	5 019	5 337	5 267		5 603	5 523	
4. External action <sup>(1)</sup>	4 120	4 115	4 276	4 311	4 297	4 483	4 895	4 873	5 061	5 264	5 157		5 622	5 528	
5. Administrative expenditure	3 421	3 417	3 372	3 634	3 634	3 581	4 022	3 999	3 924	4 191	4 075		4 352	4 293	
6. Reserves	1 522	1 224	14	1 530	1 530	294	1 146	1 146	251	1 152	1 152		1 158	1 158	
Monetary reserve	1 000	1 000	0	1 000	1 000	0	500	500	0	500	500		500	500	
Guarantee reserve	313	15	14	318	318	294	323	323	251	326	326		329	329	
Emergency aid reserve	209	209	0	212	212	0	323	323	0	326	326		329	329	
7. Compensation							1 547	1 547	1 547	701	701		212	212	
<b>Commitment appropriations — Total</b>	<b>72 021</b>	<b>70 408</b>	<b>68 969</b>	<b>73 486</b>	<b>71 789</b>	<b>67 083</b>	<b>80 943</b>	<b>79 843</b>	<b>74 555</b>	<b>86 604</b>	<b>86 280</b>		<b>90 229</b>	<b>89 996</b>	
<b>Payment appropriations — Total</b>	<b>68 611</b>	<b>66 858</b>	<b>64 205</b>	<b>70 352</b>	<b>68 355</b>	<b>58 899</b>	<b>77 229</b>	<b>75 438</b>	<b>66 277</b>	<b>82 223</b>	<b>81 928</b>		<b>85 807</b>	<b>84 445</b>	

<sup>(1)</sup> The outturn includes ECU 209 million transferred from the emergency aid reserve in 1993, ECU 212 million transferred in 1994 and ECU 235,5 million transferred in 1995.

Chart 9

**Comparison between financial perspective, budget and outturn (1993 to 1996)**  
(commitments)



(ECU million)

EUR 12				EUR 15					
1993		1994		1995		1996		1997	
Financial perspective	72 021	Financial perspective	73 486	Financial perspective	80 943	Financial perspective	86 604	Financial perspective	90 229
Budget	70 408	Budget	71 789	Budget	79 843	Budget	86 280	Preliminary draft	89 996
Outturn	68 969	Outturn	67 083	Outturn	74 555	Outturn	0	Outturn	0

*Table 18*  
**Summary of own resources by Member State from 1993 to 1997**

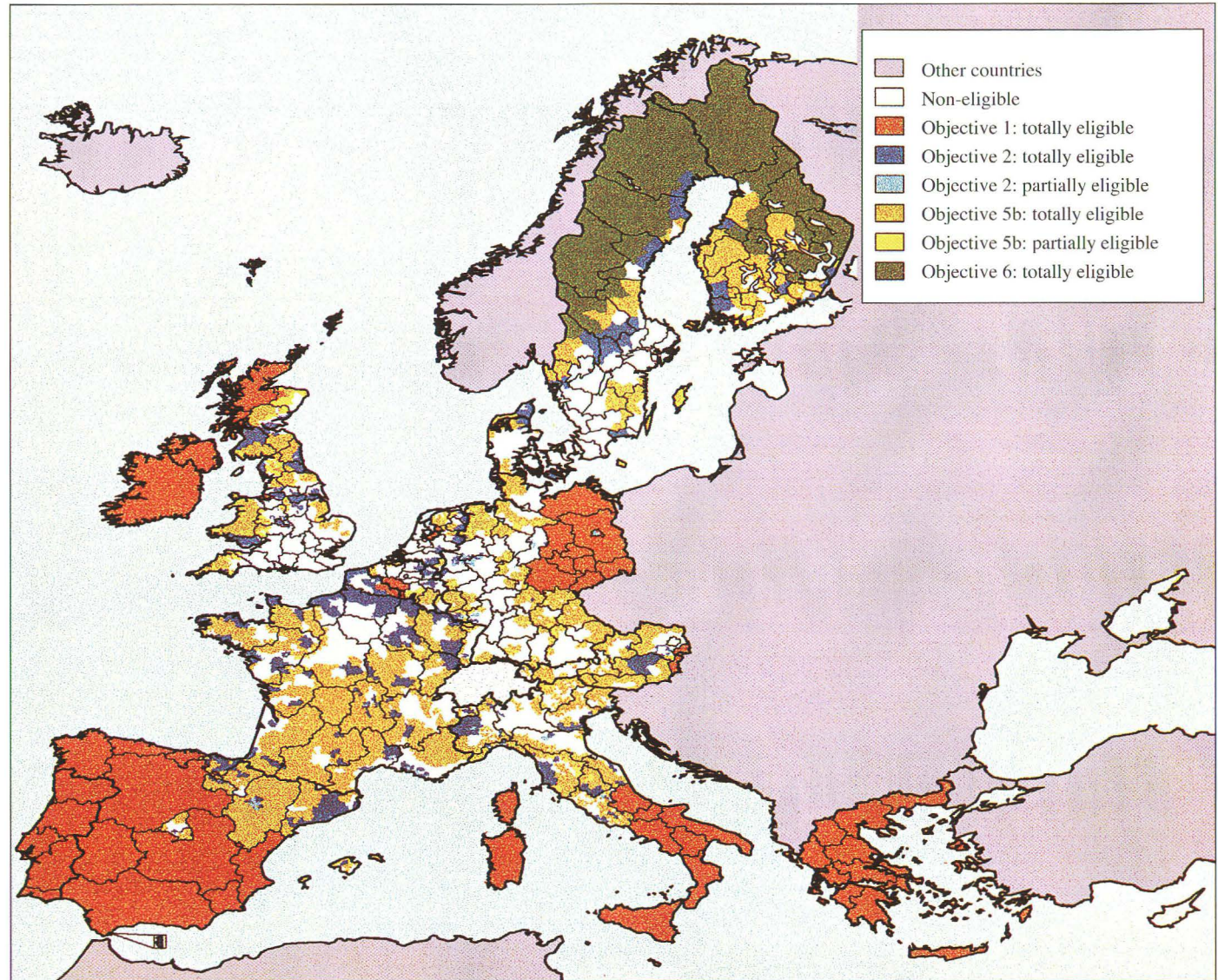
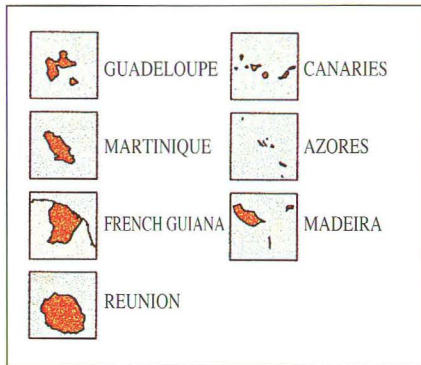
(ECU million)

	Outturn 1993		Outturn 1994		Outturn 1995		1996 budget		Preliminary draft 1997	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Belgium	2 394,9	3,7	2 822,1	4,4	2 667,0	3,8	3 106,9	3,8	3 211,3	3,8
Denmark	1 206,5	1,9	1 296,2	2,0	1 283,5	1,8	1 564,4	1,9	1 640,9	2,0
Germany	19 076,4	29,8	21 366,3	33,3	20 611,9	29,3	24 420,8	30,0	24 054,8	28,7
Greece	1 011,2	1,6	992,3	1,5	992,2	1,4	1 196,5	1,5	1 240,9	1,5
Spain	5 192,6	8,1	4 718,1	7,4	4 409,1	6,3	5 188,3	6,4	5 778,3	6,9
France	11 545,5	18,0	12 550,9	19,6	12 443,8	17,7	14 338,3	17,6	14 897,3	17,8
Ireland	567,4	0,9	638,9	1,0	788,1	1,1	767,6	0,9	755,4	0,9
Italy	10 265,0	16,0	7 759,5	12,1	7 992,6	11,4	9 868,8	12,1	10 459,7	12,5
Luxembourg	167,0	0,3	165,4	0,3	155,6	0,2	183,1	0,2	183,5	0,2
Netherlands	4 030,6	6,3	4 245,9	6,6	4 113,7	5,9	4 729,0	5,8	5 045,9	6,0
Austria					1 884,5	2,7	2 348,8	2,9	2 284,2	2,7
Portugal	909,4	1,4	1 215,6	1,9	1 033,8	1,5	1 212,3	1,5	1 115,5	1,3
Finland					951,4	1,4	1 239,1	1,5	1 252,3	1,5
Sweden					1 719,1	2,4	2 340,4	2,9	2 282,7	2,7
United Kingdom	7 626,6	11,9	6 417,4	10,0	9 198,4	13,1	8 816,1	10,8	9 625,6	11,5
<b>Total <sup>(1)</sup></b>	<b>63 993,2</b>	<b>100</b>	<b>64 188,8</b>	<b>100</b>	<b>70 244,6</b>	<b>100</b>	<b>81 320,3</b>	<b>100</b>	<b>83 828,3</b>	<b>100</b>

(<sup>1</sup>) The total revenue figure also includes surpluses and miscellaneous revenue (see Table 4).

Map 2

**Eligibility under the Structural Funds**  
 Obj. 1 1994/99 - Obj. 2 1994/96 - Obj. 5b 1994/99 - Obj. 6 1995/1999





Part IV  
1996 budget

70-72

## 1996 budget

Following Parliament's second reading on 14 December 1995, the President of the Parliament declared the 1996 budget finally adopted on 21 December. This budget complies with the ceilings of the adjusted financial perspective and totals ECU 86 525 million in appropriations for commitments and ECU 81 888 million in appropriations for payments, 8,37 % and 8,55 % up on the 1995 budget, including the supplementary and amending budget.

The appropriations for payments are equivalent to 1,196 % of GNP.

*Agricultural expenditure*, which has fixed in line with the conclusions of the *ad hoc* conciliation meeting on compulsory expenditure, is at the level of the agricultural guideline — ECU 40 828 million.

At ECU 29 131 million, the commitment appropriations for *structural operations* are the amounts fixed at the Edinburgh summit in 1992; they also take account of the enlargement of the European Union to cover Austria, Finland and Sweden and include the transfer of ECU 869 million not used in 1994. They will be used in 1996 to finance Community operations under the Structural Funds, in accordance with the new programming adopted for the period, and under the Cohesion Fund. Finally, the budget adopted reflects the particular attention which is to be given to the environmental impact of structural operations.

The commitment appropriations allocated to *internal policies* total ECU 5 324 million (ECU 12,7 million below the ceiling for the heading); ECU 3 183 million, i.e. almost 60 % of the total, is for research and technological development. Account has been taken

of new budget priorities such as information (ECU 50 million for information campaigns — PRINCE), the establishment of a European Voluntary Service as a pilot project (ECU 15 million) and continuation of the employment and growth initiative. The Agencies (including the Turin Foundation which comes under heading 4) receive ECU 99,3 million. The appropriations for the trans-European networks are far higher than in 1995 (up by 7,6 %), but some of them have been entered in the reserve.

Commitment appropriations totalling ECU 5 261 million have been allocated for *external action*, 8,01 % more than in 1995. Only ECU 3,4 million is now left below the ceiling for this heading. The biggest increase is for cooperation with the Mediterranean countries, which receives almost ECU 900 million, including an additional ECU 200 million entered subject to the constitution of a negative reserve of ECU 200 million. A considerable amount has also been earmarked for the reconstruction of former Yugoslavia (ECU 98 million), some of it entered in a reserve which may also be used, if necessary, for common foreign and security policy action. There is also a substantial increase in the appropriations for the PHARE and TACIS programmes, Latin America, Asia, Africa, the NGOs and rehabilitation measures in South Africa. Finally, the appropriations for fisheries agreements come to ECU 280 million.

*Administrative expenditure* comes to ECU 4 129 million, an increase of 3,2 % over 1995: ECU 1 432 million of the total is for the other institutions and ECU 2 300 million for the Commission (not including pensions). ECU 62,4 million is thus still available below the ceiling for the heading. The Council has requested an increase of ECU 31 million and Parliament ECU 24 million by means of a supplementary and amending budget.

Table 19

## Comparison between 1995 budget, 1996 financial perspective (FP) and 1996 budget

(ECU million)

	1995 budget	1996 FP	1996 budget	4 = 3 : 1 in %	5 = 2 - 3
	1	2	3		
<b>Commitment appropriations</b>					
1. Common agricultural policy	36 894	40 828	40 828	10,7	0
2. Structural operations	26 329	29 131	29 131	10,6	0
2.1. Structural Funds	24 069	26 579	26 579	10,4	0
2.2. Cohesion Fund	2 152	2 444	2 444	13,6	0
2.3. EEA financial mechanism	108	108	108		0
3. Internal policies	5 055	5 337	5 324	5,3	13
4. External action	4 873	5 264	5 261	8,0	3
5. Administrative expenditure	3 999	4 191	4 129	3,2	62
6. Reserves	1 146	1 152	1 152	0,5	0
Monetary reserve	500	500	500	0,0	0
Guarantee reserve	323	326	326	0,9	0
Emergency aid reserve	323	326	326	0,9	0
7. Compensation	1 547	701	701		0
<b>Commitment appropriations -- Total</b>	<b>79 843</b>	<b>86 604</b>	<b>86 526</b>	<b>8,4</b>	<b>79</b>
<b>Payment appropriations -- Total</b>	<b>75 438</b>	<b>82 223</b>	<b>81 888</b>	<b>8,6</b>	<b>335</b>
Total payment appropriations (% GNP)	1,18	1,20	1,20		
Margin (% GNP)	0,03	0,02	0,02		
Own resources ceiling (% GNP)	1,21	1,22	1,22		

Table 20

## The 1996 budget by subsection

(ECU million)

	1996 budget				Change on 1995 budget (in %)		Change on 1995 budget (amount)	
	Commitments		Payments		Commitments	Payments	Commitments	Payments
	Amount	%	Amount	%				
<b>Commission (section III)</b>								
B1: EAGGF Guarantee Section	41 328,0	47,8	41 328,0	50,5	10,5	10,5	3 934,0	3 934,0
B2: Structural operations, structural and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries	29 407,1	34,0	26 005,6	31,8	10,4	9,6	2 758,9	2 275,9
B3: Training, youth, culture, audiovisual media, information and other social operations	819,7	0,9	823,4	1,0	8,2	25,7	61,8	168,5
B4: Energy, Euratom nuclear safeguards and environment	220,5	0,3	194,5	0,2	(2,6)	(0,8)	(5,9)	-1,5
B5: Consumer protection, internal market, industry and trans-European networks	824,9	1,0	666,5	0,8	8,6	14,9	65,1	86,4
B6: Research and technological development	3 183,2	3,7	3 096,6	3,8	6,4	9,8	191,5	277,4
B7: External action	5 724,6	6,6	4 649,9	5,7	12,6	13,7	641,1	561,7
B8: Common foreign and security policy	62,0	0,1	68,3	0,1	(43,6)	(35,0)	(48,0)	-36,8
B0: Guarantees, reserves	827,0	1,0	927,0	1,1	(55,8)	(50,4)	(1 043,0)	-943,0
<b>Operating appropriations (section III/B) — Total</b>	<b>82 396,8</b>	<b>95,2</b>	<b>77 759,8</b>	<b>95,0</b>	<b>8,6</b>	<b>8,9</b>	<b>6 555,4</b>	<b>6 322,6</b>
Administrative appropriations (Section III/A) — Total	2 696,7	3,1	2 696,7	3,3	4,2	4,2	109,1	109,1
<b>Commission (section III) — Total</b>	<b>85 093,6</b>	<b>98,3</b>	<b>80 456,6</b>	<b>98,3</b>	<b>8,5</b>	<b>8,7</b>	<b>6 664,6</b>	<b>6 431,7</b>
<b>Other institutions (Sections I, II, IV and V)</b>	<b>1 431,9</b>	<b>1,7</b>	<b>1 431,9</b>	<b>1,7</b>	<b>1,3</b>	<b>1,3</b>	<b>18,3</b>	<b>18,3</b>
<b>Grand total</b>	<b>86 525,5</b>	<b>100</b>	<b>81 888,4</b>	<b>100</b>	<b>8,4</b>	<b>8,6</b>	<b>6 682,8</b>	<b>6 450,0</b>

Chart 10

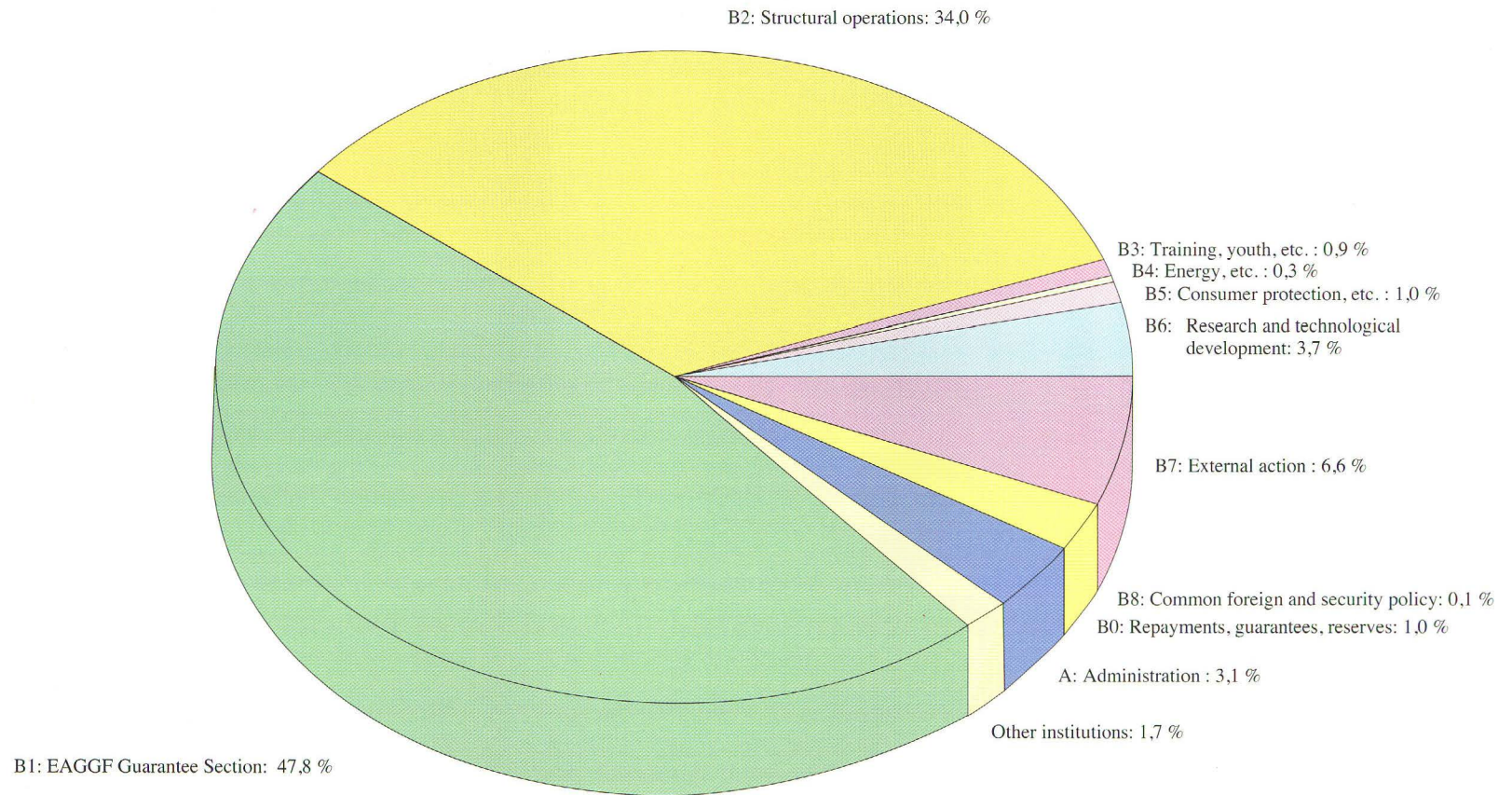
**The 1996 budget by subsection  
(Commitments)**

Chart 11

**Increase in the 1996 budget over the 1995 budget by subsection**  
(appropriations for commitments)

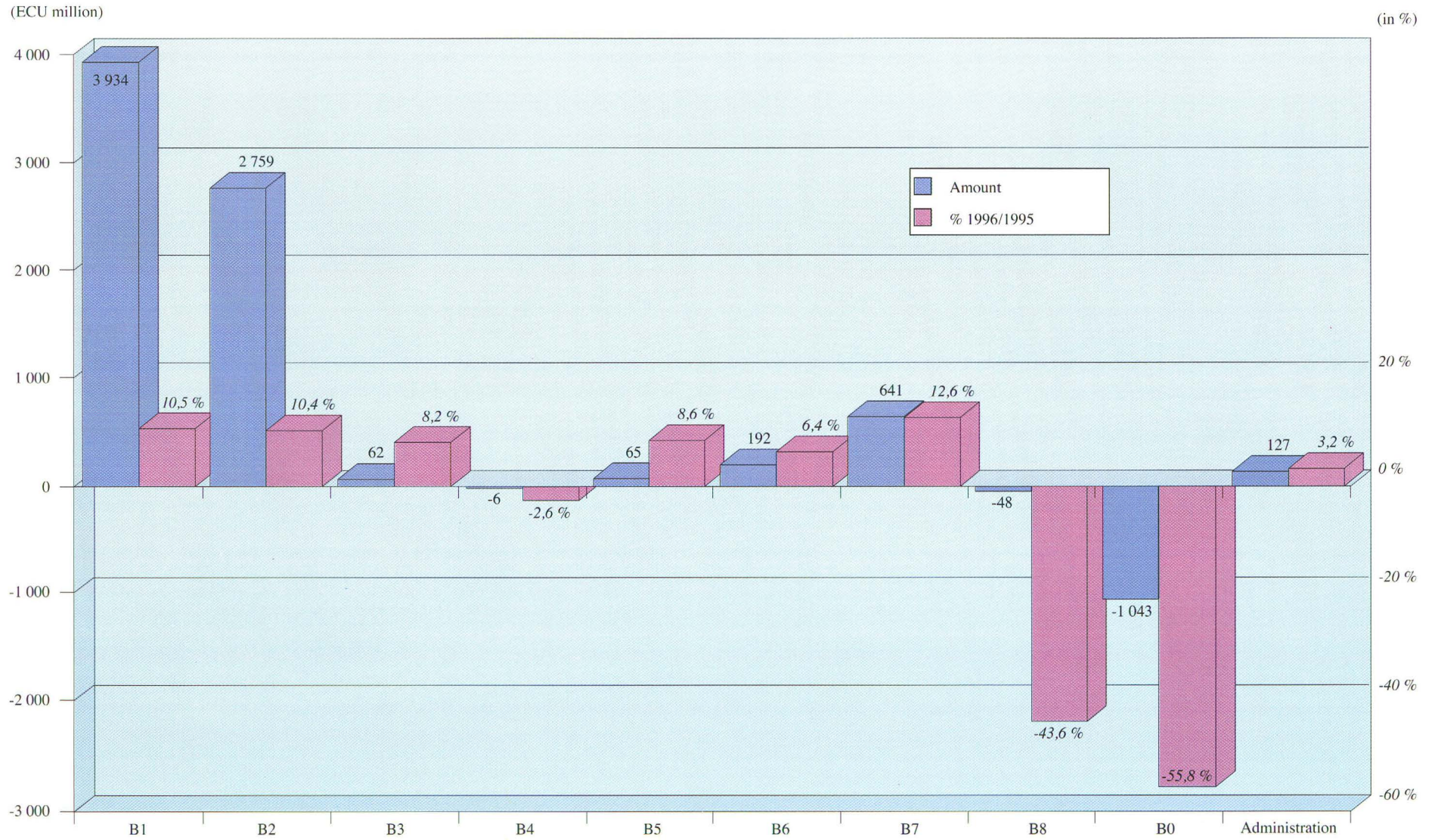


Table 21

## The 1996 budget — EAGGF Guarantee Section (subsection B1)

(ECU million)

	1996 budget		Change on 1995 budget (%)
	Amount	%	
<b>B1-1: Plant products</b>	26 450,0	64,0	15,7
— Arable crops	17 185,0	41,6	17,9
— Sugar	1 942,0	4,7	8,6
— Olive oil	1 781,0	4,3	103,3
— Dried fodder and dried vegetables	386,0	0,9	37,9
— Fibre plants and silkworms	894,0	2,2	5,3
— Fruit and vegetables	1 729,0	4,2	- 9,0
— Products of the vine-growing sector	1 113,0	2,7	6,6
— Tobacco	1 106,0	2,7	- 2,3
— Other	314,0	0,8	- 23,2
<b>B1-2: Animal products</b>	11 537,0	27,9	0,7
— Milk and milk products	4 214,0	10,2	- 1,2
— Beef/veal	5 458,0	13,2	11,7
— Sheepmeat and goatmeat	1 353,0	3,3	- 19,3
— Pigmeat	168,0	0,4	- 34,9
— Eggs and poultrymeat	150,0	0,4	- 13,8
— Other animal product aid measures	146,0	0,4	5,8
— European Fisheries Guarantee Fund	48,0	0,1	- 9,4
<b>B1-3: Ancillary expenditure</b>	567,0	1,4	13,5
<b>B1-4: Income aid</b>	20,0	0,0	- 56,0
<b>B1-5: Accompanying measures</b>	2 254,0	5,5	10,4
<b>B1-6: Monetary reserve</b>	500,0	1,2	0,0
<b>Subsection B1 — Total</b>	<b>41 328,0</b>	<b>100</b>	<b>10,5</b>

Chart 12

Breakdown of subsection B1: EAGGF Guarantee Section 1996

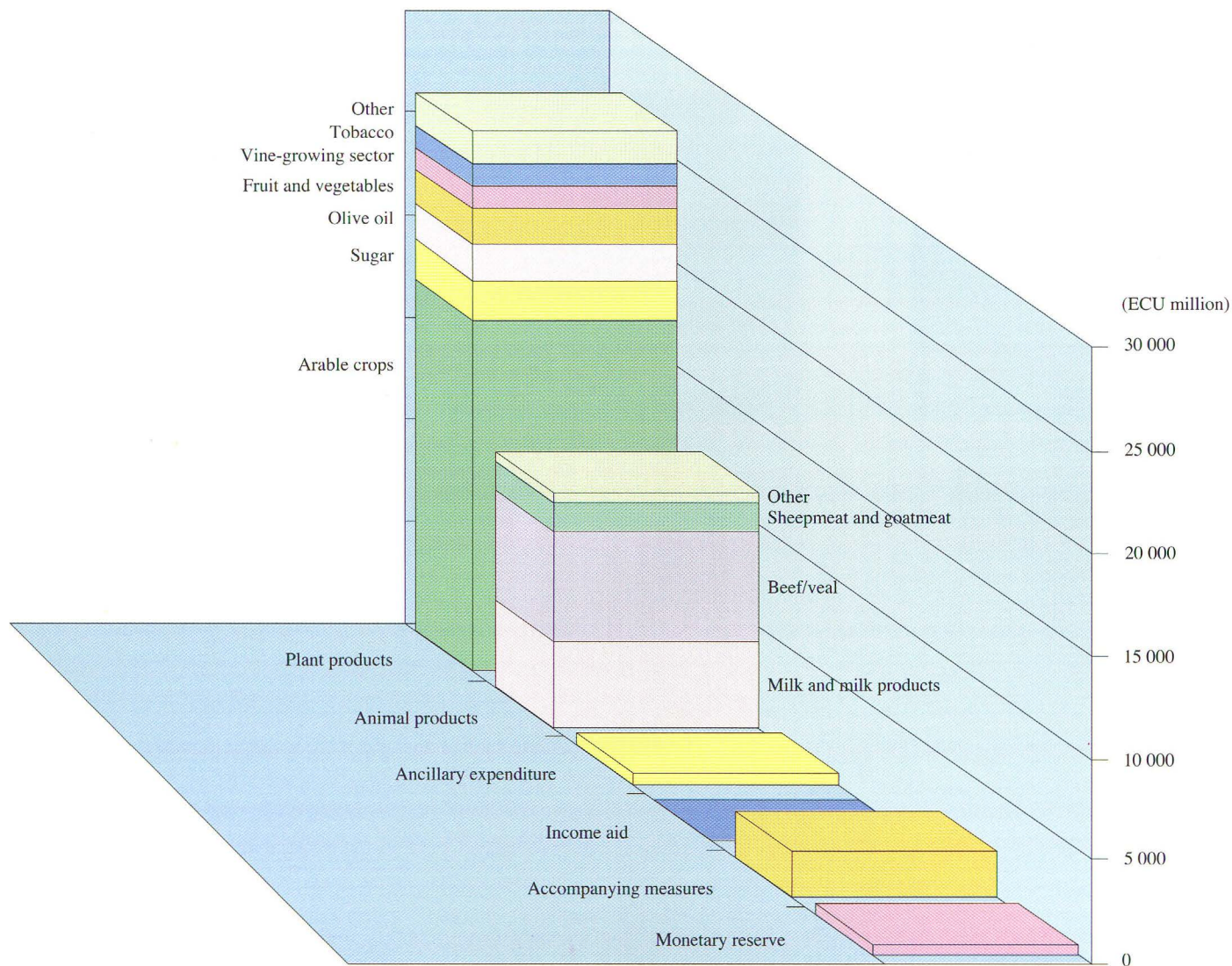




Table 22

**The 1996 budget — Structural operations, structural and cohesion expenditure, financial mechanism,  
other agricultural and regional operations, transport and fisheries (subsection B2)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B2-1: Structural Funds	26 579,0	23 677,8	10,4	11,7
— EAGGF Guidance Section	3 772,0	3 859,4	5,8	34,1
— FIFG	450,4	545,1	-0,2	5,2
— ERDF	11 883,7	10 663,1	9,9	10,8
— European Social Fund	7 145,8	6 031,6	5,7	6,9
— Community initiatives	3 030,3	2 204,7	36,2	4,6
— Other	296,8	373,9	18,0	-12,9
B2-2: Other structural operations	p. m.	49,2	0,0	23,0
B2-3: Cohesion Fund	2 444,0	1 919,3	13,6	9,7
B2-4: Structural and cohesion expenditure and expenditure for the financial mechanism relating to the accession of new Member States	108,0	108,0	0,0	-77,9
B2-5: Other agricultural operations	162,8	138,3	-24,2	-9,0
B2-6: Other regional operations	36,8	54,7	-29,0	-1,4
B2-7: Transport	41,0	30,6	67,3	68,0
B2-9: Other measures concerning fisheries and the sea	35,5	27,8	25,9	20,2
<b>Subsection B2 — Total</b>	<b>29 407,1</b>	<b>26 005,6</b>	<b>10,4</b>	<b>9,6</b>

Chart 13

**Breakdown of subsection B2: Structural operations, structural and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries 1996 (appropriations for commitments)**

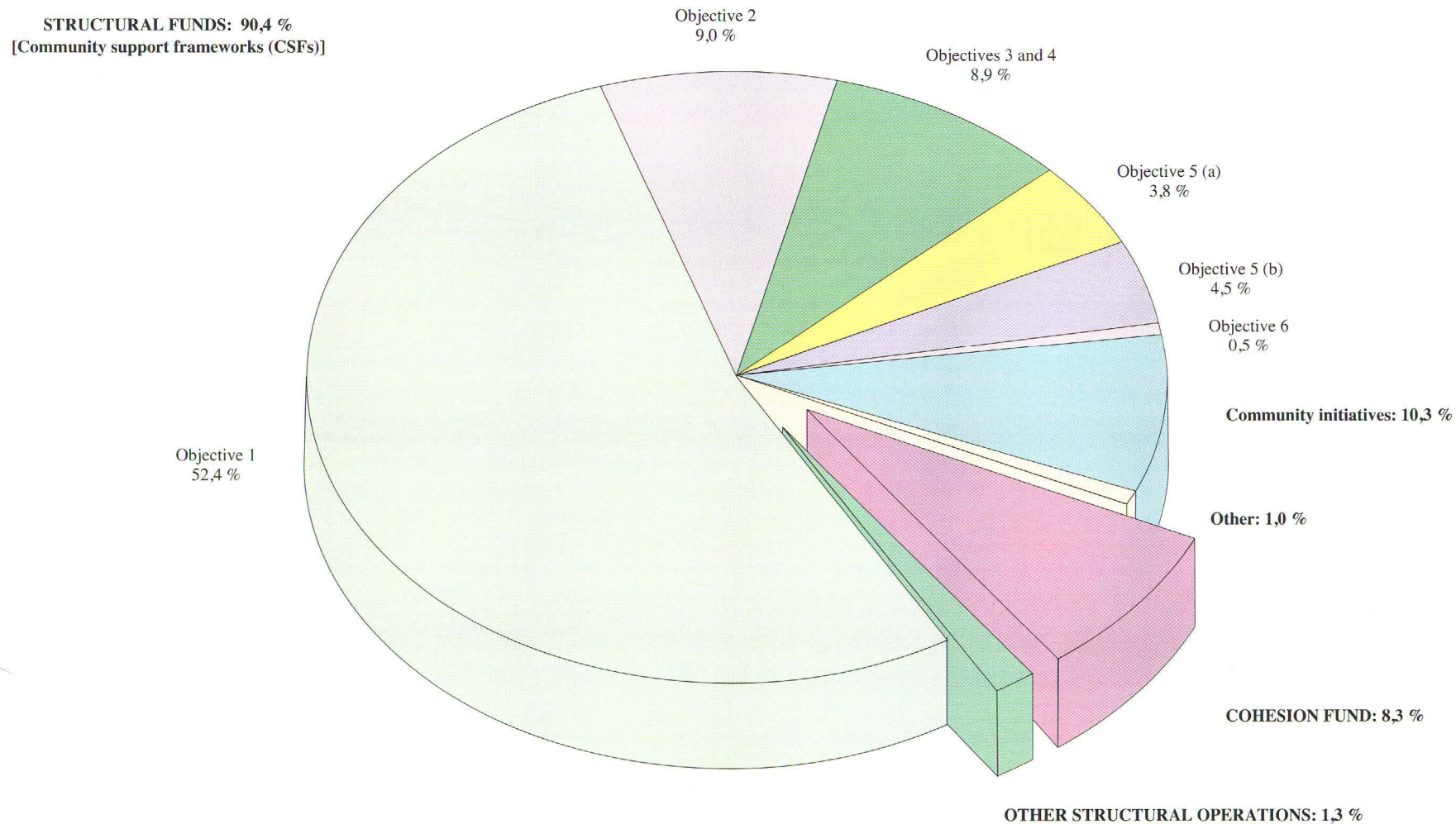


Chart 14

**Breakdown of subsection B2: Structural operations, structural and cohesion expenditure, financial mechanism, other agricultural and regional operations, transport and fisheries 1996 (appropriations for commitments)**

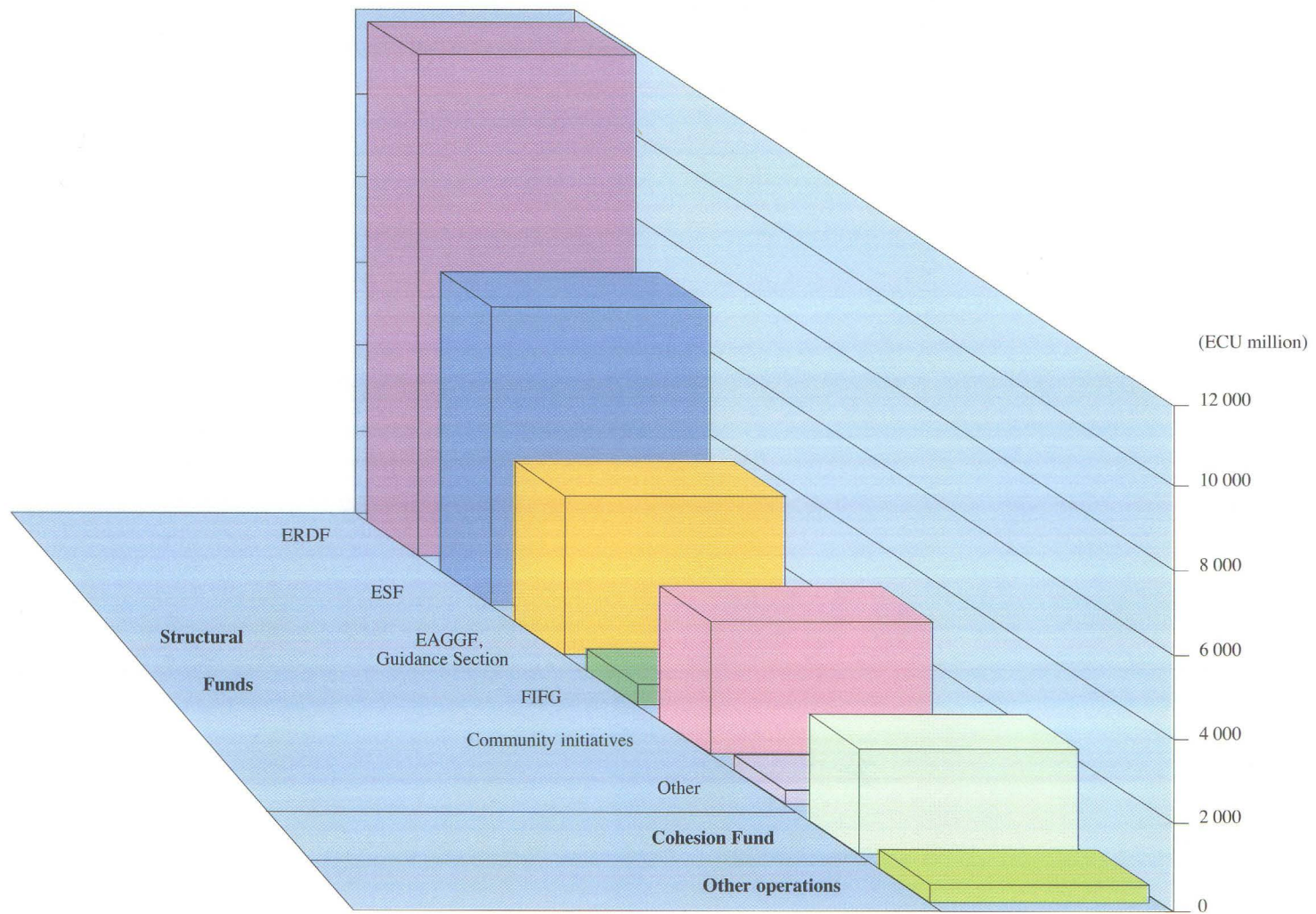


Table 23

**The 1996 budget — Training, youth, culture, audiovisual media, information and other social operations (subsection B3)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B3-1: Education, vocational training and youth policy	396,8	417,9	13 127,5	33,4
B3-2: Culture and audiovisual media	119,4	115,3	- 15,8	- 18,5
B3-3: Information and communication	113,0	112,0	67,9	133,6
B3-4: Other social operations	190,5	178,2	5,6	17,1
<b>Subsection B3 — Total</b>	<b>819,7</b>	<b>823,4</b>	<b>8,2</b>	<b>25,7</b>

Table 24

**The 1996 budget — Energy, Euratom nuclear safeguards and environment (subsection B4)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B4-1: Energy	68,0	56,6	7,9	0,3
B4-2: Euratom nuclear safeguards	19,1	17,4	- 0,7	- 11,8
B4-3: Environment	133,4	120,5	- 7,5	0,5
<b>Subsection B4 — Total</b>	<b>220,5</b>	<b>194,5</b>	<b>- 2,6</b>	<b>- 0,8</b>

Table 25

**The 1996 budget — Consumer protection, internal market, industry and trans-European networks (subsection B5)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B5-1: Consumer protection	20,1	18,3	- 5,6	- 12,3
B5-2: Aid for reconstruction	4,8	4,8	- 29,5	- 29,5
B5-3: Internal market	221,3	210,8	28,1	33,9
B5-4: Industry	115,7	101,3	- 3,9	22,5
B5-5: Information market	0,0	5,8	- 100,0	- 58,7
B5-6: Statistical information	35,9	32,6	- 3,0	- 0,5
B5-7: Trans-European networks	410,0	277,0	7,6	5,9
B5-8: Cooperation in the fields of justice and home affairs	13,0	12,0	150,0	361,5
B5-9: Measures to combat fraud	4,2	4,0	178,3	168,3
<b>Subsection B5 — Total</b>	<b>824,9</b>	<b>666,5</b>	<b>8,6</b>	<b>14,9</b>

Chart 15

## Subsections B3 to B6 — Comparison between 1995 and 1996 budgets

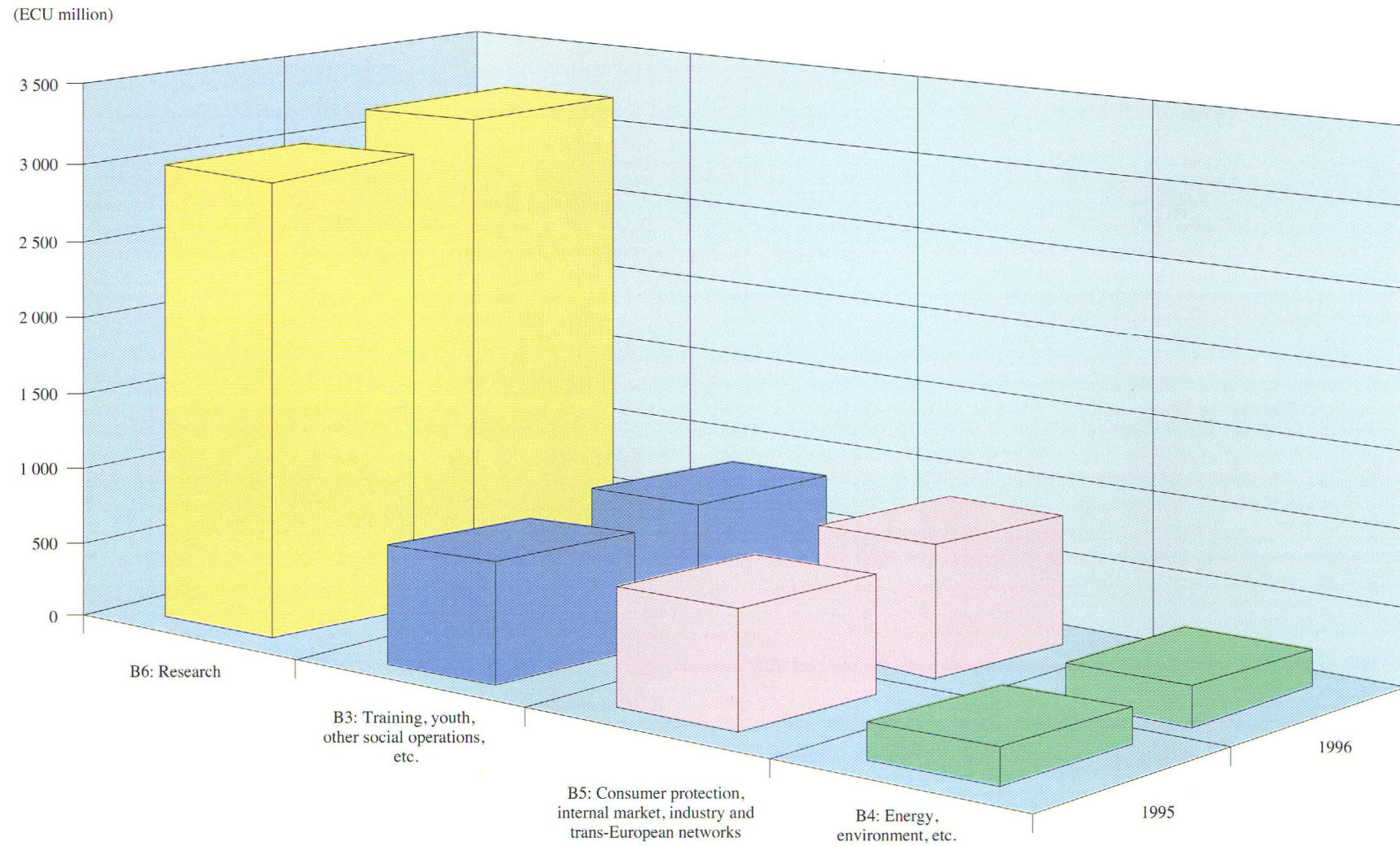


Table 26

**The 1996 budget — Research and technological development  
(subsection B6)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B6-1: Joint Research Centre — staff and resources	196,1	199,8	1,0	4,4
B6-2: Joint Research Centre — direct operating appropriations — EC framework programme 1994 to 1998	30,1	28,4	- 6,8	181,6
B6-3: Joint Research Centre — direct operating appropriations — EAEC framework programme (1994 to 1998)	9,7	9,6	- 2,9	268,2
B6-4: Joint Research Centre — direct action — completion of the former joint and supplementary programmes and other joint research centre activities	0,0	10,8	0,0	- 69,3
B6-5: Indirect action (shared-cost projects) and concerted action — completion of earlier projects and other activities	0,0	832,8	- 100,0	- 50,5
B6-7: Indirect action (shared-cost projects), concerted action and supplementary programmes — EC framework programme 1994 to 1998	2 680,2	1 764,3	11,2	138,9
B6-8: Indirect action (shared-cost activities), concerted action and supplementary programmes — EAEC framework programme (1994 to 1998)	267,0	251,0	- 22,3	56,1
B6-9: Indirect action (shared-cost) — fight against fraud and global reserve for research	0,1	0,0	0,0	- 20,0
<b>Subsection B6 — Total</b>	<b>3 183,2</b>	<b>3 096,6</b>	<b>6,4</b>	<b>9,8</b>

Table 27

**The 1996 budget — External action  
(subsection B7)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B7-1: European Development Fund	—	—	—	—
B7-2: Humanitarian and food aid	910,4	744,5	- 0,8	- 8,5
B7-3: Cooperation with developing countries in Asia, Latin America and southern Africa, including South Africa	819,5	477,0	5,0	8,9
B7-4: Cooperation with Mediterranean countries and the Middle East	888,0	627,5	65,4	40,9
B7-5: Cooperation with countries of central and eastern Europe and the independent States of the former Soviet Union	1 863,4	1 679,0	10,1	24,8
B7-6: Community aid for non-governmental organizations	408,1	316,2	14,0	17,7
B7-7: European initiative for democracy and the protection of human rights	90,8	80,2	19,5	24,5
B7-8: External aspects of certain Community policies	418,5	399,5	4,7	2,7
B7-9: Emergency aid reserve	326,0	326,0	0,9	0,9
<b>Subsection B7 — Total</b>	<b>5 724,6</b>	<b>4 649,9</b>	<b>12,6</b>	<b>13,7</b>

Chart 16

Breakdown of subsections B7 and B8: external action and common foreign and security policy 1996

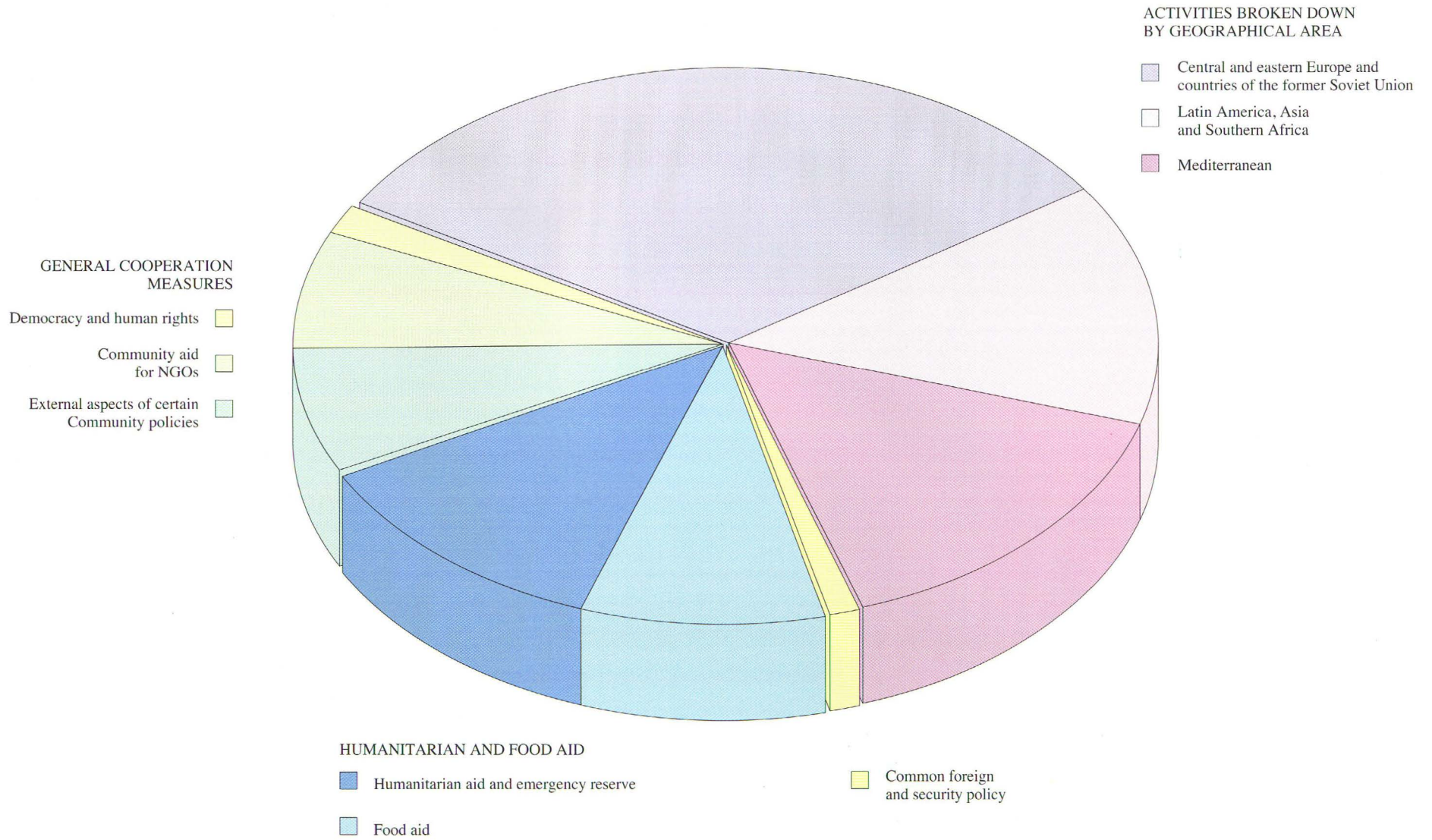


Table 28

**The 1996 budget — Common foreign and security policy (subsection B8)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B8-1: Common foreign and security policy	62,0	68,3	- 43,6	- 35,0
<b>Subsection B8 — Total</b>	<b>62,0</b>	<b>68,3</b>	<b>- 43,6</b>	<b>- 35,0</b>

Table 30

**The 1996 budget — Commission administrative expenditure (section III/A)**

(ECU million)

	1996 budget	Change on 1995 budget (%)
A-1: Expenditure relating to persons working with the institution	1 735,0	6,5
A-2: Buildings, equipment and miscellaneous operating expenditure	356,1	- 2,3
A-3: Expenditure resulting from special functions carried out by the institution	251,6	4,5
A-4: Interinstitutional cooperation, interinstitutional departments and activities	63,1	13,1
A-5: Data processing	93,8	- 1,0
A-6: Staff and administrative expenditure of European Community delegations	197,2	1,7
A-10: Other expenditure	0,0	- 100,0
<b>Part A — Total</b>	<b>2 696,7</b>	<b>4,2</b>

Table 29

**The 1996 budget — Repayments, guarantees, reserves (subsection B0)**

(ECU million)

	1996 budget		Change on 1995 budget (%)	
	Commitments	Payments	Commitments	Payments
B0-2: Guarantees for borrowing and lending operations	326	326	0,9	0,9
B0-3: Deficit carried over from previous year	0	0	0,0	0,0
B0-4: Reserves and provisions	- 200	- 100	0,0	- ∞
B0-5: Budgetary compensation for the new Member States	701	701	- 54,7	- 54,7
<b>Subsection B0 — Total</b>	<b>827</b>	<b>927</b>	<b>- 55,8</b>	<b>- 50,4</b>

Table 31

**The 1996 budget — Administrative expenditure of all the institutions**

(ECU million)

	1996 budget		Change on 1995 budget (%)
	Commitments = payments		
	Amount	%	
Parliament	802,7	19,4	- 4,8
Council	307,0	7,4	0,1
Commission	2 150,8	52,1	2,7
Common expenditure	546,0	13,2	10,8
Pensions (A-1 9)	396,5	9,6	13,4
European Schools (A-3 2 7)	95,4	2,3	6,0
Publications Office (A-3 4 2)	54,1	1,3	2,1
Court of Justice	169,7	4,1	48,4
Court of Auditors	56,2	1,4	7,7
Economic and Social Committee and Committee of the Regions	96,3	2,3	- 1,0
<b>Total</b>	<b>4 128,6</b>	<b>100</b>	<b>3,2</b>



Chart 17

## Administrative expenditure of all the institutions — 1996

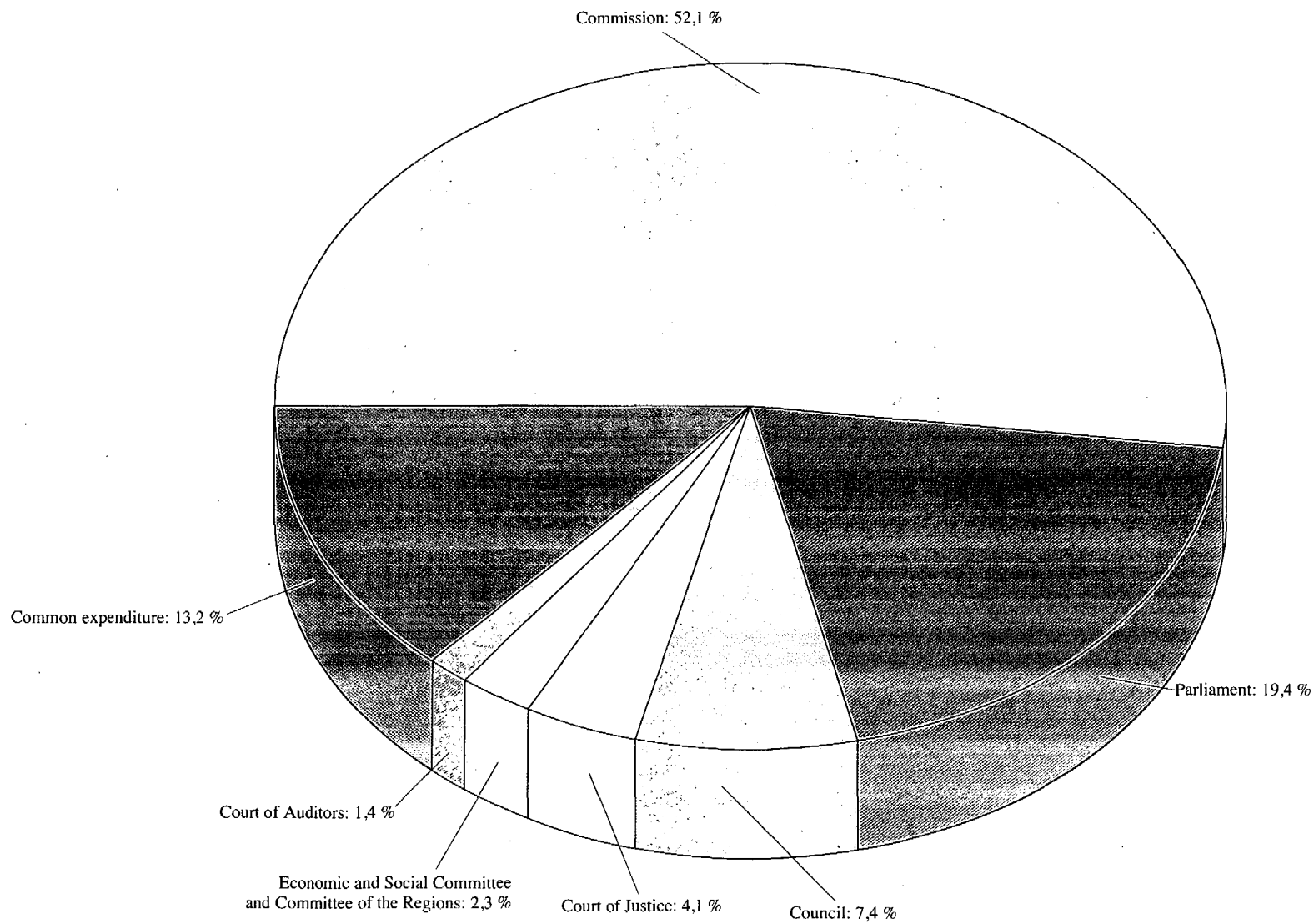


Table 32  
Summary of the financing of expenditure from the 1996 general budget <sup>(1)</sup>

(ECU million)

	Agricultural duties	Customs duties	VAT	Fourth resource	Total		Agricultural duties	Customs duties	VAT	Fourth resource	Total
Belgium	117,8	855,8	1 285,3	848,0	3 106,9	Luxembourg	0,1	15,1	110,7	57,2	183,1
Denmark	45,2	219,6	770,8	528,8	1 564,4	Netherlands	149,0	1 325,8	2 038,8	1 215,4	4 729,0
Germany	472,7	3 591,0	12 863,5	7 493,6	24 420,8	Austria	44,4	361,9	1 214,8	727,7	2 348,8
Greece	26,5	135,0	664,3	370,7	1 196,5	Portugal	95,9	134,6	647,3	334,5	1 212,3
Spain	105,4	546,1	2 812,2	1 724,6	5 188,3	Finland	23,9	235,0	589,8	390,4	1 239,1
France	364,9	1 203,0	7 971,1	4 799,3	14 338,3	Sweden	62,9	580,9	998,2	698,4	2 340,4
Ireland	11,0	229,5	347,5	179,6	767,6	United Kingdom	249,2	2 466,0	2 379,8	3 721,0	8 816,1
Italy	194,5	953,6	5 098,2	3 622,4	9 868,8	Other					568,1
						<b>Total</b>	<b>1 963,4</b>	<b>12 852,9</b>	<b>39 792,3</b>	<b>26 711,8</b>	<b>81 888,4</b>

Table 33

Summary of the financing of expenditure from the 1996 general budget <sup>(1)</sup> (in %)

	Agricultural duties	Customs duties	VAT	Fourth resource	Total
Belgium	6,0	6,7	3,2	3,2	3,8
Denmark	2,3	1,7	1,9	2,0	1,9
Germany	24,1	27,9	32,3	28,1	29,8
Greece	1,4	1,1	1,7	1,4	1,5
Spain	5,4	4,2	7,1	6,5	6,3
France	18,6	9,4	20,0	18,0	17,5
Ireland	0,6	1,8	0,9	0,7	0,9
Italy	9,9	7,4	12,8	13,6	12,1
Luxembourg	0,0	0,1	0,3	0,2	0,2
Netherlands	7,6	10,3	5,1	4,6	5,8
Austria	2,3	2,8	3,1	2,7	2,9
Portugal	4,9	1,0	1,6	1,3	1,5
Finland	1,2	1,8	1,5	1,5	1,5
Sweden	3,2	4,5	2,5	2,6	2,9
United Kingdom	12,7	19,2	6,0	13,9	10,8
Other					0,7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 34

Summary of the financing of expenditure from the 1996 general budget <sup>(1)</sup> (in %)

	Agricultural duties	Customs duties	VAT	Fourth resource	Other	Total
Belgium	3,8	27,5	41,4	27,3		100
Denmark	2,9	14,0	49,3	33,8		100
Germany	1,9	14,7	52,7	30,7		100
Greece	2,2	11,3	55,5	31,0		100
Spain	2,0	10,5	54,2	33,2		100
France	2,5	8,4	55,6	33,5		100
Ireland	1,4	29,9	45,3	23,4		100
Italy	2,0	9,7	51,7	36,7		100
Luxembourg	0,0	8,3	60,5	31,2		100
Netherlands	3,2	28,0	43,1	25,7		100
Austria	1,9	15,4	51,7	31,0		100
Portugal	7,9	11,1	53,4	27,6		100
Finland	1,9	19,0	47,6	31,5		100
Sweden	2,7	24,8	42,7	29,8		100
United Kingdom	2,8	28,0	27,0	42,2		100
<b>Total</b>	<b>2,4</b>	<b>15,7</b>	<b>48,6</b>	<b>32,6</b>	<b>0,7</b>	<b>100</b>

<sup>(1)</sup> Based on the old own resources decision.

Chart 18

## Financing of expenditure from the 1996 general budget by Member State

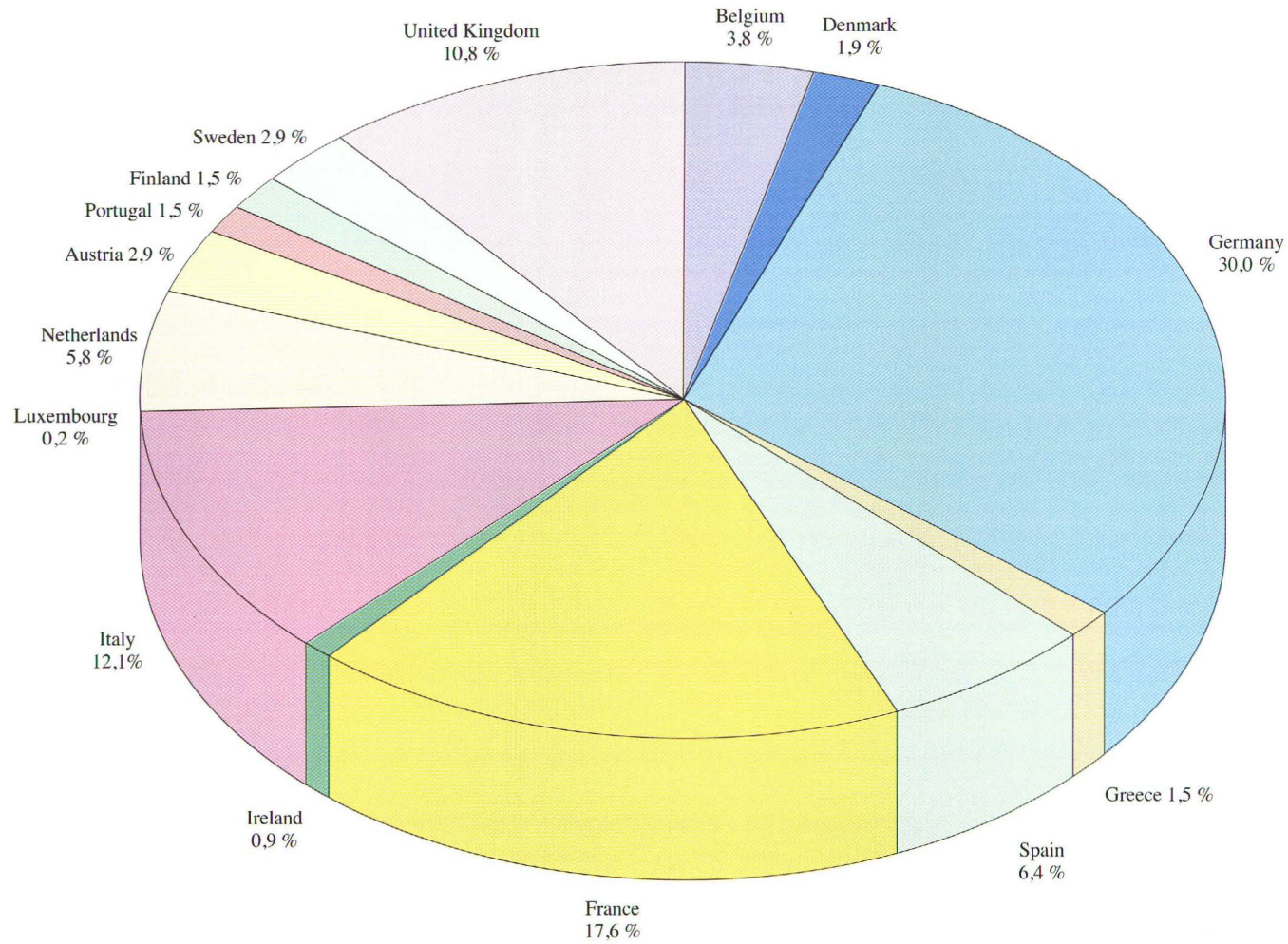
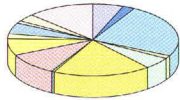


Chart 19

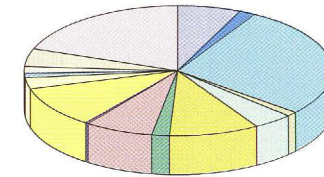
Summary of the financing of expenditure from the 1996 general budget

1. Agricultural duties

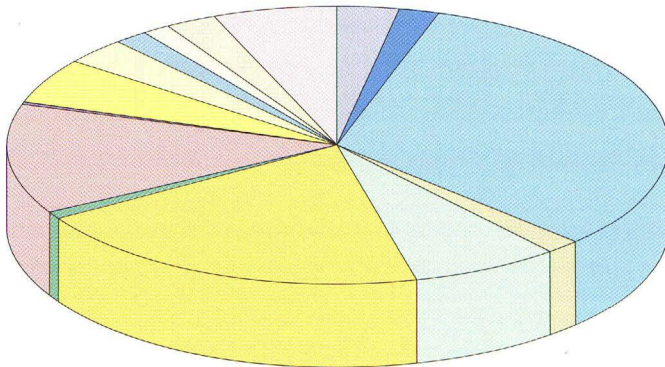


%		%
6.0	Belgium	6.7
2.3	Denmark	1.7
24.1	Germany	27.9
1.4	Greece	1.1
5.4	Spain	4.2
18.6	France	9.4
0.6	Ireland	1.8
9.9	Italy	7.4
0.0	Luxembourg	0.1
7.6	Netherlands	10.3
2.3	Austria	2.8
4.9	Portugal	1.0
1.2	Finland	1.8
3.2	Sweden	4.5
12.7	United Kingdom	19.2

2. Customs duties



3. VAT



%		%
3.2	Belgium	3.2
1.9	Denmark	2.0
32.3	Germany	28.1
1.7	Greece	1.4
7.1	Spain	6.5
20.0	France	18.0
0.9	Ireland	0.7
12.8	Italy	13.6
0.3	Luxembourg	0.2
5.1	Netherlands	4.6
3.1	Austria	2.7
1.6	Portugal	1.3
1.5	Finland	1.5
2.5	Sweden	2.6
6.0	United Kingdom	13.9

4. Fourth resource

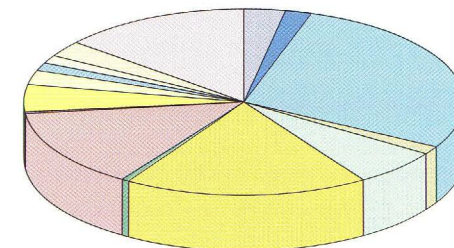


Table 35

## ECSC operating budget 1996

(ECU million)

Requirements	Forecast	Change on 1995 budget (%)	Resources	Forecast
1. Administrative expenditure	5	0,0	1. Current resources	
2. Aid for redeployment	87	- 35,6	1.1 Yield from levy at 0,21 %	101
3. Aid for research			1.2. Net balance	105
3.1. Steel	53	39,5	1.3. Fines and surcharges for late payments	p.m.
3.2. Coal	31	47,6	1.4. Miscellaneous	2
3.3. Social	1	0,0	2. Cancellation of commitments not likely to be implemented	39
4. Interest subsidies	40	14,3	3. Resources from previous year not used	p.m.
5. Social measures connected with restructuring of steel industry	p.m.	- 100,0	4. Drawings on contingency reserve	p.m.
6. Social measures connected with restructuring of coal industry	30	- 21,1	5. Exceptional resources	p.m.
7. Damages and interest	p.m.	0,0		
<b>Total</b>	<b>247</b>	<b>- 25,4</b>	<b>Total</b>	<b>247</b>

Table 36  
**European Development  
 Fund 1996** <sup>(1)</sup>

(ECU million)

	1996 appropriations		Change on 1995 appropriations (%)	
	Commitments	Payments	Commitments	Payments
<b>Cooperation with African, Caribbean and Pacific States and with the overseas territories associated with the Community</b>				
of which:				
Programmable aid	850	770	3,0	9,2
Structural adjustment	80	200	- 45,0	- 14,0
System for stabilizing export earnings (Stabex)		129	- 100,0	- 57,5
Stabilization system for mining products (Sysmin)	240	100	184,1	422,7
Risk capital	170	170	- 33,8	37,2
Interest subsidies	60	50	68,9	98,4
Emergency aid			- 100,0	- 100,0
Aid for refugees	6	15	36,1	22,2
Transfer of 4th and 5th EDF to 6th and 7th EDF	0	0	- 100,0	- 100,0
<b>Total</b>	<b>406</b>	<b>1 434</b>	<b>- 7,5</b>	<b>- 8,3</b>

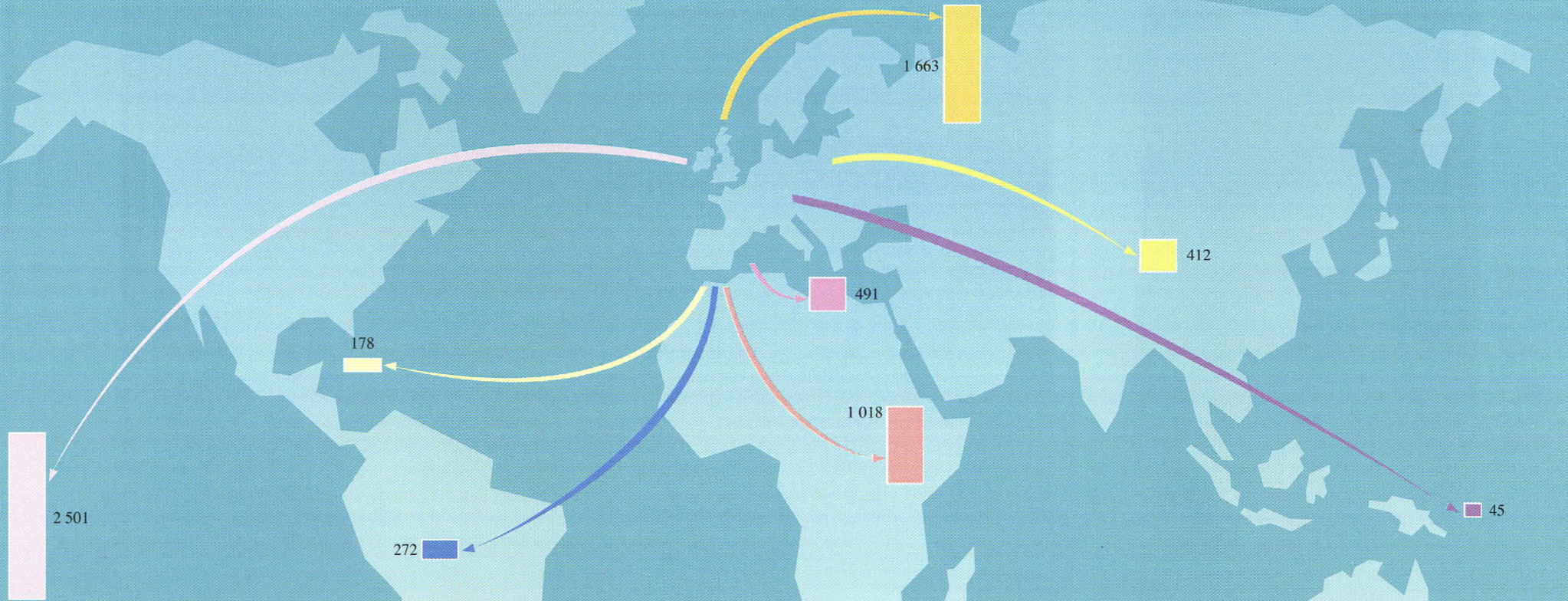
93-94

<sup>(1)</sup> Indicative amounts (SEC(95) 2124 final, 11. 12. 1995).

Map 3

**Breakdown of Community aid in the world**  
(General budget and European Development Fund - 1995 figures)

[ECU million (commitments)]



Other operations:	2 501
- Common foreign and security policy	85
- Humanitarian aid and emergency reserve	642
- Food aid	646
- External aspects of certain Community policies	46
- Democracy and human rights	76
- Other cooperation measures	727
- ACP and OCT regional measures	279

Africa	1 018
Caribbean	178
Pacific	45
Latin America	272
Asia	412
Mediterranean	491
Eastern Europe	1 663

Part V  
Preliminary draft budget for 1997

86-96



## Preliminary draft budget for 1997

The preliminary draft budget adopted by the Commission on 30 April 1997 totals ECU 89 996 million in appropriations for commitments and ECU 84 445 million in appropriations for payments, an increase of around 3 % on the 1996 budget.

The revenue necessary to finance the preliminary draft budget, calculated on the basis of the new own resources decision of 31 October 1994, comes to 1,20 % of GNP. The uniform call-in rate is 1,0531 % for VAT own resources and 0,4989 % for the GNP resource. Traditional own resources account for 16,8 % of the financing of the 1997 budget, VAT resources for 40,9 % and the fourth (GNP) resource for 41,5 % (compared with 18,1 %, 48,6 % and 32,6 % respectively in the 1996 budget).

Compared with the 1996 budget (which was 8,5 % up on the 1995 budget), this distinct slowdown in the growth of Community expenditure reflects a budgetary discipline which aims, in particular, to back the efforts undertaken by the Member States to consolidate public spending and guarantee the successful launching of economic and monetary union. The growth in expenditure could have been kept to 2 % if it had not been for the additional costs in connection with the measures to eradicate bovine spongiform encephalopathy ('mad cow disease'). In this situation of budgetary rigour, priority has been given to activities likely to promote economic growth and employment such as research and development (up by 8,5 %) and the trans-European networks (up by 26 %).

The Commission's proposals for each heading of the financial perspective are as follows:

**1. Agricultural expenditure:** substantial cuts in a number of sectors; specific appropriations have had to be entered to cover the cost of 'mad cow disease' (ECU 368 million for slaughter measures already decided and a reserve of ECU 505 million for foreseeable slaughter and intervention measures).

**2. Structural operations:** 8 % increase, as agreed at the Edinburgh European Council.

**3. Internal policies:** overall, the commitment appropriations allocated to policies other than networks and research are 3 % lower than in the preliminary draft budget for 1996 and around 10 % lower than in the 1996 budget; however, an increase is proposed for measures in favour of SMEs, education and training programmes, health programmes, measures to combat drugs and fraud and cooperation in the field of justice and home affairs.

**4. External action:** increase in appropriations for the PHARE and MEDA programmes, in line with the conclusions of the Cannes European Council, for aid for the reconstruction of former Yugoslavia, the TACIS programme and cooperation with Asia and Latin America; the allocations for food aid and humanitarian assistance remain large.

**5. Administrative expenditure:** increase lower than the increase for the preliminary draft budget as a whole; in particular, the Commission has not provided for any increase for its own staff apart from the posts already granted in connection with enlargement.

Table 37

## Comparison between 1996 budget, 1997 financial perspective and 1997 PDB

(ECU million, 1996 prices)

	1996 budget	1997 FP	1997 PDB	4 = 3 : 1 (in %)	5 = 3 - 1	5 = 2 - 3
	1	2	3			
<b>Commitment appropriations</b>						
1. Common agricultural policy	40 828	41 805	41 805	2,4	977	0
2. Structural operations	29 130	31 477	31 477	8,1	2 347	0
2.1. Structural Funds	26 578	28 620	28 620	7,7	2 042	0
2.2. Cohesion Fund	2 444	2 749	2 749	12,5	305	0
2.3. EEA financial mechanism	108	108	108	0,0	0	0
3. Internal policies	5 325	5 603	5 523	3,7	198	80
4. External action	5 261	5 622	5 528	5,1	268	94
5. Administrative expenditure	4 129	4 352	4 293	4,0	164	59
6. Reserves	1 152	1 158	1 158	0,5	6	0
Monetary reserve	500	500	500	0,0	0	0
Guarantees reserve	326	329	329	0,9	3	0
Emergency aid reserve	326	329	329	0,9	3	0
7. Compensation	701	212	212	-69,8	-489	0
<b>Commitment appropriations — Total</b>	<b>86 526</b>	<b>90 229</b>	<b>89 996</b>	<b>4,0</b>	<b>3 470</b>	<b>233</b>
<b>Payment appropriations — Total</b>	<b>81 888</b>	<b>85 807</b>	<b>84 445</b>	<b>3,1</b>	<b>2 556</b>	<b>1 362</b>

Table 38  
1997 preliminary draft

(ECU million)

	Appropriations for commitments		Appropriations for payments		Change on 1996 budget			
					Amount		%	
	Amount	%	Amount	%	C	P	C	P
<b>Commission (section III/B)</b>								
B1: EAGGF Guarantee Section	42 305,0	47,0	42 305,0	50,1	977,0	977,0	2,4	2,4
B2: Structural operations, other agricultural and regional operations, transport and fisheries	31 728,9	35,3	27 564,8	32,6	2 318,3	1 556,2	7,9	6,0
B3: Training, youth, culture, audiovisual media, information and other social operations	748,0	0,8	758,0	0,9	-71,7	-65,3	-8,7	-7,9
B4: Energy, Euratom nuclear safeguards and environment	193,0	0,2	213,7	0,3	-27,5	19,2	-12,5	9,9
B5: Consumer protection, internal market, industry and trans-European networks	880,0	1,0	733,9	0,9	58,6	70,3	7,1	10,6
B6: Research and technological development	3 450,0	3,8	3 220,0	3,8	266,9	123,4	8,4	4,0
B7: External action	5 807,1	6,5	4 775,5	5,7	82,6	125,7	1,4	2,7
B8: Common foreign and security policy	50,0	0,1	40,0	0,0	-12,0	-28,3	-19,4	-41,4
B0: Guarantees, reserves, compensation	541,0	0,6	541,0	0,6	-286,0	-386,0	-34,6	-41,6
<b>Operating appropriations (section III/B) — Total</b>	<b>85 703,1</b>	<b>95,2</b>	<b>80 152,0</b>	<b>94,9</b>	<b>3 306,2</b>	<b>2 392,2</b>	<b>4,0</b>	<b>3,1</b>
Administrative appropriations (section III/A) — Total	2 844,7	3,2	2 844,7	3,4	147,9	147,9	5,5	5,5
<b>Commission — Total</b>	<b>88 547,8</b>	<b>98,4</b>	<b>82 996,6</b>	<b>98,3</b>	<b>3 454,2</b>	<b>2 540,1</b>	<b>4,1</b>	<b>3,2</b>
<b>Other institutions (sections I, II, IV, V and VI) <sup>(1)</sup></b>	<b>1 448,0</b>	<b>1,6</b>	<b>1 448,0</b>	<b>1,7</b>	<b>16,1</b>	<b>16,1</b>	<b>1,1</b>	<b>1,1</b>
<b>Grand total</b>	<b>89 995,8</b>	<b>100</b>	<b>84 444,6</b>	<b>100</b>	<b>3 470,3</b>	<b>2 556,2</b>	<b>4,0</b>	<b>3,1</b>

(1) Figure used by commission in preliminary draft.

Chart 20

**Breakdown of the increase in the 1997 PDB over the 1996 budget by subsection**  
(appropriations for commitments)

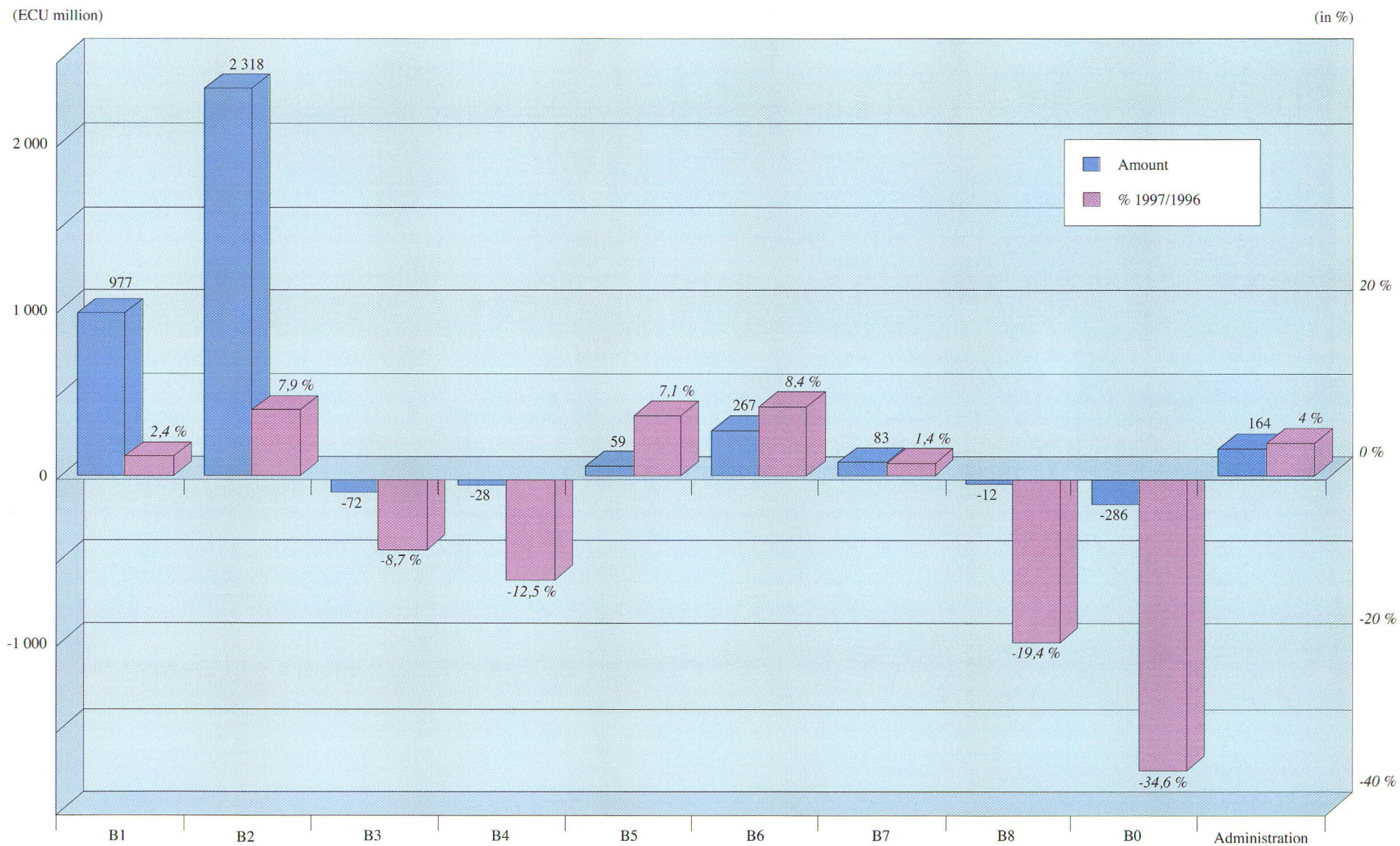


Table 39  
**Financing the general budget 1996 to 1997**

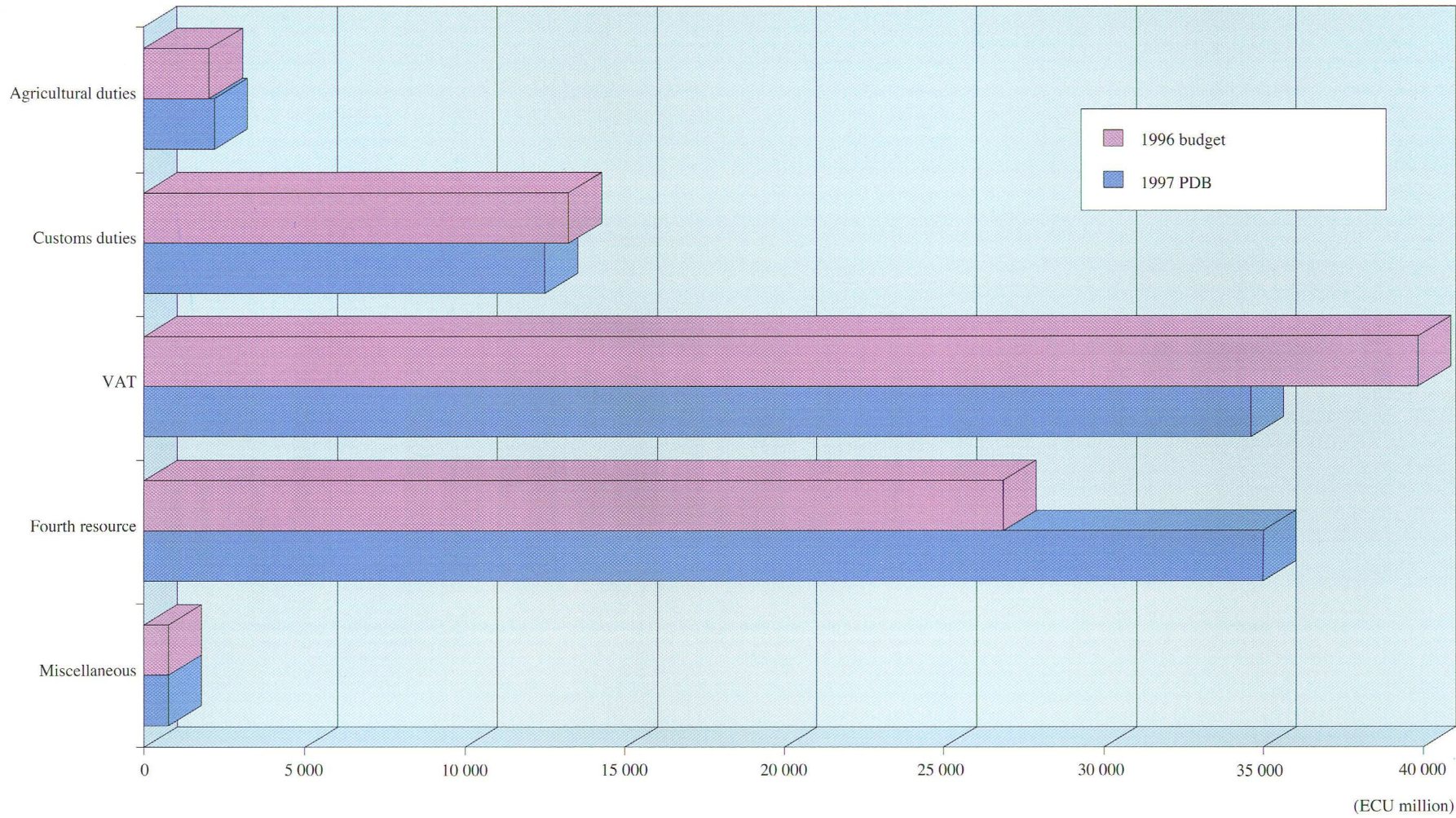
(ECU million)

Type of revenue	1996 budget <sup>(1)</sup>		1997 PDB <sup>(1)</sup>	
	Amount	%	Amount	%
Agricultural duties	1 963,4	2,4	2 015,5	2,4
Customs duties	12 852,9	15,7	12 203,2	14,5
VAT	39 792,3	48,6	34 587,7	41,0
Fourth resource	26 711,8	32,6	35 021,9	41,5
Miscellaneous	568,1	0,7	616,3	0,7
<b>Total</b>	<b>81 888,4</b>	<b>100</b>	<b>84 444,6</b>	<b>100</b>

<sup>(1)</sup> Including supplementary and amending budget No 1/95; based on old own resources decision.

Chart 21

Community revenue — Comparison between 1996 budget and preliminary draft budget for 1997



## Glossary

<b>Abbreviation or acronym</b>	<b>Meaning</b>		
<b>ACP</b>	African, Caribbean and Pacific countries	<b>EDF</b>	European Development Fund
<b>Altener</b>	Specific actions for greater penetration for renewable energy sources	<b>EDICOM</b>	Electronic data interchange for commerce
<b>Ariane</b>	Programme of support for books and reading	<b>EEA</b>	European Economic Area
<b>Bridge</b>	Biotechnology research for innovation, development and growth in Europe	<b>EEC</b>	European Economic Community
<b>CAP</b>	Common agricultural policy	<b>EFTA</b>	European Free Trade Association
<b>CE</b>	Compulsory expenditure	<b>EIB</b>	European Investment Bank
<b>CFSP</b>	Common foreign and security policy	<b>Erasmus</b>	European Community action scheme for the mobility of university
<b>CIS</b>	Commonwealth of Independent States	<b>ERDF</b>	European Regional Development Fund
<b>COM</b>	Reference to official Commission publications	<b>ESF</b>	European Social Fund
<b>Comett</b>	Action programme of the Community in education and training for technology	<b>Esprit</b>	European strategic programme for research and development in information technology
<b>CSF</b>	Community support framework	<b>EU</b>	European Union
<b>EAEC</b>	European Atomic Energy Community (Euratom)	<b>Euratom</b>	See EAEC
<b>EAGGF Guarantee</b>	European Agricultural Guidance and Guarantee Fund, Guarantee Section	<b>Eures</b>	European employment services
<b>EAGGF Guidance</b>	European Agricultural Guidance and Guarantee Fund, Guidance Section	<b>FIFG</b>	Financial instrument for fisheries guidance
<b>ECSC</b>	European Coal and Steel Community	<b>Force</b>	Continuing vocational training
<b>ECU</b>	European Currency Unit	<b>FP</b>	Financial perspective
		<b>GATT</b>	General Agreement on Tariffs and Trade
		<b>GDP</b>	Gross domestic product
		<b>GNP</b>	Gross national product
		<b>IDA</b>	Interchange of data between administrators

<b>IMP</b>	Integrated Mediterranean programmes	<b>PHARE</b>	Poland-Hungary: aid for restructuring of the economy
<b>Impact</b>	Information market policy actions	<b>p.m.</b>	Pour mémoire (token entry)
<b>JET</b>	Joint European Torus	<b>RACE</b>	Research and development in advanced communication technologies for Europe
<b>Kaleidoscope 2000</b>	Programme of support for artistic and cultural activities of a European dimension	<b>Raphael</b>	Community action programme concerning the cultural heritage
<b>Leonardo</b>	Action programme for the implementation of a European Community vocational training policy	<b>R&amp;TD</b>	Research and technological development
<b>LIFE</b>	Financial instrument for the environment	<b>SAB</b>	Supplementary and amending budget
<b>Lingua</b>	Promotion of the teaching and learning of foreign languages	<b>SAVE</b>	Specific actions for vigorous energy efficiency
<b>MEDA</b>	Measures to accompany the reforms to the economic and social structures in non-member countries of the Mediterranean basin	<b>Socrates</b>	Community action programme in the field of education
<b>NCE</b>	Non-compulsory expenditure	<b>SPD</b>	Single programming document
<b>NCI</b>	New Community instrument	<b>Sysmin</b>	System of stabilization of export earnings for mineral products
<b>OCT</b>	Overseas countries and territories	<b>TACIS</b>	Technical assistance to the Commonwealth of Independent States
<b>PDB</b>	Preliminary draft budget	<b>TEN</b>	Trans-European networks
<b>PDSAB</b>	Preliminary draft supplementary and amending budget	<b>VAT</b>	Value added tax
<b>PETRA</b>	Action programme for the training and preparation of young people for adult and working life		



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European Commission

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