

EUROPEAN COMMUNITIES

FINANCIAL REPORT
1994



FOREWORD

1 1994 was a particularly successful year for European integration.

The substantial financial resources deployed in the 1994 budget played an important part in furthering the political, economic and social development of the European Union.

On the home front, the effort to strengthen economic and social cohesion continued in partnership with the Member States and the regions, with the reform of the Structural Funds entering its second phase of implementation (1994-99).

Another priority in the Union's strategy to boost competitiveness, growth and employment is the development of trans-European networks, and the funds provided under the budget are a major factor in helping to create them.

As far as external relations are concerned, the budget served to underpin the Union's effort to strengthen its relations with the countries of the Mediterranean region. The year 1994 also marked the first year of implementation of the common foreign and security policy (CFSP), under which the Union embarked on joint action in several areas (former Yugoslavia, support for the Middle East peace process, Russia, South Africa and the establishment of a pact for stability in Central Europe).

The entry into force of the Agreement on the European Economic Area on 1 January 1994 created the largest integrated trading area in the world. This entailed the implementation of 'flanking' policies allowing the five countries involved to participate in Community programmes, especially in the fields of research and technological development, information, education and civil protection.

Strengthened by the accession of Austria, Finland and Sweden, by the prospect of renewed growth and by a budget based on a financial perspective giving it the means to match its ambitions, the European Union enters 1995 ready to face the challenges that await: the fight against unemployment, the final stage of economic and monetary union, future enlargement, the emergence of the information society and Europe's internal and external security.



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	<i>Page</i>
Economic and financial framework	6
Revenue	14
Expenditure	18
Heading 1 — Common agricultural policy	18
Heading 2 — Structural operations	23
Heading 3 — Internal policies	27
Research and technological development	27
A people's Europe	28
Energy, industry and the internal market	30
Trans-European networks	33
Heading 4 — External action	37
Heading 5 — Administrative expenditure	40
Borrowing and lending operations	41
Treasury report	46
Future expenditure and revenue	48
Annex 1 — The ECSC's financial and budgetary activities in 1994	55
Annex 2 — Financial outturn of the EDF in 1994	61
The consolidated accounts of the European Union	65
Accounting policies	66
Consolidated revenue and expenditure account for 1994	68
Consolidated balance sheet of the European Union	75
Off-balance sheet commitments	79
Explanatory notes to the consolidated balance sheet	80

ECONOMIC AND FINANCIAL FRAMEWORK

The basic budget principles

Six basic principles govern the budget of the European Union:

Unity

This principle, which is enshrined in Article 199 of the Treaty, means that all EU expenditure and revenue must be incorporated in a single budget document.

In the early years of the Community, the autonomy of the institutions set up under the ECSC, EEC and Euratom Treaties resulted in up to five separate budgets being produced to cover any one year. Since the Treaty of Luxembourg of 22 April 1970, the Community's essential financial activities have tended to move towards a unified budget, and there are now only two budget documents, the general budget and the ECSC operating budget.

However, two categories of financial operation are still outside this structure: the European Development Fund (EDF) and borrowing and lending activities.

The EDF was set up by the EEC Treaty with a view to stepping up trade with associated developing countries and assisting them in carrying out economic and social development projects. The resources of the EDF are provided by contributions from the Member States. For largely political reasons, the Member States wish to retain their direct influence over certain development aid operations by maintaining an independent financial regime and management procedures which are not subject to the ordinary rules.

The EEC Treaty made no express provision for borrowing and lending operations. However, as the achievement of the Community's objectives made it necessary to lay down rules for operations on the capital market, borrowing and lending activities were finally authorized in 1975, on the basis of Article 235 of the EEC Treaty. Most borrowing

and lending operations (with the exception of ECSC operations) are included in the EU's balance sheet.

The two annexes to this report contain a summary of the budgetary and financial operations of the ECSC (operating budget and borrowing and lending operations) and the EDF.

Universality

This principle comprises two rules: the rule of non-assignment, meaning that budget revenue must not be earmarked for specific items of expenditure, and the gross budget rule, meaning that revenue and expenditure are entered in full in the budget without any adjustment against each other.

Annuality

The budget for the year is cast at two levels: a commitment budget and a payment budget.

Commitment appropriations cover new commitments for the year, whereas payment appropriations must cover the amounts payable against both new and existing commitments.

Annuality means that a budget is adopted for a single year and that the appropriations it contains, both for commitments and payments, must be used during that year.

The principle does not rule out the possibility that certain commitments may last for more than one year. Clearly, in sectors such as the Structural Funds, research and external cooperation, the EU needs to enter into some commitments which exceed the period of one year. In these sectors, a mechanism known as 'differentiated appropriations' allows for a separate annual vote of commitments and payments.

Under certain clearly defined conditions, some unused appropriations may be carried over to the following year.

Equilibrium

Estimated revenue for the year must equal payment appropriations for that year. There is no Community legal instrument authorizing borrowing to cover a budget deficit. Any surplus for the year is carried forward to the following year. A modest operating deficit can also be carried forward. On the other hand, a significant departure from the original budget during the year requires the adoption of a supplementary or amending budget.

Specification

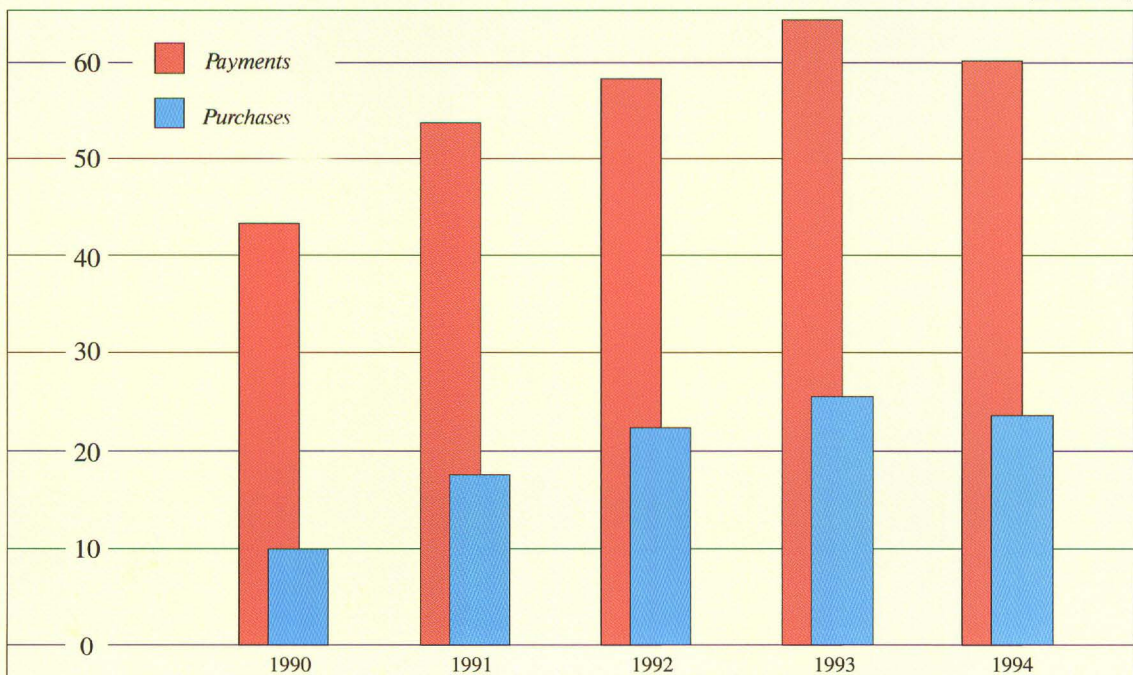
Specification means that each appropriation must have a given purpose and be assigned to a specific objective in order to prevent any

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 the statement of revenue and the statement of expenditure and subdivision of the statement of expenditure into five individual sections for each of the institutions) and the vertical structure of the budget (the budget nomenclature distinguishes appropriations according to their nature and purpose by subdividing sections — and in particular section III, which contains all EU expenditure on operations — into titles, chapters, articles and items).

FIGURE 1
Volume of payments and purchases of ecus, 1990-94

(billion ECU)



A certain flexibility in the application of the rule of specification is achieved by means of transfers of appropriations, which, subject to certain conditions, allow appropriations to be moved to headings other than those to which they were assigned when the budget was established. The Treaty itself makes provision for transfers, the object being to ensure the best possible utilization of budget appropriations.

The use of the ecu

The currency unit of the European Union is the ecu, made up of a 'basket' of the 12 national currencies. Its composition should remain unchanged until the introduction of the single currency.

Since 1992 the Commission has been using ecu-denominated accounts at the French and Irish Treasuries.

The Commission promotes the adoption of the ecu as the single currency by using it as much as possible in the execution of the budget. Most EU programmes, other than EAGGF Guarantee operations, are implemented in ecus. This meant that 40% of the budget and 95% of the operational programmes in 1994 were implemented in ecus.

The economic situation in the European Union in 1994

The key feature of 1994 was a return to growth. Initially a fairly slow and modest upturn had been expected, but it is becoming increasingly evident that the EU economy is now experiencing a solid, healthy recovery that is sustainable in the medium term, making it possible to bring down unemployment. According to the Commission's estimates in November 1994, GDP in the EU had grown by 2.6% in 1994 after falling by 0.4% in 1993. The recovery also brought a remarkable convergence in the Member States' growth rates in 1994, which stood at around 2.25 to 2.75%.

Exports were the initial and principal driving force behind the recovery. The cyclical divergence that emerged in 1992/93 between a Community economy in recession and an international environment that was still growing continued to have a beneficial effect on exports in 1994, generating strong demand for imports in non-member countries (principally the United States, Latin America and Asia). According to the latest estimates, the volume of goods exported from the EU rose by 10.5% and non-EU export markets grew by 9%. This strong export performance rested on an improvement in price competitiveness, which was made possible by modest wage rises, strong productivity increases and the substantial 15% depreciation of European currencies in real terms that occurred between August 1992 and February 1994. On the other side of the coin, the growing reality of the single market was reflected in the fact that total exports of goods from one Member State to another rose by 7.5% in volume in 1994 even though domestic demand grew by no more than 2%.

First investment and then consumption gradually benefited from the strength of external trading activity. After three successive years of decline, investment grew by around 2.4% in 1994, mainly due to the stronger than expected recovery in production and demand, the rapid rise in the utilization of production capacity and the profitability of investments. At the same time, although real personal disposable income remained unchanged, private consumption rose by about 1.5% in 1994 as the personal savings ratio fell, reflecting rising confidence among consumers.

Inflation continued to fall during 1994. Measured in terms of the private consumption deflator in national currencies, the average price rise for the EU as a whole stood at an estimated record low of 3.1% in 1994. This success was mainly due to wage moderation throughout the EU coupled with significant productivity gains, while the appreciation of European currencies against the dollar from February 1994 was a further contributory factor. Reforms in wage-setting arrangements (particularly in Italy and Spain) also helped to eliminate structural rigidities that were sustaining inflation.

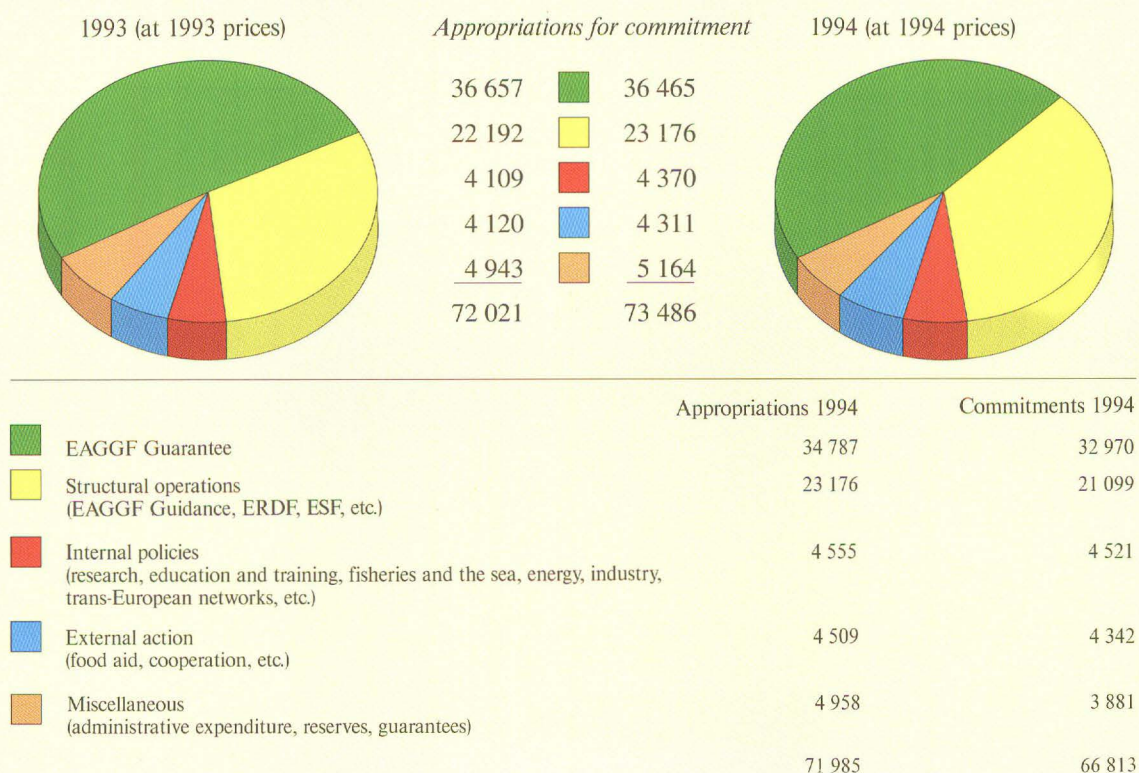
The recovery had a beneficial impact on the labour market and public finances. In the course of the 1992-93 recession some four and a half million jobs were lost across the Community. Because of the usual time lag between a resumption of growth and any upturn in employment, the estimates for 1994 showed a further employment drop of 0.6%, but that annual figure does not give any proper indication of the improvement in the second half of the year. Unusually, however, unemployment in the EU reacted far more rapidly to the improving short-term economic climate than in the past, with the figure peaking in the spring

at 11% of the active population and then slowly dropping back to 10.7% by December 1994.

As far as public finances are concerned, government net borrowing in the EU fell from 6.1% of GDP in 1993 to around 5.6% in 1994. However, Commission assessments show that the improvement was primarily an automatic effect of the recovery. The upward trend of gross public debt continued, with the EU average rising from 66.1% of GDP in 1993 to around 68.9% in 1994.

FIGURE 2
Financial perspective 1993-99

(million ECU)



Financial perspective 1993-99

In view of the success of the financial perspective for 1988-92, which expired on 31 December 1992, Parliament, the Council and the Commission agreed on a new financial framework for 1993-99. It was adopted by the three institutions on 29 October 1993 together with a new Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, of which it forms an integral part.

Under paragraph 9 of the Agreement the Commission has to update the financial perspective ahead of the budgetary procedure for the year $n+1$, making technical adjustments to the figures in line with movements in gross national product (GNP) and prices. Because the formal adoption of the 1993-99 financial perspective was delayed, the Commission carried out the technical adjustment for 1994 on the basis of the financial perspective agreed at the Edinburgh European Council in December 1992 before it had been approved by Parliament. With the macroeconomic climate deteriorating more sharply than expected in 1993 and inflation lower than originally forecast, the nominal increase in the financial perspective ceilings was modest.

Because there were still differences between Parliament and the Council over the new Interinstitutional Agreement when the 1994 budget procedure started, the Commission did not propose any adjustment to take account of the conditions of implementation.

A revision of the financial perspective for 1994 on the basis of Article 11 of the Interinstitutional Agreement was approved by the two arms of the budgetary authority when the new framework was adopted in October 1993. The overall ceiling on appropriations for commitments was increased by ECU 175 million (1994 prices), broken down as follows:

- heading 3 (Internal policies): ECU 45 million to step up EU action to stimulate economic recovery;
- heading 4 (External action): ECU 75 million in support of the Middle East peace process;
- heading 5 (Administrative expenditure): ECU 55 million for the depreciation of the ecu against the Belgian franc.

In order to maintain an orderly relationship between commitments and payments the overall ceiling on appropriations for payments was increased by ECU 120 million at 1994 prices.

The 1994 financial year was the last to come under the financial framework adopted at Edinburgh for the 12-member European Union. The 1995 budget procedure will be governed by the revised financial perspective adjusted under paragraph 24 of the Interinstitutional Agreement to take account of the new requirements and resources of the enlarged Union.

The budget adopted for 1994

The general budget of the European Union for 1994 was adopted on 16 December 1993. The budget adopted complies with the ceilings of the revised financial perspective contained in the new Interinstitutional Agreement signed on 29 October 1993. Totalling ECU 73 344 million in commitment appropriations and ECU 70 013 million in payment appropriations (4.3 and 4.7% higher than in 1993), it leaves an overall margin of ECU 41.7 million in commitment appropriations: ECU 10 million in heading 3, ECU 15.3 million in heading 4 and ECU 16.4 million in heading 5.

Supplementary and amending budget No 2/94, adopted on 15 November 1994, changed these totals to ECU 71 789 million for commitments and ECU 68 354.6 million for payments.

The broad lines of the budget are as follows (classified by heading of the financial perspective):

The total in heading 1 took up the full amount of the agricultural guideline (ECU 36 465 million), auguring strains on the budget in the course of the financial year. The appropriations required appeared to be significantly higher than in 1993, the reasons being that the CAP reform decided in May 1992 took effect in the 1993/94 marketing year and the budgetary impact of the currency realignments had to be accommodated. Other factors were the cost of measures adopted by the Council and the impact of the prices package adopted in May 1993. At the same time the 1994 agricultural guideline remained very close to its 1993 level because of the slackening in economic growth. However, it then turned out that major savings could be made in the course of implementation and the budget adopted was not only able to finance the whole cost of the currency realignments but also left a considerable surplus which was partly accounted for in supplementary and amending budget No 2/94. It was also possible to bring forward some of the expenditure planned for 1995, thus easing the constraints relating to that year.

Appropriations for all structural operations covered by heading 2 totalled ECU 23 176 million, an increase of 4.4% over 1993. This was the exact amount agreed by the Edinburgh European Council. The ECU 1 853 million for the Cohesion Fund was strictly as specified in the Edinburgh decisions. It represented an increase of 18.4% at current prices. A detailed budgetary structure was introduced for Community initiatives.

The total appropriations for heading 3 (ECU 4 360 million) were 6.2% up on the 1993 budget. They covered research and technological development (ECU 2 767 million in commitment appropriations, 1.2% more than in 1993), the trans-European networks, which were allocated ECU 289.8 million (30.8% more) to reflect the priority given to them by the Treaty on European Union, and the other internal policies, which enjoyed an overall increase of 13.2% compared with 1993.

The allocations under heading 4 were 4.4% higher than in 1993. Food aid and coopera-

tion with developing countries in Asia and Latin America were allocated some 2.5% more than in 1993. A significant effort was made for cooperation with Mediterranean countries, with a 10.6% increase in allocations, and for other cooperation measures (up by 34.4%). The allocation for emergency humanitarian aid for the countries of Central and Eastern Europe was ECU 50 million higher and that for the CIS was ECU 40 million higher. A new chapter covering EU measures in support of democracy and the protection of human rights was allocated ECU 59.1 million. The headings relating to the aid programmes for the countries of Central and Eastern Europe (PHARE) and the CIS (TACIS) were allocated ECU 830 million and ECU 460 million respectively. Finally, ECU 150 million was allocated to cross-frontier cooperation with the countries of Central and Eastern Europe and ECU 50 million was provided to support the peace process in the Middle East.

In heading 5, administrative expenditure increased overall by 5.9% compared with 1993. The increase in expenditure for each institution was as follows: 5.0% for Parliament, 6.8% for the Council (including the Economic and Social Committee and the Committee of the Regions), 5.9% for the Court of Justice, 6.8% for the Court of Auditors and 5.9% for the Commission (including pensions for the staff of all the institutions). For the Commission, this increase allowed some 400 posts to be filled and 330 new posts to be created by the conversion of appropriations. Supplementary and amending budget No 2/94 increased the administrative appropriations for the Council and the Court of Justice, thus exhausting the margin left under the ceiling for this heading when the budget was adopted in December 1993.

Under heading 6, as agreed by the Edinburgh European Council, three reserves were entered in the budget, for which resources would be called in only if the need arose during the financial year. The first is the monetary reserve for EAGGF guarantee expenditure (ECU 1 billion), then the emergency aid reserve (ECU 212 million) and the guarantees reserve (ECU 318 million).

Execution of the 1994 budget

Table 1 summarizes the execution of the general budget of the European Union in 1994. The revenue forecast came to ECU 68 610 million, corresponding to the appropriations for payments entered in the budget.

Actual revenue was ECU 66 002 million.

The main feature of 1994 was a general increase in own resources other than agricultural levies.

The main factor behind this trend was the implementation of the agricultural policy reforms.

Revenue from VAT own resources and the additional GNP-based resource was 99.8% of the amount forecast.

As regards the VAT own resources balances for previous years (established in the light of

the definitive statements of the bases), there were substantial negative adjustments (ECU 3.2 billion) for 1994 as a result of the marked weakening of the economic situation.

On the expenditure side a total of ECU 67 587 million was committed — a utilization rate of 92.7%.

For payment appropriations the utilization rate was 85.5%.

These rates are not as high as in 1993, when the figures were 97% for commitments and 94% for payments.

The main area where implementation was poorer was structural operations, principally because 1994 marked the start of a new programming period for the Structural Funds (1994-99), which involved the prior adoption of a number of guideline decisions before new appropriations could be committed.

TABLE 1
Implementation of the budget in 1994

Revenue

(million ECU)

Revenue forecast in the 1994 budget	68 610.3
Actual revenue in 1994	66 002.1

Expenditure

	Differentiated appropriations (multiannual operations)		Non-differentiated appropriations (administrative expenditure and annual operations)		Total	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Available appropriations:						
Entered in 1994 budget	32 240.5	28 701.7	39 745.1	39 745.1	71 985.6	68 446.8
Other	252.2	81.2	0.0	0.0	252.2	81.2
Carried over from 1993	108.5	927.1	528.5	1 258.9	637.0	2 186.0
• automatic carry-overs				(730.4)		(730.4)
• other carry-overs	(108.5)	(927.1)	(528.5)	(528.5)	(637.0)	(1 455.6)
Total available	32 601.2	29 710.0	40 273.6	41 004.0	72 874.8	70 714.0
of which:						
Appropriations used in 1994	30 274.8	22 826.7	37 311.8	37 478.2	67 586.6	60 304.8
• entered in 1994 budget	(29 962.3)	(22 103.8)	(36 851.5)	(36 429.4)	(66 813.8)	(58 533.2)
• other	(221.9)	(46.9)			(221.9)	(46.9)
• carried over from 1993	(90.6)	(675.9)	(460.3)	(1 048.8)	(550.9)	(1 724.7)
Appropriations carried over to 1995	532.5	950.4		422.1	532.5	1 372.5
• automatic carry-overs				(422.1)		(422.1)
• other carry-overs	(532.5)	(950.4)			(532.5)	(950.4)
Appropriations lapsing	1 793.9	5 933.0	2 961.8	3 103.7	4 755.7	9 036.7
Utilization rate	93%	77%	93%	91%	93%	85%
Commitments outstanding at 1.1.1994	28 247.7		730.4		28 978.1	
of which:						
Cancelled	753.4		142.0		895.4	
• corresponding appropriations made available again in 1995					0.0	
• other	(753.4)				(753.4)	
Paid	8 862.8		588.4		9 451.2	
Outstanding at 31.12.1994	18 631.4				18 631.4	
Commitments made in 1994	30 274.8		37 311.8		67 586.6	
of which:						
Paid	13 963.8		36 889.7		50 853.5	
Outstanding at 31.12.1994	16 311.0		422.1		16 733.1	
Total commitments outstanding at 31.12.1994	34 942.4		422.1		35 364.5	

REVENUE

The budget of the European Union was financed from a number of sources in 1994, the breakdown being shown in Figure 3. Total revenue came to ECU 66 billion.

Traditional own resources

The EU's traditional own resources are made up of customs duties, agricultural levies and sugar levies. They are established by the Member States, which keep 10% to cover collection costs.

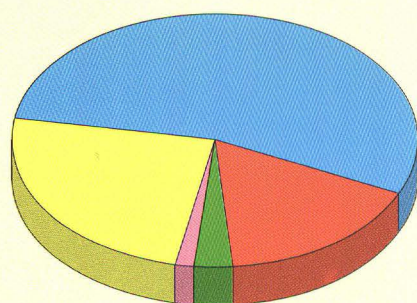
Customs duties are levied on trade with non-member countries, at rates based on the Common Customs Tariff. These rates are often subject to reductions as a result of negotiation rounds under the General Agreement on Tariffs and Trade (GATT) and specific agreements granting preferential tariffs to cer-






tain trading partners. The amount of customs duties collected in 1994 was less than expected, at only 1.1% more than in 1993. Nevertheless this slight increase indicates that imports are beginning to increase in terms of value by comparison with 1992/93.

Agricultural levies are charged when a Member State imports agricultural products from a non-member country. Their purpose is to offset differences between world prices and the Community price. The proportion of EU revenue accounted for by agricultural levies continued to decline because the reform of the agricultural policy tended to bring internal prices closer to world prices, leading to a reduction in the volume of cereals imported in the form of cereal substitutes for use in animal feedingsuffs. In addition, the world market for many agricultural products, in particular cereals, sugar and milk products, picked up. The yield was 10.4% lower than in 1993.

Sugar and isoglucose producers pay levies on production to cover market support arrangements and to finance a system for the equalization of sugar storage costs, thus ensuring that sugar supplies reach the market steadily throughout the year. These levies do not increase the EU's net resources, since they are offset by expenditure of virtually the same amount. In 1994 revenue from this source was 23.9% higher than in 1993, thanks to the much higher yield from storage levies.

FIGURE 3
The Community's revenue in 1994



<i>VAT own resources</i>	55.0%	
<i>Customs duties</i>	16.9%	
<i>Agricultural and sugar levies</i>	3.2%	
<i>Percentage of Member States' GNP</i>	28.0%	
<i>Other (including surpluses available)</i>	-3.1%	

VAT own resources

The VAT own resources are calculated by applying a uniform rate to the national VAT bases, which are determined in accordance with Community rules. Since the June 1988 reform, the uniform rate has been determined by applying 1.4% to the VAT base and deducting the compensation for the United Kingdom. The base used must not exceed 55% of a Member State's GNP. In 1993 this capping of the VAT base applied in four Member States — Greece, Ireland, Luxembourg and Portugal.

Payments for a given year derive from the estimates for that year and the negative or positive adjustments for previous years established from the final statements of the bases.

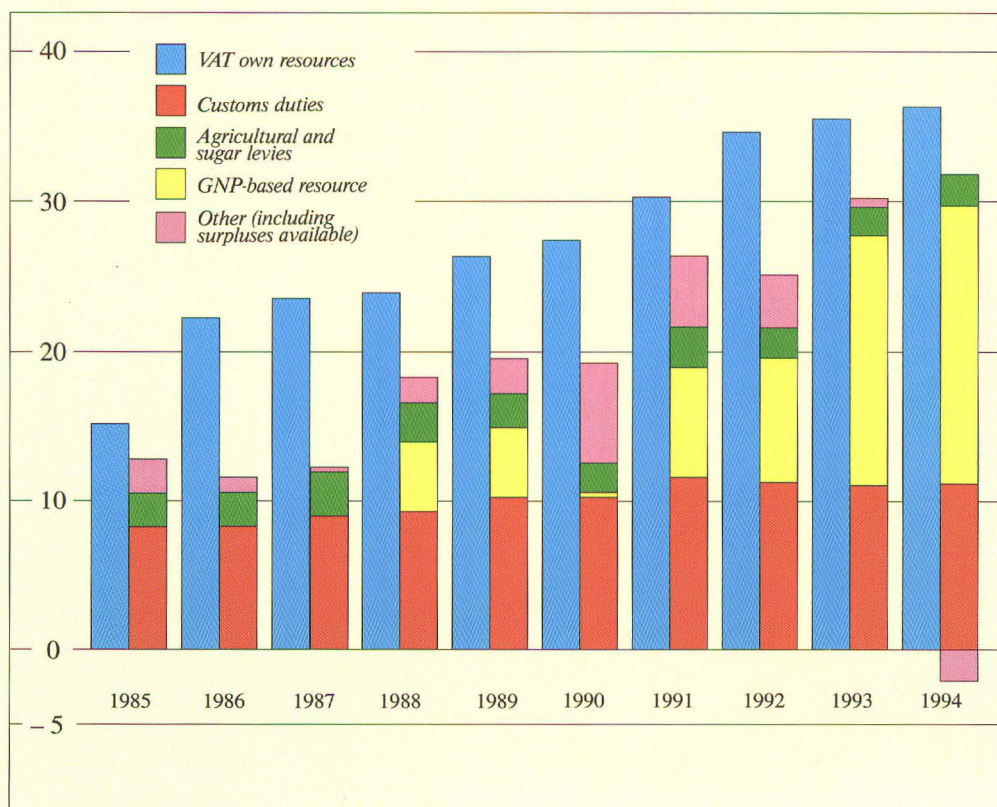
In 1994 some fairly large negative adjustments (ECU 3.2 billion) were made in respect of 1993 because of the distinctly weaker economic situation.

GNP-based own resources

A new source of revenue based on a proportion of each Member State's GNP was first introduced in 1988 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. The rate is fixed during the budgetary procedure and depends on the total of other revenue; the rate is applied to the aggregate GNP of all the

FIGURE 4
The trend in revenue 1985-94

(billion ECU)



Member States, determined in accordance with Community rules.

In 1994 this additional resource was called in, with each Member State paying 0.312% of their GNP (not including the EAGGF monetary reserve, the loan guarantee reserve and the emergency aid reserve). In addition, three Member States had to finance their share of the compensation for the United Kingdom by making a payment based on GNP as their VAT payments had reached the maximum rate, i.e. 1.4% of their base.

Repayments to Member States

The Acts of Accession of Greece, Spain and Portugal provided that, over a transitional period from 1981 to 1991, these countries were to be reimbursed a gradually decreasing part of the Community resources they paid in.

These countries now receive only refunds resulting from any adjustments made to the VAT and GNP bases for the years between 1981 and 1991. These refunds are entered as negative revenue in the statement of revenue. In 1994 refunds of ECU 25.2 million were entered in respect of the VAT and GNP balances.

Miscellaneous revenue

The general budget is also financed by miscellaneous revenue, including tax and other deductions from staff remuneration, bank interest, outside contributions to research programmes, repayments of unused EU aid and interest on late payments.

The revenue for 1994 also includes the ECU 971 million surplus from 1993.

FIGURE 5
Total revenue 1985-94

(billion ECU)

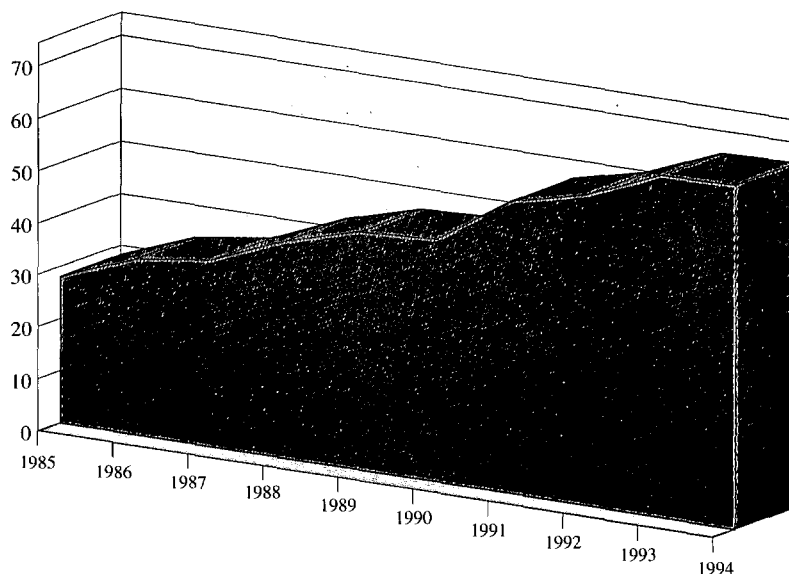
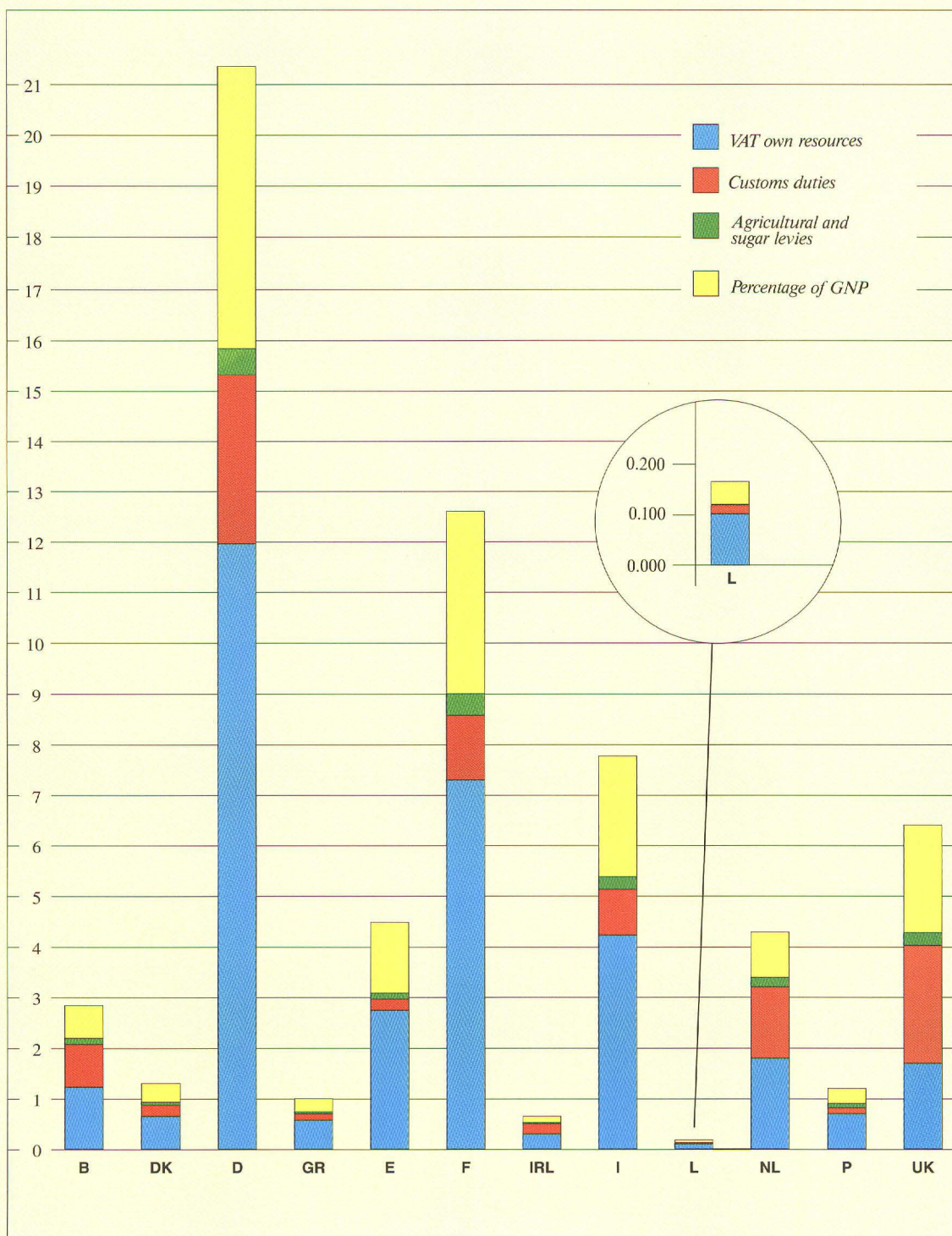


FIGURE 6
Own resources by Member State in 1994

(billion ECU)



EXPENDITURE

Heading 1 — Common agricultural policy

Objectives and means

Article 38 of the EEC Treaty provides that the common market shall extend to agriculture and trade in agricultural products, and that the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States. Article 39 defines the objectives of the common agricultural policy as:

- to increase agricultural productivity;
- to ensure a fair standard of living for the agricultural community;
- to stabilize markets;

- to assure the availability of supplies;

- to ensure that supplies reach consumers at reasonable prices.

Although these objectives have largely been met, certain permanent adjustments have had to be made, the most recent of which is the reform of the common agricultural policy adopted by the Council in May 1992. The reform is based on more competitive prices and direct aid to the farmers in greatest need. Its aim is to reduce surpluses, stem the tide of rural depopulation and preserve the environment by discouraging intensive production.

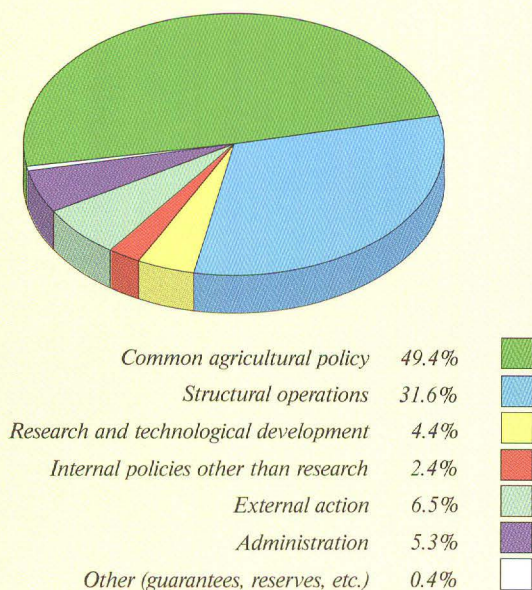
In pursuit of the above objectives, the common market in agricultural produce is based on three principles: the single market, Community preference and financial solidarity. The third of these principles is fundamental to the policy, and in April 1962 the Member States accordingly decided to set up a Community fund — the European Agricultural Guidance and Guarantee Fund (EAGGF) — which is part of the EU budget. It is subject to the general budgetary rules, with the addition of specific provisions.

The Fund was subdivided into two sections in 1964: the Guarantee Section covers expenditure on markets and prices and the Guidance Section covers expenditure on farm structures.

Constraints

In June 1988, when own resources had run out as a result of ever-increasing agricultural expenditure triggered by imbalances on certain markets, the European Council agreed on principles of budgetary discipline in order to establish a better balance between the various categories of expenditure and keep their growth under control. These principles were reaffirmed by the Edinburgh European Council in December 1992.

FIGURE 7
Community expenditure in 1994



To bring agricultural expenditure under control, the European Council adopted the principle of a guideline. Within this guideline the EAGGF Guarantee Section has to finance:

- export refunds;
- market intervention operations, including depreciation of new stocks;
- half of set-aside expenditure;

- market-related rural development operations and measures to combat fraud.

However, in line with the conclusions of the Edinburgh European Council, the guideline was extended with effect from 1993 to cover:

- new flanking measures to accompany the reform of the common agricultural policy (early retirement, environment, afforestation);

FIGURE 8
The trend in expenditure 1985-94

(billion ECU)



- all set-aside expenditure, which had been shared equally between the EAGGF Guidance Section and Guarantee Section until 1992 (heading 2 of the financial perspective);
- expenditure on income aid;
- Guarantee Fund expenditure on fisheries.

1994 budget

General assessment

The 1994 budget contained ECU 36 465 million for the EAGGF Guarantee Section, including ECU 15 million for reserves and provisions but not the ECU 1 billion earmarked for the monetary reserve.

This appropriation, which took up the full amount allowed by the agricultural guideline, was lower than the expenditure forecast (evaluated at ECU 37 434 million, including ECU 1 566 million for monetary costs).

Mainly as a result of favourable developments on certain markets (arable crops, beef/veal and wine), the initial appropriation was reduced by ECU 1 678 million by the letter of amendment to preliminary draft supplementary and amending budget No 2/94, which thus cut the appropriation to ECU 34 787 million (taking account of a transfer of ECU 15 million from Chapter B0-40).

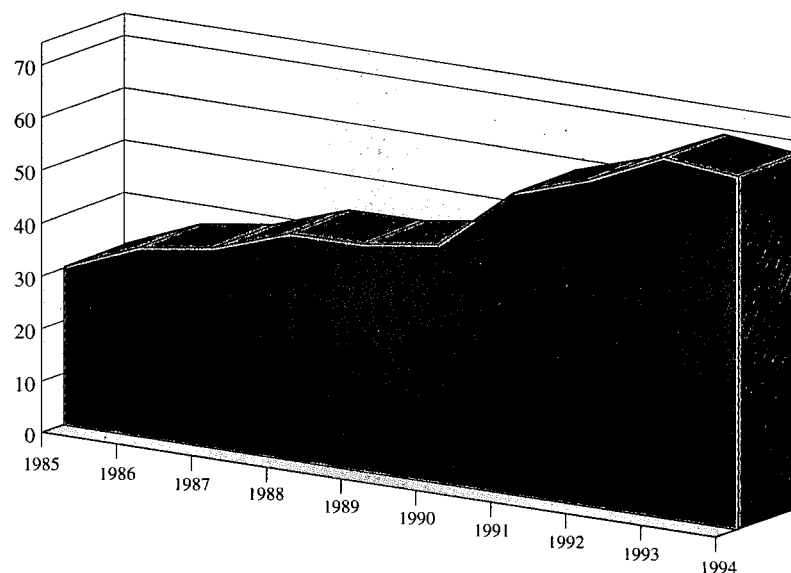
Expenditure came to ECU 32 970.4 million, that is:

- ECU 1 816.6 million less, as compared with the letter of amendment to preliminary draft supplementary and amending budget No 2/94;
- ECU 3 494.6 million less, as compared with the initial appropriation.

Apart from the clearance operation, which led to more funds being recovered than assumed in the budget (ECU 612 million as against ECU 500 million), the relatively favourable development as regards requirements mainly

FIGURE 9
Total expenditure 1985-94

(billion ECU)



resulted from the improved situation on a number of agricultural markets.

Analysis by sector

- Beef/veal

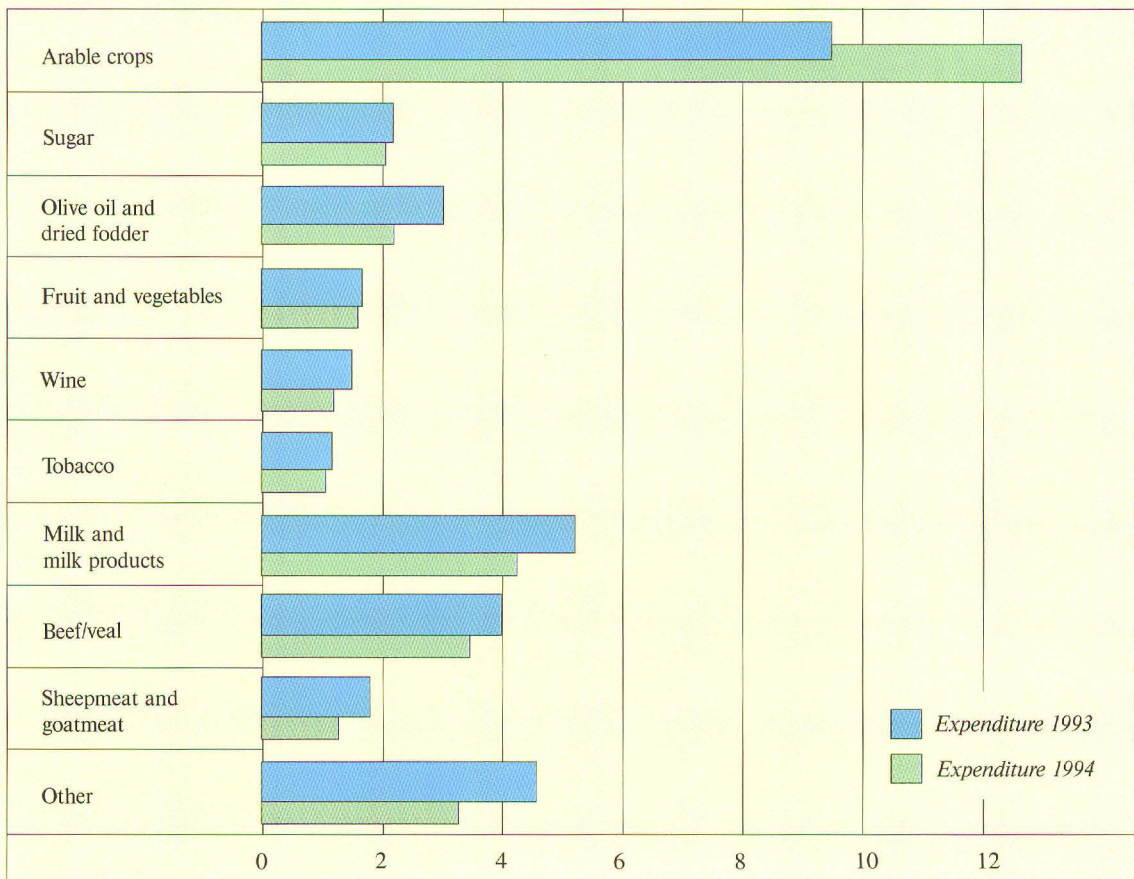
<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 4 786 million	ECU 3 569 million	ECU 3 466.6 million

Expenditure was less than forecast mainly because the increased production expected for autumn 1994 did not materialize. Production came to 7.7 million tonnes instead of 7.925 million tonnes.

In addition, exports totalled 1.45 million tonnes (instead of the 1 million tonnes expected) after trade resumed with North Africa following an interruption due to mad-cow disease.

FIGURE 10
Expenditure on agricultural market guarantees 1994

(billion ECU)



The drop in production, coupled with a resumption of exports, resulted in a virtual halt to intervention buying (12 000 tonnes instead of 650 000 tonnes) and accordingly to a reduction in depreciation expenditure which was far greater than the increase in expenditure on refunds.

Savings on premiums were also recorded following a reduction in the number of animals for which applications were made.

- Arable crops

<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 13 425 million	ECU 12 840 million	ECU 12 652.3 million

Most of the under-utilization was due to lower expenditure on aid per hectare. This had been considered likely during the budgetary procedure since the expenditure forecast was based on the maximum area eligible for such aid.

There was also a fall in the production of durum wheat, coupled with a reduction in exports.

- Products of the wine-growing sector

<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 1 567 million	ECU 1 179 million	ECU 1 176.2 million

The main reason for the reduction in expenditure was that, at 91.3 million hl, production was lower than the 113 million hl on which the budget was based. This was accompanied by a reduction in the volume distilled (21.2 million hl instead of 27.1 million hl).

- Sheepmeat and goatmeat

<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 1 587 million	ECU 1 740 million	ECU 1 279.8 million

The under-utilization in this sector was due to the fact that some Member States were unable to pay the second advance on the 1994 ewe premium for administrative reasons. In addition, market prices were higher than expected and the number of ewes receiving the premium fell. The rural development appropriations were underspent for the same reasons (ECU 339.7 million instead of the ECU 433 million entered in the budget).

- Olive oil

<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 1 999 million	ECU 2 060 million	ECU 1 819.5 million

The under-utilization of appropriations was due to delayed payment of the production aid for the 1993/94 marketing year.

- Tobacco

<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 1 235 million	ECU 1 087 million	ECU 1 057.4 million

Here, under-utilization was due primarily to lower expenditure on premiums because production fell short of the quotas. Expenditure also fell because of the smaller quantities bought in. Finally, requirements were down for conversion, control agencies and the Community fund for research and information.

- Fruit and vegetables

<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 1 722 million	ECU 1 665 million	ECU 1 556.8 million

The reduction in expenditure was mainly due to the decline in aid for processing and to the fall in the volume of processed tomatoes, certain processed fruits and dried grapes.

• Other plant sectors or products

<i>Initial appropriation</i>	<i>Final appropriation</i>	<i>Expenditure</i>
ECU 394 million	ECU 420 million	ECU 287.1 million

The under-utilization was due to lower rice exports and to the low rate of implementation of the Poseican and Poseima programmes, which were also at the root of the underspending in Chapter BI-25 (Other animal products) — ECU 117.3 million instead of the ECU 156 million entered in the budget.

Of those sectors in which there was an increase in expenditure, the case of pigmeat should be mentioned; the increase in expenditure there was due primarily to the measures which had to be introduced following the outbreak of classical swine fever in Germany, Belgium and the Netherlands. In view of the need to support the internal market, special exports had to be made to Russia, Belarus and Ukraine.

It should also be noted that there was overspending in the eggs and poultrymeat sector as a result of increased exports, and in the fibre plants sector because of the volume of cotton produced in the 1992/93 marketing year (985 000 tonnes instead of the 880 000 tonnes on which the budget was based).

Heading 2 — Structural operations

The strengthening of economic and social cohesion was continued this year, in partnership with the Member States and the regions, with a view to reducing the gap between the levels of development of the different regions, helping the less-favoured regions (including rural areas) to catch up, promoting job creation and helping workers to adjust to industrial change. In the context of the second phase of the reform of the Structural Funds (1994-99), 1994 saw the adoption of the Community support frameworks and single programming documents, which are produced by a simplified procedure whereby the strategic

priorities, programming procedures and aid granted are all included in a single document. The financial allocation and geographical coverage of the eligible areas have been substantially increased. New Community initiatives were also launched this year, and the Cohesion Fund was set up. In addition, on 27 July the Commission adopted a new communication on spatial planning: 'Europe 2000+ — Cooperation for European territorial development', which stresses the importance of intensifying cooperation in this area and identifies the tasks which can be performed better at the level of the Union. It also stepped up the integration of environmental aspects into the regional policy, in the single programming documents and Community support frameworks as well as the Community initiatives.

Regional policy played an important role in the accession negotiations. One Austrian region (Burgenland) was declared eligible under Objective 1. Because of their special situation, it was also decided to create a new Objective 6 for regions in the Nordic countries with a low population density.

The 1994 budget earmarked ECU 18 912 million for operations under the three Structural Funds. Out of this total ECU 18 592 million was actually committed:

	<i>(ECU million)</i>
EAGGF Guidance Section	3 300
ERDF	9 728
European Social Fund	5 564

The structural aspects of the common fisheries policy were grouped together in a single financial instrument — the IFGF — allowing aid to be granted as part of structural operations in this sector. In the 1994 budget this instrument was allocated ECU 379 million, which was committed in full.

The Union supports six specific objectives with the Structural Funds and the IFGF.

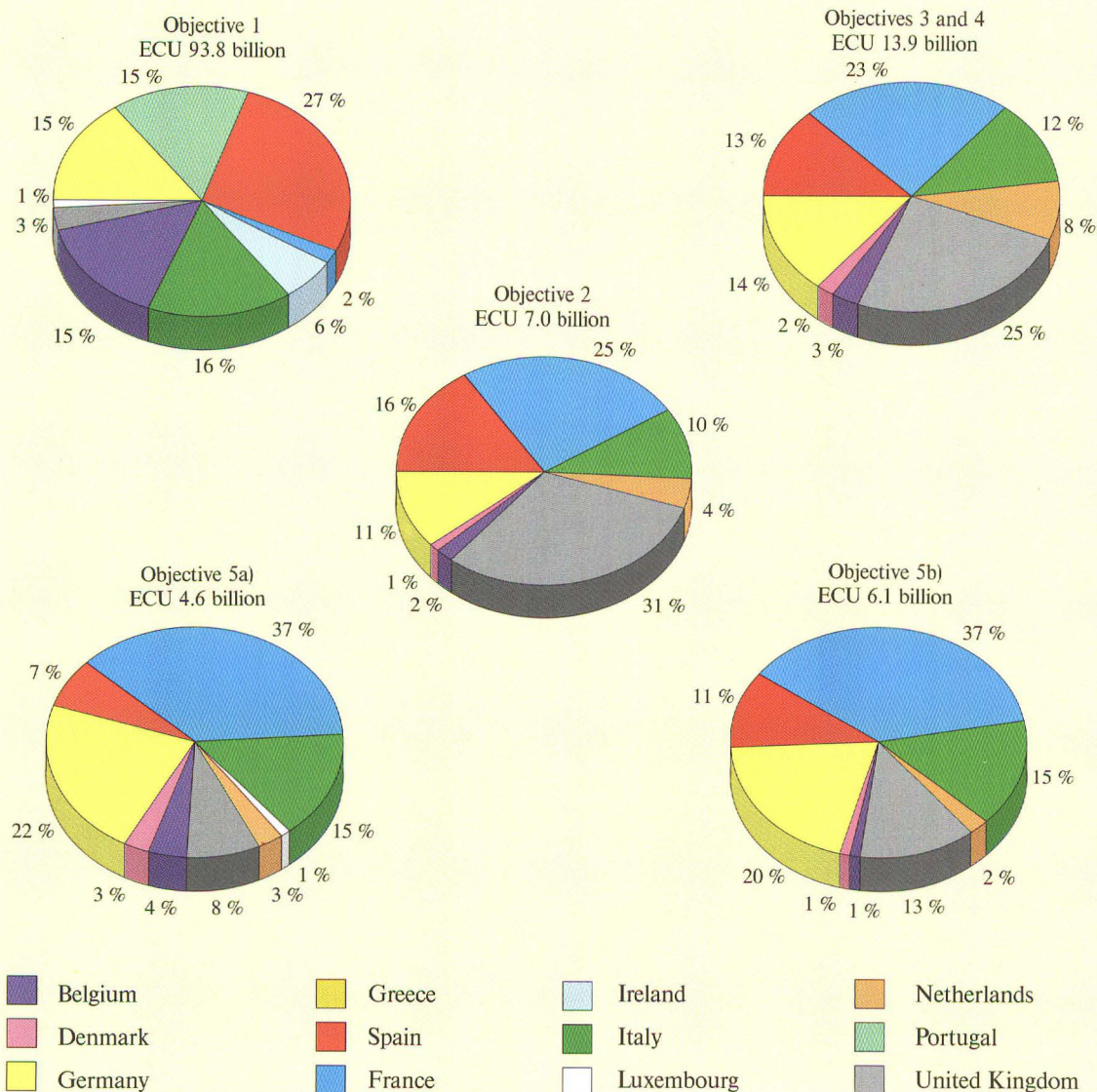
Figure 11 gives a breakdown of the Community contribution to each Member State under the various objectives.

□ The Commission, in partnership with the authorities concerned, has adopted all the Community support frameworks (CSFs) and single programming documents (SPDs) for Objective 1 (development and structural adjustment of regions whose development is lagging behind).

The Community's total contribution under Objective 1 over the period 1994-99 comes to ECU 93 810 million.

□ As regards Objective 2 (converting the regions, including employment areas and urban communities, seriously affected by

FIGURE 11
Breakdown by Member State of Community contribution under the various objectives for the period 1994-99



industrial decline), the list of eligible regions has been drawn up and the indicative allocation of commitment appropriations to the Member States has been fixed.

The following objectives have been adopted: improvement at local level; innovative training, research and environmental measures; dissemination of the results of research and technological development; taking account of the environment in conversion strategies; and support for local development initiatives involving investment aid, project engineering or economic promotion.

- For 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), the following priorities were selected in partnership with the national authorities: improving the job prospects of the long-term unemployed; promoting the integration into working life of young people seeking jobs; improving the job prospects of persons threatened by exclusion from the labour market; and promoting equality of opportunity for men and women on the labour market.
- The priority measures for Objective 4 (adaptation of workers to industrial change and to changes in production systems) are as follows: anticipating trends on the labour market and vocational qualification needs; developing training, guidance and advice facilities; improving new and existing training schemes so that workers are better qualified to meet new requirements; and technical assistance measures in the fields of information, counselling, services and assessment.

An indicative financial allocation of ECU 13 948 million is planned for Objectives 3 and 4.

- As regards Objective 5a) (speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy), the single programming documents and, in particular, the

breakdown of Community assistance between the Member States have been approved.

- Finally, the total allocation for Objective 5b) (development and structural adjustment of rural areas) comes to ECU 6 667 million for the period 1994-99. Of this amount, 9% has been earmarked for Community initiatives; the balance (ECU 6 134 million at 1994 prices) is for the Community support frameworks.

The development priorities are the establishment of the basic infrastructures needed for economic development, adjustment of agriculture to market changes, improvement of living conditions in rural areas, the development of human resources and the exploitation of natural resources and the environment.

Community initiatives

In March 1994, following on from its communication adopted in 1993, the Commission fixed the fields of action for the Community initiatives until 1999: cross-border cooperation, rural development, the most remote regions, employment and human resources, industrial change, urban policy and fisheries.

The total contribution planned by the Union comes to ECU 11.85 billion, in addition to a reserve of ECU 1.6 billion.

The 1994 allocation totalled ECU 5 841 million, of which ECU 5 564 million was actually committed.

Other structural operations

As regards the integrated Mediterranean programmes, implementation of the 15 Italian programmes covering 16 regions in the Centre-North and the Mezzogiorno continued in 1994.

Cohesion Fund

The Cohesion Fund was set up by the Treaty on European Union and first started operating in 1993.

Its objective is to strengthen economic and social cohesion by improving transport infrastructures and environmental protection in Ireland, Greece, Portugal and Spain. The beneficiary Member States must have a per capita gross national product of less than 90% of the Community average and have a programme leading to the fulfilment of the conditions of economic and social convergence.

The Cohesion Fund allocation for the period covered by the financial perspectives for

1993-99 amounts to ECU 15.15 billion (1992 prices). The commitment appropriations for the 1993 and 1994 financial years were set at ECU 1 565 billion and ECU 1 853 billion respectively. In 1993-94, the total commitment appropriations for financing projects in Ireland, Greece, Portugal and Spain amounted to ECU 1 852 million, of which ECU 923 million were allocated to environmental projects and ECU 929 million to projects relating to transport. ECU 13 million were committed for technical assistance in 1993-94.

The breakdown by country of sums committed for projects is shown in the following table. In 1994, a total of 51 projects were financed by the Cohesion Fund (20 in Greece, 9 in Spain, 9 in Ireland and 13 in Portugal).

TABLE 2

Commitments appropriations in 1993-94 — Cohesion Fund

	Environment		Transport		Total	Breakdown
	million ECU	%	million ECU	%	million ECU	%
Greece	198.1	59.7	134.0	40.3	332.1	17.9
Spain	519.3	51.0	498.9	49.0	1 018.2	55.0
Ireland	71.8	43.0	96.0	57.0	167.8	9.1
Portugal	134.2	40.0	200.1	60.0	334.3	18.0
TOTAL	923.4	40.0	929.0	60.0	1 852.4	100.0
Technical assistance					13.4	

Heading 3 — Internal policies

Research and technological development

On 26 April the Council and Parliament adopted the fourth research and technological development framework programme (1994-98) with a budget of ECU 12.3 billion for the period covered (with the possibility of a further ECU 700 million for 1997/98, subject to an evaluation of the programme and the Community's financial situation). ECU 900 million of this is for the Joint Research Centre's non-nuclear (ECU 600 million) and nuclear (ECU 300 million) activities.

In 1994 the Commission continued to implement the existing research and technological development programmes. The year was a real turning-point as it marked the end of the second and third framework programmes as regards commitments. In particular, the Commission completed implementation of the third framework programme (1990-94). It was also a year of transition since it was the final year for research activities outside the framework programme. From 1995 all research will be conducted through the framework programme which has thus incorporated preparatory activities, support activities and pilot projects.

As regards implementation, the non-nuclear appropriations of the third framework programme were boosted in 1994 by contributions from the countries of the European Economic Area (EEA).

The appropriations available for R&TD in 1994 thus came to:

<i>(ECU million)</i>	
<i>(a) Budget, not including EEA contributions</i>	
Indirect action and shared-cost projects	2 483
Direct action by Joint Research Centre	277
<i>(b) EEA contributions</i>	
Indirect action and shared-cost projects	155
Direct action by Joint Research Centre	11

ECU 2 171 million was committed for the various aspects of the third framework programme in 1994: ECU 1 067 million for enabling technologies; ECU 679 million for the management of natural resources; and ECU 21 million for the management of intellectual resources. Accompanying measures and support for programmes, divided between strategic analysis, transsectoral activities, preparatory measures for the fourth framework programme, measures to combat fraud, exploitation of the industrial potential of Community research, technological development and demonstration policy (which for the first time includes demonstration projects for energy technologies such as Thermie), supplemented the Commission's indirect action (ECU 675 million).

Throughout 1994, the final year of the JRC's programmes for 1992-94, the eight institutes of the JRC continued their work in the Centre's four areas of activity: specific research programmes under the framework programme; support for Commission departments; work under contract for outside bodies; and exploratory research. Besides contributing to implementation of the third framework programme (1990-94), the institutes continued to provide scientific and technical support for the Commission, paying attention to the customer/contractor principle. Constant quality was maintained in the work done under contracts for outside bodies and the JRC stepped up its efforts to market its results, both centrally and within its various institutes, in line with the new spirit of competitiveness encouraged under the fourth framework programme.

From 1995 onwards the form of support provided will be considerably modified and will be divided into institutional support (reserved for the JRC because of its independence, neutrality and specific qualifications) and discretionary support on a competitive basis (the JRC could be awarded contracts under a tendering procedure).

The Commission continued its international cooperation activities under COST and with the main industrialized countries. The scientific and technological cooperation begun with the countries of Central Europe in 1992 continued and was expanded. The 124 projects selected under the Copernicus programme received a total of ECU 32 million. In addition, 251 projects involving participation in the third framework programme by laboratories and companies in Central and Eastern Europe were granted a total of ECU 11 million. Scientific and technological cooperation with industrialized countries outside Europe was also continued and stepped up (signature of an agreement with Australia, negotiations with Canada, Israel, Switzerland, etc.).

A people's Europe

The European Union increased the resources available for action in this area, reflecting the importance it attaches to the human dimension of Europe. The commitment appropriations available in 1994 for the main sectors of activity were as follows:

	<i>(ECU million)</i>
Education, vocational training and youth policy	300
Employment, social protection and public health	148
Information and communication	48
Culture and audiovisual media	74
Consumer protection	15
Protection of the environment	139
Interest subsidies on loans to disaster victims	10

In the first sector (education, vocational training and youth policy) the aim is to promote

European awareness among young people and help to integrate them into working life. Activities include major programmes such as Erasmus for students (ECU 82.5 million in 1994), Lingua for learning languages (ECU 43.5 million), PETRA for young people not at university (ECU 40 million), FORCE for young workers (ECU 26 million), Comett for cooperation between universities and industry (ECU 37 million), measures focusing on intercultural education and Youth for Europe. These measures are geared not only to young people, but also to teachers, education workers and youth leaders. They help young people to integrate into working life and give them a practical opportunity to forge and consolidate links at European level. All these operations and programmes have been grouped around three main focal points — education (Socrates), youth (Youth for Europe III) and vocational training (Leonardo da Vinci). The Leonardo programme was adopted by the Council (Social Affairs) on 6 December 1994 (less than one year after the Commission adopted the draft Council Decision) under the cooperation procedure provided for in Article 189c of the Maastricht Treaty. This five-year programme (1995 to 1999) has been allocated ECU 620 million, subject to a mid-term review. The Commission also submitted proposals for the Socrates and Youth for Europe III programmes in early 1994, but the codecision procedure (Article 189b) required for their adoption was not completed that year.

Some of these allocations are also directed to the less widespread languages and cultures or to cooperation with non-member countries. Finally, the European Centre for the Development of Vocational Training (Cedefop) also receives a subsidy (ECU 11 million in 1994).

To complement the measures financed by the European Social Fund, the EU pursues a policy under the Charter of Fundamental Social Rights of Workers aimed at encouraging dialogue between the two sides of industry (ECU 33.53 million). It also finances measures to boost employment (information on job vacancies and applications, and support for local and regional initiatives) and pursues a policy of equal opportunities (ECU

23.78 million). In the social protection field, the Community's activities are concerned with the general level of social security provision and the relevant legislation, as well as the protection of particularly vulnerable groups (ECU 29.93 million) and the free movement of migrant workers (ECU 8.85 million). Finally, ECU 35.9 million goes towards the protection of public health and the prevention of major health risks (campaigns against cancer, AIDS, alcohol and drug abuse, for which the Commission has proposed new programmes based on a Community action framework for public health) and measures to improve health and safety at work. These operations are supplemented by the operations conducted by the European Foundation for the Improvement of Living and Working Conditions, which received a subsidy of ECU 11.24 million in 1994 and those of the European Monitoring Centre for Drugs and Drug Addiction (ECU 4.8 million in 1994). A European Agency for Safety and Health at Work has also been set up, with a token entry for 1994.

In the information and communication field (ECU 47.5 million), appropriations are used for general measures, both inside and outside the Union, to publicize the wide range of EU activities and promote the European idea, and to maintain an EU presence in more specific areas such as the sporting world or universities.

Most resources in the cultural field (ECU 8 million out of ECU 14.8 million) went towards the protection and promotion of the European architectural heritage, but support was also provided for initiatives with a European dimension and for the promotion of literary works which, the Commission proposes, should be covered by two programmes (Kaleidoscope and Ariane). The Community's audiovisual policy is reflected in the continuation of the Media programme to develop the European audiovisual industry (ECU 49 million), together with measures to support the European dimension in the audiovisual industry and multilingual TV and radio services (ECU 5.8 million).

With the ECU 16 million available under the second three-year action plan in favour of

European consumers (1993-95), the Commission adopted a number of measures designed to enhance consumer protection, including the publication in 1993 of two Green Papers, one on guarantees for consumer goods and after-sales services and the other on consumer access to justice, making consumers more aware of their rights through the appropriate provision of information.

On 8 February, the Commission also adopted Decision 94/146/EC amending the rules of procedure of the Consumers' Consultative Council (CCC) and adjusting the representation of the various consumers' organizations in their dealings with the Commission.

The Union continued to implement the fifth action programme on the environment and, in the process, consolidated the new approach which that programme embodies.

The foundations for active collaboration between the European Environment Agency in Copenhagen and the Commission were also laid, on the basis of Council Regulation (EEC) No 1210/90. The Commission granted this Agency a subsidy of ECU 10 million. The Community participated in numerous international activities, including the work on the Uruguay Round and the international Conventions which it has signed, such as those on climate change and biological diversity. To implement Regulation (EEC) No 1973/92 establishing a financial instrument for the environment (LIFE), with an estimated ECU 400 million needed for the period 1991-95, the Community granted financial support to 160 projects on Community territory, 14 projects in non-member Mediterranean and Baltic countries and 49 nature protection projects.

In 1994 the Community continued its measures (interest subsidies on exceptional loans) to reconstruct the regions of Italy and Greece hit by earthquakes in 1980, 1981 and 1986 (ECU 9.3 million in 1994).

Energy, industry and the internal market

The European Union helps to ensure the smooth operation of the single market by financing a wide range of activities relating to energy, industry and the internal market.

	<i>(ECU million)</i>
Energy	33
Nuclear safeguards	17
Statistics	40
Internal market and industry	249

To finance the continuation of the Thermie programme, which came to an end on 31 December 1993, the Council decided on 23 November 1994 to continue most of the technical demonstration projects in the context of the fourth R&TD framework programme (1994-98). The other activities under the framework programme (economic demonstration, the dissemination of technologies not supported by the Union, and cooperation with third countries) were covered by a separate proposal submitted by the Commission on 15 April.

The Altener programme adopted on 13 September 1993 is intended to promote renewable energy sources in the European Union and has a budget of ECU 40 million for the period 1993-97. It entered its main phase in 1994 and was granted ECU 10 million, twice as much as in 1993. The SAVE programme adopted on 29 October 1991 seeks to limit carbon dioxide emissions by improving energy efficiency. In 1994, the fourth year of the five-year programme (1991-95), ECU 10 million of the total budget of ECU 35 million was allocated, in view of the importance of this stage of operations.

The negotiations on the European Energy Charter were concluded at the plenary negotiating session held in Brussels from 7 to 11 June 1994. At a ceremony in Lisbon on 17 December, 45 of the 51 negotiating partners signed the various acts. The Treaty will remain open for signature until 16 June 1995 so

that States with comparatively lengthy internal decision-making procedures can also sign.

Turning to nuclear safeguards, the Commission continued — within its sphere of responsibility — to perform its role of coordinating international efforts to raise the level of nuclear safety throughout Europe, in particular as regards plant safety, workers' training and public information. In view of the measures taken or planned in this extremely sensitive area, appropriations were 50% higher than in 1993. ECU 3.1 million was carried over to 1995.

Eurostat continued the implementation of its framework programme for priority action in the field of statistical information (1993-97), having been allocated ECU 30 million for 1994. In particular it stepped up the dialogue with the national statistical institutes, in line with the principle of subsidiarity. On 10 March, the Commission submitted to the Council a Regulation on Community action in the field of statistics, specifying the arrangements for partnership between Eurostat and the statistical authorities of the Member States, reiterating the underlying principles and establishing the rules for safeguarding statistical confidentiality. In addition, on 17 November, the Commission adopted a proposal for a Council Decision setting out the conditions for cooperation between the European Monetary Institute and the Committee on Monetary, Financial and Balance-of-payments Statistics. It also adopted, on 4 February, a communication on progress in the harmonization of gross national product (GNP) in line with the decision taken by the Edinburgh European Council on the financing of the Community over the period 1993-99, a measure closely linked to the GNP-based resource which accrues to the EU.

The Brussels European Council recalled that the single market was one of the main instruments for achieving the objectives of competitiveness, growth and employment. It was in this spirit that the strategic programme 'Making the most of the internal market' was published in December 1993, with Parliament giving its opinion on 20 April. This pro-

gramme served as a basis for activities in this area in 1994 (ECU 38.8 million). Special attention was focused on how the single market functioned in practice and a number of initiatives were taken to determine the reaction of private individuals and economic operators. In addition to completing certain aspects of the legislative framework (harmonization of legislation: ECU 20 million), a good deal of activity was focused on management of the single market.

In particular, partnership with the Member States was expanded (Karolus: ECU 2 million). Action was also taken in the field of indirect taxation and preparations made for the introduction of definitive VAT arrangements and Customs 2000 which seeks to define a new role and new working methods for customs operations in the EU (ECU 2.5 million). The Commission also continued its work to ensure the freedom to provide services essentially on the basis of the principle of mutual recognition, in accordance with the guidelines set out in its 1993 interpretative communication on the subject. Significant progress was made in the area of financial services.

In emphasizing the vital role of small and medium-sized enterprises (SMEs) for giving a new impetus to growth and employment and ensuring the efficient working of the internal market, the European Union has added a new dimension to enterprise policy, basing itself on the White Paper on growth, competitiveness

and employment. The integrated programme in favour of SMEs and the craft sector, adopted by the Commission in June (ECU 26.8 million in 1994) and welcomed by the European Council in Corfu in June 1994, marks the beginning of a second-generation enterprise policy.

Community aid to SMEs has been stepped up with the creation of a European Investment Fund and a Council Decision on EU interest-rate subsidies for the loans which the European Investment Bank (EIB) grants to SMEs under its lending facilities (as decided at the Edinburgh and Copenhagen European Councils). In 1994 ECU 65.5 million was paid to the EIB to cover the cost of these lower interest rates (2% subsidy per year for a maximum period of five years, subject to a maximum principal of ECU 1 billion). These subsidies are awarded only for investment projects which create jobs.

The Commission also continued its support (ECU 600 000) for financing mechanisms suited to SMEs: venture capital, mutual guarantees and seed capital funds. Since 1989, such mechanisms have led to the creation of 161 enterprises and 1 700 jobs.

In addition, the European Union continued its efforts to promote tourism (ECU 6 million), integrate trade and distribution firms more effectively into the internal market and create a favourable climate for cooperative undertakings (ECU 2.5 million).

Trans-European networks

To enable citizens of the Union, economic operators and regional and local communities to derive full benefit from the internal market, the European Union contributed to the establishment and development of trans-European networks in the areas of transport, energy, telecommunications and environmental infrastructure. This action was aimed principally at promoting the interconnection and interoperability of national networks and facilitating access to such networks.

The appropriations entered in the 1994 budget to finance the trans-European networks came to a total of ECU 290 million; all were committed.

The appropriations were spent on financial support for transport infrastructure projects within the EU (ECU 200 million), trans-European telecommunications networks (ECU 14 million), networks for the interchange of data between administrations (ECU 45.8 million) and the EU's contribution to the capital of the European Investment Fund (ECU 30 million).

Infrastructure networks (transport, energy, telecommunications)

At its meeting in Brussels in December 1993, the European Council gave strong political impetus to completion of the trans-European networks, as provided for by the new Title XII of the EC Treaty and the White Paper on growth, competitiveness and employment.

Under Article 129c of the Treaty, the EU is to establish a series of guidelines covering the objectives, priorities and broad lines of measures envisaged in the sphere of trans-European networks.

In the transport sector, the Commission adopted a proposal for a European Parliament and Council Decision on guidelines for the development of the trans-European transport network. These guidelines aim at integration of all transport infrastructure into an inter-modal network in order to ensure optimum and environmentally-sound use of all modes

of transport by 2010. The Commission set out the objectives and the broad lines of action and identified projects of common interest which will contribute to the development of the trans-European transport network. The proposed network will comprise 58 000 km of roads, 70 000 km of railway lines, 12 000 km of inland waterways, corridors and inter-modal terminals, 250 airports of Community interest and traffic management and control systems.

The Commission also adopted a proposal for a European Parliament and Council Decision laying down a series of guidelines on trans-European energy networks and a proposal for a Council Decision laying down a series of measures to create a more favourable context for the development of such networks. The guidelines aim at strengthening the security of the Union's energy supplies, ensuring effective operation of the internal energy market and promoting economic and social cohesion. To achieve these objectives, the Commission proposed a number of priorities for the electricity and natural gas networks up to the year 2000. In the light of these priorities, the Commission set out broad lines of action to identify projects of common interest which display potential economic viability and will create a more favourable context for development of the networks with the aid of technical, administrative, legal and financial measures.

As regards financing the trans-European networks, on 2 March the Commission adopted a proposal for a Council Regulation, based on Article 129c of the Treaty, laying down general rules for the granting of EU financial aid to projects of common interest (selected in accordance with the guidelines) in the field of trans-European networks and in the transport, energy and telecommunications sectors. This defined the types of aid, the project selection criteria and the procedures for examining, assessing and monitoring applications for funding. The EU support can take the form of contributions to feasibility studies, interest-rate subsidies, loan guarantees and, by way of exception, cofinancing of certain projects. This proposal, which was endorsed by the Economic and Social Committee, the Committee of the Regions and the

European Parliament, was still under discussion at the Council at the end of the year.

The Commission has proposed a budget of ECU 2 345 million over the period 1995-99 (taking account of enlargement from 12 to 15 Member States). This Regulation should form the legal base required to utilize the appropriations from 1995 onwards.

At its meeting in Essen in December, the European Council endorsed the main recommendations made by the Christophersen Group (made up of personal representatives of the Heads of State or Government and chaired by the Commission Vice-President) and confirmed the list of 14 priority projects in the transport sector:

- high-speed train/combined transport north-south; high-speed train (Paris-Brussels-Cologne-Amsterdam-London); high-speed train south; high-speed train east; conventional railway/combined transport (Betuwe line); high-speed train/combined transport France/Italy; Greek motorways; motorway Lisbon-Valladolid; conventional railway line (Ireland); Malpensa airport (Milan); fixed rail/road link between Denmark and Sweden; Nordic triangle; Ireland/United Kingdom/Benelux road link; and the West Coast main line (rail);

and 10 priority projects in the energy sector:

- Italy-Greece: electricity interconnection (underwater cable); France-Italy: electricity interconnection; France-Spain: electricity interconnection; Spain-Portugal: electricity interconnections; Denmark: electricity connection between the east and the west of the country (underwater cable); Greece: natural gas network; Portugal: natural gas network; Spain-Portugal: gas interconnection; Algeria-Morocco-European Union: gas pipeline; Russia-Belarus-Poland-European Union: gas pipeline.

The European Council expressed satisfaction with the fact that a start was to be made in 1995 on priority transport infrastructure projects, particularly rail projects, and called upon the Council, acting on proposals from

the Commission, to adopt the necessary decisions to top up the funds currently available for the trans-European networks.

Telematic networks

In 1994 significant progress was made on data-communication networks. In July, the Council adopted a decision on inter-administration telematic networks for statistics relating to the trading of goods between Member States (Edicom), with ECU 20 million deemed necessary for 1994 and 1995. At the end of the year, the Council reached agreement on the Commission proposal concerning trans-European telematics networks for the interchange of data between administrations (IDA), with ECU 60 million deemed necessary for 1995 and 1996, thus paving the way for adoption of the proposal in 1995, following the opinion of the European Parliament.

The purpose of the IDA project is to develop telematic networks between administrations for the treatment and exchange of the information required for the functioning of the internal market in fields such as indirect taxation and customs (to make it easier to combat fraud), the plant-health sector (to have more effective controls and wider dissemination of information between veterinary authorities) and public contracts (to establish an information system providing greater transparency in the award of such contracts).

European Investment Fund (EIF)

The European Investment Fund, the establishment of which was agreed as part of the growth initiative at the Edinburgh European Council in December 1992, held its inaugural general meeting in Luxembourg in June.

The EIF's shareholders include the EIB (40% of the capital), the European Community (30% of the capital) and financial and banking institutions in the Member States. The Decision on the Community's share in the Fund was adopted on 6 June 1994.

The EU's budget contribution to the EIF's subscribed capital takes the form of four annual payments of ECU 30 million from 1994 onwards.

The Fund's chief activities will be the financing of investment projects associated with the

trans-European networks (TENs) and the funding of small and medium-sized enterprises (SMEs). The Fund's capital will serve as a basis for providing loan guarantees, and the Fund will subsequently also be able to provide equity capital.

Heading 4 — External action

Subsection B7 of the general budget of the European Union contains expenditure under heading 4 of the financial perspective and the emergency aid reserve (which comes under heading 6). The cooperation and aid measures for non-member countries financed from the general budget cover:

- financial, technical and economic cooperation with the countries of Central and Eastern Europe and the independent States of the former Soviet Union, the countries of the Mediterranean, and the developing countries of Asia and Latin America;
- other cooperation measures (food aid, humanitarian aid to disaster victims, human rights and democracy, environment and health, international fishing agreements);
- joint action under the common foreign and security policy.

Other operations are financed from the European Development Fund under the third and fourth Lomé Conventions. ECU 2 481 million was committed in 1994 for the countries of Africa, the Caribbean and the Pacific; ECU 48 million under Lomé III and ECU 2 433 million under Lomé IV.

According to the report on the implementation of the Commission budget at 31 December 1994, the appropriations for commitment under the general budget available in 1994 were as follows:

<i>(ECU million)</i>	
Common foreign and security policy	20.0
Cooperation with the countries of	
Central and Eastern Europe and the former Soviet Union	1 483.0
Food and humanitarian aid (including the emergency aid reserve)	1 089.2
Cooperation with Asia and Latin America	648.7
Cooperation with the Mediterranean countries	449.9
Other forms of cooperation with developing countries and other non-member countries	565.7
External aspects of Community policies (international fishing agreements, environment)	275.5
Total	4 532.0

Virtually all these appropriations were committed.

Aid for the economic restructuring of the countries of Central and Eastern Europe (PHARE) and the independent States of the former Soviet Union (TACIS) accounts for some 32.7% of the EU budget for external action. The aim of such aid is to support the economic reform process and encourage the changeover from a planned economy to a market economy and free enterprise. A number of 'strategic' areas have been selected for economic reform, notably the restructuring of public companies, in particular in industry and agriculture, the modernization of financial services, promotion of the private sector, nuclear safeguards and safety, development of the labour market and social protection, support for the democratization process and the development of civil society. However, the Community's financial assistance is not limited to these strategic areas alone. Other key sectors of economic activity such as health, housing, education, transport and telecommunications also require modernization, restructuring and new equipment. Financing in this context has been directed primarily towards industry, investment, the private sector, small businesses, the environment, nuclear safety, education, training and research.

Cooperation with the Mediterranean countries is largely based on financial protocols annexed to agreements with the various recipient countries. These protocols provide for a mixture of outright grants for development projects and loan finance through the European Investment Bank, supported in most cases by interest subsidies charged to the general budget. Such programmes are intended to contribute to the economic and social development of the countries concerned, in particular through the development and diversification of agricultural production, the development of cooperation in industry, technology, trade and other services and the protection of the environment. Special priority has been given to job-creation measures in the Maghreb countries and promotion of the peace process in the Middle East.

Cooperation with the developing countries of Asia and Latin America comprises financial and technical development aid and economic cooperation in the mutual interest of the EU and its partners.

The financial and technical aid is mainly directed towards the poorest sections of the population and the poorest Asian and Latin American countries through programmes or projects in sectors where EU aid can play an important role in sustainable development, particularly as regards the rural sector and achievement of a higher degree of food security.

The economic cooperation covers a range of measures such as technical assistance, training, technology transfers, institutional support in connection with trade promotion, energy, the environment, management, etc., to improve the economic, social, cultural, legislative and regulatory situation, to facilitate economic relations and trade with Asia and Latin America, to promote regional integration and the transfer of know-how and to encourage meetings and associations of economic operators from both sides.

Regional cooperation is important both for financial and technical aid and for economic cooperation. Specific attention is also paid to cooperation on the environment and the protection of natural resources.

In 1994 a major effort was made to promote the self-sufficiency of refugees and displaced persons in these countries. ECU 70 million has been committed for this purpose.

In view of recent events in South Africa, the special programme has adopted an approach which is focused more closely on key areas such as agricultural and rural development, health, education and training, the environment and the role of women in development. ECU 102 147 000 was committed in 1994.

Food aid figures large among the forms of assistance given to developing countries. It is given in various forms ranging from emergency aid to longer-term assistance to raise the general standard of nutrition, to improve food security and, through integrated development programmes, to contribute to the balanced economic and social development of the assisted areas.

Depending on specific needs, food aid may be given for free distribution to the population, or for sale on local markets (the proceeds being used to finance rural or other projects in the recipient country) or, in certain cases, in the form of food purchased in one developing country and given as aid to another (triangular operations).

EU assistance is also channelled through non-governmental organizations. Development projects benefiting from this assistance are spread worldwide and are mostly small-scale, localized schemes in such fields as rural development, training and health. ECU 589.01 million was committed in 1994.

The European Community Humanitarian Office (ECHO) set up in April 1992 carries out emergency humanitarian aid operations.

The overall purpose of these operations is to emphasize the EU's presence and to enhance the capacity of the international community to react to exceptional events, i.e. come to the assistance of people in distress (victims of disasters or armed conflicts) without discrimination based on race, religion or political persuasion.

As the number and scale of international humanitarian crises has expanded, the Union has increased the funds it allocates to humanitarian aid from ECU 605 million in 1993 to more than ECU 760 million in 1994.

During the year the Commission (through ECHO) reacted to the urgent requirements of the victims of natural or man-made disasters by concluding 1 002 humanitarian aid contracts for a total of ECU 764 million. Some

ECU 500.2 million came from the general budget and the remainder from the European Development Fund under the Lomé Conventions. This international solidarity effort was deployed in 63 countries in the following regions: ACP (42.5%), ex-Yugoslavia (35.4%), Eastern Europe (0.4%), the former Soviet Union (11.9%), the rest of Asia including Northern Iraq (6.4%), Latin America (2.9%) and North Africa (0.5%).

TABLE 3
Administrative expenditure in 1994

Institution	Establishment plan in 1994 budget (permanent and temporary posts)	Staff (million ECU)	Administration (million ECU)
European Parliament	3 790	418.9	233.9
Council	2 302	165.7	155.3
Economic and Social Committee	510	40.0	27.5
Commission	19 027	2 147.3	517.1
of which:			
— administrative staff	(15 530)	(1 921.0)	(479.9)
— research activities	(3 497)	(226.3)	(37.2)
Court of Justice	837	73.7	31.1
Court of Auditors	427	37.3	3.6
Total	26 893	2 882.9	968.4

Heading 5 — Administrative expenditure

The general budget includes appropriations to cover the institutions' staff and administrative expenditure.

This expenditure accounted for 5.3% of total expenditure in 1994 and covered the following sectors:

- expenditure by the institutions on staff, buildings and equipment, various activities (formal and other meetings, studies, etc.), the Official Journal, publications, data-processing and the staff and administrative expenditure of delegations;
- expenditure resulting from special functions such as general subsidies, subsidies to bodies such as the European University Institute in Florence or the College of Europe in Bruges and participation in events of interest to the European Union;
- certain expenditure of an interinstitutional nature, including the pensions of officials and temporary staff of all the institutions, the European Union subsidy to the European Schools and the administrative expenditure of the Publications Office.

BORROWING AND LENDING OPERATIONS

In addition to the measures financed by the general budget, a number of Community operations are carried out using borrowed funds. The EU has developed several instruments which give it access to capital markets and are used to finance various categories of loans. In addition to these loans from borrowed funds, a smaller number of loans are granted from budget appropriations. This report deals only with borrowing and lending operations included in the EU's financial balance sheet; it ignores operations carried out under the financial provisions of the ECSC Treaty (ECU 7 008 million in loans outstanding at 31 December 1994) and those carried out by the European Investment Bank from its own resources under the EEC Treaty

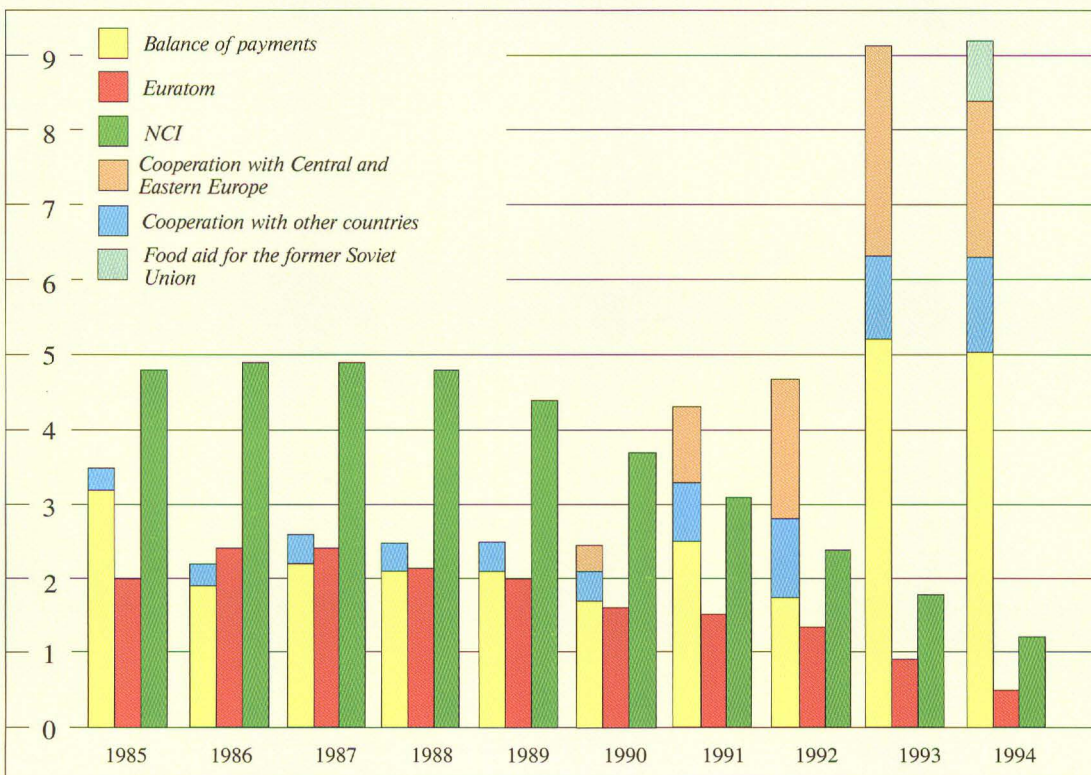
(ECU 91 004 million in loans outstanding at 31 December 1994).

Should the recipient of a loan granted by the Union default, the corresponding borrowing contracted by the Union would be repaid by the general budget; some of the loans granted by the European Investment Bank from its own resources are backed by a guarantee from the general budget.

Where a non-member country defaults on a loan granted or guaranteed by the Union, the creditors will be repaid from the Guarantee Fund set up by the Council Regulation of 31 October 1994.

FIGURE 12
Community loans outstanding 1985-94

(billion ECU)



Borrowing and lending for balance-of-payments support

After the first oil crisis, a Community borrowing facility was devised to help Member States which had had their balances of payments upset as a result of the rise in oil prices. The first loans were granted in 1976; the Council increased the volume of Community borrowings authorized under this facility to ECU 8 000 million in 1984 and to ECU 14 000 million in 1988. At 31 December 1994 loans outstanding totalled ECU 5 022 million.

Euratom borrowing and lending

Since 1977 the European Union has made use of this instrument, which was devised to finance investment projects involving the industrial generation of nuclear-based electricity and industrial fuel cycle installations, in order to reduce its dependence on imported energy. In 1990 a Council decision increased the amount of borrowings which the Commission is entitled to raise under this facility to ECU 4 000 million. At 31 December 1994 outstanding loans totalled ECU 779 million.

On 9 December 1992 the Commission proposed that the balance of borrowings not used in the Member States could be used to finance the improvement of the efficiency and safety of nuclear power stations in the countries of Central and Eastern Europe and in the CIS. On 21 March 1994 the Council decided to amend Decision 77/270/Euratom to authorize the Commission to contract Euratom borrowings to help finance improvements in the safety and efficiency of nuclear power stations in certain non-member countries. This Decision will allow a considerable proportion of Euratom's available borrowing capacity (some ECU 1 100 million) to be used to finance projects.

The idea of international financial aid for the closure of the Chernobyl nuclear power plant was entered in the conclusions of both the Corfu European Council of 24 and 25 June 1994 and the G7 summit at Naples on 7 and 8 July 1994.

NCI borrowing and lending

The New Community Instrument (NCI) was created in 1978 to help finance investment projects for developing Europe's industrial competitiveness. These projects must meet the EU's priority objectives concerning energy, industry and infrastructure and, in particular, promote regional development and contribute to the fight against unemployment. The New Community Instrument was strengthened in 1982, 1983 and 1987 and its field of application now extends to the dissemination of new technologies and innovation, mainly for the benefit of small and medium-sized firms. Overall, the volume of borrowings authorized by the Council has risen to ECU 6 830 million and has been used to grant loans of ECU 6 197 million, including ECU 679 million to finance reconstruction projects following the earthquakes in Italy in 1980 and in Greece in 1981. At 31 December 1994 the loans outstanding came to ECU 1 570 million.

Borrowing and lending in connection with cooperation with non-member countries

The EU grants medium-term financial assistance to a number of countries which are currently implementing economic reforms. This is financed from its borrowing operations.

On 19 October 1992 the Council decided to launch a borrowing and loan operation to provide additional medium-term financial assistance to Bulgaria totalling ECU 110 million, to be paid in two tranches. The first tranche of ECU 70 million was paid on 7 December 1994, bringing the total of outstanding loans to Bulgaria to ECU 360 million at 31 December 1994.

On 13 June 1994 the Council decided to launch a borrowing and loan operation to provide macrofinancial assistance to Moldova totalling ECU 45 million, to be paid in two tranches. The first tranche of ECU 25 million

was paid on 7 December 1994. At 31 December 1994 the total of outstanding loans to Moldova was ECU 25 million.

As part of the medium-term loan of ECU 400 million to Algeria, a second tranche of ECU 150 million was paid on 17 August 1994. At the end of 1994 the amount outstanding on loans to Algeria came to ECU 400 million.

Financial assistance of ECU 1 250 million has been granted to the republics of the former Soviet Union. At 31 December 1994 the total amount outstanding under this operation was ECU 810 million.

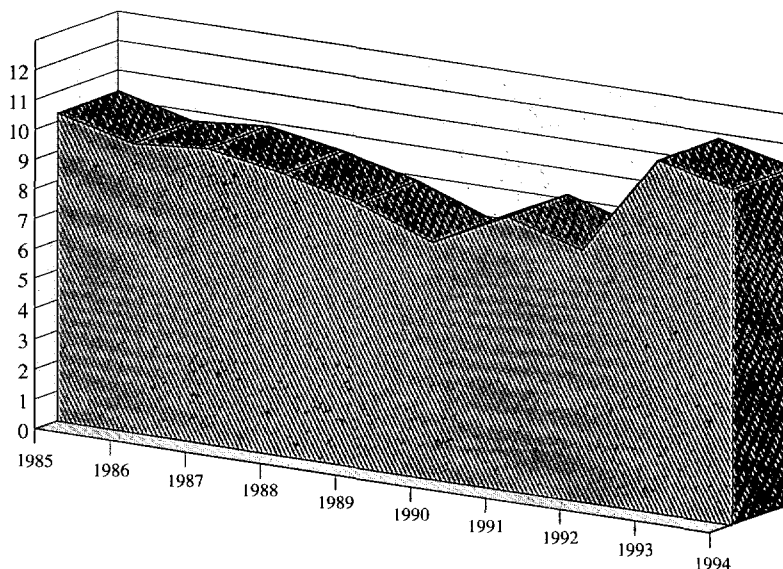
At 31 December 1994 the total amount of outstanding loans financed from borrowings came to ECU 3 485 million.

Loans from budget appropriations

Besides these loans from borrowed funds, loans are also granted from budget appropriations as part of the policy of cooperation with non-member countries. The EU has concluded agreements combining commercial cooperation and technical and financial cooperation with most of the Mediterranean countries. In the case of financial and technical cooperation, EU aid consists partly of non-repayable grants and partly of loans on particularly favourable terms or risk capital operations. At 31 December 1994 the outstanding balance of loans on special terms and risk-capital operations came to ECU 490 million.

FIGURE 13
Total volume of Community loans 1985-94

(billion ECU)



Since 1988 the EU has been able to grant loans and advances, likewise from budget appropriations, to finance joint ventures between European firms and firms in Asia, Latin America and the Mediterranean countries. At 31 December 1994 the outstanding balance of these operations came to ECU 58 million.

Budget guarantees

Should a debtor default, the amounts borrowed to finance any of the loans listed above would be repaid from the general budget.

The EU decided to guarantee the loan granted to Russia by a consortium of banks for the purposes of financing the import of agricultural and food products from the EU and the countries of Central and Eastern Europe. The EU guarantee covers 98% of any losses on capital or interest up to a maximum of ECU 500 million.

At 31 December 1994 the outstanding balance under this operation amounted to ECU 133 million in capital.

A budget guarantee also covers the loans granted by the European Investment Bank

TABLE 4

Capital operations covered by the general budget at 31 December 1994

(million ECU)

Borrowing/lending operation	Volume of borrowing/lending authorized	Total outstanding at 31.12.1994 covered by a budget guarantee
Balance-of-payments support	14 000	5 022
Euratom	4 000	779
NCI (including reconstruction projects)	6 830	1 570
EIB Mediterranean (Spain, Greece, Portugal)	1 500	473
Financial assistance	4 895	3 485
	31 225	11 329
EIB loans:		
— Mediterranean countries	6 282	1 688
— Central and Eastern Europe	4 700	574
— Asia and Latin America	750	46
— Credit guarantees for Russia	500	133
	12 232	2 441
Total	43 457	13 770

from its own resources to 12 Mediterranean countries under the financial protocols annexed to the relevant cooperation agreements. In 1994 the Council decided to conclude a new protocol with Syria to finance projects contributing to the country's economic development by means of loans totalling ECU 115 million granted from the EIB's own resources and covered by an EU budget guarantee. These loans may be committed over a period of three years.

At 31 December 1994 outstanding loans totalled ECU 2 161 million (ECU 473 million in Spain, Greece and Portugal and ECU 1 688 million in non-member countries of the Mediterranean).

The guarantee also extends to loans granted by the EIB from its own resources to the countries of Central and Eastern Europe. The overall ceiling on guaranteed loans to these countries is ECU 4 700 million. At 31 December 1994 loans granted to these countries totalled ECU 2 571 million but only ECU 574 million had been paid.

The purpose of this financial support is to promote the development of infrastructures (in particular trans-European networks) for energy, research, telecommunications and the environment, and to provide backing for the private sector, in particular small businesses.

Under a Council Decision of 15 February 1993 the European Union provides a budget

guarantee for loans made by the EIB from its own resources to finance investment projects of mutual interest in the developing countries of Asia and Latin America which have signed cooperation agreements with the EU. These loans total ECU 250 million a year for a period of three years. At 31 December 1994 loans granted to these countries totalled ECU 319 million but only ECU 46 million had been paid.

Table 4 gives an overview of the EU's borrowing and lending operations at 31 December 1994.

In view of the growing volume of guaranteed loans to non-member countries and the consequent risk to the budget, the Commission proposed that a dual mechanism be established consisting of a guarantee reserve entered in the financial perspective and in the budget and a Guarantee Fund endowed from this reserve. The decision to set up such a mechanism was taken at the Edinburgh European Council on 11 and 12 December 1992 and the Council adopted the Regulation establishing a Guarantee Fund for external action on 31 October 1994.

The Fund is financed through an annual reserve of ECU 300 million (at 1992 prices) set for the duration of the financial perspective and entered in the budget. This should make for considerable improvements in the way these operations are treated.

TREASURY REPORT

The Commission holds accounts with the Treasuries and/or Central Banks of Member States, on which it receives revenue and through which it pays the bulk of its transactions, in particular those relating to the EAGGF Guarantee Section, some of the expenditure on the Structural Funds, and repayments to Member States.

Each month the revenue received (expressed in national currencies) is equivalent to one twelfth of the amounts provided in the budget

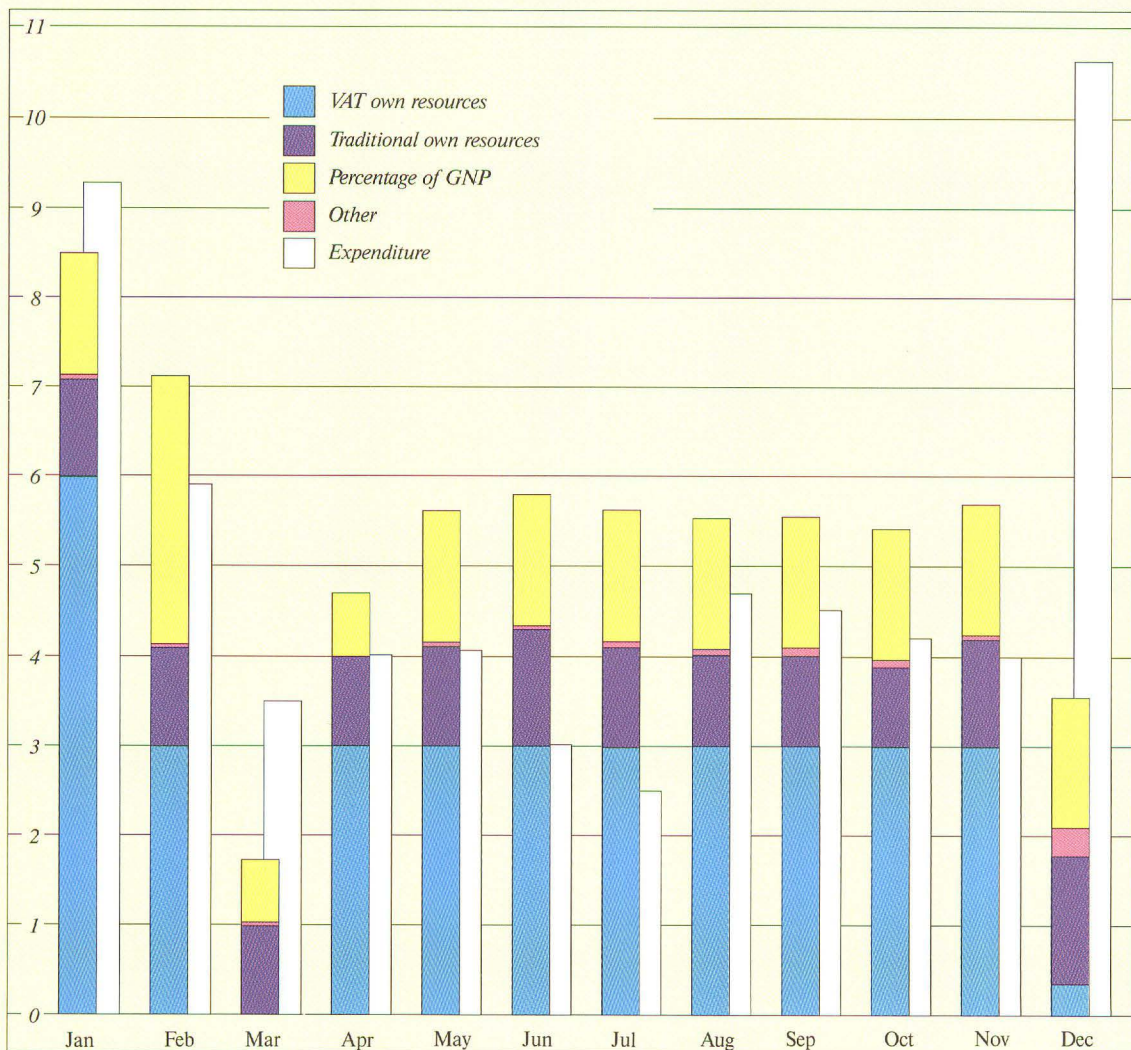
for VAT and GNP-based resources plus the amount actually established each month for customs duties and agricultural levies.

Ordinary commercial bank accounts are used for administrative expenditure and direct payments to recipients other than national authorities, in national currencies and in ecus.

To ensure that funds are made available to the direct recipients as rapidly and as cost-effect-

FIGURE 14
Monthly revenue and expenditure in 1994

(billion ECU)



tively as possible, the Commission overhauled its commercial banking structure in 1992. It also now uses the SWIFT international payments network. In 1994 it launched an invitation to tender for the selection of commercial banks in the countries intending to join the European Union on 1 January 1995.

In July 1990 the Commission adopted a Regulation on arrangements for using the ecu for the purpose of the budgetary management of the Structural Funds; this Regulation provides that grants made by the Commission are to be paid in ecus to the authority designated by the Member States to receive the payments.

Ecus are mainly purchased on the interbank exchange market. The Commission tries to spread its purchases as evenly as possible so as not to destabilize the market. It purchased ECU 23.6 billion on the market in 1994 as against ECU 25.5 billion in 1993. This was used mainly for payments under the Structural Funds — ECU 14.6 billion in 1994 compared with ECU 18.1 billion in 1993.

On 1 July 1992 the Commission opened ecu-denominated accounts with the French and Irish Treasuries for making payments in connection with operations under the Structural Funds. This is a new departure which will allow Treasuries to get used to the idea of using the ecu prior to economic and monetary union. The Commission is willing to open similar accounts with any Member State which so wishes.

Budget revenue and expenditure for a given year may differ from the initial estimate, producing a positive or negative balance. A surplus can result from under-utilization of appropriations or from a revenue outturn higher than the forecast in the budget or from a combination of these two factors. Since spending may not exceed the limit set by the appropriations entered in the budget, a deficit can be caused only by the revenue outturn being lower than the forecast in the budget. This was the case from 1984 to 1986.

The cash situation in the course of the financial year depends on the monthly outturn of revenue and expenditure, which do not necessarily balance. Even if the balance for the year shows a surplus, expenditure might have outstripped revenue at certain times of the year, causing cash-flow difficulties. For these reasons, the rules in force allow two possibilities: payments of customs duties and agricultural levies may be brought forward one month or the Commission may overdraw on its accounts with the national treasuries. The Commission did not make use of these possibilities in 1994 as the cash situation was positive throughout the year.

In late 1993 the Council adopted an amendment which also allowed early payment of VAT and GNP-based resources in line with the specific requirements of the EAGGF. Use was made of this option in January and February 1994.

The rules also stipulate that the positive and negative balances resulting from payment and revenue transactions should be spread over the year in proportion to each Member State's estimated contribution to the budget as a whole. This balance is maintained by transfers between the central banks.

A rolling forecast of cash-flow is used to monitor and coordinate these currency transactions. Cash-flow management is strictly regulated: no borrowing is allowed to cover possible deficits, no loans may be made from positive balances and no interest is receivable or payable on balances with Member States.

FUTURE EXPENDITURE AND REVENUE

It is a feature of the accounting system of the European Union that certain sums due but unpaid at 31 December and certain revenue receivable should be charged to the revenue and expenditure account for that year and entered in the balance sheet.

The main items of future expenditure and revenue entered in the accounts at the end of 1994 were:

- payments authorized in December 1994 and made between 1 and 15 January 1995;
- payments to be authorized in 1995 against appropriations for payments not used at the end of 1994 and carried over to 1995;
- interest and other sums due in connection with borrowing and lending operations for the New Community Instrument and the European Atomic Energy Community; this future expenditure is almost entirely offset by interest and other sums receivable in connection with the same borrowing and lending operations.

However, other potential liabilities and resources are not entered in the accounts but are recorded separately:

- certain sums falling due in future years to clear commitments existing at the end of 1994, to meet outstanding financial obligations or to honour protocols concluded with third parties;

- various potential liabilities and resources;

- contingent liabilities.

These future liabilities and resources are listed in this section of the report to provide information in addition to the consolidated accounts of the European Union.

Sums falling due in future financial years

As stated in the section concerning the financial framework, some time elapses between the commitment and payment of expenditure: commitment and payment might not take place in the same financial year. This is frequently the case with multiannual operations (which are allocated differentiated appropriations), for which the budget usually contains different amounts in commitment appropriations and payment appropriations.

TABLE 5
Sums falling due in future financial years

(million ECU)

	1994	1993
Commitments from differentiated appropriations still outstanding at 31 December 1994	33 992.1	27 320.6
The Communities' financial obligations 31 December 1994:		
Cooperation which non-member countries: obligations under the protocols signed with Mediterranean countries	401.0	763.0
Total	34 393.1	28 083.6

At the end of the year there are therefore outstanding commitments for which payments will have to be made in future financial years.

For operations allocated non-differentiated appropriations, the rules allow appropriations needed for payment against commitments to be carried over automatically to the following financial year only; as stated above, the carry-overs to 1995 are included with the liabilities for 1994.

At the end of 1994 the commitments outstanding for operations allocated differentiated appropriations amounted to ECU 34 942 million. Of this, ECU 950 million is covered by payment appropriations carried over to 1995; the corresponding liability is also included in the accounts for 1994. The balance of ECU 33 992 million will have to be covered by payment appropriations in the budgets for 1995 and subsequent financial years. The commitments in differentiated appropriations outstanding at 31 December

TABLE 6

Potential liabilities and receipts of the Community at 31 December 1994

(million ECU)

	1994	1993
<i>Potential liabilities</i>		
Agricultural policy:		
Difference between the guarantee price and selling price of agricultural stocks at 31 December (not including butter stocks disposed of under the special disposal scheme and alcohol stocks on which only disposal costs will arise) (Table 8)	250.7	94.3
Pending judgments from the Court of Justice on sums claimed by the Member States in connection with clearance of the accounts	264.0	627.2
Potential liabilities resulting from a provisional refusal of finance	51.3	16.7
	566.0	738.2
<i>Potential receipts</i>		
Agricultural policy:		
Potential receipts arising from fraud and irregularities	(1 140.2)	(958.5)
Potential claims resulting from clearance of EAGGF accounts		
	(1 140.2)	(958.5)
Total	574.2	220.3

1994 are analysed and broken down by probable year of payment in Table 9.

The European Union has entered into other obligations towards non-member countries which have not yet given rise to the commitment of appropriations: for cooperation with developing and non-member countries, aid planned but not committed at the end of 1994 under the financial protocols with the Mediterranean countries totalled ECU 401 million.

Potential liabilities and resources

The European Union has potential liabilities and resources. Some of them may never be realized or can only be roughly estimated at 31 December 1994.

The potential liabilities include the cost of disposing agricultural stocks. At the end of the 1994 financial year for agriculture, this liability had virtually dropped to zero; the new estimate results from comparison between the foreseeable sales value of products in store at 30 September 1994 and their book value, taking into account the depreciation applied in accordance with the decisions adopted by the 1988 Brussels European

Council. Every annual budget contains a provision for losses on stocks newly bought in. These stocks are depreciated from the date on which they enter the stores. The cost of depreciation is included with EAGGF Guarantee Section expenditure; in 1994 it totalled ECU 673.3 million. Thus, the only potential liabilities are in fact those relating to the balance left outstanding because of differences between the conversion rates used to calculate the foreseeable sales value and the book value. At 30 September 1994 the disposal of agricultural products from stores would generate a net potential gain of ECU 250.7 million. This amount is the difference between potential liabilities of ECU 4.7 million and potential gains of ECU 255.4 million.

The European Union also has potential revenue. For instance, on discovering a fraud or irregularity relating to sums paid under the European Agricultural Guidance and Guarantee Fund, a Member State notifies the Commission and takes steps to recover the amounts involved. The sums likely to be recovered can only be estimated on the basis of amounts notified. Similarly, the date of their receipt cannot be estimated with any certainty. Revenue may also have to be paid into the general budget as a result of the EU's checks on own resources received in previous years.

TABLE 7
Contingent liabilities

(million ECU)

	1994	1993
Pension costs	p.m.	p.m.
Guarantees given:		
— 75% guarantee	3 031.5	3 672.2
— 100% guarantee	4 086.6	1 895.6
Total	7 118.2	5 567.8

TABLE 8

Volume, book value and expected sales value of stocks, and potential losses/gains at 31 December 1994

Products	Quantity (tonnes)	Book value (million ECU)	Expected sales value (million ECU)	Potential gains (losses) (million ECU)
Common wheat	5 212 291	378.5	486.8	108.4
Common wheat, not breadmaking	165 025	9.8	11.8	2.0
Barley	927 001	48.3	86.6	38.3
Rye	5 939 271	379.4	425.1	45.6
Durum wheat	2 504 064	156.9	158.0	1.1
Maize	1 058 278	75.1	84.7	9.6
Sorghum	159 644	12.8	12.8	0.0
Cereals (total)	15 965 574	1 060.8	1 265.7	205.0
Rice	73	0.0	0.0	0.0
Olive oil	125 853	120.9	164.2	43.3
Processed tobacco	19	0.0	0.0	0.0
Baled tobacco	13 265	4.1	4.1	0.0
Alcohol ¹	3 118 287	16.4	14.5	(1.9)
Butter	98 331	85.4	91.4	6.0
Skimmed-milk powder	88 607	71.6	69.5	(2.1)
Beef (bone in)	11 590	6.6	6.7	0.1
Beef (boneless)	161 398	134.9	134.1	(0.7)
Total public storage		1 500.5	1 750.2	249.7
Mixed alcohol ¹	2 351 424	9.9	10.9	1.0
Grand total		1 510.5	1 761.1	250.7

¹ The quantity unit for alcohol is 100 litres.

Contingent liabilities

The European Union has identified a number of contingent liabilities, only some of which can be quantified.

It undertakes to pay pensions to former employees on the basis of years of service. However, although contributions are made by employees, no separate fund is maintained from which the eventual liabilities will be met. There is, therefore, a liability for pension

costs, which cannot be determined without an actuarial valuation.

The general budget also guarantees loans to non-member countries granted by the European Investment Bank from its own funds. Not all loans are guaranteed at 100%, the average being 75% of the capital value of loans guaranteed.

TABLE 9

Commitments against differentiated appropriations still outstanding at 31 December 1994

(million ECU)

Sector	Year in which commitments were made								Total	Likely schedule of payments			
	before 1988	1988	1989	1990	1991	1992	1993	1994		1995	1996	1997	after 1997
2. Structural operations													
EAGGF Guidance (B2-10)	29.938	6.773	33.125	63.366	45.360	160.084	637.663	1 327.813	2 304.121	1 242.152	1 019.573	24.193	18.203
FIFG (B2-11)	2.177	3.467	9.643	61.231	61.451	111.272	194.734	192.552	636.528	347.799	232.778	55.951	
ERDF (B2-12)	980.519	307.831	112.544	54.555	245.098	453.444	2 601.933	4 789.113	9 545.037	4 877.514	3 941.146	726.377	
ESF (B2-13)	15.162	16.925	27.337	20.759	63.946	435.466	1 627.370	2 444.296	4 651.262	2 545.170	1 775.387	330.705	
Community initiatives (B2-14)			28.253	4.645	200.704	357.959	695.512	133.085	1 420.158	797.135	623.023		
Structural Funds, miscellaneous (B2-18 and B2-19)	3.258	46.746	17.694	22.273	52.711	96.687	405.485	123.103	767.957	399.261	289.136	64.201	15.359
Other structural operations (B2-2)	4.592	1.254	0.573	0.731	9.461	72.156	104.206		192.974	191.314	1.660		
Cohesion Fund (B2-3)							463.946	1 307.197	1 771.143	699.956	1 071.187		
<i>Subtotal heading 2</i>	1 035.646	382.996	229.170	227.561	678.731	1 687.068	6 730.848	10 317.159	21 289.179	11 100.300	8 953.890	1 201.427	33.562
3. Internal policies													
Research (B6)	3.373	5.704	20.793	70.078	184.747	498.013	1 004.998	1 812.144	3 599.850	1 802.445	1 021.278	646.533	129.594
Other agricultural operations (B2-5)	0.022	0.449	0.797	3.144	7.109	9.223	39.891	152.836	213.471	111.667	83.147	13.918	4.739
Other regional operations (B2-6)			0.225	0.180	12.934	20.614	6.979	14.749	55.680	40.697	8.920	2.979	3.085
Transport (B2-7)							1.769	11.179	12.949	12.949			
Fisheries and the sea (B2-9)						3.419	5.585	18.327	27.331	10.506	9.227	7.598	
Education, vocational training, youth (B3-1)						0.115	5.935	48.092	54.143	54.116	0.027		
Culture and audiovisual media (B3-2)					0.020	0.008	3.760	23.393	27.180	23.750	3.430		
Information and communication (B3-3)						0.000	3.061	21.859	24.920	21.349	3.571		
Other social operations (B3-4)	5.750	2.114	1.984	0.713	5.816	3.943	28.581	82.114	131.014	73.814	53.546	3.655	
Energy (B4-1)	20.161	9.304	13.102	0.606	1.670	3.222	12.838	24.189	85.092	32.990	21.367	12.883	17.852
Euratom nuclear safeguards (B4-2)						1.225	2.021	8.432	11.678	9.519	2.159		
Environment (B4-3)	0.879	0.163	1.248	2.689	13.120	41.650	46.217	108.055	214.021	67.374	62.879	45.693	38.074
Consumer protection (B5-1)						0.122	2.053	8.599	10.774	10.774			
Aid for reconstruction (B5-2)							0.031		0.031				
Internal market (B5-3)	0.166	1.681	4.000	9.361	14.306	15.607	28.343	65.593	139.057	71.656	49.768	17.632	
Industry (B5-4)	0.938	2.086	1.317	3.079	6.349	6.311	14.939	31.292	66.311	31.577	29.714	5.020	
Information market (B5-5)													
Statistical information (B5-6)				0.191	0.592	1.160	3.181	25.310	30.436	23.661	6.775		
Trans-European networks (B5-7)	37.879	24.968	25.295	27.418	71.808	68.508	107.998	171.327	535.201	91.947	148.625	144.665	149.963
Cooperation in the fields of justice and home affairs (B5-8)													
<i>Subtotal heading 3</i>	69.169	46.469	68.761	117.459	318.471	673.141	1 318.148	2 627.521	5 239.139	2 490.821	1 504.433	900.577	343.307
4. External action													
EDF (B7-1)													
Food aid (B7-2)			5.838	25.689	40.486	81.373	184.434	381.149	718.970	348.916	211.521	158.533	
Cooperation — Latin American and Asian developing countries (B7-3)	196.759	122.513	149.150	128.276	242.354	333.478	498.878	501.119	2 172.528	367.157	410.173	431.681	963.516
Cooperation — Mediterranean countries (B7-4)	65.359	31.109	48.742	82.587	38.200	141.871	206.267	331.808	945.944	300.810	231.472	186.729	226.932
Other cooperation measures (B7-5)	3.216	2.150	4.988	13.856	22.847	122.771	207.300	675.840	1 052.968	384.860	350.533	184.375	133.200
Cooperation with Central and East European countries and the independent States of the former Soviet Union (B7-6)				20.200	287.724	627.329	1 077.194	1 339.878	3 352.325	1 066.710	1 022.794	602.413	660.408
Cooperation with other third countries (B7-7)					21.436				21.436	10.052	8.690	1.042	1.653
External aspects of certain Community policies (B7-8 and B7-0)					0.071	3.633	9.649	136.404	149.757	145.384	4.373		
<i>Subtotal heading 4</i>	265.334	155.772	208.718	270.609	653.118	1 310.456	2 183.723	3 366.199	8 413.928	2 623.889	2 239.557	1 564.773	1 985.709
5. Administrative expenditure													
Administration — Part A							0.079	0.077	0.157	0.157			
<i>Subtotal heading 5</i>							0.079	0.077	0.157	0.157			
Grand total	1 370.149	585.236	506.650	615.629	1 650.320	3 670.664	10 232.799	16 310.957	34 942.403	16 215.167	12 697.880	3 666.777	2 362.579

TABLE 10
Consolidated revenue and expenditure account: five-year summary

(million ECU)

Revenue	1990	1991	1992	1993	1994
Revenue					
Own resources	39 695.7	51 676.1	56 189.7	65 101.1	68 082.1
Surpluses available	6 181.6	4 002.0	2 834.6	- 123.8	- 2 922.1
Other revenue	591.9	571.3	687.5	695.3	842.2
	46 469.2	56 249.4	59 711.8	65 672.7	66 002.1
Expenditure					
1. Common agricultural policy					
Markets (B1-1 to B1-3)	25 712.7	31 049.9	31 377.8	34 340.2	32 450.3
Accompanying measures (B1-4 and B1-5)	86.7	76.9	112.1	760.2	520.1
<i>Sub-total heading 1</i>	25 799.4	31 126.7	31 489.9	35 100.4	32 970.4
2. Structural operations					
EAGGF Guidance (B2-10)	1 825.3	1 880.6	2 522.4	2 744.9	2 533.3
FIFG (B2-11)	83.9	154.5	214.8	364.9	395.0
ERDF (B2-12)	4 135.7	5 180.8	7 468.8	8 253.8	6 331.2
ESF (B2-13)	2 676.5	3 869.2	4 005.2	5 060.7	4 333.4
Community initiatives (B2-14)	985.5	1 906.8	1 241.0	1 551.9	957.7
Structural Funds, miscellaneous (B2-18 and B2-19)	15.7	6.7	1 702.0	1 453.2	541.9
Other structural operations (B2-2)	299.4	415.5	538.1	262.5	122.2
Cohesion Fund (B2-3)	—	—	—	795.0	851.6
<i>Sub-total heading 2</i>	10 022.0	13 414.2	17 692.2	20 486.8	16 066.5
3. Internal policies					
Research (B6)	1 477.7	1 706.6	2 028.3	2 369.5	2 598.4
Other agricultural operations (B2-5)	102.9	212.5	180.0	108.9	126.5
Other regional operations (B2-6)	24.3	40.1	69.9	46.9	29.9
Transport (B2-7)	5.0	8.2	10.5	4.0	12.3
Fisheries and the sea (B2-9)	2.6	36.3	31.7	16.2	26.6
Education, vocational training, youth (B3-1)	148.4	224.7	289.9	258.4	290.2
Culture and audiovisual media (B3-2)	21.5	31.1	55.5	62.2	69.4
Information and communication (B3-3)	19.1	31.6	36.0	18.6	37.6
Other social operations (B3-4)	40.5	119.5	169.2	102.0	135.8
Energy (B4-1)	115.0	117.1	139.8	41.7	36.3
Euratom nuclear safeguards (B4-2)	6.2	9.2	6.7	6.8	11.5
Environment (B4-3)	35.8	62.4	46.4	71.2	107.2
Consumer protection (B5-1)	8.2	14.7	17.9	9.4	14.3
Aid for reconstruction (B5-2)	23.2	21.0	17.7	12.8	9.6
Internal market (B5-3)	79.8	119.7	154.8	99.5	175.5
Industry (B5-4)	15.5	20.4	22.9	33.7	31.6
Information market (B5-5)	32.1	32.3	2.9	0.0	0.0
Statistical information (B5-6)	26.0	41.0	44.3	34.8	35.3
Trans-European networks (B5-7)	39.5	119.8	143.5	134.9	179.3
Cooperation in the fields of justice and home affairs (B5-8)	—	—	—	—	—
<i>Sub-total heading 3</i>	2 223.1	2 968.2	3 468.0	3 431.5	3 927.3
4. External action					
EDF (B7-1)	—	—	—	—	—
Food aid (B7-2)	479.8	105.3	114.9	430.5	445.3
Cooperation — Latin American and Asian developing countries (B7-3)	243.3	251.7	318.7	351.3	362.8
Cooperation — Mediterranean countries (B7-4)	118.5	158.3	215.5	347.9	296.9
Other cooperation measures (B7-5)	232.5	890.1	1 023.9	774.4	746.6
Cooperation with Central and East European countries and the independent States of the former Soviet Union (B7-6)	350.0	278.2	504.0	744.4	1 044.0
Cooperation with other third countries (B7-7)	—	527.5	16.3	20.1	9.7

TABLE 10 (cont.)
 Consolidated revenue and expenditure account: five-year summary

(million ECU)

Revenue	1990	1991	1992	1993	1994
External aspects of certain Community policies (B7-8 and B7-0)	177.7	182.7	230.8	204.7	156.7
<i>Sub-total heading 4</i>	1 601.7	2 393.8	2 424.3	2 873.2	3 062.0
5. Administrative expenditure					
Staff	1 597.7	1 785.8	1 856.0	2 527.3	2 656.6
Administration	753.4	869.5	1 049.7	835.1	932.7
<i>Sub-total heading 5</i>	2 351.1	2 655.3	2 905.7	3 362.4	3 589.3
6. Reserves					
Monetary reserve (B1-6)				0.0	0.0
Guarantee (B0-2)	6.5			14.2	293.7
Emergency aid reserve (B7-9)				0.0	0.0
Reserve for re-use (B0-41)				0.0	0.0
Refunds to Member States	2 375.2	1 264.8	876.8		
<i>Sub-total heading 6</i>	2 381.6	1 264.8	876.8	14.2	293.7
	44 378.9	53 823.1	58 857.0	65 268.5	59 909.2
<i>Outturn for the year</i>	2 090.3	2 426.3	854.8	404.1	6 093.0
Lapsed appropriations carried over from previous year	92.4	305.1	126.5	301.1	443.0
Exchange differences for the year	43.0	31.2	22.7	265.9	4.4
<i>Balance for the year</i>	2 225.7	2 762.6	1 004.0	971.1	6 540.5

THE ECSC'S FINANCIAL AND BUDGETARY ACTIVITIES IN 1994

Economic background and developments in ECSC industries

Steel industry

Crude steel production in the European Union increased from 132.4 million tonnes in 1993 to 138.9 million tonnes in 1994, thus reversing the decline of previous years. The maximum production potential fell to around 187 million tonnes. As a result, the utilization rate rose from 69.4% in 1993 to 74.4% in 1994.

Production of hot-rolled products in 1994 came to around 120 million tonnes compared with 112 million tonnes in 1993, an increase of 7.8%. This increase runs counter to Community guidelines.

The maximum production potential of rolling mills fell from 172 million tonnes in 1993 to 169.2 million tonnes in 1994, giving a utilization rate of 71.4% in 1994 as against 65% the previous year.

Finally, steel industry investment in 1994 was around ECU 2 720 million as against ECU 2 888 million in 1993. This 5.8% drop is in line with the downward trend observed over the past few years.

Coal industry

The increase in Community GDP in 1994 pushed up overall demand for energy. However, solid fuels were the only primary energy source unaffected by this rise; indeed, the demand for solid fuels fell sharply.

The 1994 figures for coal show a contraction in the Community market for solid fuels, with a steep decline for hard coal.

Total deliveries of hard coal fell to 260.4 million tonnes in 1994, 12.5 million tonnes down on 1993. All areas of consumption were affected, except coal deliveries to the steel industry. The biggest drop in demand was for electricity production (down 10.8 million tonnes or 5.9%) and for coking plants (down 0.9 million tonnes or 1.8%).

Community production continued to fall in 1994 (down 25.9 million tonnes to 132.7 million tonnes), while imports from non-member countries rose slightly — after a sharp drop in 1993 — to reach 118.9 million tonnes (an increase of 2.2 million tonnes).

Despite the increase in crude steel production in 1994, the coke market continued to decline as improvements in the steel production process kept demand low. Demand for coke is set to fall further in the future as this trend continues.

On 28 December 1993, taking into account the unanimous opinion of the 12 Member States meeting within the Council, the European Commission adopted a new framework decision under Article 95 ECSC (Decision No 3632/93/ECSC) on the Community rules for State aid to the coal industry from 1994 to 2002 (when the ECSC Treaty expires).

The Commission observed that, despite the major restructuring process which has been under way for many years and the injection of aid totalling over ECU 75 billion since 1965, the Community coal industry is still facing an extremely critical situation and is very much dependent on State aid. Although major productivity gains have allowed some coalfields to produce coal at a cost close to prices on the world market (underground productivity rose from 762 kg per man-hour in 1993 to 769 kg in 1994), the average cost of production in the European Union is still three times the level of international market prices.

If the ban on any form of assistance under Article 4(c) of the ECSC Treaty were applied in practice, much of the European coal industry would be condemned to closure, with unacceptable social and regional consequences. The Commission therefore feels that it should continue to suspend the ban on State aid to the coal industry, subject to certain conditions, until the ECSC Treaty expires on 23 July 2002. The new framework therefore covers the transitional period needed to integrate the coal sector into the EC Treaty.

Although the Commission acknowledges that aid is indispensable for the time being, it must take a strict line in order to ensure that

such aid is compatible with the completion of the internal market in energy and coal. Steps must therefore be taken to improve the transparency of existing aid schemes and to avoid perpetuating a situation where the granting of aid is necessary.

The Commission also recognizes that the gap between average EU production costs and world market prices has widened considerably over the last few years. Plans for restructuring, modernization and rationalization must now be stepped up so that production costs can be lowered and the level of aid reduced, with a view to improving the economic viability of the coal industry in the European Union.

Besides setting specific criteria for different types of aid, the Decision lays down that aid granted to the coal industry may be considered compatible with the proper functioning of the common market if it helps achieve at least one of the following objectives:

- to make further progress towards economic viability, in the light of coal prices on international markets, with the aim of running down aid;
- to solve the social and regional problems created by total or partial reductions in the activity of production units;
- to help the coal industry adjust to environmental protection standards.

The Decision also includes provisions designed to increase the transparency of existing aid schemes. On the expiry of a transitional period not exceeding three years (31 December 1996), aid will be authorized only if it is entered in national, regional or local government budgets in the Member States or channelled through strictly equivalent mechanisms. Furthermore, from 1994, all aid received by an undertaking must be presented in the profit and loss account as a separate item of revenue, distinct from turnover.

Member States which intend to grant aid to coal companies during the period from 1994 to 2002 must submit to the Commission in ad-

vance a modernization, rationalization and restructuring plan designed to improve the economic viability of the companies concerned by cutting production costs. Where companies are unable to make adequate reductions in production costs, aid will be authorized only if it forms part of a closure plan with a deadline of 23 July 2002 (when Decision No 3623/93/ECSC expires). If such a closure occurs after the Decision has expired, aid will be authorized only if justified on exceptional social and regional grounds.

In 1994 Germany, Portugal and the United Kingdom submitted modernization, rationalization and restructuring plans together with a statement of financial measures proposed for 1994. The Commission has given a favourable opinion on all these plans and the aid notified has been authorized. The French plan, notified towards the end of the year, was still being considered by the Commission in February 1995.

Financial activities

Article 49 of the ECSC Treaty of 18 April 1951 empowers the High Authority (the Commission since the 1967 Merger Treaty) to borrow funds providing it is for the purpose of granting loans.

Loans are granted for three main purposes:

- to finance investment in the coal and steel sector;
- to finance conversion programmes for restructuring the coal and steel industry;
- to finance the construction of housing for coal and steel workers.

At 31 December 1994 the ECSC had, since starting its financial activities, paid ECU 22 024.7 million in loans, of which ECU 21 592.5 million was from borrowed funds and ECU 432.2 million from its own funds (special reserve and former pensions fund).

If guarantees over the same period are included, total ECSC financing at the end of 1994 came to ECU 22 103.9 million, as against ECU 21 627.5 million at 31 December 1993. The change is partly due to new loans (ECU 673.7 million) and to exchange rate adjustments (– ECU 197.3 million).

In 1994 the total loans granted by the ECSC (ECU 673.4 million) were 26.7% down on the 1993 figure of ECU 918.3 million.

This fall is primarily due to the economic recession which hit all the Member States. The sharp downturn in productive investment led to a reduction in the number of conversion loans (Article 56).

Restructuring continued in the coal and steel industries. The volume of industrial loans was

therefore particularly low, with the notable exception of Italy as regards steel consumption (Article 54).

The Commission has finally abandoned the idea of financial support for restructuring the Community steel industry through ECSC loans. This support was to have been based on Commission-authorized agreements on closing down excess capacity at plants producing hot-rolled wide strip, reversing-mill plate and heavy sections.

On 28 June 1994 the Commission proposed guidelines for the ECSC's future borrowing and lending activities up to the year 2002.

TABLE 11

Loans granted in 1994 — breakdown by Member State

(million ECU)

Member State	I				II	III	Total
	Coal industry (Art. 54 (1))	Steel industry (Art. 54 (1))	Other (Art. 54 (2))	Total I	Industrial conversion (Art. 56)	Workers' housing (Art. 54 (2))	I + II + III
Belgium	—	23.2	—	23.2	16.4	0.2	39.8
Denmark	—	—	82.1	82.1	—	—	82.1
Germany	—	60.3	—	60.3	77.1	6.0	143.4
Greece	—	—	—	—	—	0.03	0.03
Spain	25.4	—	—	25.4	4.6	0.4	30.4
France	—	—	—	—	14.0	0.45	14.5
Ireland	—	—	—	—	—	0.05	0.05
Italy	—	—	19.0	19.0	8.9	1.4	29.3
Luxembourg	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	0.04	0.04
United Kingdom	—	—	245.9	245.9	87.8	0.1	333.8
Community	25.4	83.5	347.0	455.9	208.8	8.7	673.4
Non-Community	—	—	—	—	—	—	—
Total	25.4	83.5	347.0	455.9	208.8	8.7	673.4

ECSC operating budget

In addition to its activities based on borrowing and lending operations, the ECSC finances a number of measures from its operating budget.

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 genuine 'Community' tax.

Levies are fixed annually for the various coal and steel products according to their average value. In 1994 the ECSC levy was set at 0.23% and yielded ECU 107.7 million.

Most of the resources other than levies derive from the 'net balance' from annual financial operations, in particular the interest on the investments, reserves and provisions entered in the ECSC balance sheet. The net balance for 1994 amounted to ECU 115 million.

In addition, there were cancelled commitments of ECU 63.3 million and unused funds of ECU 60.2 million from the previous year. In 1994 the Commission also decided to enter ECU 22 million in the budget from the special reserve.

Total revenue in the ECSC's operating budget came to ECU 464.9 million for 1994.

ECSC budget expenditure

The revenue in the operating budget is intended to cover the various categories of expenditure provided for in the ECSC Treaty.

Social aid

In 1994 ECU 283 million was committed 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 in the coal and steel industry).

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 under Article 56. It helps finance aid measures to provide income support for the workers affected or to enable them, through training courses and resettlement allowances, to remain in employment and make a productive contribution to the economy.

The grant of this aid is conditional upon the Member State paying a special contribution at least equal to the ECSC contribution.

Social aid is granted under arrangements defined in bilateral agreements concluded with the Member States (early retirement, unemployment, transfer, retraining and vocational training).

It is worth pointing out that 1994 was the last year in which the ECSC contribution covered training. From 1995, under the arrangements for 'phasing in' the coal and steel sectors, aid for the training of coal and steel workers will be granted only through the European Social Fund.

As a result of budgetary constraints, proportional cuts had to be made in 1994 in the ECSC contributions towards two categories of aid (redeployment aid was down by 17.4% and social measures for the restructuring of the coal industry were down by 19.2%).

Such ECSC assistance is additional to the aids and loans granted elsewhere under the Community support frameworks.

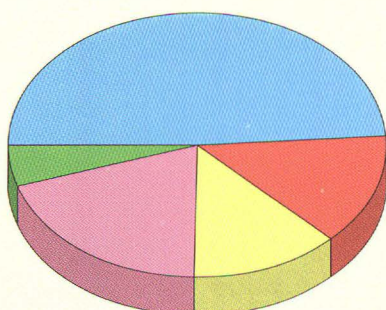
Research aid

Under Article 55 of the ECSC Treaty, ECU 51.5 million was granted in aid for technical, social and medical research in the coal and steel sector in 1994.

FIGURE 15

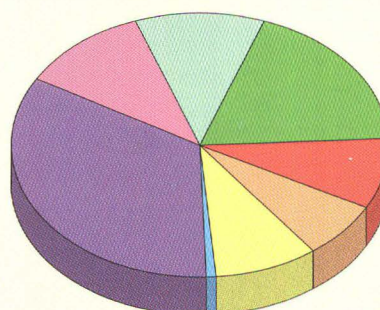
ECSC operating budget revenue in 1994

(million ECU)



ECSC operating budget expenditure in 1994

(million ECU)



Current revenue	227,6	Administration	5,0
— Yield from 0.23% levy	107,7	Redeployment aid	157,0
— Interest from investment and loans	115,0	Research aid	52,0
— Repayment of interest subsidies	4,9	— Steel research	34,0
Cancellation of commitments	63,3	— Coal research	17,0
Unused resources from previous year	60,2	— Social research	1,0
Contingency reserve	91,9	Interest subsidies	51,5
Exceptional resources	22,0	Steel industry restructuring measures	86,0
	465,0	Coal industry restructuring measures	40,0
		Damages	32,6
		Surplus	40,9
			465,0

The main aims of the aid for steel industry research (ECU 34 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 the aid for coal-industry research (ECU 17 million) are to lower production costs, raise underground and pithead productivity, improve safety and working conditions, safeguard existing markets, open up new outlets and, above all, improve the use made of coal, with a view to better environmental protection.

In the social and medical sectors, the resources available were only sufficient to finance expenditure on programmes already under way (dissemination of knowledge: ECU 1 million).

Interest subsidies on ECSC loans

Finally, the ECSC budget provides aid (ECU 51.5 million in 1994) 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 revitalize the economy 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 were supplemented in 1992 with the adoption of the rules for coordination with the Structural Funds.

Damages

One exceptional item of expenditure arose in 1994 when compensation was negotiated for two steel companies for losses incurred as a result of the quota arrangements in force from October 1980 to June 1988 (ECU 32.6 million).

Surplus

The surplus of ECU 40.9 million was attributable to the release of the balance of the provision set aside in the contingency reserve to cover the damages referred to in point 4 above.

Each year an ECSC financial report is drawn up and distributed to financial institutions, rating agencies and investors who have financial links with the ECSC.

FINANCIAL OUTTURN OF THE EDF IN 1994

Legal and financial framework

The European Development Fund (EDF) was established under Article 1 of the Implementing Convention on the Association of the Overseas Countries and Territories with the Community signed at the same time as the Treaty of Rome on 25 March 1957; its role has since been extended to cover:

- countries which shortly afterwards became independent but wished to retain OCTs status;
- a growing number of countries in different continents with which the Community wished to enter into agreements.¹

Under the Lomé IV Convention, which was signed on 15 December 1989 and entered into force on 1 September 1991, 70 African, Caribbean and Pacific States (ACP)² and 20 OCTs³ are today involved in EDF operations; the Fund's budget has substantially increased and now stands at ECU 10 940 million, including ECU 140 million for the OCTs alone, for the first financial protocol.

The internal agreement on the financing and administration of Community aid under the fourth Lomé Convention describes the procedure for allocating resources, which include an extra ECU 1 225 million granted by the EIB (ECU 25 million for the OCTs) from its own resources.

¹ The latest of these — the Lomé IV Convention — follows on from the Yaoundé I and II Conventions and, since 1975, the Lomé I, II and III Conventions. Lomé IV is scheduled to last for 10 years; only its financial protocol needs to be renegotiated after five years.

² In 1993 Eritrea, which had split from Ethiopia, joined the 69 countries which had signed the Lomé IV Convention.

³ By a decision establishing association with the Community, allowing them to benefit from the resources available under the internal agreement governing Lomé IV: ECU 140 million under the first financial protocol of Lomé IV.

EDF operations mainly involve:

- grants for projects and programmes and structural adjustment support, for which a specific amount has been set aside;
- Stabex transfers;
- risk capital managed by the EIB;
- special financing facilities under Sysmin;
- emergency aid and aid for refugees.

The EDF is quite different from the other Community financial instruments included in the general budget in that:

- it is administered by the Commission and its resources consist of extra-budgetary payments by the Member States on a fixed-scale basis for each fund;
- each EDF has a separate financial regulation, on the same lines as for the general budget, which lays down implementing provisions for the above mentioned internal agreement, particularly in respect of accounting and legal aspects;
- the normal rules on budgetary appropriations do not apply to the EDF; its appropriations are allocated to a limited number of operations, i.e. multiannual operations for a period of at least five years, with precise ceilings which are laid down when the financing agreement is signed. The Commission thus administers several EDFs simultaneously until their respective closing dates. It should be said that these appropriations are not presented in budget form but are recorded at a later date in an accounting statement analysing the statement of revenue and expenditure (commitments and payments).

On 28 February 1994 the ACP States and the Community exchanged their requests for amendments under the mid-term review of the Lomé Convention, in accordance with the procedure laid down in Article 366 of the Convention. As this is a partial review and not a full-scale renegotiation of the Convention,

the proposed amendments cover only a limited number of fields.

The negotiations were opened officially when the ACP-EU Council of Ministers met in Mbabane, Swaziland on 19 May 1994.

Agreement on a number of points was confirmed or negotiated further at a second Ministerial Conference in Brussels on 30 November and 1 December 1994, where the parties reached a broad consensus on political and institutional matters and on democracy and human rights.

Economic and political situation

The political situation and outlook have a direct effect on the rate at which EDF activities are implemented.

In recent years, political developments in several ACP countries and the linkage established by the European Union and by the Convention itself (Article 5) between certain political principles and development cooperation have, on the whole, acted as a brake. At the end of 1994 no dialogue was possible with four ACP countries (Liberia, Somalia, Sudan and Zaire) because of the political situation. Somalia has in fact still to ratify the fourth Convention. In addition, other situations resulted in a significant slowdown in the rate of implementation, even though cooperation with the countries concerned has meanwhile resumed.

The rate of implementation for EDF operations in each country is also increasingly dependent on the economic situation and, in particular, the economic policies applied by the authorities concerned in view of the link between the implementation of government measures and the grant of Community aid at the programming stage. This link applies either at the sectoral level alone — this is normally the case with each indicative national

programme — or also at the macroeconomic level, for those ACP countries which qualify for the structural adjustment facility.

Developments at this level have not been speeded up by the deterioration of the economic and social situation in many ACP countries, due in particular to lower prices for raw materials and to the debt situation, nor by the process of political transition.

Humanitarian aid operations and assistance for rehabilitation operations were stepped up in response to crises in a number of ACP countries. At the end of 1994 a total of around ECU 520 million in rehabilitation aid had been mobilized for the ACP countries alone, through a combination of EDF and budgetary resources.

A further ECU 150 million was mobilized at the end of July by drawing on the balances from previous EDFs in order to meet the urgent needs of the victims of the conflict in Rwanda.

EDF financing in 1994

The EDF was able to finance its operations as usual throughout 1994.

The Member States contributed a total of ECU 1 797 million, called up in four instalments on 20 January, 1 April, 1 July and 1 October.

With the addition of ECU 23 million from interest accruing in 1994, the EDF had access to a total of ECU 1 820 million to cover expenditure in 1994.

EDF expenditure in 1994

The sixth EDF is in its final stages. As Lomé III winds down, the level of decisions is low and major decommitments are in progress.

TABLE 12
EDF (6th and 7th Funds)
Financing decisions and payments in 1994

(million ECU)

Instrument	Commitments	Payments ¹
Programmed aid	1 246.05	1 020.29
— National and regional indicative programmes	(1 023.70)	(761.54)
— Structural adjustment facilities	(222.35)	(258.75)
Stabex	615.14	350.85
Sysmin	57.25	24.95
Risk capital	214.43	82.94
Interest subsidies	53.81	19.50
Emergency aid	250.27	198.25
Aid for refugees	25.63	22.99
Miscellaneous ²	18.15	61.81
Total	2 480.73	1 781.58
¹ Position in the EDF cash accounts. ² Mainly the outstanding balance of commitments transferred to the 7th EDF when the 5th was closed.		

A breakdown by instrument of the seventh EDF highlights the large amounts, in absolute terms, that were committed for Stabex, emergency aid and risk-capital operations.

With more than ECU 615 million in decisions and ECU 315 million in payments, it was undoubtedly an exceptional year for Stabex.

However, it must be borne in mind that implementation in 1994 corresponded to that for two years following the failure of the Committee of Ambassadors to adopt a decision in 1993 for 1994.

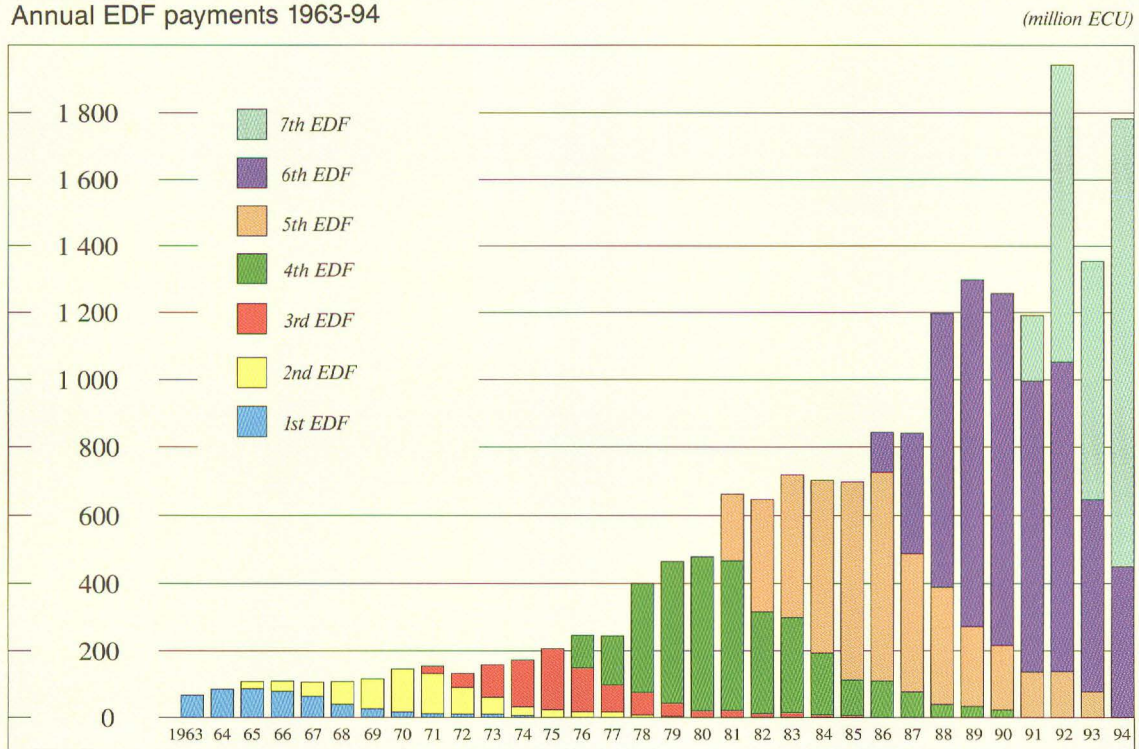
Decisions to grant emergency aid were at a high level (ECU 102 million + ECU 150

million in July in response to the Rwandan crisis), reflecting extreme instability in certain parts of Africa. The level of payments was also high (ECU 198 million), but these were mainly for operations decided in previous years. Only 35% were connected with the funding for Rwanda, as there is a time-lag of some eight months between a decision and final payment.

<i>(million ECU)</i>			
Year	Current payments	Stabex	Total
1992	1 298	612	1 910
1993	1 339	33	1 372
1994	1 431	351	1 782

<i>(million ECU)</i>			
1994	Current payments	Stabex	Total
6th EDF	449	—	449
7th EDF	982	351	1 333

FIGURE 16
Annual EDF payments 1963-94



**THE CONSOLIDATED ACCOUNTS
OF THE EUROPEAN UNION**

ACCOUNTING POLICIES

1. The accounts are kept in accordance with the requirements of the Financial Regulation of 21 December 1977 (last amended on 31 October 1994) and a Regulation laying down certain implementing rules.

2. Conversion into ecus

2.1. The accounts are kept in ecus. The ecu is a 'basket' of specified amounts of the 12 Community currencies, the amounts being adjusted from time to time. Since September 1989 the ecu has been defined as the sum of the following:

BFR	3.301	HFL	0.2198
DKR	0.1976	IRL	0.008552
DM	0.6242	LFR	0.130
DR	1.440	LIT	151.8
ESC	1.393	PTA	6.885
FF	1.332	UKL	0.08784

2.2. Advances paid under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are converted at the exchange rates applying on the 20th of the second month preceding the month for which they are paid.

Some operations relating to staff are converted at special rates.

Other operations are converted at the monthly accounting rates in force when they are carried out.

2.3. The ecu conversion rates used to prepare the balance sheet were the rates applying on 31 December 1994, except for the following:

- (i) tangible assets (furniture and equipment), which are valued at their purchase value in ecus at the accounting rate that applied when they were purchased;
- (ii) appropriations carried over, some of which are to cover commitments in national currencies converted into ecus at the monthly accounting rates for December; the total amount in ecus of

appropriations carried over cannot be subsequently revalued.

2.4. On 31 December 1994 the rates for converting national currencies into ecus were as follows:

ECU 1 =	BFR	39.1614	HFL	2.13424
	DKR	7.48233	IRL	0.795061
	DM	1.90533	LFR	39.1614
	DR	295.480	LIT	1 997.45
	ESC	195.884	PTA	162.070
	FF	6.57579	UKL	0.787074

3. Revenue

3.1. The amounts of own resources and financial contributions entered in the accounts are those credited in the course of the year to the accounts opened in the name of the Commission by the governments of the Member States.

The difference between the amount of VAT own resources, GNP-based resources and financial contributions entered in the budget and the amount actually due is calculated by 1 July of the following year and entered in an amending budget for that year.

3.2. As regards other revenue, the amounts entered in the accounts are sums actually received in the course of the year.

4. Expenditure

4.1. For the purposes of calculating the balance for the year, expenditure is taken to mean payments made against the year's appropriations for payment plus any of those same appropriations that are carried over.

4.2. Payments made against the years appropriations for payment means payments for which authorization reaches the Financial Controller by 31 December and which are paid by the Accounting Officer by 15 January of the following year.

In the case of the Guarantee Section of the European Agricultural Guidance and Guar-

antee Fund, payments mean those effected by the Member States between 16 October of the preceding year and 15 October of the current year, provided that the Accounting Officer is notified of the commitment and authorization by 31 January of the following year.

4.3. Appropriations for payment may be carried over to the following financial year. The procedure is as follows:

- (i) non-differentiated appropriations: the carry-over is generally automatic if it is to cover outstanding commitments; otherwise, the budgetary authority has to give prior authorization;
- (ii) differentiated appropriations: unused payment appropriations usually lapse; however, the Commission may decide to carry them over if the payment appropriations for the following year are not sufficient to meet previous commitments or commitments made against commitment appropriations which have themselves been carried over.

5. Payments on account and accelerated payments

Payments on account for operational purposes, other than the advances paid under the common agricultural policy, are included in the year's expenditure and do not appear as assets in the balance sheet.

6. EFTA involvement in the 1994 general budget

The figures in the accompanying tables include the appropriations entered to cover the involvement in the Community budget of the

EFTA countries belonging to the European Economic Area.

A detailed breakdown of the utilization of these appropriations is given in Table 5.

7. Balance for the year

The balance for the year is the difference between:

- (i) total revenue received for that year;
- (ii) total payments made against that year's appropriations plus the total amount of that year's appropriations carried over (definition of expenditure in 4.1).

The following are added to or deducted from the resulting figure:

- (i) the net balance of lapsing carry-overs from previous year's and any overrun, due to fluctuations in the ecu rate, of payments against non-differentiated appropriations carried over from the previous year;
- (ii) the balance of exchange rate gains and losses recorded during the year.

8. Consolidation

The consolidated accounts cover the accounts of the European Parliament, the Council, the Commission (including the Publications Office and the Joint Research Centre), the Court of Justice, the Court of Auditors, the Economic and Social Committee and the Committee of the Regions.

The method used is that of full consolidation.

CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT FOR 1994

TABLE I

Balance for the year

(million ECU)

	1994	1993
Revenue (Table 2)		
Own resources	68 082.069	65 101.126
Surpluses available	-2 922.104	- 123.764
Other revenue	842.179	695.338
Total (a)	66 002.144	65 672.700
Expenditure		
Payments for the year (Table 3)	58 553.476	63 102.079
Carry-overs to the next financial year (Table 3)	1 354.149	2 166.431
Carry-overs from 1993 to 1994 ¹	1.500	
Total (b)	59 909.125	65 268.510
Outturn for the year: (a) — (b)	6 093.019	404.190
Lapsed appropriations carried over from previous year (Table 4)²	443.030	301.055
	0.016	
Exchange differences for the year	4.435	265.898
Overrun on carry-overs	-0.024	
Balance for the year	6 540.476	971.143
<p>¹ This non-automatic carry-over (Article 7(1) and (3) of the Financial Regulation) was approved by the budget authority on 29 March 1994, after closure of the Economic and Social Committee's accounts (Article 79 of the Financial Regulation).</p> <p>² The amount of carry-overs from 1993 to 1994 that remained unused in 1994 includes overruns on non-differentiated appropriations carried over by the Commission (Article 5 of Commission Regulation No 3418/93 of 9 December 1993), totalling ECU 0.016 million.</p>		

TABLE II

Revenue

(million ECU)

	1994	1993
1. Own resources		
Agricultural levies	922.506	1 029.079
Sugar and isoglucose levies	1 382.071	1 115.262
Customs duties	12 419.982	12 283.977
VAT own resources	36 313.474	35 559.980
GNP-based own resources	18 454.609	16 555.661
Correction of budgetary imbalances	61.836	
Own resources collection costs	- 1 472.409	- 1 442.833
<i>Subtotal</i>	<i>68 082.069</i>	<i>65 101.126</i>
2. Surpluses available		
Surplus available from previous year	971.143	1 004.009
Surplus of VAT own resources and financial contributions from previous years	- 3 095.606	- 1 070.112
Surplus of GNP-based own resources from previous years	- 780.098	- 37.802
Refunds to Member States	- 25.206	- 19.859
Surplus of GNP-based own resources resulting from definitive calculation of the financing of the correction of budgetary imbalances for the United Kingdom	7.663	
<i>Subtotal</i>	<i>- 2 922.104</i>	<i>- 123.764</i>
3. Other revenue		
Miscellaneous Community taxes, levies and dues	360.644	344.061
Revenue accruing from the administrative operation of the institutions	74.608	112.288
Contributions to Community programmes, repayments of expenditure and revenue from services rendered against payment	348.934	188.600
Interest on late payments and fines	35.368	28.022
Revenue from borrowing and lending operations	15.454	16.892
Miscellaneous revenue	7.171	5.475
<i>Subtotal</i>	<i>842.179</i>	<i>695.338</i>
Grand total	66 002.144	65 672.700

TABLE III
Expenditure

(million ECU)

	Payments for the year		Carry-overs to the next year		Total	
	1994	1993	1994	1993	1994	1993
1. Common agricultural policy						
Plant products (B1-1)	21 814.130	20 823.314	38.670	21.019	21 852.799	20 844.333
Animal products (B1-2)	9 803.938	11 341.882		688.080	9 803.938	12 029.963
Ancillary expenditure (B1-3)	767.965	1 387.189	25.599	78.750	793.564	1 465.939
Income aid (B1-4)	30.000	462.520			30.000	462.520
Accompanying measures (B1-5)	490.119	221.678		76.000	490.119	297.678
<i>Subtotal</i>	32 906.152	34 236.583	64.269	863.849	32 970.421	35 100.432
2. Structural operations						
EAGGF — Guidance Section (B2-10)	2 476.453	2 682.603	56.889	62.286	2 533.342	2 744.889
FIFG (B2-11)	395.006	329.890		35.000	395.006	364.890
ERDF (B2-12)	6 331.243	8 173.367		80.428	6 331.243	8 253.795
European Social Fund (ESF) (B2-13)	4 123.940	5 060.662	209.500		4 333.440	5 060.662
Community initiatives (B2-14)	773.314	1 462.988	184.360	88.937	957.674	1 551.925
Structural Funds — miscellaneous (B2-18 and B2-19)	418.883	1 285.053	123.060	168.153	541.943	1 453.206
Other structural operations (B2-2)	55.729	262.467	66.500		122.229	262.467
Cohesion Fund (B2-3)	851.582	730.588		64.411	851.582	794.999
<i>Subtotal</i>	15 426.150	19 987.619	640.309	499.215	16 066.459	20 486.834
3. Internal policies						
Research (B6)	2 547.498	2 320.681	50.897	48.785	2 598.395	2 369.466
Other agricultural operations (B2-5)	126.527	108.873			126.527	108.873
Other regional operations (B2-6)	29.899	37.608		9.336	29.899	46.945
Transport (B2-7)	11.012	3.974	1.265		12.277	3.974
Fisheries and the sea (B2-9)	26.632	16.199			26.632	16.199
Education, vocational training, youth (B3-1)	289.940	253.426	0.266	4.952	290.207	258.378
Audiovisual and culture (B3-2)	69.439	62.240			69.439	62.240
Information and communication (B3-3)	37.617	18.599			37.617	18.599
Other social operations (B3-4)	123.075	75.671	12.701	26.292	135.776	101.963
Energy (B4-1)	36.256	41.716			36.256	41.716
Euratom nuclear safeguards (B4-2)	10.456	6.806	1.000		11.456	6.806
Environment (B4-3)	76.417	67.226	30.750	4.000	107.167	71.226
Consumer protection (B5-1)	13.507	8.026	0.750	1.350	14.257	9.376
Aid for reconstruction (B5-2)	9.567	12.849			9.567	12.849
Internal market (B5-3)	174.753	85.792	0.750	13.700	175.503	99.492
Industry (B5-4)	30.788	29.270	0.851	4.400	31.639	33.670
Information market (B5-5)					0.000	0.000
Statistical information (B5-6)	30.556	33.906	4.790	0.900	35.346	34.806
Trans-European networks (B5-7)	179.326	128.588		6.320	179.326	134.908
Cooperation in the fields of justice and home affairs (B5-8)					0.000	0.000
<i>Subtotal</i>	3 823.265	3 311.449	104.020	120.036	3 927.285	3 431.486

NB: Headings other than Administrative expenditure concern only the Commission.

TABLE III (cont.)

Expenditure

(million ECU)

	Payments for the year		Carry-overs to the next year		Total	
	1994	1993	1994	1993	1994	1993
4. External action						
European Development Fund (B7-1)					0.000	0.000
Food aid (B7-2)	445.276	430.468			445.276	430.468
Cooperation — Latin American countries (B7-3)	362.769	351.292			362.769	351.292
Cooperation — Mediterranean countries (B7-4)	296.931	347.853			296.931	347.853
Other cooperation measures (B7-5)	559.074	532.325	187.569	242.098	746.643	774.423
Cooperation — Central and Eastern Europe and independent States of the former Soviet Union (B7-6)	1 043.990	719.372		25.000	1 043.990	744.372
Cooperation — other third countries (B7-7)	9.725	12.587		7.500	9.725	20.087
External aspects of certain Community policies (B7-8 and B7-0)	156.653	190.017		14.650	156.653	204.667
<i>Subtotal</i>	2 874.417	2 583.914	187.569	289.248	3 061.986	2 873.162
5. Administrative expenditure						
<i>Staff</i>						
Commission	1 722.903	1 627.816	155.823	177.440	1 878.726	1 805.256
Publications Office	38.368	37.250	3.902	0.480	42.270	37.730
European Parliament	405.388	382.817	13.518	9.884	418.906	392.701
Council	163.281	152.800	2.368	1.750	165.650	154.550
Economic and Social Committee/ Committee of the Regions	37.713	34.327	2.269	0.340	39.982	34.667
Court of Justice	72.875	66.294	0.858	1.442	73.733	67.736
Court of Auditors	36.790	33.982	0.537	0.715	37.327	34.696
<i>Administration</i>						
Commission	402.062	327.905	76.147	78.014	478.209	405.919
Publications Office	0.339	0.401	1.302	4.148	1.641	4.549
European Parliament	190.300	182.732	43.556	49.159	233.857	231.891
Council	107.455	98.696	47.815	47.849	155.270	146.545
Economic and Social Committee/ Committee of the Regions	20.908	17.437	6.568	3.842	27.476	21.278
Court of Justice	28.754	18.161	2.359	3.593	31.113	21.754
Court of Auditors	2.636	1.897	0.960	1.247	3.595	3.144
<i>Subtotal</i>	3 229.771	2 982.514	357.983	379.903	3 587.754	3 362.416
6. Reserves						
Monetary reserve (B1-6)					0.000	0.000
Guarantees (B0-2)	293.720			14.180	293.720	14.180
Emergency aid reserve (B7-9)					0.000	0.000
Reserve for re-use (B0-41)					0.000	0.000
<i>Subtotal</i>	293.720	0.000	0.000	14.180	293.720	14.180
<i>Total</i>	58 553.476	63 102.079	1 354.149	2 166.431	59 907.625	65 268.510

TABLE IV
Appropriations for payments carried over from 1993

(million ECU)

	Carry-over from 1993	Payments effected in 1994	Appropriations carried over to 1995	Appropriations lapsing 1994	Appropriations lapsing 1993
1. Common agricultural policy					
Plant products (B1-1)	21.019	12.865		8.155	28.302
Animal products (B1-2)	688.080	608.033		80.048	
Ancillary expenditure (B1-3)	78.750	63.150		15.600	11.220
Income aid (B1-4)				0.000	
Accompanying measures (B1-5)	76.000	15.185		60.815	
<i>Subtotal</i>	863.849	699.232	0.000	164.617	39.523
2. Structural operations					
EAGGF Guidance (B2-10)	62.286	22.465		39.821	
FIFG (B2-11)	35.000			35.000	7.634
ERDF (B2-12)	80.428	79.561		0.867	
ESF (B2-13)				0.000	
Community initiatives (B2-14)	88.937	75.873		13.064	0.593
Structural Funds — miscellaneous (B2-18 and B2-19)	168.153	76.865		91.288	53.423
Other structural operations (B2-2)				0.000	5.787
Cohesion Fund (B2-3)	64.411	64.411		0.000	
<i>Subtotal</i>	499.215	319.175	0.000	180.040	67.437
3. Internal policies					
Research (B6)	65.504	39.265	17.495	8.744	41.339
Other agricultural operations (B2-5)				0.000	12.921
Other regional operations (B2-6)	9.336	4.844		4.492	14.154
Transport (B2-7)				0.000	0.532
Fisheries and the sea (B2-9)				0.000	4.681
Education, vocational training, youth (B3-1)	5.152	3.333	0.278	1.541	3.326
Audiovisual and culture (B3-2)				0.000	0.862
Information and communication (B3-3)	0.000		0.000	0.000	1.240
Other social operations (B3-4)	26.292	15.127		11.165	8.777
Energy (B4-1)				0.000	0.151
Euratom nuclear safeguards (B4-2)				0.000	0.263
Environment (B4-3)	4.000	3.298		0.702	12.891
Consumer protection (B5-1)	1.350	0.472		0.878	1.372
Aid for reconstruction (B5-2)				0.000	0.002
Internal market (B5-3)	13.700	5.698		8.002	5.920
Industry (B5-4)	4.883	3.181	0.046	1.655	
Information market (B5-5)				0.000	
Statistical information (B5-6)	0.900	0.857		0.043	0.001
Trans-European networks (B5-7)	6.320	2.850		3.470	0.059
Cooperation in the fields of justice and home affairs (B5-8)				0.000	
<i>Subtotal</i>	137.437	78.925	17.820	40.692	108.489

NB: Headings other than Administrative expenditure concern only the Commission.

TABLE IV (cont.)

Appropriations for payments carried over from 1993

(million ECU)

	Carry-over from 1993	Payments effected in 1994	Appropriations carried over to 1995	Appropriations lapsing 1994	Appropriations lapsing 1993
4. External action					
EDF (B7-1)				0.000	
Food aid (B7-2)				0.000	0.470
Cooperation — Latin American countries (B7-3)	0.717	0.239	0.478	0.000	0.959
Cooperation — Mediterranean countries (B7-4)				0.000	0.347
Other cooperation measures (B7-5)	242.098	241.313		0.785	49.282
Cooperation — Central and Eastern Europe and independent States of the former Soviet Union (B7-6)	25.000	21.695		3.305	
Cooperation — other third countries (B7-7)	7.500			7.500	
External aspects of certain Community policies (B7-8 and B7-0)	14.650	14.145		0.505	0.056
<i>Subtotal</i>	289.965	277.392	0.478	12.095	51.113
5. Administrative expenditure					
<i>Staff</i>					
— Commission	177.819	155.845	0.002	21.972	5.720
— Publications Office	0.480	0.420		0.060	0.034
— European Parliament	9.884	8.071		1.813	1.368
— Council	1.750	1.417		0.333	0.060
— Economic and Social Committee/Committee of the Regions	0.340	0.214		0.127	0.000
— Court of Justice	1.442	1.323		0.119	0.129
— Court of Auditors	0.715	0.602		0.113	0.049
<i>Administration</i>					
— Commission	77.636	65.828		11.808	12.245
— Publications Office	4.148	3.789		0.359	0.441
— European Parliament	49.159	42.588		6.571	5.327
— Council	47.849	46.201		1.648	0.480
— Economic and Social Committee/Committee of the Regions	5.342	4.875		0.467	0.000
— Court of Justice	3.593	3.450		0.144	0.191
— Court of Auditors	1.247	1.192		0.055	0.163
<i>Subtotal</i>	381.40	335.815	0.002	45.587	26.209
6. Reserves					
Monetary reserve (B1-6)				0.000	
Guarantees (B0-2)	14.180	14.180		0.000	
Emergency aid reserve (B7-9)				0.000	
Reserve for re-use (B0-41)				0.000	
Expenditure in support of Community operations (B8)				0.000	8.284
<i>Subtotal</i>	14.180	14.180	0.000	0.000	8.284
Total	2 186.049	1 724.720	18.299	443.031	301.056

TABLE V

Outturn of budget implementation of the contribution by the countries of the European Free Trade Association belonging to the European Economic Area

(million ECU)

I. Revenue (contributions paid)		90.665
II. Expenditure (payments)		
<i>Heading 3: Internal policies</i>		
Research (B6)		65.081
Education, vocational training, youth (B3-1)		11.556
Audiovisual and culture (B3-2)		3.226
Environment (B4-3)		0.595
Internal market (B5-3)		1.043
Industry (B5-4)		0.112
Statistical information (B5-6)		0.784
	<i>Subtotal</i>	82.397
<i>Heading 5: Administrative expenditure</i>		
Staff		3.255
Administration		2.903
	<i>Subtotal</i>	6.158
Total expenditure		88.555
	Balance	2.110

CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION as at 31 December 1994

Assets

(ECU)

	1994	1993
I. Fixed assets	13 615 379 169.72	13 007 003 098.99
A. Tangible assets	1 091 379 172.59	1 074 215 624.41
1. Buildings	392 198 176.93	
2. Advances and payments on account in respect of tangible assets	12 076 856.00	
3. Equipment and furniture	489 683 308.34	
4. Vehicle fleet	17 587 038.20	
5. Computer equipment	179 833 793.12	
B. Subscriptions and participations	915 156 605.20	59 820 963.00
1. EBRD	300 000 000.00	54 000 000.00
2. ECIP	15 156 605.20	5 820 963.00
3. Eurotech Capital	0.00	
4. Venture Consort	0.00	
5. EFI	600 000 000.00	
C. Loans granted from the budget	722 962 032.36	694 003 739.53
1. Building loans from 76 budget appropriations	174 389.55	207 970.58
2. Cooperation with non-member countries: loans on special terms	442 423 059.63	443 777 162.89
risk capital operations	47 559 756.33	35 204 770.26
3. Improving housing conditions for migrant workers	313 398.75	342 604.80
4. ECIP	54 338 718.90	38 108 781.20
5. ECIP capitalized interest	3 152 709.20	1 362 449.80
6. Assistance for countries affected by the Gulf crisis	175 000 000.00	175 000 000.00
D. Loans granted from borrowed funds	10 527 263 134.44	11 130 470 010.73
1. Balance of payments support	5 043 100 644.43	5 206 585 946.11
2. Financial assistance for non-member countries	2 675 000 000.00	3 233 000 000.00
3. Food aid for the former Soviet Union	809 742 822.05	
4. Euratom loans	785 767 731.71	909 096 182.29
5. NCI	1 213 651 936.25	1 781 787 882.33
E. Community budget guarantees	58 163 065.20	42 524 399.41
F. Guarantee fund	294 191 584.52	
G. Other fixed assets	6 263 575.41	5 968 361.91
Commission	5 837 127.82	5 599 000.39
Other institutions	426 447.59	369 361.52

CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION as at 31 December 1994

Assets

(ECU)

	1994	1993
II. Stocks	99 037 185.03	103 253 376.40
Office supplies	14 464 926.02	14 417 810.96
Scientific supplies	84 572 259.01	88 835 565.44
III. Current assets	1 887 768 218.55	5 269 546 593.94
A. Advances to Member States	.	317 593 642.48
B. Amounts owed by Member States	931 085 954.73	4 348 267 491.89
Commission	929 067 854.73	4 341 113 484.89
Parliament	2 018 100.00	7 154 007.00
C. Expenditure on the Official Journal owed by the institutions	8 004 972.96	84 496 675.30
D. Amounts owed by Community bodies	45 586 251.47	1 002 010.20
ECSC	44 770 783.06	
Others	815 468.41	
E. Sundry debtors	724 104 661.75	439 554 619.55
1. Staff	12 061 322.01	11 211 872.00
2. Third parties	15 660 737.71	13 351 436.71
3. Debtors under lending operations	42 683 361.94	124 473.56
4. Revenue to be collected	653 699 240.09	414 866 837.28
F. Miscellaneous expenditure not booked	178 986 377.64	78 632 154.52
Commission	143 810 405.91	63 817 005.80
Other institutions	35 175 971.73	14 815 148.72
IV. Cash accounts	11 406 167 753.34	3 807 745 087.19
A. Securities portfolio	.	22 808 903.14
B. Deposit accounts	78 527 298.58	175 245 570.57
C. Accounts with treasuries	9 565 990 442.39	1 993 157 491.07
D. Accounts with central banks	1 023 041 635.02	1 081 284 678.22
E. Current accounts	617 285 667.35	457 883 071.26
Cash	500 510 488.06	330 952 093.87
Borrowing and lending operations	116 775 179.29	126 930 977.39
F. Imprests	49 497 604.26	76 942 159.02
Commission	43 805 918.41	74 959 255.00
Other institutions	5 691 685.85	1 982 904.02
G. Cash in hand	825 105.74	423 213.91
Commission	409 753.03	52 675.71
Other institutions	415 352.71	370 538.20
H. Ongoing transfers of funds	71 000 000.00	
V. Prepayments	716 309 360.59	371 013 678.63
	27 724 661 687.23	22 558 561 835.15

**CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION
as at 31 December 1994**

Liabilities

(ECU)

	1994	1993
I. Fixed capital	20 479 644 586.24	14 627 521 910.58
A. Own capital	2 030 534 995.18	1 931 293 703.34
1. Tangible assets	1 091 379 172.59	1 074 215 624.41
2. Subscriptions and participations	117 156 605.20	59 820 963.00
3. Loans granted from the budget	722 962 032.36	694 003 739.53
4. Stocks	99 037 185.03	103 253 376.40
B. Balance for the year	6 540 476 460.89	971 143 201.60
C. Surplus of loan proceeds over borrowing costs	66 336 541.61	62 285 027.97
1. Euratom	26 244 513.42	25 357 994.69
2. NCI	39 788 955.66	36 927 033.28
3. Food aid for the former Soviet Union	933.23	
4. Financial assistance	300 452.18	
5. Balance of payments	1 687.12	
D. Provisions for depreciation of assets	294 191 584.52	
E. Loans raised	10 855 546 388.21	11 660 274 076.09
1. Balance of payments support	5 021 889 515.65	5 206 585 946.11
2. Financial assistance for non-member countries	2 675 000 000.00	3 233 000 000.00
3. Euratom	779 143 120.46	1 018 190 770.14
4. NCI	1 569 770 930.05	2 202 497 359.84
5. Food aid for the former Soviet Union	809 742 822.05	
F. Payments outstanding on non-called up capital	690 000 000.00	
EIF	480 000 000.00	
EBRD	210 000 000.00	
G. Deposits and guarantees received	2 558 615.83	2 525 901.58
Commission	1 895 002.36	1 882 187.97
Other institutions	663 613.47	643 713.61

**CONSOLIDATED BALANCE SHEET OF THE EUROPEAN UNION
as at 31 December 1994 (cont.)**

Liabilities

(ECU)

	1994	1993
II. Short-term liabilities	5 434 968 014.07	4 157 690 475.82
A. Amounts owed to Member States	697 639.61	1 032 872.39
B. Amounts owed to the institutions Publications Office	18 155 429.59	15 872 330.07
C. Amounts owed to Community bodies	8 500 129.51	6 783 308.46
ECSC		1 603 796.52
Others	8 500 129.51	5 179 511.94
D. Sundry creditors	139 796 172.48	31 514 551.82
Third parties	31 366 661.35	31 231 241.83
Borrowing and lending operations	429 511.13	283 309.99
Acquisition of shares in called-up capital		
EBRD	18 000 000.00	
EIF	90 000 000.00	
E. Revenue not booked	215 811 588.70	145 342 792.64
Revenue from fines	105 534 203.89	
Revenue for re-use	76 373 927.89	82 152 962.26
Other	33 903 456.92	63 189 830.38
F. Revenue to be collected	1 260 940 800.02	1 047 159 076.78
Commission	1 260 174 206.81	1 045 612 134.96
Other institutions	766 593.21	1 546 941.82
G. Appropriations to be carried over	1 372 447 820.01	2 184 548 947.26
H. Ongoing payments	2 376 302 141.59	725 436 596.40
Commission	2 362 719 286.62	721 512 417.12
Other institutions	13 582 854.97	3 924 179.28
I. Budget advances	42 316 292.56	
III. Cash accounts	1 296 251 709.24	3 674 373 120.65
A. Accounts with treasuries	9 307 972.69	1 077 187 172.13
B. Accounts with central banks	545 432 414.32	1 365 274 365.50
C. Current accounts	741 511 322.23	1 231 911 583.02
Cash	741 496 846.02	1 231 911 583.02
Borrowing and lending operations	14 476.21	
IV. Accrued expenses	513 797 377.68	98 976 328.10
	27 724 661 687.23	22 558 561 835.15

OFF-BALANCE SHEET COMMITMENTS as at 31 December 1994

(ECU)

Commitments made		Commitments received	
• Commitments against differentiated appropriations not covered by carry-overs of payment appropriations ¹	33 992 051 072.99	• Commitments against differentiated appropriations not covered by carry-overs of payment appropriations, to be covered by payment appropriations from future years ¹	33 992 051 072.99
• Repayment guarantee for loans granted by the EIB from its own funds to non-member countries ²	7 118 188 215.00	• Estimated debts (9 estimates)	20 819 442.00
100% guarantee	4 086 639 091.00	(75 estimates)	p.m.
75% guarantee	3 031 549 124.00	• Demolition-sale of Seville Expo 92 pavillion	p.m.
• Construction of 'Clovis-Wilson' building	17 416 078.07	• Correction of budgetary imbalances	p.m.
• Demolition of Seville Expo 92 pavillion	300 000.00	• Commitments regarding pensions	p.m.
• Repayment guarantee for loans	p.m.	• Payments held in suspense (Court of Justice)	165 492.98
• Correction of budgetary imbalances	p.m.		
• Commitments in respect of pensions	p.m.		
• Payments held in suspense (Court of Justice)	165 492.98		

¹ Commitments against differentiated appropriations still outstanding at 31 December 1994 totalled ECU 34 942 403 113.19, of which ECU 950 352 040.20 is covered by carry-overs of payment appropriations. The summary, by financial perspective heading, shows the years when they were contracted and when they are due to be paid (see Tables 9 and 10).

² As formulated, the guarantee legally covers the loans signed by the EIB at 31 December 1994. However, it should be noted that these loans have not been fully paid out. At 31 December 1994 the amount paid out totalled ECU 2 780.1 million and this, therefore, is the amount of the risk incurred by the Communities.

EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET as at 31 December 1994

Introduction

To make the accounts easier to read and to give a true and fair view of the European Union's assets and liabilities, a number of changes have been made in the presentation of the annual accounts and the valuation methods used in the consolidated balance sheet.

The consolidated balance sheet at the end of 1993 has not been reorganized in accordance with these new principles.

However, to allow comparison between items on the balance sheet from one year to another, the explanatory notes below describe precisely what changes have been made and how proper comparisons between the accounts can be made.

Financial and budget operations effected between the institutions have been classified in this consolidated balance sheet according to the type of operation involved. This was not the case with the 1993 consolidated balance sheet.

ASSETS

I. Fixed assets

A. Tangible assets

Note

The costs of purchasing movable and immovable property are included in budget expenditure for the year of purchase. There is no subsequent depreciation. They continue to appear in the balance sheet until they are disposed of or decommissioned.

1. Buildings

Land and buildings acquired by the Commission after 1992 in Brussels, Geel, Karlsruhe, Petten and at sites where it has offices and delegations are entered in the balance sheet at their purchase value, converted into ecus at

the rate applying when they were purchased. Buildings in Brussels purchased before 1981 have been entered using the ecu conversion rate for January 1981.

Land and buildings purchased before 1992 at delegation sites have been revalued in the light of market prices. Revaluation was carried out by independent experts and the resulting figures incorporated in the balance sheet as at 31 December 1994.

The buildings at Ispra were revalued by 14% in 1982 and other infrastructures were revalued by 20% in 1984. Added to these revaluations is the value of investments, which have increased the value of the buildings and/or their lifetime.

2. Advances and payments on account in respect of tangible assets

This item is a new departure in the method of presenting the accounts.

The buildings for some Commission offices or delegations which were originally financed by the ECSC have been included under this heading in the balance sheet. Although the ECSC was repaid in full for them at the end of 1994 (except for the Canberra building), they are still included in the ECSC's balance sheet as at 31 December 1994, since the deeds of transfer had not been drawn up on the date for closure of the accounts.

The building of the delegation to the OECD is a special case. It was acquired from the ECSC free of charge in December 1994 and the figure entered in the balance sheet is the market value assessed by independent experts.

This heading also includes Commission buildings still under construction in Brussels for which payments on account have been made.

3. Equipment and furniture

4. Vehicle fleet

These headings in the balance sheet cover movable property entered in the inventory in compliance with the rules in force (Regulation laying down detailed rules for implementing certain provisions of the Financial Regulation) at the time of their purchase.

5. *Computer equipment*

Since computer equipment now represents such a major item, it is presented separately from other movable property.

B. Subscriptions and participations

1. *EBRD subscription*

This item is a new departure in the method of presenting the accounts.

It now covers the full amount of the Commission's subscription to the EBRD's capital. This is because the shareholder is liable for the full amount of capital subscribed.

Payments outstanding on non-called up capital, amounting to ECU 210 million, appear as liabilities in the balance sheet, under long-term debts (heading I.F).

Payments outstanding on called-up capital, amounting to ECU 18 million, appear as liabilities in the balance sheet, under short-term debts (heading II.D).

2. *ECIP programme equity*

This heading covers Community participation in the provision of equity and subordinated loan capital for joint ventures set up under the European Community International Investment Partners programme (ECIP).

The value of these investments entered in the balance sheet is based on the amounts paid from the general budget.

3. *Eurotech capital*

4. *Venture consort*

This item is a new departure in the method of presenting the accounts.

The entry for Eurotech capital covers payments totalling ECU 7.8 million since 1990, in the form of advances repayable in certain circumstances when contracts run out. The Venture consort instrument covers contributions totalling ECU 10 million since 1985 for investments in SMEs engaging in innovatory projects.

Since both of these are risk capital operations for transnational high-technology start-up projects, it is very difficult to assess the real current value of the contributions.

In line with the principle of prudence, their full value is covered by provisions in the balance sheet and has therefore been entered as nil.

5. *European Investment Fund*

Under the Council Decision of 6 June 1994 the European Community, represented by the Commission, is to subscribe a total of ECU 600 million to the EIF's capital.

The presentation in the balance sheet is the same as for the subscription to the EBRD's capital.

Payments outstanding on non-called up capital, amounting to ECU 480 million, appear as liabilities in the balance sheet, under long-term debts (heading I.F).

Payments outstanding on called-up capital, amounting to ECU 90 million, appear as liabilities in the balance sheet, under short-term debts (heading II.D).

C. Loans granted from the budget

This item principally covers loans granted under the heading of cooperation with non-member countries, comprising loans on special terms (ECU 442.4 million) and risk capital operations (ECU 47.6 million) for Mediterranean countries. In addition loans and advances are granted under the ECIP pro-

gramme to promote the setting up of investment joint ventures in Asia, Latin America and the Mediterranean region. These loans and advances, including capitalized interest, amount to ECU 57.5 million.

In 1992 Turkey was granted a loan of ECU 175 million as part of the effort to assist the countries most directly affected by the Gulf crisis.

The item also includes other, much smaller loans granted from the budget: loans for migrant workers (ECU 0.3 million) and building loans for Community officials (ECU 0.2 million).

D. Loans granted from borrowed funds

This item is a new departure in the method of presenting the accounts.

As these loans are financial assets covered by borrowings, in order to give a true and fair view of the Union's assets and liabilities, financial position and results, all the operations are now set out in the form of a balance sheet and revenue and expenditure account.

In the past, only Euratom loans and NCI loans to promote investment in the Community were presented in this way.

The balance sheets of these financial operations have been incorporated in the combined balance sheet by means of full consolidation.

In view of their specific purpose, loans for food aid for the former Soviet Union are entered separately from loans granted by way of medium-term financial assistance to help the countries of Central and Eastern Europe to modernize their economies and from loans granted by way of financial assistance to Algeria and Israel.

E. Community budget guarantees

This heading covers payments made by the Commission under the Community guarantee for loans raised and granted to promote development in non-member countries.

The figure in the balance sheet represents debt-servicing payments made on behalf of defaulting debtors which could not be charged to the 1994 budget nor recovered by the end of the year.

F. Guarantee Fund

This Fund is designed to cover the risks associated with loans and loan guarantees for non-member countries or projects carried out in those countries.

It was set up by Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994.

The Fund is endowed by payments from the Community budget, the proceeds from interest on investments made from the Fund's assets, and sums recovered from defaulting debtors for whom the Fund has had to activate its guarantee.

The Fund is managed by the European Investment Bank (EIB) under a mandate from the Community.

The first payments to the Fund from the Community budget were made in December 1994.

The entry in the consolidated balance sheet under the Union's assets represents the Fund's net assets at 31 December 1994.

Since the Fund may be called on to cover defaulting debtors at any time, the principle of prudence dictates that the contra entry for the Fund on the liabilities side of the balance sheet should not be included under capital. A provision for the depreciation of assets equivalent to the total net assets of the Fund has therefore been created under heading I.D on the liabilities side.

G. Other fixed assets

This heading incorporates fixed assets not included under tangible assets, such as deposits and guarantees paid, permanent subadvances for building charges and the operating funds advanced to a transport firm.

II. Stocks

This item covers the stocks of office supplies and consumables at 31 December, valued at the price of the last supplies received in 1994 and converted into ecus at the rate applying on 31 December, in line with the interinstitutional method for valuing stocks.

It also includes supplies of scientific and technical equipment for the Joint Research Centre.

III. Current assets

A. Advances to the Member States

This is the amount of EAGGF Guarantee Section advances paid to the Member States in 1994 that had not yet been charged to the budget at the end of the year. At 31 December 1994 all advances had been charged to the budget.

B. Amounts owed by Member States

This heading covers repayments to be made in 1995 in respect of EAGGF advances paid to some Member States in 1994 and amounts owed to the Communities in respect of own resources outstanding and taxes paid by the Commission to be recovered from Member States.

C. Expenditure on the Official Journal to be paid by the institutions

This item covers expenditure on the *Official Journal of the European Communities* that is incurred by the Office for Official Publications on behalf of the institutions. They then have to make appropriate budgetary adjustments.

D. Amounts owed by Community bodies

These are amounts owed by Community bodies for certain expenditure that is paid by the institutions and then refunded. These

bodies are not included in the consolidated balance sheet.

It should be noted that the entry for the ECSC covers the ECU 44.8 million paid by the Commission in December 1994 from its cash resources on behalf of the ECSC. These payments are subsequently repaid by the ECSC.

E. Sundry debtors

This heading covers various amounts owed to the institutions by their staff and third parties, plus the amount of recovery orders entered in the revenue accounts as established entitlements outstanding.

It should be noted that it now also includes all debtors owing sums resulting from loans paid from borrowed funds (see heading I.D — assets).

F. Miscellaneous expenditure to be booked

This heading covers expenditure which could not be definitively booked to the budget before the close of the financial year. It will be booked to the following financial year.

IV. Cash accounts

This heading covers all the liquid assets held by the institutions.

In addition to the current and deposit accounts which the institutions have with banks in Community and non-Community countries to handle their financial operations, the Commission also holds accounts in each Member State with the national Treasury or another designated institution. Established own resources are credited by the Member States to these accounts, which the Commission can then draw on to cover cash requirements arising out of budget implementation.

The institutions can also set up imprests for the payment of certain types of expenditure,

in particular to cover the running of its information offices and delegations in non-member countries and to international organizations. The amounts advanced are to cover their cash requirements for a short period. The imprests are replenished on production of supporting documents for expenditure. For the purposes of drawing up the balance sheet, the Commission's imprest accounts were closed on 4 December. Consequently all operations carried out after that date are entered in the accounts for the following year.

The liquid assets include the proceeds of loans made from borrowed funds (heading I.D — assets) and loans granted to improve housing conditions for migrant workers (heading I.C.3 — assets).

V. Prepayments

This heading relates to loans granted from borrowed funds (heading I.D — assets). It covers accrued interest on loans, investments and swaps, issuing costs and redemption premiums to be paid off, as well as EIB-NCI accruals, which represent the cumulative loss at the end of 1994 on NCI treasury operations.

The final outturn of NCI treasury operations is borne by the EIB. The EIB has approved the balance at the end of 1994.

Liabilities

I. Fixed capital

A. Own capital

This item is the contra entry for various assets in the balance sheet which were initially booked as budget expenditure, i.e. tangible assets, subscriptions and participations, loans granted from the budget and stocks. Like those assets, this item varies from one year to the next.

B. Balance for the year

The balance for 1994 was ECU 6 540.4 million.

C. Surplus of loan proceeds over borrowing costs

This heading covers outturns carried over and the outturn for the year of loans granted from borrowed funds.

These surpluses are not available even though they have not yet been allocated. They are to be used to cover certain costs not yet incurred or costs entered under the heading 'Accruals' on the assets side of the balance sheet.

D. Provision for depreciation of assets

This is the provision for the net total assets of the Guarantee Fund (see note I.F — assets).

E. Loans raised

These are loans raised to finance lending operations (see note I.D — assets).

F. Payments outstanding on non-called up capital

These are subscriptions to the capital of the European Investment Fund and the European Bank for Reconstruction and Development (see notes I.B.1 and I.B.5 — assets).

G. Deposits and guarantees received

These are sums deducted as guarantees for the payment of construction work and the guarantee accounts for accounting officers, delegate accounting officers and imprest administrators.

II. Short-term liabilities

A. Amounts owed to Member States

This heading covers amounts owed by the Commission to Member States.

In this case it is an advance by the Netherlands for joint financing of aid operations for Bangladesh.

B. Amounts owed to the institutions

This item covers payments to the institutions of the proceeds from the sale of publications by the Office for Official Publications.

C. Amounts owed to Community bodies

This item covers amounts owed by the institutions to certain Community bodies. These bodies are not included in the consolidated balance sheet.

D. Sundry creditors

This item principally covers revenue to be transferred to various bodies or third parties and payments outstanding on called-up capital (see notes I.B.1 and I.B.5 — assets).

E. Revenue not booked

This item comprises various items of revenue that could not be definitively booked to the budget before the close of the year and revenue available for re-use in the following year.

Revenue from fines for infringements of the competition rules are now entered in suspense accounts if an appeal is made to the Court of Justice.

If the Court finds in favour of the appellant, the sum in question has to be refunded at once.

Until the Court has given judgment, such revenue does not constitute a certain, liquid and definitely payable debt and therefore cannot be booked to the budget immediately on receipt.

F. Revenue to be collected

The contra entries for this revenue are found under the various current assets headings.

G. Appropriations to be carried over

The breakdown of appropriations to be carried over, taking all the institutions together, is as follows:

Automatic carry-overs of non-differentiated appropriations	ECU 422.1 million
Differentiated appropriations carried over by Commission decision	ECU 898.3 million
Differentiated current year's appropriations in respect of contributions by third parties	ECU 33.7 million
Differentiated appropriations carried over from 1993 in respect of contributions by third parties	ECU 18.3 million
	<u>ECU 1 372.4 million</u>

H. Ongoing payments

This item covers payments booked to the 1994 budget but only effected by the Accounting Officer between 1 and 15 January 1995.

I. Budget advances

This item records advances paid from the general budget for food aid loans to the former Soviet Union.

III. Cash accounts

This heading comprises those accounts showing a debit, in terms of accounting dates, at 31 December.

IV. Accrued expenses

This item relates to loans granted from borrowed funds.

It covers accrued interest on borrowings, credit lines and swaps, swap operations, provisions and accrued commissions and costs.