

EUROPEAN UNION

**FINANCIAL REPORT  
1995**

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It can be accessed through the Europa server (<http://europa.eu.int>)

Cataloguing data can be found at the end of this publication

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## FOREWORD

In 1995, the European Union passed an important milestone in its history with the accession of Austria, Finland and Sweden and the confirmation that the third stage of economic and monetary union would begin on 1 January 1999.

On the financial front, the new requirements and resources of an enlarged Union and its 15 Member States were reflected in the 1995 budget thanks to an adjustment of the financial perspective for 1995-99.

The additional own resources arising from enlargement were used to raise the expenditure ceilings for the entire period to finance new expenditure and meet specific requirements that had recently emerged.

Appropriations for structural operations were increased, in particular for the new Objective 6, to extend operations under the other objectives to the new Member States and to launch a new Community initiative for peace and reconciliation in Northern Ireland. There was also an increase in budget resources for internal policies, notably research and trans-European networks, and for external action, in particular the common foreign and security policy and cooperation with the countries of Central and Eastern Europe.

The margin between the expenditure ceiling and the own resources ceiling was restored and enlarged to make it easier to cope with cyclical variations in resources and, through a revision of the financial framework, with any unforeseen expenditure that might arise during the period in question.

Finally, 1995 saw the introduction of an important new project: SEM 2000 (sound and efficient management) is a three-stage programme designed to improve the Commission's administrative and financial management, both internally and externally, in close partnership with the Member States. The measures now in the pipeline should set the Union in good stead to meet the challenges presented by budget management from 1996 onwards.

A handwritten signature in black ink, appearing to read 'Erkki Liikanen', written in a cursive style.

**Erkki LIIKANEN**

*Member of the Commission,  
with responsibility for budgetary affairs.*

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# 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 EDF (European Development Fund) 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.

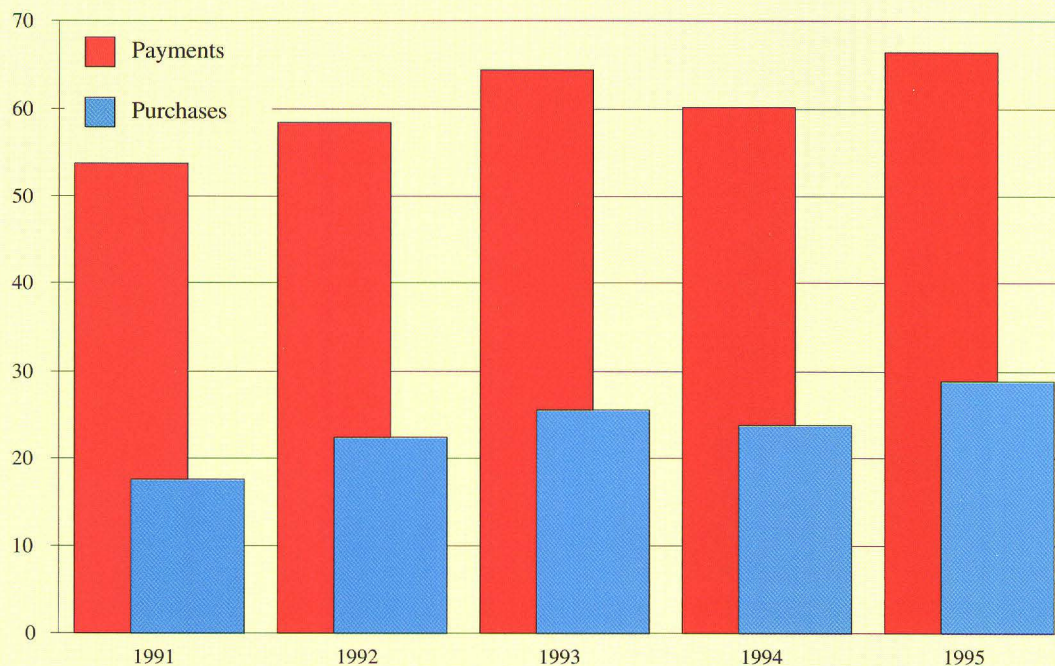
The principle of specification determines the horizontal structure (distinction between the statement of revenue and the statement of expenditure and subdivision of the statement of expenditure into six individual sections for each of the institutions) and the vertical structure of the budget (the budget 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).

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

FIGURE 1

Volume of payments and purchases of ecus, 1991-95

(billion ECU)



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 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. In 1995, for example, 40% of the budget and 95% of the operational programmes were implemented in ecus.

### **The economic situation in the European Union in 1995**

On average, 1995 saw a marked deceleration of growth in the European Union. Having averaged between 3.5 and 4% throughout 1994, the growth rate fell to around 2% in the second and third quarters of 1995, with the likelihood of negative GDP growth in the last quarter. However, economic activity should not deteriorate any further and recession (defined as two consecutive quarters of negative growth) should be avoided.

The favourable international climate of 1994 continued into 1995 despite a slight downturn in the United States and the depreciation of

the dollar early in the year, which has continued to hold down exports from the Union. Movements in the dollar also contributed to major depreciations in the Italian lira, the Spanish peseta, the Swedish krona and the pound sterling. Exports were sluggish in Member States whose currencies remained stable, while those which underwent major depreciation increased their share of the export markets, only to suffer from the slowdown of growth in those markets as a whole.

While the effects of the slowdown on Member States' external demand varied according to the movements in intra-European parities, its impact on internal demand was felt almost universally, first as a sudden reduction in stock levels and a drop in construction investment and then, in the second half of the year, as a decline in investment in goods and equipment and in private consumption. Even countries whose currencies were depreciated were unable to take full advantage of the momentum generated by exports, as internal demand was held in check by the high level of real interest rates and unfavourable terms of trade.

The downturn in consumer and business confidence, which became apparent towards the end of 1994, continued throughout 1995, largely because of the instability of exchange rates, the consequent one-off rise in short-term interest rates, and, in particular, the increase in long-term rates in 1994.

As economic activity slackened, inflation in the European Union remained stable, with prices rising by an average of 3.1% in 1995, as measured by the private consumption deflator. The gaps between national inflation rates narrowed, with 11 Member States recording rates equal to or below the reference value for compliance with the inflation criteria set by the Maastricht Treaty. Although convergence suffered a setback in the spring of 1995 following the major currency depreciations already mentioned, inflation is now once again on a downward track in all Union countries.



Thanks to the strength of the recovery in 1994, total employment in the Union grew in 1995, although the rate of increase might fall short of the autumn forecast of 0.75%, because of the economic slowdown in the second half of the year. As new jobs were created, unemployment fell from a peak of 11.3% in the summer of 1994 to 10.6% in September 1995. However, as the pace of job creation slackened, unemployment rose again to 10.9% in December 1995. The average unemployment rate in the Union should be slightly under 11% for the year as a whole.

Despite the squeeze on tax revenue caused by the economic downturn, budget deficits fell on average across the Union in 1995. Autumn forecasts put the average government deficit in 1995 at 4.7% of GDP, compared with 5.5% in 1994. Debt continued to grow, reaching 71% of GDP in 1995, as against 68.1% in 1994. However, in most Member States, the upward trend was either being reversed (Belgium, Denmark, Ireland and Italy) or slowing considerably as compared with previous years.

### Financial perspective 1993-99

The 1995 budget procedure was the first to be fully covered by the interinstitutional agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure.

In February 1994, the Commission, using the latest economic forecasts available, made technical adjustments to the financial perspective in line with movements in gross national product and prices, in accordance with paragraph 9 of the interinstitutional agreement. The ceiling on appropriations for payments required in 1995 was ECU 72 982 million. As the macroeconomic climate had proved less favourable than originally forecast in December 1992, this figure was higher than the prescribed own-resources ceiling of 1.21% of GNP. Given that the own-resources ceiling

must be respected *ex ante*, the total appropriations for payments entered in the budget had to be limited. However, since the reduction was relatively modest compared with the ceiling on appropriations for payments set in the financial perspective, there was no need for a corresponding reduction in the ceiling on appropriations for commitments.

In 1995, the Commission presented no proposals to the Council and Parliament for the adjustment of the financial perspective to take account of implementing conditions (paragraph 10 of the interinstitutional agreement) or a revision of the financial perspective (paragraph 11 of the interinstitutional agreement).

Aside from the unfavourable economic climate, the 1995 budget procedure was also compromised by delays in Member States' ratification of the new own-resources decision adopted by the Council on 31 October 1994. As the decision had still not entered into force by the end of 1994, the own-resources ceiling had to be maintained at 1.20% of GNP. Accordingly, the budget for 1995 had to be adopted within this limit.

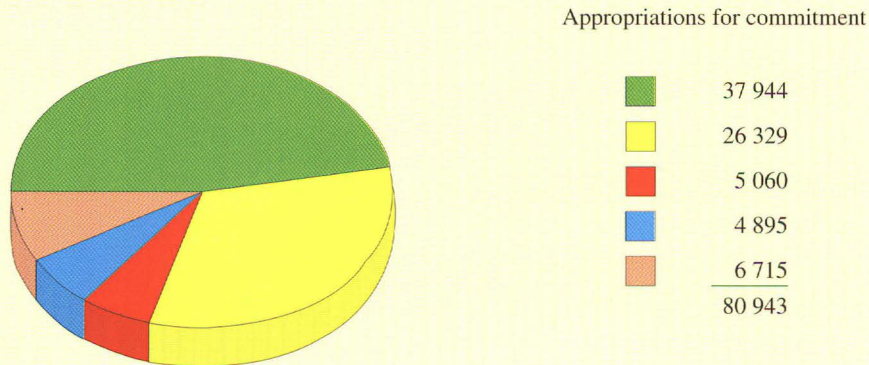
Finally, the 1995 budget procedure was marked by the enlargement of the Community to include Austria, Finland and Sweden. In accordance with Article 24 of the interinstitutional agreement of 29 October 1993, Parliament, the Council and the Commission adjusted the financial perspective in December 1994 to take account of enlargement, so that a budget could be adopted immediately for a 15-member Union.

The financial perspective ceilings were raised for the period 1995-99 to cover the requirements arising directly from enlargement:

- common agricultural policy: the agricultural guideline was increased by 74% of the relative GNP of the new Member States;
- structural operations: the Structural Funds allocations were increased in accordance

FIGURE 2

Financial perspective applicable to 1995 financial year

*(million ECU)*

	Appropriations 1995	Commitments 1995
EAGGF Guarantee Section	36 727	34 503
Structural operations (EAGGF Guidance, ERDF, ESF, etc.)	26 329	24 180
Internal policies (research, education and training, fisheries and the sea, energy, industry, trans-European networks, etc.)	5 105	5 043
External action (food aid, cooperation, etc.)	5 152	5 061
Miscellaneous (administrative expenditure, reserves, guarantees, compensation)	5 511	4 336
	<u>78 824</u>	<u>73 123</u>

with the Act of Accession. At the same time, the acceding countries' contributions to the financial mechanism of the European Economic Area are to be paid by the Community budget: a specific subheading was created for this purpose in heading 2 of the financial perspective;

- internal policies: the ceiling for heading 3 was raised by 7% in line with the relative size of the new Member States' GNP;
- external action: the ceiling for heading 4 was raised by 6.3% to allow external action to increase in proportion to the Union's additional financial capacity;
- administrative expenditure: the ceiling was raised by an average of 4.66% over the pe-

riod 1995-99. However, in a joint statement, the institutions stated that expenditure under this heading would be reviewed in 1996 to take into account the building requirements of the institutions and staff requirements for the new Member States;

- a new heading 7 was added to cover the compensation which the new Member States were to receive over the period 1995-98 under the Act of Accession.

On the same occasion, the ceilings of headings 2 and 3 of the financial perspective were raised to meet specific requirements:

- heading 2 was increased by ECU 200 million (at 1995 prices), in three equal instalments between 1995 and 1997, for Com-

munity initiatives to finance the Northern Ireland peace programme as agreed at the Essen European Council;

- heading 3 was increased by ECU 400 million (at 1994 prices), spread evenly over the years 1995 to 1999, to finance the programme for the modernization of the textile and clothing industry in Portugal, as agreed at the end of the Uruguay Round.

The new financial perspective for the enlarged Union, expressed at 1992 prices, replaces the framework agreed at the Edinburgh European Council. The margin it allows for unforeseen expenditure by the end of the period is 0.03% of GNP, far greater than that provided for in the initial financial perspective. The total ceiling on appropriations for payments in 1995 is now 1.20% of GNP, at 1995 prices.

### The 1995 budget

The 1995 budget, which took account of the accession of Austria, Finland and Sweden, was adopted on 15 December 1994. It totalled ECU 80 892 million in commitment appropriations, with the enlargement-related amounts entered in the reserve. The payment appropriations needed came to ECU 76 527 million, a sum equal to 1.184% of the GNP of the 15 Member States.

*Agricultural expenditure* entered in the budget came to ECU 37 925.5 million, just below the agricultural guideline. When the expenditure forecasts were drawn up, it was feared that this heading would come under severe pressure, because of an unexpectedly small increase in the guideline (as a result of the slowdown in economic growth) and the need to finance the cost of currency realignments, but this proved not to be the case. •

The appropriations entered for *structural operations*, amounting to ECU 26 329 million, were intended to finance the Structural Funds and the Cohesion Fund, as provided for at the

Edinburgh summit in December 1992, as well as operations under the new Objective 6, the extension of operations under the other objectives to the new Member States and the creation of a new Community initiative for peace and reconciliation in Northern Ireland, which was allocated ECU 66 million for 1995.

*Internal policies* were allocated a total of ECU 5 056 million (ECU 4.3 million less than the ceiling for heading 3 of the financial perspective, as adjusted for enlargement), with increases of 13.2% for research (ECU 2 969 million) and 31% for trans-European networks (ECU 381 million). ECU 80 million was set aside for the Portuguese textile industry and there were notable increases for the International Fund for Ireland (up ECU 5 million), Socrates (up 37% to ECU 175.9 million) and Leonardo (up 24% to ECU 137.3 million).

The allocation for *external action* was ECU 4 881 million (ECU 13.6 million more than the ceiling for heading 4 of the adjusted financial perspective). Cooperation with the Mediterranean countries (including the new MEDA programme) was allocated ECU 487.4 million, up 21.9% on 1994, while ECU 110 million was earmarked for operations under the common foreign and security policy (CFSP), including ECU 60 million for joint action in Mostar. Appropriations for cooperation with the countries of Central and Eastern Europe and with the States of the former Soviet Union totalled ECU 1 583 million. An enlargement reserve was established for other external policies, with an allocation of ECU 190 million, which was subsequently divided up by a supplementary and amending budget (SAB).

When account is taken of the requirements arising from enlargement, in particular in relation to the language service, the allocation for *administrative expenditure* rose by 10.3% overall (6.7% for the Commission and 17.5% for the other institutions). This left a margin of ECU 13.7 million beneath the ceiling for heading 5.

TABLE 1

## Implementation of the budget in 1995

(million ECU)

## Revenue

Revenue forecast in the 1995 budget	75 479.4
Actual revenue in 1995	75 077.1

## Expenditure

	Differentiated appropriations (multiannual operations)		Non-differentiated appropriations (administrative expenditure and annual operations)		Total	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
<b>Available appropriations</b>						
— Entered in 1995 budget	37 366.5	32 597.6	42 871.2	42 871.2	80 237.7	75 468.8
— Other	83.9	56.1			83.9	56.1
— Carried over from 1994:	532.5	950.4		422.1	532.5	1 372.4
• automatic carryovers				(422.1)		(422.1)
• other carryovers	(532.5)	(950.4)			(532.5)	(950.4)
<b>Total available of which:</b>	37 982.9	33 604.1	42 871.2	43 293.3	80 854.1	76 897.4
— appropriations used in 1995:	35 178.2	27 093.6	39 877.9	39 821.6	75 056.2	66 915.2
• entered in 1995 budget	(34 631.8)	(26 565.0)	(39 877.9)	(39 463.0)	(74 509.7)	(66 027.9)
• other	(52.0)	(40.8)			(52.0)	(40.8)
• carried over from 1994	(494.4)	(487.8)		(358.7)	(494.4)	(846.4)
— appropriations carried over to 1996:	148.1	324.2	0.8	406.9	148.9	731.1
• automatic carryovers				(406.1)		(406.1)
• other carryovers	(148.1)	(324.2)	(0.8)	(0.8)	(148.9)	(325.0)
— appropriations lapsing	2 656.6	6 186.4	2 992.4	3 064.8	5 649.0	9 251.2
Utilization rate	93 %	81 %	93 %	92 %	93 %	87 %
<b>Commitments outstanding at 1.1.1995</b>	34 942.1		422.1		35 364.2	
of which:						
— cancelled	899.1		63.4		962.5	
• corresponding appropriations made available again in 1996	(5.7)				(5.7)	
• other	(893.4)				(893.4)	
— Paid	12 760.8		358.7		13 119.4	
— Outstanding at 31.12.1995	21 282.3				21 282.3	
<b>Commitments made in 1995</b>	35 178.2		39 877.9		75 056.2	
of which:						
— Paid	14 332.8		39 463.0		53 795.8	
— Outstanding at 31.12.1995	20 845.4		415.0		21 260.4	
<b>Total commitments outstanding at 31.12.1995</b>	42 127.7		415.0		42 542.7	

The monetary reserve was reduced by half (ECU 500 million) as promised at the Edinburgh European Council.

Finally, ECU 1 547 million was allocated for budgetary compensation for the new Member States.

There was only one SAB in 1995, for which provision was made when the budget was

adopted and the purpose of which was to divide up the amounts entered in the enlargement reserve. This SAB, which also contained a breakdown of administrative expenditure and the establishment plan for each of the institutions, incorporated the savings made in agricultural expenditure and the repayment to the Member States of the VAT and GNP balances for 1994.

The budget of the European Union was financed from a number of sources in 1995, the breakdown being shown in Figure 3. Total revenue came to ECU 75 billion.

### Traditional own resources

The EU's traditional own resources are made up of customs duties, agricultural duties 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 certain trading partners. The amount of customs duties collected in 1995 was up by 11.9%, an indication that imports are increasing in terms of value by comparison with 1993/94.

Agricultural levies — or duties (from 1 July, as agreed in the GATT negotiations) — are charged when a Member State imports agricultural products from a non-member country.

In the cereals sector, their purpose is to offset differences between the world price and the Community price.

The proportion of EU revenue accounted for by agricultural levies continued to decline, the reform of the agricultural policy having brought internal cereal prices closer to world prices.

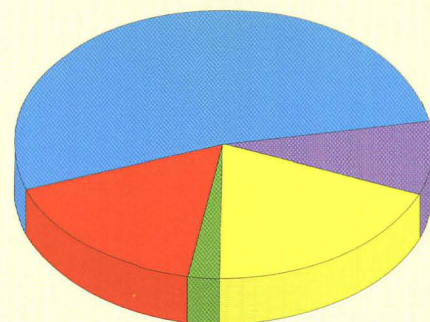
In most other sectors, the fall in the proportion of revenue provided by levies was due mainly to negotiated commitments for a steady reduction in agricultural duties (by 6% per year). The yield was 8.5% lower than in 1994.






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 offset expenditure of virtually the same amount. In 1995, revenue from this source was 4.7% lower than in 1994, mainly because of the drop in sugar production levies.

### 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

**FIGURE 3**  
The Community's revenue in 1995



VAT own resources	52.8 %	
Customs duties	16.7 %	
Agricultural and sugar levies	2.6 %	
Percentage of Member States' GNP	19.2 %	
Other (including surpluses available)	8.7 %	

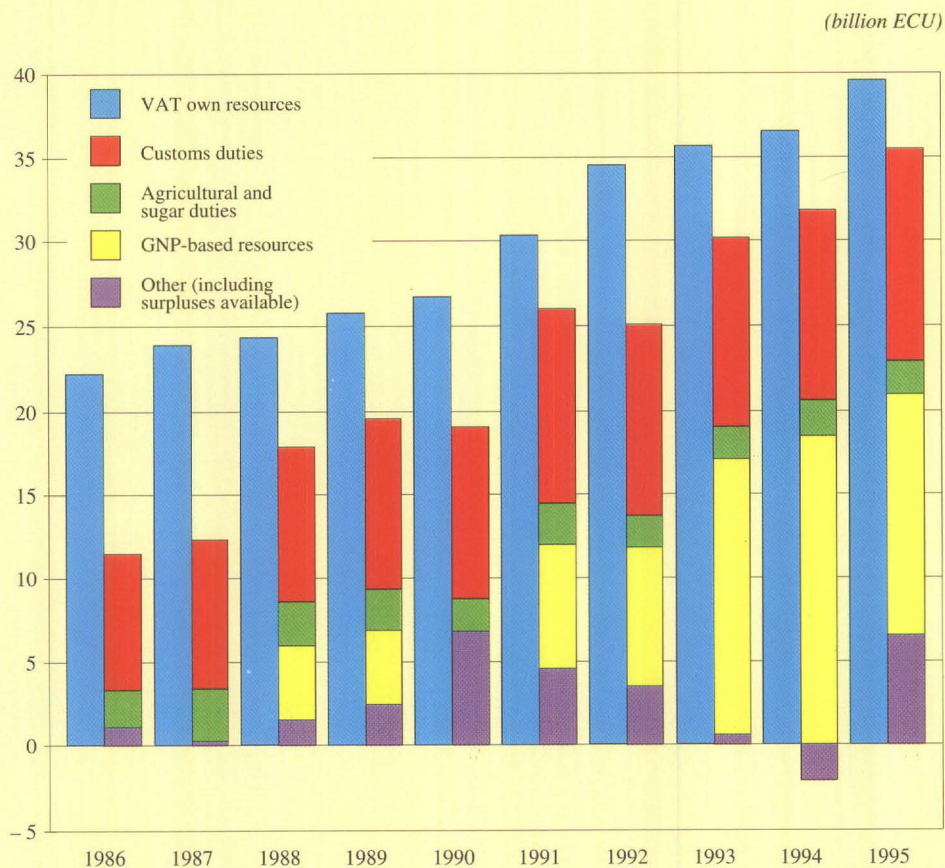
Member State's GNP. In 1993, this capping of the VAT base applied in three Member States: Ireland, Luxembourg and Portugal.

The new decision on the Communities' system of own resources, still to be ratified by some of the Member States, took effect on 1 January 1995. A supplementary and amending budget (SAB) will be adopted in due course to modify the uniform rate and the percentage of GNP at which the base is capped.

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 1995, negative adjustments totalling ECU 521 million were made, particularly in respect of 1994 because of the weak economic situation.

**FIGURE 4**  
The trend in revenue 1986-95



### 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 Member States, determined in accordance with Community rules.

The new decision on the Communities' system of own resources will increase the ceiling on GNP-based own resources. Adjustments will have to be made in an *ad hoc* SAB following changes to the VAT resources.

In 1995, this additional resource was called in, with each Member State paying 0.220% of their GNP (not including the EAGGF monetary reserve, the loan guarantee reserve and the emergency aid reserve). In addition, five 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.

In 1995, negative adjustments totalling ECU 269 million were made, mainly in respect of the 1994 financial year, economic activity having been somewhat slacker than initially forecast.

FIGURE 5  
Total revenue 1986-95

(billion ECU)

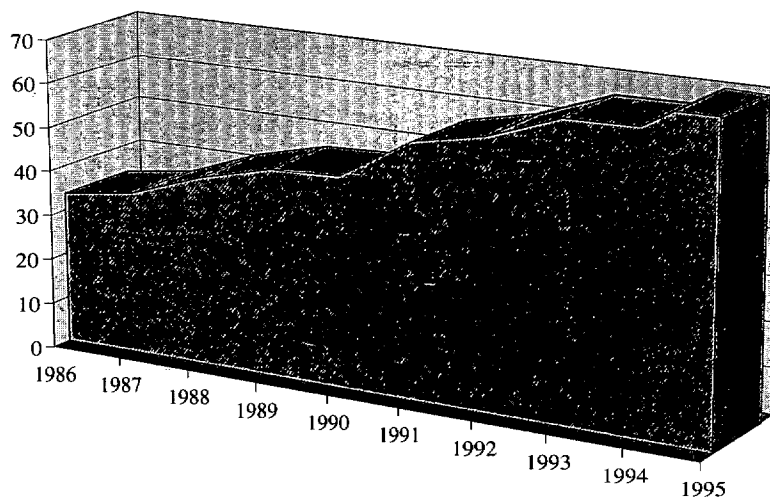
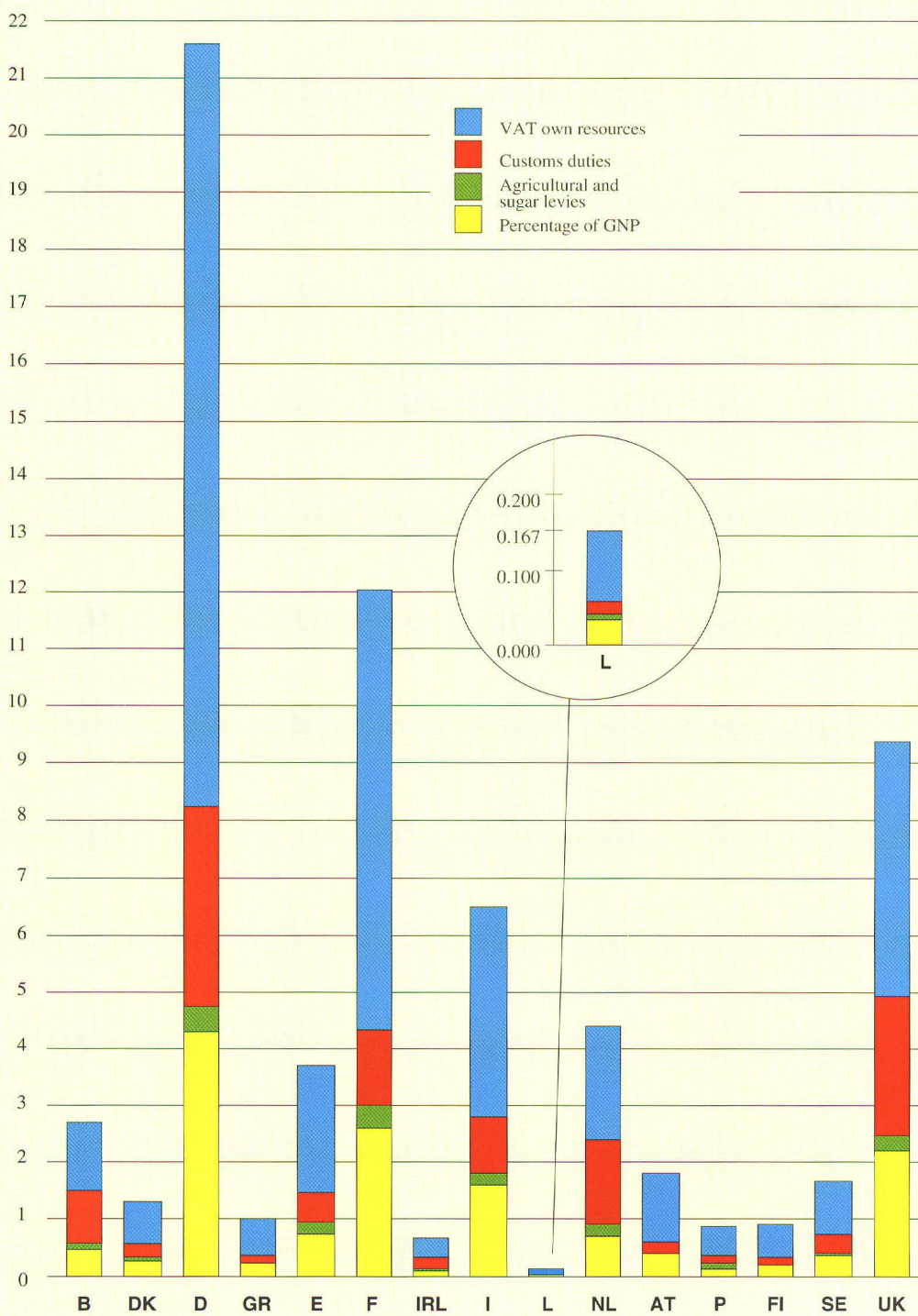




FIGURE 6  
Own resources by Member State in 1995

(billion ECU)



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### 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 1995, refunds of ECU 3.6 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 1995 also includes the ECU 6 540.5 million surplus from 1994.

# EXPENDITURE

## Heading 1 — Agricultural market guarantees

### 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;

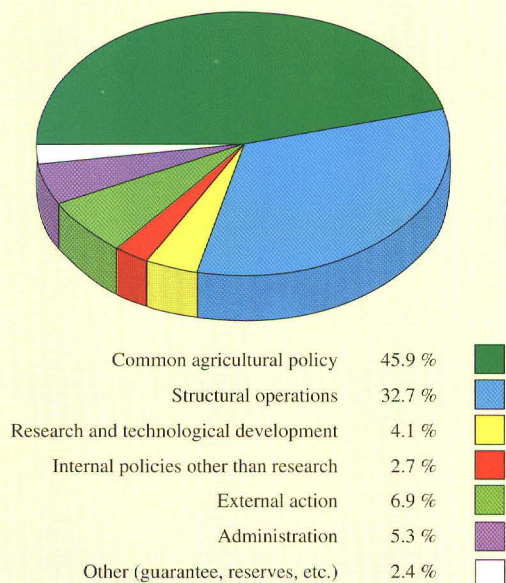
to ensure that supplies reach consumers at reasonable prices.

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.

**FIGURE 7**  
Community expenditure in 1995



### 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.

To bring agricultural expenditure under control, the European Council adopted the princi-

ple 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.

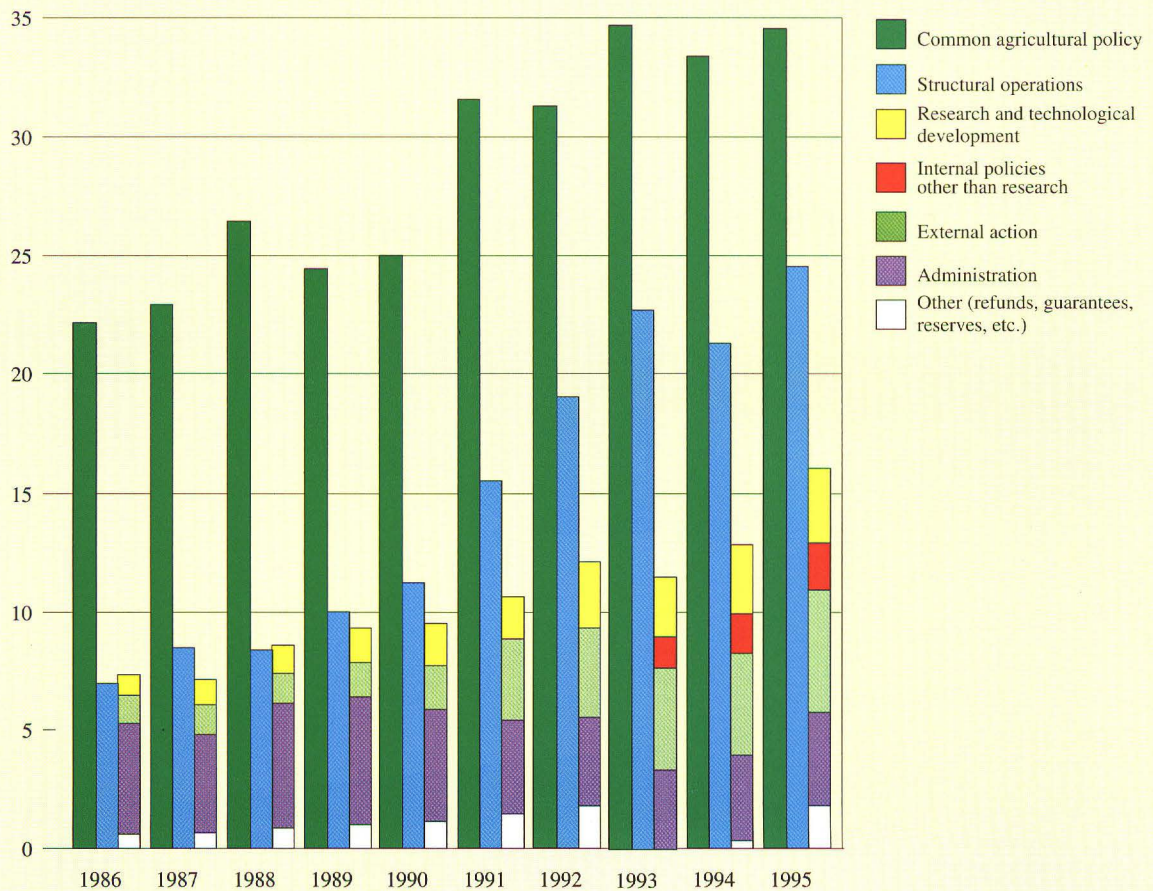
However, in line with the conclusions of the Edinburgh European Council, the guideline was extended with effect from 1993 to cover:

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

FIGURE 8

The trend in expenditure 1986-95

(billion ECU)



- expenditure on income aid (under heading 2 of the financial perspective in 1992);
- Guarantee Fund expenditure on fisheries (under heading 4 in 1992).

cover the accession of three new Member States.

Requirements subsequently fell by ECU 1 028.5 million, partly as a result of favourable developments on certain agricultural markets (arable crops, beef/veal and wine) and unexpectedly high revenue from the clearance of accounts following the agreement of 21 October 1994 on milk quotas.

**1995 budget**

*General assessment*

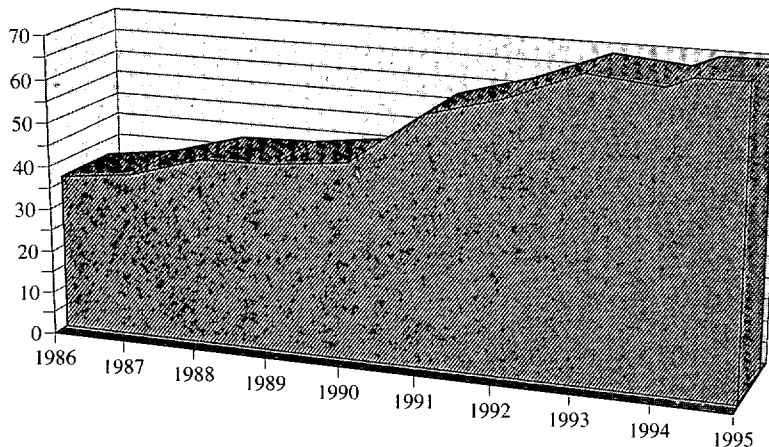
The 1995 budget, as adopted on 15 December 1994, contained ECU 37 925.5 million in commitment appropriations for heading 1, leaving a margin of ECU 18.5 million beneath the agricultural guideline, which was set at ECU 37 944 million.

The fall in requirements was taken into account by SAB No 1/95, which reduced the appropriations in the budget to ECU 36 897 million, ECU 1 047 million below the agricultural guideline.

This budget allocation was lower than estimated expenditure, which stood at ECU 38 863 million, including ECU 650 million to

By its judgment of 7 December 1995 in an action brought by the Council, the Court of Justice annulled the act of 15 December 1994 whereby the President of Parliament had declared the 1995 budget finally adopted, thus rendering the budget invalid.

**FIGURE 9**  
Total expenditure 1986-95 (billion ECU)



The Court's decision meant that a new budget had to be adopted for 1995. To this end, Parliament, the Council and the Commission agreed at a tripartite meeting on a number of adjustments, which were set out in a letter of amendment presented by the Commission to the budgetary authority.

As regards the appropriations to be entered in the budget,<sup>1</sup> the letter of amendment provided as follows:

- for headings amended by Parliament when adopting the budget, it was decided to enter amounts corresponding to expenditure, while taking account of transfers that had been made; any difference compared with SAB No 1/95 was entered in Chapter B0-40 'Provisions' under the heading 'Miscellaneous B0-1';
- for the other headings, the amounts given in SAB No 1/95 were entered.

Total appropriations in the letter of amendment were therefore the same as in SAB No 1/1995 — ECU 36 897 million. However, the amount available was ECU 36 852.6 million, taking into account the transfer of ECU 44.4 million from Chapter B1-33 'Food aid' to Chapter B7-20 'Food aid and support operations' (Transfer No 36/95).

Appropriations used came to ECU 34 501.7 million. This figure was:

- (a) ECU 4 361.3 million lower than the estimate of expenditure used to draw up the budget adopted by Parliament in December 1994;
- (b) ECU 3 423.8 million lower than the appropriations adopted by Parliament in the budget annulled by the Court of Justice;

- (c) ECU 2 350.9 million lower than the appropriations in SAB No 1/95 and the letter of amendment presented by the Commission in accordance with the conclusions of the tripartite of 21 December 1995.

It is therefore clear that the appropriations for heading 1 were under-used.

However, it should also be borne in mind that the budget for the EAGGF Guarantee Section is by nature an estimate and represents a forecast of expenditure rather than a spending target.

If the situation on the agricultural markets is favourable, the level of intervention expenditure will be lower but will not adversely affect farmers' incomes or, more generally, the objectives of the common agricultural policy.

Forecasts of expenditure are based on a number of factors which are highly uncertain (harvests, trends in consumption, trade patterns, exchange-rate fluctuations, etc.). The Commission uses this information to draw up assumptions for the purpose of preparing its preliminary draft budget, one year before the factors that generate expenditure are known or can be reliably assessed.

While the Commission has always consulted the Member States in the EAGGF Committee and obtained approval for its economic assumptions by presenting them to the Council's AGRI/FIN working party, Parliament was consulted for the first time in the 1995 budget procedure, in accordance with the interinstitutional agreement of October 1993. Even before the Council had adopted its draft budget at first reading, the Council, Parliament and the Commission met under an *ad hoc* procedure to agree on the level of compulsory expenditure.

#### *Specific comments*

The comments set out below outline the main reasons for discrepancies between actual expenditure, the forecasts of expenditure (initial

<sup>1</sup> It was also agreed that the remarks inserted by Parliament when adopting the budget would be deleted.

requirements) underpinning the budget adopted by Parliament in December 1994 and the amounts in SAB No 1/1995, thus illustrating the changes in the parameters that influence the level of agricultural expenditure.

Aside from the fact that the amount recovered through the clearance of accounts (ECU 1 146.7 million) was higher than that estimated when the budget was drawn up (ECU 500 million), the relatively favourable development in requirements was mainly a result of an improvement in the situation on a number of markets and the gradual implementation of the reform of the common agricultural policy.

The main sectors concerned were as follows (billion ECU):

• Beef/veal

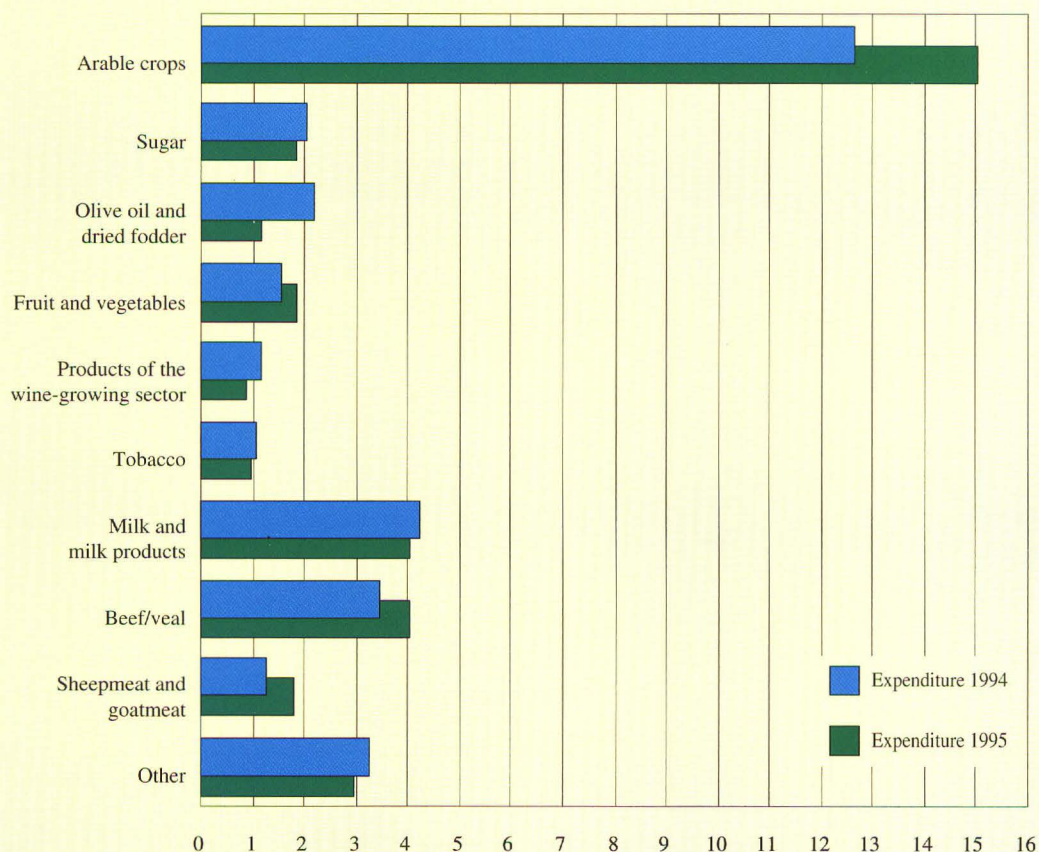
<i>Initial requirements</i>	<i>SAB No 1/95</i>	<i>Expenditure</i>
5.408	4.887	4.0211

Expenditure was lower than forecast mainly because of the favourable market situation — the expected increase in production failed to

FIGURE 10

Expenditure on agricultural market guarantees 1995

(billion ECU)



materialize. Production is now estimated at 7.6 million tonnes compared with an initial forecast of 8.1 million tonnes and an estimate of 7.9 million tonnes for the purposes of SAB No 1/1995. Furthermore, market prices remained above the intervention price because of the sustained demand for exports so that, contrary to expectations, there was no intervention buying.

Savings were also made on premiums for suckler cows and young male animals because of a drop in the number of animals for which applications were made.

• Accompanying measures

<i>Initial requirements</i>	<i>SAB No 1/95</i>	<i>Expenditure</i>
1.883	2.044	0.8321

The under-utilization of appropriations in this chapter can be broken down as follows:

- ECU 475 million was left unused because the three new Member States failed to implement the agri-environment programmes by the prescribed deadline;
- ECU 155 million was left unused because of limited application of the early retirement programme in Spain and problems in starting up the programme in Greece;
- ECU 300 million was left unused as a result of delays in implementing the French, Spanish and Italian agri-environment programmes, thereby postponing the involvement of farmers and in some cases the payment of committed aid;
- ECU 120 million was left unused because afforestation programmes were not fully implemented in Spain (on account of the drought) and Italy (failure to make up delays from 1994).

• Wine

<i>Initial requirements</i>	<i>SAB No 1/95</i>	<i>Expenditure</i>
1.548	1.044	0.8575

The main reason for the under-utilization of appropriations was that, at 83 million hectolitres, production was lower than the 113 hectolitres on which the budget was based. This was accompanied by a reduction in the volumes distilled (5.2 million hectolitres instead of 34.2 million hectolitres) and, accordingly, a drop in expenditure on distillation and the storage of alcohol.

• Arable crops

<i>Initial requirements</i>	<i>SAB No 1/95</i>	<i>Expenditure</i>
15.468	14.574	15.0173

Despite the early payment of 50% of the aid per hectare in regions affected by drought, which was the main reason for the overrun on SAB No 1/95, appropriations were under-used as compared with initial estimates, for a number of reasons:

- a fall in the number of applications for aid per hectare;
- the rise in world prices (from USD 110 to USD 120 for wheat);
- a drop in production, aggravated by the drought in Spain and Portugal, and a rise in internal consumption which led to a reduction in the export programme (28.3 million tonnes instead of 32.2 million tonnes), less intervention buying (4.7 million tonnes instead of 5.1 million tonnes) and higher sales (14.8 million tonnes instead of 13.3 million tonnes), resulting in more sales revenue.



• Milk and milk products

<i>Initial requirements</i>	<i>SAB No 1/95</i>	<i>Expenditure</i>
4.357	4.267	4.0827

Expenditure was lower than expected mainly because of the favourable market situation. Prices were high on both the internal and world markets because of strong demand and the extremely low level of world and Community stocks.

This meant that intervention stocks could continue to be returned to the market at prices high enough to generate profits on sales and that disposal subsidies and export refunds could be reduced.

• Sugar

<i>Initial requirements</i>	<i>SAB No 1/95</i>	<i>Expenditure</i>
2.016	1.789	1.831

The main reason for under-utilization was the exceptional rise in world prices — from an initial estimate of USD 265 per tonne to USD 355 per tonne.

The overrun on SAB No 1/95 was a result of changes in the dollar/ecu parity.

In accordance with the decision on budgetary discipline, the budget of year *n* is based on the average dollar/ecu parity recorded over the first three months of year *n-1*. For 1995, this hypothetical parity came to USD 1 = ECU 0.89, whereas the actual parity was USD 1 = ECU 0.78, resulting in a total additional cost to the EAGGF Guarantee Section of ECU 543 million, including ECU 112 million for sugar.

All other things remaining equal, and in particular the world sugar price expressed in dollars, the refund was set at a higher level than estimated in SAB No 1/95, as changes in the dollar/ecu parity meant that the world price expressed in ecus was lower than that assumed for the purposes of the SAB.

• Tobacco

<i>Initial requirements</i>	<i>SAB No 1/95</i>	<i>Expenditure</i>
1.141	1.132	0.993

The under-utilization of appropriations was due partly to lower spending on premiums because production, at 330 000 tonnes, fell short of the quota set under the reforms (350 000 tonnes).

Another reason was that no payments were made in respect of the control agencies, which had not yet been set up by the Member States.

Finally, as regards Community funds for tobacco research and information, the Commission was unable to conclude any five-year contracts until the end of the financial year, with the result that no contracts could be signed until early 1996.

In some sectors, however, expenditure was higher than forecast, for example the sheep-meat sector, where the increase was due primarily to the early payment in the 1995 financial year of the second advance for the 1995 marketing year.

In other sectors, such as dried fodder, fibre plants and products not listed in Annex II, the level of expenditure was influenced by movements in the dollar-ecu parity. Finally, there was overspending in the eggs and poultry sector as a result of increased exports.

## Heading 2 — Structural operations

The main features of 1995 were the adoption of a large number of programmes arising from the Community support frameworks approved the previous year, the approval of a large number of financing decisions under various Community initiatives adopted in 1994, the launching of the peace initiative for Northern Ireland, a decision allocating the financial reserve created for the Community initiatives and the development of a number of innovative measures, in particular in urban renewal.

With the accession of Austria, Finland and Sweden, the Commission settled the programming of Structural Fund resources for the regions in these new Member States: the areas eligible under Objectives 2 and 5b were defined, which allowed the adoption of the corresponding single programming documents (SPDs), and the Commission also adopted SPDs involving Objectives 3 and 4.

The purpose and instruments of structural policy were very different in the new Member States. Because of the low population density and long distances, incomes in peripheral regions had to be protected to help maintain population levels. In the agricultural sector, the prices paid to farmers in Austria and Finland were much higher than those in the 12-member Union. Furthermore, these countries have been particularly hard-hit by the recent economic crisis.

Special structural measures were therefore necessary to offset the shock of accession:

- a new Objective 6 was introduced for regions with very low population density. In accordance with Protocol No 6 annexed to the Act of Accession, these regions, which have a total population of 1 287 000, will receive financial assistance totalling ECU 741 million (at 1995 prices) over the period 1994-99;
- Burgenland in Austria has been declared eligible for Objective 1;

- extra funding is to be made available for the other Objectives.

In a communication adopted on 27 January, the Commission decided what financial resources would be allocated to the new Member States for Objectives 2 to 5b in 1995-99; this covered 90% of the total funds available (9% being devoted to the Community initiatives and 1% to innovative measures and pilot projects).

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

The 1995 budget earmarked ECU 24 400 million for operations under the three Structural Funds. Of this total, ECU 22 269 million was actually committed:

	<i>(million ECU)</i>
EAGGF Guidance Section	3 609
ERDF	12 479
ESF	5 694
FIFG	487
Total	22 269

The Union supports six specific objectives through the Structural Funds and the FIFG.

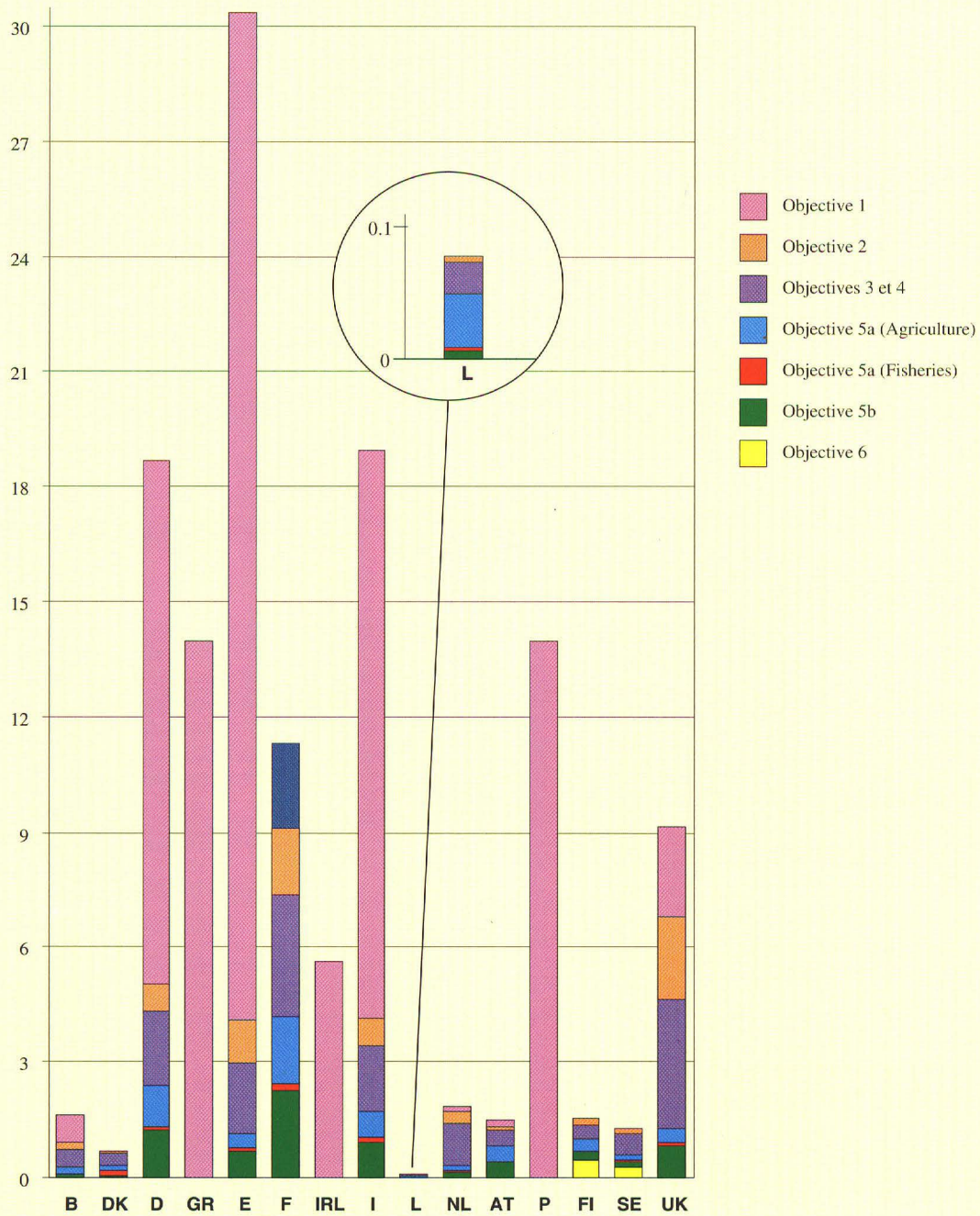
### Regions lagging behind in their development (Objective 1)

The Commission adopted all the Community support frameworks (CSFs) and SPDs, in partnership with the authorities concerned. Negotiations for the second programming period (1994-99) had largely been completed in 1994, but continued in 1995 with the adoption on 15 November of the SPD for the Austrian region of Burgenland.

The Community's total contribution for 1995 came to ECU 15 190.9 million, of which ECU 14 517.8 million was committed.

**FIGURE 11**  
**Breakdown by Member State of Community contribution**  
**under the various objectives of the Structural Funds**

(billion ECU)



Note: Figures relate to the period 1994-99, except in the case of Objective 2 (1994-96) and the three new Member States — Austria, Finland and Sweden (1995-99).

### Regions suffering industrial decline (Objective 2)

The list of eligible areas in Austria and in Finland was adopted by the Commission on 22 February and a list was approved on 22 March for Sweden. The SPDs for Finland, Austria and Sweden were adopted on 11 July, 15 November and 23 November respectively. The guidelines call for a development strategy based on the modernization and diversification of the regional economies concerned, improvement of the employment situation at local level, innovative training, research and environmental measures, the dissemination of the results of research and technological development, due consideration for environmental concerns in conversion strategies and support for local development initiatives involving investment aid, project engineering or economic promotion.

The Community's total contribution for 1995 came to ECU 1 982.8 million, of which ECU 1 739.4 million was committed.

### Combating long-term unemployment (Objective 3)

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 Commission continued with the process which it had started in 1994 by approving the SPDs under Objective 3 for the new Member States: on 21 June for Finland, 19 July for Austria and 26 July for Sweden.

The Community's total contribution for 1995 came to ECU 2 013.5 million, of which ECU 1 606.6 million was committed.

### Adjustment of the workforce to industrial change and to changes in production systems (Objective 4)

The priorities 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.

SPDs under Objective 4, as redefined during the review of the Structural Funds Regulations, were approved for Austria, Finland and Sweden on 19 July, 21 June and 6 December respectively.

The Community's total contribution for 1995 came to ECU 365.4 million, of which ECU 94.5 million was committed.

### Adjustment of agricultural structures (Objective 5a)

*(million ECU)*

	<i>Appropriations available in 1995</i>	<i>Appropriations committed</i>
5a outside 1 and 5b	296.9	282.6
5a in 5b	384.6	373.3
5a	179.0	179.0
Total	860.5	834.9

To improve the conditions under which agricultural and forestry products are processed

and marketed, as provided for in Regulations (EEC) Nos 866/90 and 867/90, the Commission approved 50 SPDs at the end of the year covering the Belgian, French and German regions concerned. On 17 November, it adopted the SPD for Finland and on 15 December, the SPD for Austria.

To accompany the CAP reform, 160 agri-environment programmes were approved by the Commission under Regulation (EEC) No 2078/92 on agricultural production methods compatible with the requirements of the protection of the environment and the maintenance of the countryside. Programmes presented by Finland, Sweden and Austria were also adopted.

In all, 10 Member States have implemented, in the form of national or regional multi-annual programmes, the Community system of aid for early retirement schemes in farming under Regulation (EEC) No 2079/92. Approximately 33 000 holdings have also received investment aid, which is now being gradually restricted to cut down on agricultural surpluses. The assistance for young farmers, including start-up premiums and supplementary investment aid, is designed to put farms into the hands of young people able to adapt to the new realities in agriculture.

Turning to region-based structural measures, more than 1.1 million holdings in mountain regions and other less-favoured farming areas have continued to receive compensatory allowances, to help sustain agricultural activity and maintain population levels. The Council designated the less-favoured areas for Finland and Sweden on the basis of criteria deriving from the *acquis communautaire* and from specific commitments in the Act of Accession.

1995 was the second year of the programming period for the Financial Instrument for Fisheries Guidance (FIFG), except in the three new Member States, where it was the first year of programming. The Commission adopted FIFG programmes under Objective 5a for Austria, Sweden and Finland for the period 1995-99. Appropriations for the three

programmes were committed in a single tranche and were used in their entirety.

The Community's total contribution for 1995 came to ECU 860.5 million, of which 834.9 million was committed.

### **Rural development (Objective 5b)**

Objective 5b is concerned with the development of rural areas in difficult circumstances which are not located in Objective 1 regions; 12 Member States are involved. The Objective 5b areas designated for the period 1994-99 have a total population of approximately 32 745 000, i.e. 8.8% of the Community's population including the three new Member States, and a combined surface area of 840 876 km<sup>2</sup>. The Commission drew up the list of such areas in Austria and Finland on 17 February and the list of those in Sweden on 18 April.

The majority of SPDs under Objective 5b were adopted in 1994. In 1995, the Commission adopted those for a number of Belgian, French, German, Italian and UK regions. The SPD for Finland was adopted on 13 November and that for Austria was approved on 31 October.

The Community's total contribution for 1995 came to ECU 680.8 million, of which 571.9 million was committed.

### **Regions with very low population density (Objective 6)**

As a result of enlargement, a new objective was created, to apply from 1 January 1995, namely the development of Finnish and Swedish regions with very low population density. These are defined in the Act of Accession as regions with a population density of eight or less inhabitants per km<sup>2</sup>. The north and east of Finland and the northern half of Sweden, except for certain coastal strips, have been classified as eligible for Community assistance under this objective. As well as suffering from depopulation problems, these re-

gions are also disadvantaged by their peripheral location and by the harsh arctic or subarctic climate.

The SPD for Finland, adopted by the Commission on 11 July, will channel towards the region concerned EU funds totalling ECU 460 million over the period 1995-99. Its main priorities are development of the local economy, human resources, agriculture, forestry, fisheries, farmland improvement and the environment. The SPD for Sweden, adopted by the Commission on 6 November, will provide ECU 252 million in Community assistance over the period 1995-99 and will be focused on five priority sectors: development of commerce, the promotion of know-how, agriculture and natural resources, rural and community development and the improvement of the situation of the Sami people.

The Community's total contribution for 1995 came to ECU 125.9 million, all of which was committed.

### **Community initiatives**

In 1994, 13 Community initiatives were adopted, representing a total of ECU 11.85 billion, to which a reserve of ECU 1.6 billion can be added, which was allocated among the Member States by a Commission Decision approved on 4 October. The Commission also put forward new guidelines to assist with the control of floods and droughts, encourage transnational cooperation schemes in spatial development and provide for various employment schemes. In the context of the Interreg, URBAN, ADAPT and Employment initiatives, the Commission adopted draft communications on 20 November setting out the guidelines for Member States to follow when preparing their forward programming documents.

Following enlargement of the Union to include three new Member States, the Commission adopted a communication on 4 April on the allocation of funds and on the implementation of the Community initiatives in Austria, Finland and Sweden, taking into account the specific situation in these countries.

Following up the conclusions of the European Council in Essen and its 1994 communication on the subject, the Commission adopted a notice to the Member States on 16 May setting out the guidelines for an initiative under the special aid programme for peace and reconciliation in Northern Ireland and in the counties of Ireland bordering on Northern Ireland. This envisages the following priorities: support for employment, urban and rural regeneration, the development of cross-border infrastructures, social integration through cooperation between the different communities, industrial investment and the promotion of investment in production by small and medium-sized businesses. The European Parliament, the Economic and Social Committee and the Committee of the Regions each gave an opinion on this initiative.

Total funding for the Community initiatives came to ECU 2 078 million at 1995 prices, which represents 9% of the total volume of the Structural Funds, in accordance with Article 12 of Council Regulation (EEC) No 2081/93.

This figure was obtained by taking 8% of the total funding allocated to each Objective (including transitional measures and innovative schemes) and adding 1% of total Structural Funds appropriations, taken from the funding of Objectives 3 and 4.

Appropriations are divided among the nine proposed topics in proportion to the amounts allocated to each of them for the period 1994-99 in COM(94) 46 final of 16 March 1994, 'The future of the Community initiatives under the Structural Funds'. No commitment appropriations were placed in the reserve for 1995, as the proposals on Community initiatives for this new period are only recent. It was deemed more sensible to reserve these appropriations, after 1995, for launching new initiatives or reinforcing existing ones.

Appropriations available for 1995 totalled ECU 2 915.8 million, of which ECU 2 666.7 million was committed.

### Other structural operations

These comprise innovative schemes and other regional operations.

In 1995, the Member States received guidelines for a new generation of pilot projects under Article 10 of Regulation (EEC) No 4254/88. The schemes to be undertaken in 1995-99 will concentrate on four topics: inter-regional cooperation inside and outside the Union (ECU 180 million), innovation in regional and local development (ECU 90 million), spatial development planning (ECU 45 million) and urban policies (ECU 80 million).

The Commission has worked out details of how to institute transnational cooperation in the field of spatial development planning. Three types of measure are proposed, starting at the end of 1995: pilot cooperation projects involving major European transnational spatial planning areas (such as the Alps, the Mediterranean and the Baltic); a programme of pilot projects of an innovative nature involving specific kinds of area (mountain and coastal areas, river basins, etc.); and a scheme to disseminate know-how and develop cooperation on a series of topics in spatial planning, bringing in non-member countries of Europe and the Mediterranean.

In the field of interregional cooperation, the networks launched under the Recite (internal cooperation) and ECOS-Ouverture (external cooperation) programmes continued to be closely monitored.

As regards support for regional SMEs, the pilot activities of the European business and innovation centres (EBICs) continued with the adoption of six new integrated-services centres for SMEs, and two Europartenariat events were successfully held.

In accordance with the indicative allocation of funds adopted by the Commission in December 1993, the sum of ECU 264 million (ECU 245 million at 1992 prices) was earmarked for transitional measures and innovative schemes. Of this total, 8% (or ECU 22 million) was set aside for Community initiatives, leaving ECU

242 million available for transitional measures and innovative schemes in the preliminary draft budget for 1995.

This amount was divided between the Structural Funds and the FIGG on the basis of commitments to be honoured under old regulations still generating expenditure (in the case of transitional measures) and the studies, pilot activities, demonstration projects and technical assistance provided for in the present regulation (in the case of innovative schemes).

Appropriations available for 1995 came to ECU 271.8 million, of which ECU 111.9 million was committed.

### Cohesion Fund

The Cohesion Fund was set up by the Treaty on European Union and first started operation 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 for economic and social convergence.

The Cohesion Fund allocation for the period covered by the financial perspective for 1993-99 amounts to ECU 15.15 billion (at 1992 prices). In 1995, the appropriations committed to financing projects in Ireland, Greece, Portugal and Spain totalled ECU 2 152 million, of which ECU 1 037 million was allocated to environmental projects and ECU 1 113 million to transport projects. ECU 2 million was committed for technical assistance in 1995.

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

TABLE 2

## Commitment appropriations — Cohesion Fund

	Environment		Transport		Total	Breakdown
	Million ECU	%	Million ECU	%	Million ECU	%
Greece	228.2	58.8	159.8	41.2	388.0	18.0
Spain	568.7	48.0	615.7	52.0	1 184.4	55.1
Ireland	93.2	48.9	97.2	51.1	190.4	8.9
Portugal	146.6	37.9	240.5	62.1	387.1	18.0
Total	1 036.7	48.2	1 113.2	51.8	2 149.9	100.0
Technical assistance					1.8	



## The Community initiatives

Alongside the CSFs and SPDs, which account for 90% of the Structural Funds and correspond primarily to 'national' priorities, the Structural Funds regulations also provide for the financing of Community initiatives as a framework for implementing measures which are of particular interest to the Union and whose priorities are laid down by the Commission.

The Community initiatives thus supplement operations under the various CSFs or SPDs, by encouraging measures that correspond to the specific priorities of certain Community policies, developing programmes that cover the territory of several Member States or tackling problems which were not foreseen when the various programming documents were drawn up.

Overall funding for Community initiatives is equal to 9% of the total appropriations for the Structural Funds, which amounted to ECU 21 323 million in 1994 and ECU 24 069 million in 1995.

Before allocating funds for the period 1994-99, the Commission first had to decide on the initiatives to be put into effect, in particular following the publication of the Green Paper on the future of the Community initiatives in June 1993.

After publishing its Green Paper, the Commission proposed certain spheres of action for the 13 initiatives to be implemented during the period 1994-99, namely: cross-border co-operation, rural development, the most remote regions, employment and human resources, industrial change, urban policy and fisheries. On 15 June, after Parliament, the Committee of the Regions, the Economic and Social Committee and the Management Committee for Community Initiatives had given their opinions, the Commission set out the guidelines for these 13 initiatives in notices to the Member State.<sup>1</sup> Some of them, already established during the previous programming period, were renewed (Rechar, Resider, Interreg,

REGIS, RETEX and Leader) with certain adjustments such as an extension of their geographical scope or the addition of new measures. Other initiatives were new, and intended as responses to social changes (ADAPT, Employment and human resources, PESCA, URBAN and SME) or to the socio-economic consequences of geopolitical upheavals (Konver).

On 13 July 1994, the Commission adopted indicative allocations by Member State and by initiative, except for those where areas had to be redefined (Rechar, Resider, Konver and RETEX). In the case of the latter initiatives, it was necessary to identify and establish lists of eligible areas complying with the criteria set out in the guidelines, in partnership with the Member States and on the basis of the information they had supplied. On 12 October 1994, the Commission adopted the list of areas eligible and the allocation of funding among Member States under Rechar, Resider and RETEX and on 21 December, an equivalent list was adopted for Konver.

For the new Member States, the Commission proceeded in the same fashion: it allocated funds by Member State and by initiative in a communication dated 30 March 1995, then defined the eligible areas concerned.

<sup>1</sup> OJ C 180, 1.7.1994.

The breakdown between the various fields of activity and Community initiatives is as follows:

### *1. Cross-border cooperation*

This field is covered by the Interreg II initiative, which was allocated ECU 2.9 billion at 1994 prices for the period 1994-99, plus an extra ECU 125.9 million at 1995 prices to take account of enlargement.

Interreg II covers two different strands corresponding to the previous Interreg I and REGEN initiatives: first, cross-border cooperation to assist border areas within and outside the Union and, second, the completion of energy networks to connect them with wider European networks (ECU 500 million). Inter-regional cooperation will also be continued outside the Interreg initiative through innovative measures and pilot schemes.

### *2. Rural development*

This objective is pursued through Leader II, which was allocated ECU 1.4 billion in 1994 for the period 1994-99, plus an extra ECU 62.1 million at 1995 prices to take account of enlargement.

Following on from Leader I, Leader II supports rural development projects designed and administered by local partners in rural areas, and is now placing the emphasis on innovative and exemplary measures, exchanges of experience and transnational cooperation. Leader II covers rural areas of regions eligible under Objective 1 and 5b (up to 10% of the appropriations allocated to Objective 5b areas may be allocated to non-eligible adjacent areas). An indicative amount of 2.5% has also been allocated to finance Community network activities and possibly national networks.

### *3. The most remote regions*

This field is covered by the REGIS II initiative, which was allocated ECU 600 million

in 1994 for the period 1994-99. Its aim is to improve integration of the most remote regions into the Community. It now incorporates certain measures eligible under the former Poseidom, Poseima and Poseican programmes, as well as measures from other Community initiatives carried out in the most remote regions, in order to enable them to participate fully in the transnational cooperation networks. Eligible measures will include the diversification of economic activities, the consolidation of links with the rest of the Union, cooperation between very remote regions, measures to prevent natural disasters (assistance to cover extra costs) and, finally, vocational training.

#### 4. *Employment and human resources*

This field is covered by the Employment and ADAPT initiatives.

The Employment initiative was allocated ECU 1.4 billion in 1994, plus an extra ECU 72.8 million at 1995 prices for enlargement. The aim is to use the development of human resources and an integrated approach to support the revival of employment and promote solidarity and equal opportunities on the labour market. It includes three specific but interdependent strands, each with its own budget: NOW supports the development of innovative and more effective approaches to training and the integration of women into working life; Horizon encourages the integration of disabled and disadvantaged people to help combat economic and social exclusion; Youthstart assists the integration of unskilled young people into working life, with the long-term objective of establishing new ways to give teenagers a real guarantee of training or employment.

In 1994, the ADAPT initiative was also allocated ECU 1.4 billion for the period 1994-99, plus an extra ECU 42.5 million at 1995 prices in connection with enlargement.

Following the principles of the new Objective 4, this initiative aims to facilitate the adjustment of the workforce to industrial changes, to assist enterprises in increasing their productivity, to improve the skills of the workforce and to promote job creation and the emergence of new activities. Eligible measures would include, for example, training, counselling and guidance, measures anticipating and promoting new sources of employment, structural adjustment measures and assistance schemes.

#### 5. *Industrial change*

The Rechar, Resider, Konver, RETEX and SME initiatives are aimed at responding to problems arising from contemporary industrial changes.

**Rechar** (allocated ECU 400 million in 1994 up to 1997, then ECU 1.8 million at 1995 prices for enlargement). While continuing to pursue the objective of Rechar I, namely to support the conversion of the areas most affected by the decline of the coal industry, Rechar II gives greater priority to the protection of the environment, new economic activities and human resources. Measures planned under Rechar will, for example, restore the environment and former mining buildings, promote new activities (in particular in SMEs), assist regional agencies for economic conversion and development and provide aid for training and employment (again in particular in SMEs). In addition, Rechar has now been extended to cover the effects of the decline of lignite mining, in particular in the new German *Länder*.

**Resider** (allocated ECU 500 million in 1994 for the period up to 1997, plus ECU 5.1 million for enlargement). While continuing to pursue the objective of Resider I, namely the conversion of steel areas, this initiative, like Rechar, now gives priority to the protection of the environment, new economic activities and human resources, so that the areas concerned can adjust more rapidly to the radical change in their economic conditions. The measures envisaged are of the same type as those under Rechar.

**RETEX** (allocated ECU 522 million in 1994 for the period up to 1997, plus ECU 2.5 million at 1995 prices for enlargement). RETEX was launched in 1992 to support economic diversification in areas especially dependent on the textile and clothing industry. To facilitate the adjustment of viable businesses in all sectors of industry (not excluding the textile and clothing industry), eligible measures include counselling and the provision of facilities to improve companies' know-how, support for local groups of businesses and for cooperation schemes, training for company employees and services to business and industry.

**Konver** (allocated ECU 500 million in 1994 for the period up to 1997, plus ECU 3.2 million at 1995 prices for enlargement). Following the Perifra I and II programmes (support for demonstration projects for economic conversion in defence-industry and military areas) and the implementation of the first year of Konver in 1993, this initiative is now being continued on a multiannual basis, with the objective of supporting economic diversification in areas particularly dependent on the defence sector (industry and military bases) through the conversion of economic activities linked with that sector and support for viable business activities in all industrial sectors except those which could have a military application. It is planned to allocate at least 50% of the appropriations to Objective 1, 2 or 5b regions.

**SME** (small and medium-sized enterprises — allocated ECU 1 billion in 1994, plus ECU 36.2 million at 1995 prices for enlargement). The White Paper on growth, competitiveness and employment demonstrated the need for SMEs to adjust to the constraints of the internal market and the globalization of economies. The SME initiative is designed to meet this need, in particular by assisting Objective 1 areas, to which 80% of the funding has been allocated, the remaining 20% going to Objective 2 and 5b regions. It also continues, in modified form, the previous initiatives Stride (increasing the technological potential of less-favoured regions), Prisma (improvement of services to business and industry) and Telematique (use of advanced telecommunications services). The planned measures are designed to improve the production systems and organization of companies, to take better account of the environment (in particular by more rational use of energy), to develop cooperation and networks between SMEs and to foster cooperation between research centres, technology transfer centres, universities and SMEs for research and development purposes.

#### *6. Urban policy*

The URBAN initiative (allocated ECU 600 million in 1994 for the period 1994-99, plus ECU 17 million at 1995 prices for enlargement) is intended to help find solutions to the

serious crises facing many urban areas. It provides support for the following: measures to revitalize the economy and social fabric by launching new economic activities; renovation of welfare, health and safety infrastructures and facilities; promotion of local job creation; improvement of the environment through the restoration of infrastructures. Projects must be suitable to serve as models for other urban areas, and the Commission ensures that their innovative features fall within the framework of long-term urban integration strategies. Two thirds of the funding has been set aside for Objective 1 regions, with the remaining third going preferably to Objective 2 areas.

### 7. Fisheries

The PESCA initiative is complementary to the structural assistance available under the CSFs, providing conversion aid for fishermen and diversification aid for enterprises in the fisheries sector. Eligible measures would include, for example, diversification in the fishing sector (tourism, artisanal activities), the improvement of sea fishermen's skills, better utilization of fisheries products and the improvement of marketing networks. PESCA is applied principally to areas dependent on fisheries in Objective 1, 2 and 5b regions, but 15% of the appropriations are available for areas not eligible under any of those objectives. Half the appropriations are to go to Objective 1 regions.

PESCA was allocated ECU 250 million in 1994 for the period 1994-99, plus an extra ECU 6.5 million at 1995 prices for enlargement.

### 8. *An initiative for reconciliation in Northern Ireland*

In October 1994, shortly after the suspension of violence in Northern Ireland, the Commission created a special task force to find ways of providing practical assistance to Northern Ireland and the counties of Ireland bordering on Northern Ireland, in consultation with the two Member States concerned.

The task force report, submitted to the Commission in December 1994, was the basis for a Commission communication to the Council and Parliament, in which it proposed that the European Union should help to support the peace process by means of a special programme for Northern Ireland and the border counties of Ireland. The central objective of the programme was to be reconciliation between the communities. It was intended to provide equal and balanced benefit to each community while concentrating particularly on the most disadvantaged areas and sections of the population, and was to have immediate and visible impact on the spot.

The task force had concluded that the main element of the support programme should be a new Community initiative based on five priorities: employment, urban and rural renewal, cross-border cooperation, combating social exclusion, and the development of industry and productive investment. The principle of a new Community initiative and the allocation of a package of ECU 300 million for the period 1995-97 was subsequently accepted by the European Council at Essen on 9 and 10 December 1994.

### Heading 3 — Internal policies

#### Research and technological development

In 1994, the Council and Parliament adopted the fourth framework programme of European Community activities in the field of research, technological development and demonstration (1994-98) and the framework programme of Community activities in the field of research and training for the European Atomic Energy Community (1994-98)<sup>1</sup> with a budget of ECU 12.3 billion.

ECU 900 million of this allocation is for the Joint Research Centre's non-nuclear (ECU 600 million) and nuclear (ECU 300 million) activities.

The accession of three new Member States on 1 January 1995 had a marked impact on Community research activity and in November 1995, the Council adopted a common position on a proposal for a decision increasing the overall funding of the framework programmes by 6.87%. This linear adjustment is equivalent to what Austria, Finland and Sweden were already paying towards Community activities as member countries of the European Economic Area, namely ECU 800 million.

1995 was the first year of operation of the new framework programme. Despite all the delays inherent in launching it (definition of work programmes, issue of calls for proposals, evaluation of projects, selection of the best and negotiation of contracts), the Commission was able to adopt its first research projects at the beginning of the summer and managed to use almost all the commitment

appropriations available for the new framework programme (99.5%).

The appropriations available for R&TD in 1995 were as follows:

(million ECU)

*(a) Budget, not including EEA support*

Indirect action and shared-cost projects	2 800
Direct action by Joint Research Centre	229

*(b) EEA support*

Indirect action and shared-cost projects	47
Direct action by Joint Research Centre	2

ECU 3 078 billion was committed for the various aspects of the fourth framework programme in 1995: ECU 1 billion for information and communication technologies; ECU 328 million for industrial technologies; ECU 249 million for the environment; ECU 232 million for life sciences and technologies; ECU 325 million for non-nuclear energy; ECU 70 million for transport; ECU 15 million for targeted socio-economic research; ECU 21 million for scientific and technical support for Community policies; ECU 60 million for cooperation with third countries and international organizations; ECU 65 million for dissemination and optimization of results; ECU 123 million for training and mobility of researchers; ECU 72 million for nuclear safety; and ECU 271 million for controlled thermonuclear fusion.

Throughout 1995, the first year of the JRC's new programme for 1994-98, the eight institutes of the JRC continued their work in the Centre's four areas of activity: specific research programmes under the framework programme; competitive support for Commission departments; work under contract for outside bodies; and exploratory research.

The JRC pursued two types of activity: firstly, institutional research and scientific and technical support for Union policies and, second-

<sup>1</sup> For the sake of simplicity, these two framework programmes are henceforth treated as a single framework programme.

ly, activities carried out on a competitive basis, including participation in shared-cost research projects, support for Commission departments and work performed under contract for outside bodies in both the public and the private sectors. The Institute for Prospective Technological Studies also came onstream in Seville in 1995.

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 was continued and expanded. At the request of Parliament and the Council, it was decided that INTAS would continue to be used for scientific and technical cooperation with the independent States of the former Soviet Union until 31 December 1998.

Under the agreement on the European Economic Area (EEA), Iceland, Norway and Liechtenstein took part in non-nuclear specific programmes forming part of the fourth framework programme. The Commission continued its negotiations with Switzerland on a science and technology cooperation agreement.

Scientific and technological cooperation with industrialized countries outside Europe also continued (signature of an agreement on nuclear safety with the United States, signature of two cooperation agreements with Canada, initialling of an agreement with Israel, ongoing negotiations with South Africa, etc.).

## Transport

To pave the way for the common transport policy, the Community budget helped finance a variety of measures relating to transport safety, pilot schemes for combined transport, the development of long-term transport policy and inland waterways. The appropriations entered in the 1995 budget for this purpose (ECU 24.5 million) were committed in their entirety.

In the case of river transport in particular, the Commission adopted a communication on 23 May on a common policy on the organization of the inland waterway transport market and supporting measures, in which it proposed a global approach to the future organization of the market and scrapping operations, which should lead to greater flexibility, a better balance of supply and demand and prices which reflect market rules. The communication was accompanied by a proposal for a Council regulation on structural improvements in inland waterway transport to bring about a 15% reduction in capacity over the period 1996-98.

The Council adopted the regulation on 5 December to establish a legal basis for a Community financial contribution to the national vessel-scrapping schemes of the Member States concerned (ECU 5 million in 1995).

## Education, vocational training and youth policy

The appropriations available under subsection B3 of the 1995 budget were as follows:

	<i>(million ECU)</i>
Education, vocational training and youth policy	389
Culture and audiovisual media	143
Information and communication	77
Employment, social protection and public health	180

The aim of Community action in the field of education, vocational training and youth is to promote European awareness among young people and help to integrate them into working life. The Socrates programme (with a budget of ECU 189.2 million in 1995), which covers the entire educational spectrum, and the Youth for Europe programme (ECU 24.4 million), which is concerned with coop-

eration in the field of youth policy, incorporate earlier measures in these areas and give them a new look but also introduce some completely fresh schemes. These two programmes were adopted on 14 March 1995 and cover the period 1995-99. The Socrates programme has been allocated ECU 850 million for this period, subject to a mid-term review, and Youth for Europe has been allocated ECU 126 million.

The Community initiatives in the field of vocational training (Comett, FORCE, PETRA, etc.) have been incorporated in the Leonardo da Vinci programme. This five-year programme, adopted on 6 December 1994 with a multiannual budget estimated at ECU 620 million, came on stream in 1995 with available funds of ECU 144.3 million for the first year. Leonardo da Vinci has four objectives: enhancing the quality of vocational training in Europe; developing exchange schemes; acquiring a better understanding of the way training operates and actual training requirements; making it easier to adapt to the information society.

The purpose of Decision 95/2493/EC of 23 October 1995 establishing 1996 as the European Year of Lifelong Learning is to promote the role of education and training for the personal development of individuals and their integration into working life and society. As 1995 was a preparatory year, ECU 3.2 million was allocated for this purpose.

Some appropriations were also allocated to the less widespread languages and cultures (ECU 4.0 million) and cooperation with non-member countries (ECU 2.5 million). The scope for such cooperation was extended by the opening of Community programmes to the associated countries of Central and Eastern Europe, as well as Cyprus and Malta, and by the negotiation of bilateral agreements with the United States and Canada.

Finally, the European Centre for the Development of Vocational Training (Cedefop) received a subsidy of ECU 12.2 million, including ECU 4.2 million to cover the cost of its relocation to Thessaloniki (Greece).

## Culture and audiovisual media

The bulk of the Community's audiovisual activities were carried out under the MEDIA programme (covering the period 1991-95), the aim of which is to develop the European audiovisual industry (ECU 54.4 million). These activities were accompanied by measures to support the European dimension in the audiovisual industry (ECU 1.8 million) and multilingual TV and radio services (ECU 5.0 million). In the second half of 1995, the new MEDIA II programme was adopted, covering 1996-2000, with a five-year budget of ECU 265 million for development and distribution and ECU 45 million for training.

Pending the adoption of three new five-year cultural programmes proposed by the Commission, the existing pilot projects continued in the three areas involved: protection and promotion of the European architectural heritage (ECU 9.0 million); support for initiatives with a European dimension (ECU 7.4 million); the promotion of literary works (ECU 0.5 million).

On 29 March 1995, the Commission proposed a Community action programme in the field of cultural heritage (Raphael). It would last five years (1996-2000) and have a budget of ECU 67 million. Proposals for a programme to support artistic and cultural activities having a European dimension (Kaleidoscope) and a programme to promote books and reading (Ariane) had already been tabled by the Commission on 27 July 1994; the amounts allocated for 1996-2000 were ECU 68 million and ECU 34 million respectively.

## Information and communication

In the information and communication field (total allocation: ECU 77.3 million), general measures were adopted, both inside and outside the Union, to publicize the wide range of EU activities and promote the European idea. In particular, the first steps (ECU 10 million)



were taken towards launching the proposed campaigns to inform the general public on such matters as the single currency, citizens' rights and the reform of the Union. An EU presence was also maintained in more specific areas such as the sporting world (ECU 2.0 million) and universities (ECU 3.2 million).

### Other social measures

To complement the measures financed by the European Social Fund, the Community has developed a policy aimed at encouraging dialogue between social partners and stimulating employment (ECU 63.4 million). In particular, it has given support to measures to boost employment by providing information on job vacancies and applications (the EURES system) and is continuing to pursue its equal opportunities policy. On 19 July 1995, the Commission tabled a proposal on a fourth medium-term Community action programme on equal opportunities for men and women (1996-2000), with a proposed budget of ECU 60 million.

The Community's activities in the field of social protection and freedom of movement (ECU 56.9 million) are concerned with the general level of social security provision, the protection of vulnerable groups (the disabled and the elderly) and the free movement of migrant workers.

Finally, ECU 39.7 million went 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 proposed multiannual programmes in 1994) as well as measures to improve health and safety at work. On 12 July 1995 the Commission tabled a proposal for a Council decision on a new Community action programme concerning safety, hygiene and health at work (1996-2000); this programme would be in two parts, one being the protection of health and safety at work, with a proposed budget of ECU 24.5 million, and the

other 'Safety action for Europe', with a proposed budget of ECU 41.5 million. On 16 October 1995, the Commission also tabled a proposal for a programme on health monitoring within the framework for action in the field of public health. It was to cover five years (1997-2001) and would have a proposed budget of ECU 13.8 million. These measures were supplemented by the operations conducted through the European Foundation for the Improvement of Living and Working Conditions, which received a subsidy of ECU 12.2 million, and the European Monitoring Centre for Drugs and Drug Addiction (subsidy of ECU 5.4 million).

### Energy

The appropriations available for 'Energy, Euratom nuclear safeguards and environment' were as follows:

	<i>(million ECU)</i>
Energy	42
Nuclear safeguards	24
Environment	147

On 11 January 1995, the Commission adopted its Green Paper 'For a European Union energy policy', which was followed on 13 December by a White Paper entitled 'An energy policy for the European Community'. This document, designed to provide the reference framework and instruments required for smooth operation of the internal energy market, proposed the principal lines of action for gradual convergence of national policies round common objectives.

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. On 1 June 1995, however, the Council failed to reach a compromise agreement and the ECU 30 million entered in the 1995 budget was transferred to other Community activities.

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 is now in its main phase with a budget of ECU 13.3 million for 1995, up 30% on 1994.

The SAVE programme, adopted on 29 October 1991 and covering the period 1991-95, seeks to limit carbon dioxide emissions by improving energy efficiency. In 1995, its final year, the programme was allocated ECU 7.2 million (out of a total budget of ECU 35 million).

A new SAVE II programme to promote energy efficiency was proposed by the Commission on 31 May 1995; it had a proposed budget of ECU 150 million and was to run from 1996 to 2000.

### Euratom nuclear safeguards

The Commission continued — within its sphere of responsibility — to perform its role of coordinating international efforts to raise the level of nuclear safeguards throughout Europe, in particular as regards plant safety, workers' training and public information. Commitments were 73% higher than in the previous year (ECU 23.6 million compared with ECU 13.6 million in 1994), mainly to cover the cost of accounting and physical checks on the stocks of plutonium, uranium, thorium and heavy water held in the Community's 810 or so nuclear installations, where

more than one million operator entries are made concerning physical movements and stocks. As in the past, the checks also covered equipment subject to external commitments under agreements concluded with non-member countries. The anomalies and irregularities detected by the Euratom Safeguards Directorate were followed up rigorously by additional inspections.

### Environment

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 Commission undertook a review of the programme, which had been adopted in 1992 and had provided for such a review of policy and strategy before the end of 1995.

The foundations were also laid for active collaboration between the European Environment Agency in Copenhagen and the Commission, on the basis of Council Regulation (EEC) No 1210/90. The Commission granted this agency a subsidy of ECU 12.0 million, mainly to finance the gathering, analysis and dissemination of data and the establishment of the agency's network. In the course of the year, seven topic centres were set up to prepare projects on air quality, emissions into the air, inland water bodies, the coastal and marine environment, a catalogue of data sources, and soil. In September, the agency published a report on the state of the environment in Europe. Finally, in its conclusions of 9 November, the Council decided to postpone until 30 October 1997 the decision on whether to give the agency additional tasks, in order to leave it time to make a start on the tasks laid down in Regulation (EEC) No 1210/90.

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

135 demonstration and technical assistance projects in the field of environmental protection and to 15 technical assistance projects in the Mediterranean and Baltic regions. On 12 April, with an eye to the possible continuation of the LIFE project beyond 31 December 1995, the Commission adopted a progress report on implementation of the current regulation and a proposal for its amendment. This proposal, which was the subject of a Council common position on 18 December, defines the operational arrangements for LIFE II for the period 1996-99, with an indicative budget of ECU 450 million.

In subsection B5 of the 1995 budget, the appropriations for the individual areas of policy were as follows:

	<i>(million ECU)</i>
Consumer protection	21
Aid for reconstruction	7
Internal market	175
Industry and information market	135
Statistical information	40
Trans-European networks	381
Cooperation in the fields of justice and home affairs	5

### Consumer protection

Under the second three-year action plan in favour of European consumers (1993-95), the Commission adopted a number of measures designed to improve consumer protection, using up all the ECU 21.3 million available. It placed particular emphasis on guarantees for consumer goods and after-sales services and on consumer access to justice. Special priority was also given to the campaign for consumer information and comparative testing, with a budget of ECU 6.7 million, to

make consumers more aware of their rights through the appropriate provision of information.

A new action plan for consumer policy (1996-98) was tabled on 21 October. It stressed the need to address the practical problems faced by consumers and to anticipate the changes resulting from technological development and the challenge of opening up the Union, and revolved around 10 priority areas. The subjects raised, ranging from financial services, foodstuffs and public utilities to Central and Eastern Europe and the developing countries, will help the Commission to dovetail consumer policy more closely with other Community policies.

### Aid for reconstruction

As in previous years, the Community continued to provide interest subsidies on special loans for reconstruction work in the regions of Italy and Greece hit by earthquakes in 1980, 1981 and 1986, and on Madeira (Portugal), which was struck by a cyclone in 1993 (ECU 6.8 million in 1995 compared with ECU 9.3 million in 1994).

### Internal market

The single market, together with the policies to assist business, is one of the main instruments for achieving the objectives of competitiveness, economic dynamism, growth and employment.

While there was a considerable reduction in the number of new legislative measures proposed in this area, non-legislative activity was stepped up. The cost of activities financed in this new context amounted to ECU 42.1 million.

Measures for the completion of the internal market included monitoring the transposition of directives by the Member States, administrative cooperation, standardization pro-

grammes and a major study on the economic impact of the single market. Ongoing measures relating to the operation of the market included the examination of the rules notified by Member States, quality policy (certification), analysis of the problems of various sectors of the European economy, and harmonization and vocational training in the field of customs and indirect taxation.

These measures were given a further boost in 1995 when the Office for Harmonization in the Internal Market (Trade Marks and Designs) in Alicante and the European Agency for the Evaluation of Medicinal Products in London became operational. They each received a subsidy of ECU 10.1 million in 1995.

Lastly, the Commission proposed amendments to a number of directives in the light of the multilateral agreement on public procurement. It also set up pilot projects using a new information system and managed to achieve a substantial reduction in the unit price of the invitations to tender published in the Official Journal, keeping the total publication cost down to some ECU 50 million.

To make the single market fully effective, the above measures were accompanied by an enterprise policy concentrating mainly on small and medium-sized businesses and tourism. Some ECU 56.6 million was made available for this purpose.

In particular, the integrated programme in favour of SMEs and the craft sector is intended to improve the administrative and financial environment for small businesses through a number of initiatives and to support their development via information (Euro-Info Centres) and cooperation networks, advisory audits carried out in small firms by specialist consultants, and specific measures to help the craft sector, distributive trades and cooperatives, mutual societies, associations and foundations. There is also a lending facility for SMEs which provides interest-rate subsidies of two percentage points on a total of ECU 1 billion in EIB loans to small businesses which provide new jobs. In 1994, ECU 65.5 mil-

lion was paid to the EIB for this purpose and most of the loans were granted in the course of 1995. The pilot project on growth and employment makes it easier for small businesses to obtain EIB-guaranteed bank loans for investment projects which contribute to the protection of the environment.

The Commission also continued its support for financing mechanisms suited to SMEs: venture capital and seed capital funds (ECU 1 million).

Finally, under the Community action plan to assist tourism (1993-95), the Commission continued its endeavours to improve cooperation, coordination and information within the tourism sector (ECU 8 million).

## Industry and information market

The Commission, acting in line with its 1994 communication on an industrial competitiveness policy for the European Union, continued its efforts to improve the Union's industrial competitiveness, a key factor for economic growth, job creation and greater economic and social cohesion.

The specific measures (to a value of ECU 7.2 million in 1995) are designed to promote industrial cooperation, strengthen competition and modernize the role of the public authorities, and to encourage trade in the context of the EC-Japan Centre for Industrial Cooperation.

A communication on broader use of standardization in Community policy was adopted by the Commission on 30 October. The debate centred on information technologies and communications (including ways in which standardization could meet the challenge of digital interoperability) and on telecommunications and postal services, with special reference to the liberalization, harmonization and qualitative improvement of such services (ECU 27 million in 1995).

On 10 April 1995, the Council adopted a regulation on the granting of financial assistance to Portugal for a specific programme for the modernization of the Portuguese textile and clothing industry, at a cost of ECU 80 million in 1995.

Finally, activities relating to information services revolved around the development of a European multimedia content industry and a multimedia information market, and the development of the linguistic dimension to the information society (ECU 16 million in 1995, which was the last year of the Impact programme).

### Statistical information

With a view to establishing a 'Community statistical area' based on a set of standards, methods and organizational structures for producing comparable, reliable and relevant statistics throughout the Community, Eurostat continued to implement its framework programme for priority actions in the field of statistical information (1993-97), for which it was allocated ECU 40 million in 1995.

Throughout the year, particular emphasis was placed on arrangements to ensure efficient statistical support for all the decisions to be taken in connection with economic and monetary union. Work on drawing up reliable and comparable statistical indicators continued in the fields specified in the 1993-97 framework programme, which include transport, tourism, the structure and distribution of earnings in the Member States, health monitoring, agriculture following the reform of the CAP and, finally, goods traded with non-member countries.

### Trans-European networks

The development of trans-European networks (TENs) is a priority for the Union. Their importance was recognized in the Treaty on European Union, stressed in the Commission's

White Paper on growth, competitiveness and employment and reiterated at several European Councils. Union action to develop the TENs is geared towards supplying the missing links in Europe's networks, thus making the economy more competitive, creating jobs and strengthening cohesion.

The appropriations entered in the 1995 budget to finance the trans-European networks came to a total of ECU 381 million. They were spent primarily on financial support for infrastructure projects in the fields of transport, energy and telecommunications (ECU 278 million), networks for the interchange of data between administrations (ECU 63 million) and the EU's contribution to the capital of the European Investment Fund (ECU 30 million).

At its June meeting in Cannes, the European Council turned its attention to the financing of the networks. In particular it agreed on guidelines for allocating the appropriations available in 1995 and 1996 between 'priority' and other projects. The Council's adoption, on 18 September, of the regulation laying down general rules for the granting of Community financial aid in the field of trans-European networks enabled the Commission to commit the available appropriations. A total of ECU 274 million was thus committed: ECU 240 million for transport (ECU 182.5 million for priority projects), ECU 22 million for telecommunications and ECU 12 million for energy. As regards other types of funding, the Commission conducted studies and continued its contacts with financial and industrial circles with a view to making recommendations to promote public/private sector partnerships. These recommendations were included in the report on trans-European networks which it submitted to the Madrid European Council in December. The European Council confirmed that the trans-European networks could make a fundamental contribution to competitiveness, job creation and cohesion in the Union. It called upon the Council to adopt, on a Commission proposal, the decisions needed in order to supplement the funding now available for trans-European networks.

In the field of telematics, the Council adopted on 6 November a decision on support for the interchange of data between administrations in the Community (IDA), so that the Commission was able to commit the appropriations entered in the budget for this purpose.

The aim of the IDA project is to develop intergovernmental telematic networks 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).

The European Investment Fund (EIF), set up in 1994, held its first ordinary general meeting on 20 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 EU's budget contribution to the EIF's subscribed capital takes the form of four annual payments of ECU 30 million for the period 1994-97. The Fund's chief activities are 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 serves as a basis for providing loan guarantees and the Fund will subsequently also be able to provide equity capital.

### Cooperation in the fields of justice and home affairs

The appropriations in the budget (ECU 5.2 million in 1995) are intended for strengthening cooperation in the areas of common interest referred to in Article K.1 of the Treaty on European Union (asylum policy, immigration policy, combating drug addiction, judicial cooperation in civil and criminal matters, cus-

oms cooperation and police cooperation), principally by providing support for collaboration between the relevant government departments in the Member States and implementing any agreement, joint action or joint position adopted by the Council under Article K.3.

Financing for cooperation in the fields of justice and home affairs is governed by Article K.8 of the Treaty on European Union, which states that the Council may decide unanimously that operational expenditure to which the implementation of the relevant provisions gives rise is to be charged to the budget of the European Communities. The implementation of Article K.8 was discussed at considerable length in the Council. No agreement was reached in 1994. On 25 September 1995, the Council formally adopted Joint Action 95/401/JHA and Decision 95/402/JHA.

This decision, laying down the arrangements for Community financing of cooperation in the fields of justice and home affairs, allocated the funds available between measures relating to asylum, immigration and judicial cooperation (ECU 2.5 million), police and customs cooperation (ECU 2.2 million) and measures to ensure the transparency of all these activities (ECU 0.5 million).

## Heading 4 — External action

External action takes various forms:

1. financial, technical and economic cooperation strictly by geographical zone in key areas of economic activity (aid for the restructuring of economies in transition, establishment of a Euro-Mediterranean partnership, cooperation with the developing countries of Asia and Latin America and with South Africa);
2. cooperation and aid measures, often of a horizontal nature, which cannot easily be distinguished by geographical area (food aid, humanitarian aid, the ECIP facility — promotion of Community investment in the ALA developing countries);

3. accompanying measures (external aspects of certain Community policies, Community participation in projects carried out by NGOs to assist developing countries, initiatives in the field of democracy and protection of human rights, environment and health in the developing countries);
4. joint action and common positions relating to the common foreign and security policy.

Other operations are financed from the European Development Fund under the fourth Lomé Convention. ECU 1 494.8 million was committed in 1995 for the countries of Africa, the Caribbean and the Pacific.

According to the Commission's report on the implementation of the budget at 31 December 1995, the appropriations available for commitment under the 1995 budget were as follows:

	<i>(million ECU)</i>
Common foreign and security policy	86.0
Cooperation with the countries of Central and Eastern Europe and the former Soviet Union	1 685.0
Food aid and humanitarian aid (including part of the emergency aid reserve)	1 288.8
Cooperation with Asia and Latin America	817.6
Cooperation with Mediterranean countries	562.8
Other forms of cooperation with developing countries and other non-member countries	593.0
European initiative for democracy and the protection of human rights	76.0
External aspects of Community policies (international fisheries agreements, environment)	137.2
Emergency aid reserve (unused part)	87.5
Total	5 333.9

Virtually all these appropriations were committed.

Priorities for external action are the development of cooperation with the countries of Central and Eastern Europe, with the non-member countries of the Mediterranean and with the newly independent States of the former Soviet Union and Mongolia, on the basis of the indicative financial plans for these fields.

**Aid for the economic restructuring of the countries of Central and Eastern Europe and the newly independent States of the former Soviet Union** accounts for some 31.6 % of the EU budget for external action. The overall aim of aid from the Community to the countries of Central and Eastern Europe and the former Soviet Union is to support the economic reform process and encourage the changeover from a planned economy to a market economy and free enterprise. Six 'strategic' areas have been selected for economic reform:

- the restructuring of public companies, in particular in industry and agriculture;
- the modernization of financial services: restructuring of the banking system, reform of credit, national accounting and taxation, development of capital and stock markets and of the insurance system;
- promotion of the private sector: development of support services tailored to small and medium-sized enterprises, in particular training and promotion of exports;
- nuclear safeguards and safety;
- development of the labour market and social protection: restructuring of employment and vocational training services;
- support for the democratization process and the strengthening 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.

A sum of ECU 1 685 million for all these projects was committed in 1995. This reflects not only the continuation of the Community's contribution to economic reform and stability in the countries in question but also the preparation of some of these countries (the associated countries of Central and Eastern Europe) for their future accession to the European Union, as agreed at the Copenhagen European Council in June 1993.

This objective was fully confirmed by the Essen European Council in December 1994, which defined as follows the essential role of the PHARE programme in this aim of integrating the countries of Central and Eastern Europe into the Union:

- to help the associated countries to absorb the *acquis communautaire*;
- to complete the market reforms and the medium-term restructuring of their economies and societies so as to create the conditions required for future membership.

**Cooperation with the Mediterranean countries** aims to assist the gradual creation of a Euro-Mediterranean economic area by supporting economic transition, supporting better socio-economic balance and national integration. It is largely based on:

- financial protocols with the southern Mediterranean countries;
- cooperation with other non-member Mediterranean countries, especially Malta, Cyprus, Israel and Turkey;
- support for the reform of social and economic structures in the Mediterranean region (MEDA), and in particular the modernization of industry, measures to reduce unemployment, promotion of vocational training, support for family planning, anti-drug campaigns, democracy and the pro-

tection of human rights, and the development of university-level cooperation;

- Community action linked to the peace agreement concluded between Israel and the PLO.

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

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 greater security of food supply.

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. Special attention is also paid to cooperation on the environment and the protection of natural resources.

In 1995, a major effort was made to promote the self-sufficiency of refugees and displaced persons in these countries. ECU 59.8 million was committed for this purpose.

A total of ECU 123.3 million was committed in 1995 for the implementation of the action programme concerning development cooperation with South Africa in key areas such as agriculture and rural development, health, ed-



ucation and training, as well as the environment and the role of women in development.

**Food aid** figures large among the forms of assistance given to developing countries. The Community's food aid is part of a global effort on the part of the developed countries to improve the food situation in the developing countries, an effort which is shown in their commitment to participate in the international Food Aid Convention. The aid supplied under this Convention is, however, insufficient. The Community has therefore regularly added extra aid in the form of cereals, powdered milk, butter oil, vegetable oil, sugar and various other products (legumes, groundnuts, etc.).

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 646.3 million was committed in 1995.

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

The overall purpose of these operations is to emphasize the EU's presence and to enhance its capacity to react to exceptional events, i.e. to come to the assistance of people in distress (victims of disasters or armed conflicts) with-

out discrimination based on race, religion or political persuasion.

Over the last five years, as the number and scale of international humanitarian crises have expanded, the humanitarian operations undertaken by the Commission on behalf of the Union have increased sevenfold, with the result that the European Union is now the largest single public donor of humanitarian aid. This increased from ECU 114 million in 1991 to ECU 764 million in 1994 and to almost ECU 692 million in 1995 (around ECU 645.5 million coming from the general budget and the rest from the European Development Fund within the framework of the Lomé Conventions). As in 1994, the main areas for intervention were the former Yugoslavia and the crisis in Rwanda and Burundi. However, the Community also continued to supply humanitarian aid to some 60 countries in crisis around the world, including Angola, Sudan, Haiti, the Russian Federation (Chechnya), Armenia, Azerbaijan, Georgia, Tadjikistan, Iraq, Afghanistan and Cuba, in order to respond to the urgent requirements of the victims of natural or man-made disasters.

As in the past, operations were conducted in partnership with nearly 170 non-governmental organizations (mainly European), the agencies of the United Nations and the Red Cross, almost all of them signatories of a framework partnership agreement with the Commission. Aid from ECHO was given without distinction on the basis of race, religion or political ideology to the millions of human beings who were victims in 1995 of natural disasters and long-running man-made crises, chiefly civil wars. The percentage of aid going to the various regions was as follows: ACP countries: 30.6%, former Yugoslavia: 33.9%, Eastern Europe: 0.4%, the former Soviet Union: 19.9%, the rest of Asia: 5.7%, northern Iraq: 7.6%, Latin America: 4.0% and North Africa: 0.7%.

The appropriations entered in the emergency aid reserve total ECU 323 million. A significant part of this reserve was used: ECU 235.5 million.

A total of ECU 593 million was committed under the heading of **other cooperation action**, which consists of a series of specific, horizontal projects organized around four main axes:

- the promotion of Community investment in the developing countries of Latin America, Asia and the Mediterranean, within the framework of the economic and trade cooperation agreements;
- Community participation in projects carried out by non-governmental organizations in the developing countries;
- health and the environment in the developing countries (including tropical rainforests and the fight against AIDS);
- reconstruction programmes for both southern Africa and all the developing countries, the aim being to launch recipient countries on the course towards real development.

A sum of ECU 75.9 million was committed for the **European initiative for democracy and the protection of human rights**. This initiative aims to gather under one heading all projects aiming to support democracy and the protection of human rights and to sustain peace-making processes and ease tensions in certain regions:

- Central and Eastern Europe and the Balkans;
- Republics of the former Yugoslavia;
- the newly independent States of the former Soviet Union;
- developing countries, in particular Latin America.

These projects are complemented by support for the protection of human rights, especially in Turkey, and support for victims of torture or human rights violations.

Finally, within the framework of the **common foreign and security policy (CFSP)**, a sum

of ECU 84.66 million was committed, including ECU 60 million for the joint action to provide continuing support for the administration of the town of Mostar by the European Union. The remaining ECU 24.66 million was used mainly to finance the following forms of joint action:

- support for the work of the Organization of African Unity to consolidate the process of national reconciliation in Burundi, to bring about a return to normal democratic life, in particular by the reinstatement of the rule of law, and to promote the country's economic and social recovery;
- a contribution to the financing of the international conference on mine clearance organized by the United Nations (ECU 160 000) and a contribution of ECU 3 million to the United Nations Voluntary Trust Fund for Assistance in Mine Clearance;
- observation of the elections to the Palestinian Council and coordination of the international observation operation for these elections;
- participation of the European Union in the structures for implementing the peace agreement for Bosnia-Herzegovina.

## Heading 5 — Administrative expenditure

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

This expenditure accounted for 5.2% of total expenditure in 1995 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.

TABLE 3

## Administrative expenditure in 1995

Institution	Establishment plan in 1995 budget (permanent and temporary posts)	Staff (million ECU)	Administration (million ECU)
European Parliament	3 827	475.9	356.2
Council	2 379	180.1	126.1
Economic and Social Committee	129	10.6	14.4
Committee of the Regions	75	5.1	5.5
Joint structures	457	34.2	15.9
Commission of which:	19 667	2 083.0	771.6
— administrative staff	(16 180)	(1 791.1)	(739.0)
— research activities	(3 487)	(291.9)	(32.6)
Court of Justice	837	87.7	25.2
Court of Auditors	458	43.6	6.4
Total	27 829	2 920.1	1 321.4

## 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 6 174 million in loans outstanding at 31 December 1995) and those carried out by the European Investment Bank from its own resources under the EEC Treaty (ECU

96 092 million in loans outstanding at 31 December 1995).

Should the recipient of a loan granted by the Union default, the corresponding funds borrowed by the Union would be repaid from 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 1986-95

(billion ECU)



## **Borrowing and lending for balance-of-payments support**

After the first oil shock, a Community borrowing facility was devised to help Member States whose balance of payments had been 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 1995, loans outstanding totalled ECU 5 045 million.

## **Euratom borrowing and lending**

Since 1977, the European Union has made use of this facility, which was devised to finance investment projects involving the industrial generation of nuclear power and industrial fuel-cycle installations, in order to reduce dependence on imported energy. In 1990, a Council decision increased the amount of borrowings which the Commission is authorized to raise under this facility to ECU 4 000 million. At 31 December 1995, outstanding loans totalled ECU 720 million.

On 9 December 1992, the Commission proposed that the balance of borrowings not used in the Member States could be used to finance improvements in the efficiency and safety of nuclear power stations in Central and Eastern Europe and in the Commonwealth of Independent States. 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 enable use to be made of a considerable proportion of Euratom's available borrowing capacity (some ECU 1 100 million).

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 must, in particular, promote regional development and help reduce 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 businesses. 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 1995, the loans outstanding came to ECU 1 113 million.

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

The EU grants financial assistance in the form of medium-term loans to a number of countries which are currently implementing economic reforms. These loans are financed from its borrowing operations.

As part of the ECU 100 million granted as medium-term financial assistance to Lithuania, a second tranche of ECU 20 million was paid on 16 August 1995. At the end of 1995, outstanding loans to the Baltic States totalled ECU 135 million.

As part of the ECU 45 million granted as macrofinancial assistance to Moldova, a second tranche of ECU 20 million was paid on 8 August 1995. At 31 December 1995, outstanding loans to Moldova totalled ECU 45 million.

On 20 June 1994, the Council decided to launch a borrowing and loan operation to provide macrofinancial assistance to Romania totalling ECU 125 million, to be paid in two tranches. The first tranche of ECU 55 million was paid on 20 November 1995. At 31 December 1995, outstanding loans to Romania totalled ECU 510 million.

On 22 December 1994, the Council decided to launch a borrowing and loan operation to provide macrofinancial assistance to Ukraine totalling ECU 85 million, to be paid in a single tranche. It was paid on 28 December 1995. At 31 December 1995, outstanding loans to Ukraine totalled ECU 85 million.

As part of the ECU 200 million granted as additional macrofinancial assistance to Algeria (approved by the Council on 22 December 1994), a first tranche of ECU 100 million was paid on 27 November 1995. At the end of 1995, outstanding loans to Algeria totalled ECU 500 million.

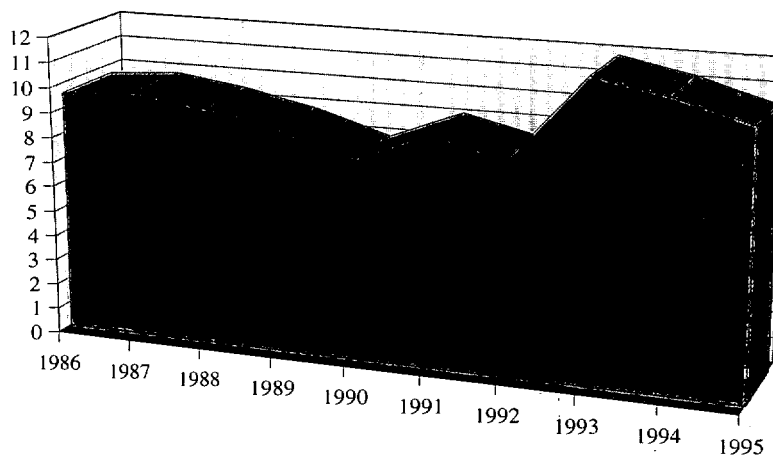
On 10 April 1995, the Council decided to launch a borrowing and loan operation to provide macrofinancial assistance to Belarus totalling ECU 75 million, to be paid in two tranches. The first tranche of ECU 30 million was paid on 28 December 1995. At 31 December 1995 outstanding loans to Belarus totalled ECU 30 million.

Financial assistance of ECU 1 250 million has been granted to the Republics of the former Soviet Union. At 31 December 1995, the total amount outstanding under this operation was ECU 347 million.

FIGURE 13

Total volume of Community loans 1986-95

(billion ECU)



At 31 December 1995, the total amount of outstanding loans financed from borrowings came to ECU 2 987 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. With most of the Mediterranean countries, the EU has concluded agreements which combine commercial cooperation with financial and technical cooperation. 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 1995, the outstanding balance of loans on special terms and risk-capital operations came to ECU 495 million.

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 1995, the outstanding balance of these operations came to ECU 85.6 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 to finance imports of agricultural and food products from the EU and the countries of Central and Eastern Europe. The EU guarantee covers

TABLE 4

Capital operations covered by the general budget at 31 December 1995 *(million ECU)*

Borrowing/lending operation	Volume of borrowing/lending authorized	Total outstanding at 31.12.1995 covered by a budget guarantee
Balance of payments support	14 000	5 045
Euratom	4 000	720
NCI (including reconstruction projects)	6 830	1 113
EIB Mediterranean (Spain, Greece, Portugal)	1 500	385
Financial assistance	5 170	2 987
	31 500	10 250
EIB loans:		
— Mediterranean countries	6 362	1 782
— Central and Eastern Europe	4 700	933
— Asia and Latin America	750	149
— South Africa	300	
	12 112	2 864
Total	43 612	13 114



98% of any losses on capital or interest, up to a maximum of ECU 500 million.

At 31 December 1995, this loan had been repaid in full.

A budget guarantee also covers the loans granted by the European Investment Bank from its own resources to 12 Mediterranean countries under the financial protocols annexed to the relevant cooperation agreements. In 1995, the Council decided to conclude two new protocols with Malta and Cyprus and to finance projects contributing to these countries' economic development by means of loans totalling ECU 30 and 50 million respectively, to be 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 1995, outstanding loans totalled ECU 2 167 million (ECU 385 million in Spain, Greece and Portugal and ECU 1 782 million in non-member Mediterranean countries).

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 1995, loans granted to these countries totalled ECU 3 541 million but only ECU 952 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 1995,

loans granted to the countries concerned totalled ECU 607 million but only ECU 149 million had been paid.

Under a Council Decision of 1 June 1995, the European Union provides a budget guarantee for loans made by the EIB from its own resources to finance investment projects in South Africa with an overall ceiling of ECU 300 million over a period of two years. At 31 December 1995, loans granted totalled ECU 45 million but none had yet been paid.

Table 4 gives an overview of the EU's borrowing and lending operations at 31 December 1995.

### **The guarantee mechanism**

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.

#### *(a) Guarantee reserve*

The interinstitutional agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure provided, in accordance with the conclusions of the Edinburgh European Council, that the general budget of the European Communities should include a guarantee reserve to cover loans to non-member countries. This reserve is intended to feed the Guarantee Fund and, if necessary, cover any guarantee called in which exceeds the amount available from the Fund, so that it can be charged to the budget.

The amount of the guarantee reserve is that stipulated in the financial perspective: ECU 300 million at 1992 prices. In 1995, it was ECU 323 million.

#### *(b) Guarantee Fund*

On 31 October 1994, the Council adopted Regulation 2728/94 establishing a Guarantee

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Fund for external actions, so that Community's creditors can be repaid in the event of default by a non-member country in receipt of a loan granted or guaranteed by the Community.

The Guarantee Fund is endowed by:

- payments from the general budget of the European Communities equal to 14% of the capital value of the lending and guarantee operations until the Fund reaches its target amount;
- interest earned from the investment of the Fund's available resources;

- amounts recovered from defaulting debtors where the Fund has already honoured the guarantee.

In the course of 1995, calls made on the Fund totalled ECU 303.1 million. Transfers amounted to ECU 250.7 million, financial interest and late recoveries representing ECU 23.3 million and ECU 35.6 million respectively.

At 31 December 1995, the resources of the Guarantee Fund stood at ECU 300.8 million, or 4.9% of the amount outstanding on the lending and guarantee operations to non-member countries, plus unpaid interest due.

# 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 and some of the expenditure on the Structural Funds.

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-effectively as possible, the Commission overhauled its commercial banking structure in 1992. It

**FIGURE 14**  
Monthly revenue and expenditure 1995

(billion ECU)



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. In 1995, its purchases totalled ECU 28.9 billion as against ECU 23.6 billion in 1994, including forward purchases of ECU 3 billion during the last quarter. This was used mainly for payments under the Structural Funds (ECU 19.2 billion in 1995 compared with ECU 14.6 billion in 1994).

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 should accustom treasuries to using the ecu in anticipation of 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 out-turn higher than the forecast in the budget or from a combination of these two factors. Since spending

must not exceed the limit set by the budget, a deficit can be caused only by the revenue out-turn 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 out-turn of revenue and expenditure, which do not necessarily balance. Even if the balance for the year shows a surplus, expenditure may 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 1995 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 to meet specific EAGGF requirements, in particular to cover payments for the set-aside of certain arable land. Use was made of this option in January and February 1995.

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.

TABLE 5

## Five-year summary

(million ECU)

	1991	1992	1993	1994	1995
<b>Revenue</b>					
Own resources	51 676.1	56 189.7	65 101.1	68 082.1	68 603.3
Surpluses available	4 002.0	2 834.6	-123.8	-2 922.1	5 764.8
Other revenue	571.3	687.5	695.3	842.2	709.0
	56 249.4	59 711.8	65 672.7	66 002.1	75 077.1
<b>Expenditure</b>					
<i>1. Common agricultural policy</i>					
Markets (B1-1 to B1-3)	31 049.9	31 377.8	34 767.0	32 450.3	33 634.3
Accompanying measures (B1-4 and B1-5)	76.9	112.1	333.4	520.1	868.5
<i>Sub-total heading 1</i>	<i>31 126.7</i>	<i>31 489.9</i>	<i>35 100.4</i>	<i>32 970.4</i>	<i>34 502.7</i>
<i>2. Structural operations</i>					
EAGGF Guidance (B2-10)	1 880.9	2 522.4	2 744.9	2 533.3	2 530.6
FIFG (B2-11)	154.5	214.8	364.9	395.0	248.1
ERDF (B2-12)	5 180.8	7 468.8	8 253.8	6 331.2	8 373.6
ESF (B2-13)	3 869.2	4 005.2	5 060.7	4 333.4	4 546.9
Community initiatives (B2-14)	1 906.8	1 241.0	1 551.9	957.7	1 320.1
Structural Funds, miscellaneous (B2-18 and B2-19)	6.7	1 702.0	1 453.2	541.9	199.9
Other structural operations (B2-2)	415.5	538.1	262.5	122.2	37.3
Cohesion Fund (B2-3)	—	—	795.0	851.6	1 699.3
Expenditure relating to accession (B2-401)	—	—	—	—	89.8
<i>Sub-total heading 2</i>	<i>13 414.5</i>	<i>17 692.2</i>	<i>20 486.8</i>	<i>16 066.5</i>	<i>19 045.6</i>
<i>3. Internal policies</i>					
Research (B6)	1 706.6	2 028.3	2 369.5	2 598.4	2 601.5
Other agricultural operations (B2-5)	212.5	180.0	108.9	126.5	108.1
Other regional operations (B2-6)	40.1	69.9	46.9	29.9	42.1
Transport (B2-7)	8.2	10.5	4.0	12.3	18.2
Fisheries and the sea (B2-9)	36.1	31.7	16.2	26.6	15.8
Education, vocational training, youth (B3-1)	224.7	289.9	258.4	290.2	292.4
Culture and audiovisual media (B3-2)	31.1	55.5	62.2	69.4	126.7
Information and communication (B3-3)	31.6	36.0	18.6	37.6	47.7
Other social operations (B3-4)	119.5	169.2	102.0	135.8	151.3
Energy (B4-1)	117.0	139.8	41.7	36.3	33.7
Euratom nuclear safeguards (B4-2)	9.2	6.7	6.8	11.5	17.3
Environment (B4-3)	62.4	46.4	71.2	107.2	91.9
Consumer protection (B5-1)	14.7	17.9	9.4	14.3	17.8
Aid for reconstruction (B5-2)	21.0	17.7	12.8	9.6	6.1
Internal market (B5-3)	119.7	154.8	99.5	175.5	134.5
Industry (B5-4)	20.4	22.9	33.7	31.6	75.9
Information market (B5-5)	32.3	2.9	—	—	14.0
Statistical information (B5-6)	40.9	44.3	34.8	35.3	33.7
Trans-European networks (B5-7)	119.8	143.5	134.9	179.3	250.5
Cooperation in the fields of justice and home affairs (B5-8)	—	—	—	—	2.6
<i>Sub-total heading 3</i>	<i>2 967.9</i>	<i>3 468.0</i>	<i>3 431.5</i>	<i>3 927.3</i>	<i>4 081.7</i>

TABLE 5 (continued)

	<i>(million ECU)</i>				
	1991	1992	1993	1994	1995
<i>4. External action</i>					
EDF (B7-1)	—	—	—	—	—
Food aid (B7-2)	105.3	114.9	430.5	445.3	885.8
Cooperation — Latin American and Asian developing countries (B7-3)	251.7	318.7	351.3	362.8	435.4
Cooperation — Mediterranean countries (B7-4)	158.3	215.5	347.9	296.9	229.0
Other cooperation measures (B7-5)	890.1	1 023.9	774.4	746.6	397.1
Cooperation with Central and East European countries and the Independent States of the former Soviet Union (B7-6)	278.2	504.0	744.4	1 044.0	1 159.0
Cooperation with other third countries (B7-7)	527.5	16.3	20.1	9.7	57.8
External aspects of certain Community policies (B7-8)	182.7	230.8	204.7	156.7	166.3
Common foreign and security policy (B8-1)	—	—	—	—	82.6
<i>Sub-total heading 4</i>	2 393.8	2 424.3	2 873.2	3 062.0	3 412.9
<i>5. Administrative expenditure</i>					
Staff	1 785.8	1 856.0	2 527.3	2 656.6	2 628.2
Administration	869.5	1 049.7	835.1	932.7	1 288.8
<i>Sub-total heading 5</i>	2 655.3	2 905.7	3 362.4	3 589.3	3 917.0
<i>6. Reserves</i>					
Guarantee (B0-2)	—	—	14.2	293.7	250.8
Refunds to Member States	1 264.8	876.8	—	—	—
<i>Sub-total heading 6</i>	1 264.8	876.8	14.2	293.7	250.8
<i>7. Compensation</i>					
Compensation (B0-5)	—	—	—	—	1 547.0
<i>Sub-total heading 7</i>	—	—	—	—	1 547.0
<b>Total</b>	<b>53 823.1</b>	<b>58 857.0</b>	<b>65 268.5</b>	<b>59 909.2</b>	<b>6 6757.7</b>
<i>Out-turn for the year</i>	2 426.3	854.8	404.2	6 093.0	8 319.5
Lapsed appropriations carried over from previous year	305.1	126.5	301.1	443.0	498.3
Exchange differences for the year	31.2	22.7	265.9	4.4	402.8
<i>Balance for the year</i>	2 762.6	1 004.0	971.1	6 540.5	9 220.5

## THE ECSC'S FINANCIAL AND BUDGETARY ACTIVITIES IN 1995

### Economic background and developments in ECSC industries

#### Steel industry

Crude steel production in the European Union (EUR 15) increased from 151.6 million tonnes in 1994 to 155.9 million tonnes in 1995, an increase of 2.8%, thus confirming the generally favourable economic situation (the EUR 12 figures were 138.9 million tonnes and 142.6 million tonnes respectively). Maximum production capacity in the EUR 15 increased by 0.4% in 1995, rising from 202.2 million tonnes to 203 million tonnes. As a result, the utilization rate rose from 75% in 1994 to 76.7% in 1995.

Maximum production capacity of hot-rolled products in the EUR 15 fell by 0.4% (182.8 million tonnes in 1995 as compared with 183.5 million tonnes in 1994). As production over this period totalled 135.5 million tonnes, the utilization rate for rolling mills slightly improved to reach 74.1% (71.4% in 1994 for EUR 12).

Steel industry investment in 1995 was around ECU 3 310 million (EUR 15), an increase of 24.2% over the previous year, confirming the recovery of the sector.

However, while the situation was very positive in the first six months, it worsened somewhat towards the end of the year. The European market was affected by a fall in consumption caused by stagnation in important sectors such as construction and the car industry. Also, and this was one of the dominant features of the market in 1995, imports from third countries reached record levels. To give an example, hot-rolled flat products doubled their market share between 1993 and 1995. This contributed to a build-up of stocks by consumers, slowing down orders and putting pressure on prices.

#### Coal industry

In 1995, according to the Commission's latest forecasts, it is estimated that real GDP in the European Community (EUR 15) increased by 2.75%. This could mean an increase in energy demand of around 2%. However, total demand for solid fuels is estimated to have decreased by around 3% on the previous year's figure, the demand for lignite having been even harder hit with a fall of 5% compared to a drop of between 1 and 2% in the demand for coal.

In 1995, coal deliveries in the Community increased by about 3.6% to reach 285.1 million tonnes, after four years of continuous decline. This reprieve can only be explained by deliveries to electric power stations (+ 13.5 million tonnes, + 7.9%), as demand continued to fall in all sectors.

With the enlargement of the Community to 15 Member States, coal imports (around 139 million tonnes) overtook domestic production (137.5 million tonnes) for the first time. Community production increased by 6 million tonnes from 1994 to 1995, this rise being mainly attributable to the United Kingdom and Germany, while imports grew by approximately 7.5 million tonnes.

In 1995 as compared with 1994, coke deliveries to the steel industry are estimated to have increased by 2.7 million tonnes (6.6%) to reach 44.2 million tonnes, as a result of an increase in crude steel production. Technological developments would suggest, however, that the general trend in coke demand will decline as steam coal is increasingly used in blast furnaces and as production by means of electric arc furnaces is on the rise.

Assistance for the coal industry continues to be governed by the framework decision (Decision No 3632/93/ECSC)<sup>1</sup> on the Community rules for State aid to the coal industry for the period from 1994 to expiry of the ECSC Treaty in 2002.

<sup>1</sup> OJ L 329, 30.12.1993, p. 12.

Besides setting a specific criterion for each category of aid, the Decision states 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 activities of production units;
- to help the coal industry adjust to environmental protection standards.

The decision also includes provisions designed to increase the transparency of the existing aid arrangements. On the expiry of a transitional period not exceeding three years (ending on 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 the beginning of 1994, all aid received by an undertaking must be shown in the profit and loss account as a separate item of income, distinct from turnover.

Member States which intend to grant operating aid to coal companies during the period from 1994 to 2002 must submit to the Commission in advance 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 meet these conditions, the aid will be considered compatible if it forms part of a closure plan with a deadline before the expiry date of Decision 3632/93/ECSC or, on exceptional social and regional grounds, even if the closure plan is carried out after the expiry of the Decision.

At the end of 1994, France submitted a modernization, rationalization and restructuring

plan together with statements of financial measures proposed for 1994 and 1995. Germany, Spain and the United Kingdom all submitted similar plans, which were approved by the Commission in the course of the year.

On 4 April 1995, the Commission authorized<sup>1</sup> Germany to take financial measures for 1995 in the form of compensation to electricity producers under the third Electricity-from-Coal Law, aid for maintaining the underground labour force ('Bergmannsprämie'), and aid to cover the exceptional costs incurred by a number of businesses as a result of inherited commitments.

On 19 July 1995, the Commission gave a favourable opinion on the restructuring plan presented by the French authorities and authorized aid<sup>2</sup> to cover operating losses for 1994, aid to cover costs arising from the modernization, rationalization and restructuring of the coal industry, and aid for research and development. At the same time, the Commission approved additional aid by Germany for deliveries of coal and coke to the Community's steel industry.<sup>3</sup>

On 26 July 1995, the Commission authorized<sup>4</sup> France to grant aid to cover operating losses for 1995, aid to cover costs arising from the modernization, rationalization and restructuring of the coal industry and aid for research and development.

A Commission Decision of 3 November 1994<sup>5</sup> authorized the United Kingdom to grant aid in 1995.

<sup>1</sup> Commission Decision 95/464/ECSC (OJ L 267, 9.11.1995, p. 42).

<sup>2</sup> Commission Decision 95/465/ECSC (OJ L 267, 9.11.1995, p. 46).

<sup>3</sup> Commission Decision 95/499/ECSC (OJ L 287, 30.11.1995, p. 53).

<sup>4</sup> Commission Decision 95/519/ECSC (OJ L 299, 12.12.1995, p. 18).

<sup>5</sup> Commission Decision 94/995/ECSC (OJ L 379, 31.12.1993, p. 6).



Notification of aid for 1995 was received from the Portuguese and Spanish authorities and an additional notification was received from the German authorities. They are all being examined by the Commission's departments to determine whether they are compatible with Decision 3632/93/ECSC.

### 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 provided that they are used solely for the granting of 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 1995, the ECSC had, since starting its financial activities, paid ECU 22 356.7 million in loans, of which ECU 21 906 million was from borrowed funds and ECU 450.6 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 1995 came to ECU 22 436.6 million, as against ECU 22 103.9 million at 31 December 1994.

The change is due partly to new loans (ECU 402.8 million) and partly to exchange-rate adjustments (ECU -70.10 million).

In 1995, the total loans granted by the ECSC (ECU 402.8 million) were 40.2% down on the 1994 figure of ECU 673.4 million. This fall was primarily due to the weakness of the recovery in productive investment which affected all the Member States.

Restructuring continued in the coal and steel industries. The volume of industrial loans was therefore particularly low (Article 54).

The guidelines that the Commission approved on 28 June 1994 for the ECSC's future borrowing and lending activities up to the year 2002 (when the ECSC Treaty expires) may have had a certain dissuasive effect on potential borrowers, who can no longer expect to obtain long-term loans, i.e. maturing after 2002.

### 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 genuinely 'Community' tax.

Levies are fixed annually for the various coal and steel products according to their average value. In 1995, the ECSC levy was set at 0.21% and yielded ECU 102.3 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 1995 amounted to ECU 70 million.

In addition, there were cancelled commitments of ECU 70.7 million, unused funds of ECU 40.9 million from the previous year, and resources of ECU 2 million from the special reserve.

TABLE 6

## Loans granted in 1995 — breakdown by Member State

(million ECU)

Member State	I			I Total	II		III	Total I + II + III
	Coal industry (Article 54 (1))	Steel industry (Article 54(1))	Other (Article 54(2))		Industrial conversion (Article 56)	Article 95	Workers' housing (Article 54(2))	
Belgium	—	—	—	—	7.3	—	1.5	8.8
Denmark	—	—	—	—	—	—	—	—
Germany	—	39.8	—	39.8	57.0	—	7.9	104.7
Greece	—	—	—	—	—	—	—	—
Spain	17.8	—	—	17.8	4.7	—	0.4	22.9
France	—	—	—	—	12.5	—	2.4	14.9
Ireland	—	—	—	—	—	—	0.1	0.1
Italy	—	2.9	25.7	28.6	60.6	—	—	89.2
Luxembourg	—	—	—	—	9.4	—	—	9.4
Netherlands	—	—	—	—	—	—	—	—
Austria	—	—	—	—	—	—	—	—
Portugal	—	—	—	—	10.2	—	—	10.2
Finland	—	—	—	—	—	—	—	—
Sweden	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	98.5	—	1.8	100.3
Community	17.8	42.7	25.7	86.2	260.2	—	14.1	360.5
Non-Community	—	—	—	—	—	42.3	—	42.3
Total	17.8	42.7	25.7	86.2	260.2	42.3	14.1	402.8

Total revenue in the ECSC's operating budget came to ECU 297.5 million for 1995.

### 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 1995, ECU 205.1 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.

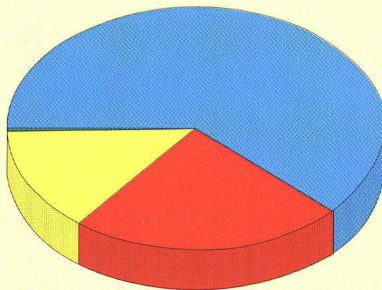
Social aid is granted under arrangements defined in bilateral agreements concluded with the Member States (early retirement, unemployment, transfer, retraining and vocational training).

Since 1995, under the arrangements for 'phasing in' the coal and steel sectors within the

FIGURE 15

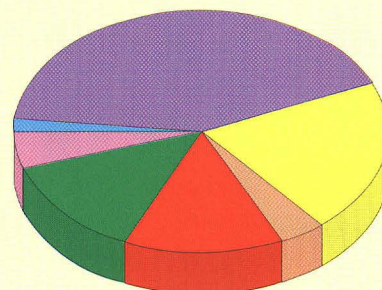
ECSC operating budget revenue in 1995

(million ECU)



ECSC operating budget expenditure in 1995

(million ECU)



■ Current revenue	183.9	■ Administration	5.0
— Yield from 0.21% levy	102.3	■ Redeployment aid	123.8
— Net balance	70.0	■ Research aid	61.4
— Fines and surcharges for late payment	3.3	■ Conversion aid	11.4
— Miscellaneous	8.3	■ Social measures for the steel industry	41.3
■ Cancellation of commitments	70.7	■ Social measures for the coal industry	40.0
■ Unused resources from previous year	40.9	■ Surplus	14.6
■ Exceptional resources	2.0		
	<u>297.5</u>		<u>297.5</u>

general framework of European policies, aid for the training of coal and steel workers has been granted only through the European Social Fund.

ECSC social assistance may be granted over and above other forms of aid or loans granted under the Community support frameworks.

#### Research aid

Under Article 55 of the ECSC Treaty, ECU 61.4 million was granted in aid for technical research in the coal and steel sector in 1995.

The main aims of the aid for steel industry research (ECU 39.8 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 21.6 million) are to lower production costs, raise underground and pit-head 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.

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### *Interest subsidies on ECSC loans*

Finally, the ECSC budget provides aid (ECU 11.4 million in 1995) 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 1991<sup>1</sup> and were supplemented in 1992<sup>2</sup> with the adoption of rules for coordination with the Structural Funds.

It should be noted that 1996 will be the last year for the receipt of new applications for interest subsidies.

### *Surplus*

The surplus of ECU 14.6 million was attributable to the balance of the adjustments between forecasts and implementation of the operating budget in 1995.

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.

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<sup>1</sup> OJ C 188, 28.7.1990.

<sup>2</sup> OJ C 59, 6.3.1992.

## FINANCIAL OUT-TURN OF THE EDF IN 1995

### 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 (EC), 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 OCT status;
- a growing number of countries in different continents with which the Community wished to enter into agreements.<sup>1</sup>

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)<sup>2</sup> and 20 OCTs<sup>3</sup> 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) under for the first financial protocol (1991-95) and ECU 13 132 million (including ECU 165 million for the OCTs alone)

<sup>1</sup> 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 re-negotiated after five years.

<sup>2</sup> In 1993 Eritrea, which had split from Ethiopia, joined the 69 countries which had signed the Lomé IV Convention. However, because of its political situation, Somalia has not yet ratified Lomé IV or established its national indicative programme.

<sup>3</sup> By a decision establishing association with the Community and 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 and ECU 165 million under the second financial protocol of Lomé IV.

under the second financial protocol (1996-2000).

The internal agreement on the financing and administration of Community aid under the first financial protocol (seventh EDF) of the Fourth Lomé Convention describes the procedure for allocating resources, which include an extra ECU 1 225 million in loans granted by the EIB (ECU 25 million for the OCTs) from its own resources. The internal agreement on the second financial protocol (eighth EDF) of the Fourth Lomé Convention also specifies, among other things, the way in which the resources are to be divided. The funds available include an extra ECU 1 693 million in loans granted by the EIB from its own resources (ECU 35 million for the OCTs).

EDF operations mainly involve:

- grants for projects and programmes and to assist structural adjustment, 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 financial 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 mentioned that these appropriations are not presented in budget form but are recorded at a later date in an accounting statement which provides a breakdown 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.

On 4 November 1995, the Member States, the Council of the European Union, the European Commission and the ACP States signed the agreement amending the Fourth ACP-EC Lomé Convention. This review, the first of its kind, resulted in not only financial adjustments (see above) but also certain changes to take account of developments since the Lomé IV came into force on 1 September 1991:

- the political dimension of the ACP-EC relationship was strengthened through a broadening of the political dialogue and, above all, a new determination to make the respect of human rights, democratic principles and the rule of law an essential element in the relationship;
- cooperation was made more effective by improving the consistency of the various

instruments and by promoting greater flexibility, especially with regard to the planning of financial aid. To this end, the two-tranche principle has been introduced to provide an incentive for the proper implementation of indicative programmes;

- the economic aspect of cooperation was redirected towards development of the private sector and the pursuit of greater competitiveness for ACP products, reflecting a new approach to trade in the context of ACP-EC cooperation.

## Economic and political situation

Overall, 1995 saw a slowdown, both in volume and in number, in the decisions taken and payments made. The political and economic situation in certain ACP countries such as Angola, Burundi, Gambia, Equatorial Guinea, Liberia, Nigeria, Sierra Leone, Somalia, Sudan, Rwanda and Zaire may explain this phenomenon, as 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. Other constraints, inherent in the very nature of Community aid, may also have had an effect, although they should be eased by the agreement amending the Lomé IV Convention for the next five years.

## EDF financing in 1995

The EDF was able to finance its operations as usual throughout 1995.

The Member States contributed a total of ECU 1 650 million, called up in four instalments.

Breakdown over the year was as follows:

<i>(million ECU)</i>	
<i>Date</i>	<i>Amount</i>
20.1.1995	200
1.4.1995	400
1.7.1995	600
1.10.1995	450
Total	1 650

The operations of the seventh EDF slowed down considerably in 1995. Although a 'natural' slowdown in the number of decisions taken may have been predictable at around 75 to 80% of the allocation, the slowdown in payments was rather unexpected. As already mentioned, there were a number of reasons for this: first, the instability of the political and economic situation in certain ACP countries obliged the European Union to take measures to adjust or suspend aid; secondly, the fast-disbursing instruments had almost used up their allocation; and thirdly, the ACP-EU cooperation procedures did not always work perfectly.

### Aid granted by the EDF in 1995

The 6th EDF has almost exhausted its initial allocation of commitment appropriations, having used 95%.

By the end of 1995, structural adjustment and Stabex, two fast-disbursing instruments, had almost used up their seventh EDF commitment appropriations allocation, reaching 91% and 95% of their allocation respectively. The

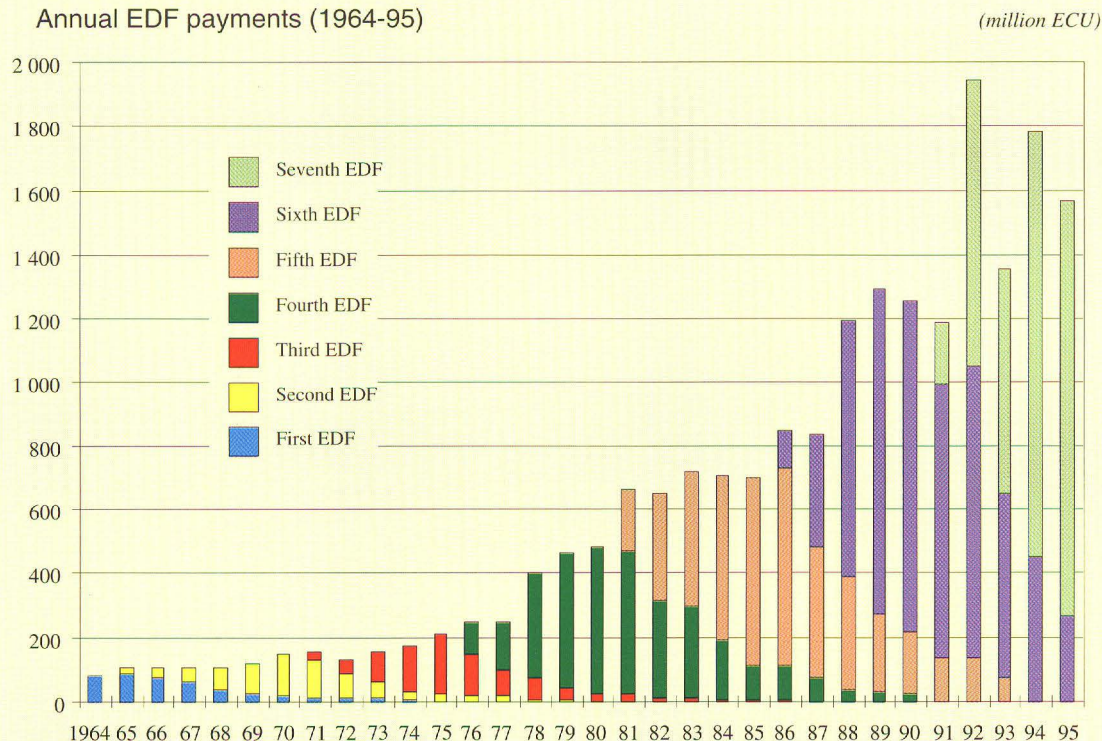
TABLE 7

EDF (all Funds together) — Financing decisions and payments in 1995

*(million ECU)*

Instrument	Decisions	Payments
Programmed aid	828.58	740.02
Structural adjustment	145.50	232.63
Risk capital	256.82	123.87
Interest subsidies	35.53	25.20
Emergency aid	33.68	107.30
Aid for refugees	4.40	12.28
Sysmin	84.49	19.12
Stabex	131.09	303.26
Total	1 520.09	1 563.68

FIGURE 16  
Annual EDF payments (1964-95)



allocations for emergency aid and aid for refugees have already been used up, so that 1996 operations will have to be financed from the Commission budget until the eighth EDF enters into force. The large amount paid out as emergency aid points up the extreme instability in certain areas of Africa, in particular the 'Great Lakes' region (Burundi, Rwanda and Zaire).

The Stabex instrument reached a high level of payments. Sysmin, on the other hand, achieved only a fairly low level of payments but could improve in the next few months.

Regarding programmable aid, 1995 saw a decline in decisions and a slowdown in the number of contracts and payments. However, it must always be borne in mind that, unlike the fast-disbursing instruments, programmable aid is usually paid more than two years after the relevant decision is taken.

At the end of 1995, there was a grand total of ECU 5 448 million in payments outstanding, to be honoured by the EDF under commitment decisions taken in respect of all the EDFs.

#### Current payments under the sixth and seventh EDFs

(million ECU)

Year	Current payments	STABEX	Total
1993	1 320	33	1 353
1994	1 430	351	1 781
1995	1 261	303	1 564

(million ECU)

1995	Current payments	STABEX	Total
sixth EDF	268	—	268
seventh EDF	993	303	1 296



**THE CONSOLIDATED ACCOUNTS  
OF THE EUROPEAN UNION**

## RECAPITULATION OF MAIN ACCOUNTING PRINCIPLES

1. The accounts are kept in accordance with the Financial Regulation of 21 December 1977 (last amended on 18 September 1995) and a Regulation laying down certain implementing rules.

### 2. Conversion into ecus

2.1. 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:

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

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 day 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 1995, except for the following:

- tangible assets (furniture and equipment), which are valued at their purchase value in ecus at the accounting rate that applied when they were purchased;

- 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 1995 the rates for converting national currencies into ecus were as follows:

ECU 1 = BFR	38.6979	HFL	2.10857
DKR	7.29536	IRL	0.820478
DM	1.88397	LFR	38.6979
DR	311.567	LIT	2082.71
ESC	196.505	PTA	159.549
FF	6.43979	UKL	0.84724

### 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 Commission's name 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. The amounts of other revenue 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 payments plus any of those same appropriations that are carried over.

4.2. Payments made against the year's appropriations for payments 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 Guarantee Fund, the payments are 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 payments may be carried over to the following financial year only. The procedure is as follows:

- non-differentiated appropriations: carry-over is generally automatic if it is to cover outstanding commitments; otherwise the budgetary authority has to give prior authorization;
- 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 1995 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 V.

## 7. Balance for the year

The balance for the year consists of two components (the result of the European Union and the result of the involvement of the EFTA countries belonging to the EEA). It represents the difference between:

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

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

- the net balance of lapsing carryovers from previous years and any overrun, due to fluctuations in the ecu rate, of payments against non-differentiated appropriations carried over from the previous year;
- 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 1995

TABLE I

Balance for the year

*(million ECU)*

Breakdown	1995	1994
<b>Revenue</b> (Table II)		
Own resources	68 603.334	68 082.069
Surpluses available	5 764.785	-2 922.104
Other revenue	709.001	842.179
of which: EFTA-EEA contribution	31.140	90.665
<i>Total (a)</i>	<i>75 077.120</i>	<i>66 002.144</i>
<b>Expenditure</b>		
Payments for the year (Table III)	66 054.291	58 553.476
of which: EFTA-EEA contribution	25.840	88.555
Carryovers to the next financial year (Table III)	703.377	1 354.149
Carryovers from 1993 to 1994 <sup>1</sup>	1.500	
<i>Total (b)</i>	<i>66 757.667</i>	<i>59 909.125</i>
Out-turn for the year : (a) - (b)	8 319.453	6 093.019
Lapsed appropriations carried over from previous year (Table IV) <sup>2</sup>	498.331	443.030 0.016
Exchange differences for the year (Table V)	402.753	4.435
Overrun on carryovers (Table VI)	-0.045	-0.024
<b>Balance for the year</b>	<b>9 220.492</b>	<b>6 540.476</b>
<i>of which; EFTA-EEA</i>	<i>5.300</i>	<i>2.110</i>
<p><sup>1</sup> This non-automatic carryover (Article 7(1) and (3) of the Financial Regulation) was approved by the budgetary authority on 29 March 1994, after closure of the Economic and Social Committee's accounts (Article 79 of the Financial Regulation).</p> <p><sup>2</sup> The amount of carryovers from 1994 to 1995 that remained unused in 1995 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 513.78</p>		

TABLE II  
Revenue

(million ECU)

Heading	1995	1994
<b>1 Own resources</b> <sup>1</sup>		
Agricultural levies	844.312	922.506
Sugar and isoglucose levies	1 316.356	1 382.071
Customs duties	13 898.428	12 419.982
VAT own resources	39 648.650	36 313.474
GNP-based own resources	14 442.036	18 454.609
Correction of budgetary imbalances	59.447	61.836
Own resources collection costs	- 1 605.895	- 1 472.409
<i>Subtotal</i>	<i>68 603.334</i>	<i>68 082.069</i>
<b>2 Surpluses available</b> <sup>2</sup>		
Surplus available from previous year	6 540.476	971.143
Surplus of VAT own resources and financial contributions from previous years	- 521.307	- 3 095.606
Surplus of GNP-based own resources from previous years	- 269.409	- 780.098
Refunds to Member States	- 3.596	- 25.206
Surplus of GNP-based own resources resulting from definitive calculation of the financing of the correction in budgetary imbalances for the United Kingdom	18.621	7.663
<i>Subtotal</i>	<i>5 764.785</i>	<i>- 2 922.104</i>
<b>3 Other revenue</b> <sup>3</sup>		
Miscellaneous Community taxes, levies and dues	397.785	360.644
Revenue accruing from the administrative operation of the institutions	82.888	74.608
Contributions to Community programmes, repayment of expenditure, and revenue from services rendered against payment	189.331	348.934
Interest on late payments and fines	18.602	35.368
Revenue from borrowing and lending operations	11.764	15.454
Miscellaneous revenue	8.631	7.171
<i>Subtotal</i>	<i>709.001</i>	<i>842.179</i>
<b>Grand total</b>	<b>75 077.120</b>	<b>66 002.144</b>
<p><sup>1</sup> Title 1 of the budget.  <sup>2</sup> Title 3 of the budget.  <sup>3</sup> Titles 4, 5, 6, 7, 8 and 9 of the budget.</p>		

TABLE III  
Expenditure

(million ECU)

Heading Headings other than 'Administrative expenditure' concern only the Commission	Payments for the year		Carryovers to the next year		Total	
	1995	1994	1995	1994	1995	1994
<b>1. Common agricultural policy</b>						
Market expenditure (B1-1 to B1-3)	33 582.600	32 386.033	51.680	64.269	33 634.280	32 450.301
Accompanying measures (B1-4 and B1-5)	868.465	520.119			868.465	520.119
<i>Subtotal</i>	<i>34 451.064</i>	<i>32 906.152</i>	<i>51.680</i>	<i>64.269</i>	<i>34 502.744</i>	<i>32 970.421</i>
<b>2. Structural operations</b>						
EAGGF Guidance (B2-10)	2 530.612	2 476.453		56.889	2 530.612	2 533.342
FIFG (B2-11)	248.054	395.006			248.054	395.006
ERDF (B2-12)	8 373.620	6 331.243			8 373.620	6 331.243
ESF (B2-13)	4 542.610	4 123.940	4.324	209.500	4 546.934	4 333.440
Community initiatives (B2-14)	1 320.062	773.314		184.360	1 320.062	957.674
Structural Funds -						
miscellaneous (B2-18 and B2-19)	199.879	418.883		123.060	199.879	541.943
Other structural operations (B2-2)	37.341	55.729		66.500	37.341	122.229
Cohesion fund (B2-3)	1 699.341	851.582			1 699.341	851.582
EEA financial mechanism (B2-400)					0.000	0.000
Accession expenditure (B2-401)	89.793				89.793	0.000
<i>Subtotal</i>	<i>19 041.311</i>	<i>15 426.150</i>	<i>4.324</i>	<i>640.309</i>	<i>19 045.635</i>	<i>16 066.459</i>
<b>3. Internal policies</b>						
Research (B6)						
B6-1: Joint Research Centre — staff and resources	205.971	198.902		0.030	205.971	198.931
B6-2: Joint Research Centre — direct operating appropriations — EC Framework Programme (1994-98)	11.962				11.962	0.000
B6-3: Joint Research Centre — direct operating appropriations — EAEC framework programme (1994-98)	4.854	38.330			4.854	38.330
B6-4: Joint Research Centre — direct action — completion of the former joint and supplementary programmes	41.185	31.335	11.848	7.731	53.033	39.066
B6-5: Indirect action (shared-cost projects) and concerted action — completion of earlier projects	1 505.577	203.908	2.269		1 507.845	203.908
B6-6: Indirect action (shared-cost projects), concerted action and supplementary programmes — framework programme (1987-92)	0.000	1 640.594		1.885	0.000	1 642.479
B6-7: Indirect action (shared-cost projects), concerted action and supplementary programmes — EC framework programme (1994-98)	572.323	17.580	89.500	0.000	661.823	17.580
B6-8: Indirect action (shared-cost activities), concerted action and supplementary programmes — EAEC framework programme (1994-98)	155.955	238.370		40.801	155.955	279.171
B6-9: Indirect action (shared-cost) — fight against fraud and global reserve for research	0.039	178.479		0.450	0.039	178.929
<i>Research - Total</i>	<i>2 497.864</i>	<i>2 547.498</i>	<i>103.616</i>	<i>50.897</i>	<i>2 601.480</i>	<i>2 598.395</i>
Other agricultural operations (B2-5)	108.096	126.527			108.096	126.527
Other regional operations (B2-6)	35.648	29.899	6.426		42.074	29.899
Transport (B2-7)	18.193	11.012		1.265	18.193	12.277
Fisheries and the sea (B2-9)	15.754	26.632			15.754	26.632
Education, vocational training, youth (B3-1)	291.323	289.940	1.126	0.266	292.448	290.207
Audiovisual and culture (B3-2)	117.927	69.439	8.763		126.690	69.439
Information and communication (B3-3)	47.701	37.617			47.701	37.617
Other social operations (B3-4)	147.079	123.075	4.178	12.701	151.257	135.776
Energy (B4-1)	33.683	36.256			33.683	36.256

TABLE III (continued)

(million ECU)

Heading Headings other than 'Administrative expenditure' concern only the Commission	Payments for the year		Carryovers to the next year		Total	
	1995	1994	1995	1994	1995	1994
Euratom nuclear safeguards (B4-2)	17.330	10.456		1.000	17.330	11.456
Environment (B4-3)	91.153	76.417	0.750	30.750	91.903	107.167
Consumer protection (B5-1)	17.800	13.507		0.750	17.800	14.257
Aid for reconstruction (B5-2)	6.054	9.567			6.054	9.567
Internal market (B5-3)	129.449	174.753	5.051	0.750	134.500	175.503
Industry (B5-4)	75.885	30.788		0.851	75.885	31.639
Information market (B5-5)	11.514		2.500		14.014	0.000
Statistical information (B5-6)	33.737	30.556		4.790	33.737	35.346
Trans-European networks (B5-7)	238.709	179.326	11.745		250.454	179.326
Cooperation in the fields of justice and home affairs (B5-8)			2.600		2.600	0.000
<i>Subtotal</i>	<i>3 934.900</i>	<i>3 823.266</i>	<i>146.755</i>	<i>104.020</i>	<i>4 081.655</i>	<i>3 927.286</i>
<b>4. External action</b>						
EDF (B7-1)					0.000	0.000
Food aid (B7-2)	749.300	445.276	136.500		885.800	445.276
Cooperation — Latin American countries (B7-3)	435.359	362.769			435.359	362.769
Cooperation Mediterranean countries (B7-4)	228.982	296.931			228.982	296.931
Other cooperation measures (B7-5)	397.118	559.074		187.569	397.118	746.643
Cooperation — Central and Eastern Europe and Independent States of the former Soviet Union (B7-6)	1 157.061	1 043.990	1.895		1 158.956	1 043.990
Cooperation — other third countries (B7-7)	57.824	9.725			57.824	9.725
External aspects of certain Community policies (B7-8)	166.269	156.653			166.269	156.653
Common foreign and security policy (B8-1)	75.576	0.000	7.000		82.576	0.000
<i>Subtotal</i>	<i>3 267.491</i>	<i>2 874.417</i>	<i>145.395</i>	<i>187.569</i>	<i>3 412.886</i>	<i>3 061.986</i>
<b>5. Administrative expenditure</b>						
<i>Staff</i>						
— Commission	1 662.050	1 722.904	97.945	155.823	1 759.994	1 878.727
— Publications Office	29.683	25.490	1.409	3.902	31.092	29.392
— European Parliament (including Ombudsman)	461.059	405.388	14.826	13.518	475.884	418.906
— Council	178.442	163.281	1.662	2.368	180.105	165.650
— Economic and Social Committee	10.354	37.713	0.221	2.269	10.575	39.982
— Committee of the Regions	4.521	0.000	0.529	0.000	5.050	0.000
— Joint Structure	32.605	0.000	1.623	0.000	34.229	0.000
— Court of Justice	85.712	72.875	1.974	0.858	87.686	73.733
— Court of Auditors	42.812	36.790	0.745	0.537	43.557	37.327
<i>Administration</i>						
— Commission	560.907	402.063	156.751	76.147	717.658	478.210
— Publications Officer	15.736	13.215	5.618	1.302	21.354	14.517
— European Parliament (including Ombudsman)	313.489	190.300	42.737	43.556	356.226	233.857
— Council	108.575	107.455	17.508	47.815	126.083	155.270
— Economic and Social Committee	13.452	20.908	0.989	6.568	14.441	27.476
— Committee of the Regions	3.968	0.000	1.537	0.000	5.505	0.000
— Joint structure	11.152	0.000	4.771	0.000	15.923	0.000
— Court of Justice	22.348	28.754	2.864	2.359	25.211	31.113
— Court of Auditors	4.910	2.636	1.516	0.960	6.425	3.595
<i>Subtotal</i>	<i>3 561.775</i>	<i>3 229.772</i>	<i>355.223</i>	<i>357.983</i>	<i>3 916.998</i>	<i>3 587.754</i>
<b>6 Reserves</b>						
Monetary reserve (B1-6)					0.000	0.000
Guarantee (B0-2)	250.750	293.720			250.750	293.720
Emergency aid reserve (B7-9)	0.000	0.000				
<i>Subtotal</i>	<i>250.750</i>	<i>293.720</i>	<i>0.000</i>	<i>0.000</i>	<i>250.750</i>	<i>293.720</i>
<b>7 Compensation</b>						
Compensation (B0-5)	1 547.000				1 547.000	0.000
<i>Subtotal</i>	<i>1 547.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>1 547.000</i>	<i>0.000</i>
<b>Total</b>	<b>66 054.291</b>	<b>58 553.476</b>	<b>703.377</b>	<b>1 354.149</b>	<b>66 757.667</b>	<b>59 907.625</b>

TABLE IV  
Appropriations for payments carried over from 1994

(million ECU)

Heading Headings other than 'Administrative expenditure' concern only the Commission	Carryover from 1994	Payments affected in 1995	Appropriations carried over to 1996	Appropriations lapsing 1995	Appropriations lapsing 1994
<b>1. Common agricultural policy</b>					
Market expenditure (B1-1 to B1-3)	64.269	46.644		17.625	103.802
Accompanying measures (B1-4 and B1-5)					60.815
<i>Subtotal</i>	<i>64.269</i>	<i>46.644</i>	<i>0.000</i>	<i>17.625</i>	<i>164.617</i>
<b>2. Structural operations</b>					
EAGGF Guidance (B2-10)	56.889	0.000		56.889	39.821
FIFG (B2-11)		0.000			35.000
ERDF (B2-12)		0.000			0.867
ESF (B2-13)	209.500	191.487		18.013	
Community initiatives (B2-14)	184.360	17.729		166.631	13.064
Structural Funds — miscellaneous (B2-18 and B2-19)	123.060	30.269		92.791	91.288
Other structural operations (B2-2)	66.500	11.170		55.330	
Cohesion Fund (B2-3)		0.000			
EA financial mechanism (B2-400)		0.000			
Accession expenditure (B2-401)		0.000			
<i>Subtotal</i>	<i>640.309</i>	<i>250.654</i>	<i>0.000</i>	<i>389.655</i>	<i>180.040</i>
<b>3. Internal policies</b>					
Research (B6)					
B6-1: Joint Research Centre — staff and resources	0.030		0.030		
B6-2: Joint Research Centre — direct operating appropriations — EC Framework Programme (1994-98)					
B6-3: Joint Research Centre — direct operating appropriations — EAEC framework programme (1994-98)					
B6-4: Joint Research Centre — direct action — completion of the former joint and supplementary programmes	11.534	3.704	7.830		
B6-5: Indirect action (shared-cost projects) and concerted action — completion of earlier projects	56.829	32.841	18.200	5.788	0.272
B6-6: Indirect action (shared-cost projects), concerted action and supplementary programmes — framework programme (1987-92)					0.130
B6-7: Indirect action (shared-cost projects), concerted action and supplementary programmes — EC framework programme (1994-98)					
B6-8: Indirect action (shared-cost activities), concerted action and supplementary programmes — EAEC framework programme (1994-98)					6.969
B6-9: Indirect action (shared-cost) — fight against fraud and global reserve for research					1.372
<i>Subtotal</i>	<i>68.392</i>	<i>36.545</i>	<i>26.060</i>	<i>5.788</i>	<i>8.744</i>
Other agricultural operations (B2-5)					
Other regional operations (B2-6)					4.492
Transport (B2-7)	1.265	1.256		0.009	
Fisheries and the sea (B2-9)					
Education, vocational training, youth (B3-1)	0.544	0.242	0.302	0.000	1.541
Audiovisual and culture (B3-2)					
Information and communication (B3-3)	0.000		0.000		
Other social operations (B3-4)	12.701	11.560		1.141	11.165
Energy (B4-1)					
Euratom nuclear safety (B4-2)	1.000			1.000	
Environment (B4-3)	30.750			30.750	0.702



TABLE IV (continued)

(million ECU)

Heading Headings other than 'Administrative expenditure' concern only the Commission	Carryover from 1994	Payments affected in 1995	Appropriations carried over to 1996	Appropriations lapsing 1995	Appropriations lapsing 1994
Consumer protection (B5-1)	0.750			0.750	0.878
Aid for reconstruction (B5-2)					0.000
Internal market (B5-3)	0.750	0.750			8.002
Industry (B5-4)	0.897	0.409	0.488	0.000	1.655
Information market (B5-5)					
Statistical information (B5-6)	4.790	4.342		0.448	0.043
Trans-European networks (B5-7)					3.470
Cooperation in the fields of justice and home affairs (B5-8)					
<i>Subtotal heading</i>	<i>121.840</i>	<i>55.103</i>	<i>26.850</i>	<i>39.887</i>	<i>40.691</i>
<b>4. External action</b>					
EDF (B7-1)					
Food aid (B7-2)	186.717	181.280	0.086	5.351	
Cooperation – Latin American countries (B7-3)	0.478	0.234	0.243	0.000	
Cooperation – Mediterranean countries (B7-4)					
Other cooperation measures (B7-5)	0.852	0.426	0.426	0.000	0.785
Cooperation – Central and Eastern Europe and independent States of the former Soviet Union (B7-6)					3.305
Cooperation – other third countries (B7-7)					7.500
External aspects of certain Community policies (B7-8)					0.505
Common foreign and security policy (B8-1)					
<i>Subtotal</i>	<i>188.047</i>	<i>181.940</i>	<i>0.756</i>	<i>5.351</i>	<i>12.095</i>
<b>5. Administrative expenses</b>					
<i>Staff</i>					
— Commission	88.993	78.607	0.079	10.307	21.972
— Publications Office	1.285	0.799		0.485	0.060
— European Parliament (including Ombudsman)	13.518	11.431		2.087	1.813
— Council	2.368	1.621		0.747	0.333
— Economic and Social Committee	0.948	0.363		0.584	0.127
— Committee of the Regions	0.769	0.033		0.736	0.000
— Joint Structure	0.552	0.030		0.522	0.000
— Court of Justice	0.858	0.743		0.115	0.119
— Court of Auditors	0.537	0.461		0.077	0.113
<i>Administration</i>					
— Commission	142.978	121.392	0.002	21.585	11.808
— Publications Office	3.919	3.586		0.334	0.359
— European Parliament (including Ombudsman)	43.557	37.854		5.702	6.571
— Council	47.815	46.541		1.273	1.648
— Economic and Social Committee	4.057	3.418		0.639	0.467
— Committee of the Regions	0.873	0.383		0.489	0.000
— Joint Structure	1.639	1.611		0.028	0.000
— Court of Justice	2.359	2.295		0.064	0.144
— Court of Auditors	0.960	0.921		0.038	0.055
<i>Subtotal</i>	<i>357.983</i>	<i>312.090</i>	<i>0.080</i>	<i>45.813</i>	<i>45.587</i>
<b>6. Reserves</b>					
Monetary reserve (B1-6)					
Guarantee (B0-2)					
Emergency aid reserve (B7-9)					
<i>Subtotal</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>

TABLE IV (continued)

(million ECU)

Heading Headings other than 'Administrative expenditure' concern only the Commission	Carryover from 1994	Payments affected in 1995	Appropriations carried over to 1996	Appropriations lapsing 1995 <sup>1</sup>	Appropriations lapsing 1994
<b>7. Compensation</b>					
Compensation (B0-5)					
<i>Subtotal</i>	0.000	0.000	0.000	0.000	0.000
<b>Grand total</b>	<b>1 372.448</b>	<b>846.431</b>	<b>27.686</b>	<b>498.331</b>	<b>443.030</b>
<b>Breakdown by institution</b>					
Commission, of which:	1 251.639	738.724	27.686	485.229	431.642
— non-differentiated appropriations	301.287	250.951	0.000	50.336	198.815
— differentiated appropriations	950.352	487.773	27.686	434.893	232.827
European Parliament	57.075	49.285	0.000	7.789	8.384
Council	50.183	48.162	0.000	2.021	1.981
Economic and Social Committee	5.005	3.782	0.000	1.223	0.593
Committee of the Regions	1.641	0.416	0.000	1.225	0.000
Joint structure	2.191	1.641	0.000	0.550	0.000
Court of Justice	3.217	3.038	0.000	0.179	0.263
Court of Auditors	1.497	1.382	0.000	0.115	0.167
<b>Grand total</b>	<b>1 372.448</b>	<b>846.431</b>	<b>27.686</b>	<b>498.331</b>	<b>443.030</b>
<sup>1</sup> Disregarding the overrun of ECU 513.78 on non-differentiated appropriations carried over by the Commission from 1994 to 1995 (Article 5 of Commission Regulation No 3418/93 of 9 December 1993).					

TABLE V

Out-turn of budget implementation of the contribution  
by the EFTA countries belonging to the EEA

(million ECU)

<b>I — Revenue</b> (contributions paid)		<b>31.140</b>
<b>II — Expenditure</b> (payments)		<b>25.840</b>
<i>Heading 3 — Internal policies</i>	24.466	
Research (B6)	18.932	
Education, vocational training, youth (B3-1)	3.780	
Audiovisual and culture (B3-2)	0.705	
Other social operations (B3-4)	0.048	
Environment (B4-3)	0.098	
Internal market (B5-3)	0.404	
Industry (B5-4)	0.033	
Information market (B5-5)	0.169	
Statistical information (B5-6)	0.297	
<i>Heading 5 — Administrative expenditure</i>	1.374	
Staff	0.612	
Administration	0.762	
	<b>Balance</b>	<b>5.300</b>

TABLE VI

## Outstanding commitments against differentiated appropriations at 31 December 1995

(million ECU)

Heading	Year in which commitments were made								Total	Likely schedule of payments			
	Before 1989	1989	1990	1991	1992	1993	1994	1995		1996	1997	1998	After 1998
<b>Structural operations (Heading 2)</b>													
EAGGF Guidance (B2-10)		20.074	37.199	34.698	129.204	501.820	407.877	1 923.416	3 054.289	2 283.387	596.197	160.350	14.355
FFFG (B2-11)	3.217	6.208	43.870	24.989	91.527	136.319	104.128	374.290	784.550	450.096	282.438	52.016	
ERDF (B2-12)	848.276	61.904	44.499	190.868	352.771	1 976.406	2 238.615	5 679.297	11 392.636	5 478.718	3 604.630	1 769.276	540.011
ESF (B2-13)	25.964	22.576	11.415	51.267	332.488	1 200.285	927.724	2 371.325	4 943.045	2 725.100	1 406.790	811.154	
Community initiatives (B2-14)		20.080	1.228	114.598	275.239	564.514	120.218	1 621.799	2 717.676	1 156.915	899.823	548.155	112.784
Structural Funds — miscellaneous (B2-18 and B2-19)	34.940	14.171	14.353	30.815	70.691	330.191	81.455	60.646	637.263	260.641	218.071	97.756	60.795
Other structural operations (B2-2)	5.446	0.503	0.693	3.185	66.569	67.560			143.956	81.897	62.059		
Cohesion Fund (B2-3)		0.000				258.465	751.616	1 203.203	2 213.284	958.352	531.631	478.069	245.232
<i>Subtotal</i>	<i>917.842</i>	<i>145.517</i>	<i>153.258</i>	<i>450.420</i>	<i>1 318.491</i>	<i>5 035.561</i>	<i>4 631.634</i>	<i>13 233.977</i>	<i>25 886.699</i>	<i>13 395.106</i>	<i>7 601.640</i>	<i>3 916.777</i>	<i>973.176</i>
<b>Internal policies (Heading 3)</b>													
Research (B6)	2.457	8.966	32.315	95.193	260.879	512.186	956.723	2 174.608	4 043.327	1 957.375	1 395.756	625.907	64.289
Other agricultural operations (B2-5)	0.212	0.269	2.537	5.696	7.584	16.709	110.169	132.624	275.800	90.269	92.448	71.322	21.761
Other regional operations (B2-6)		0.210	0.078	11.340	14.873	4.266	6.488	33.593	70.849	43.891	18.917	5.880	2.162
Transport (B2-7)						0.317	2.539	14.739	17.595	15.364	2.231		
Fisheries and the sea (B2-9)					3.419	4.602	11.837	20.702	40.560	23.294	12.383	4.883	
Education, vocational training, youth (B3-1)					0.111	3.693	12.265	119.485	135.554	135.554			
Culture and audiovisual media (B3-2)						2.630	26.103	81.718	110.452	72.997	34.770	2.684	
Information and communication (B3-3)					0.000	1.154	6.978	45.068	53.201	45.040	8.161		
Other social operations (B3-4)	2.338	0.197	0.542	2.564	1.221	12.198	21.254	91.404	131.717	76.211	54.073	1.432	
Energy (B4-1)	16.318	9.203	0.511	1.027	2.058	6.520	14.265	31.524	81.427	26.390	23.410	16.326	15.300
Euratom nuclear safeguards (B4-2)					1.121	1.101	2.097	13.623	17.942	10.678	6.391	0.874	
Environment (B4-3)	0.746	0.817	1.609	9.841	32.070	34.207	67.934	116.514	263.738	97.609	79.860	43.068	43.200
Consumer protection (B5-1)						0.217	2.557	10.622	13.396	13.396			
Aid for reconstruction (B5-2)									0.000				
Internal market (B5-3)	0.945	2.957	7.357	10.223	11.311	20.020	25.997	87.310	166.121	74.372	58.093	33.656	
Industry (B5-4)	1.268	0.644	2.077	3.127	1.953	7.600	15.893	69.246	101.808	47.829	32.202	19.578	2.199
Information market (B5-5)	0.044		1.023		0.152	0.240	2.643	10.774	14.875	7.540	3.737	1.560	2.038
Statistical information (B5-6)					0.349	0.455	7.530	23.047	31.382	24.242	7.139		

TABLE VI (continued)

## Outstanding commitments against differentiated appropriations at 31 December 1995

(million ECU)

Heading	Year in which commitments were made								Total	Likely schedule of payments			
	Before 1989	1989	1990	1991	1992	1993	1994	1995		1996	1997	1998	After 1998
Trans-European networks (B5-7)	55.695	23.250	25.345	57.114	57.913	88.825	119.676	213.388	641.206	118.495	196.914	181.525	144.271
Cooperation in the fields of justice and home affairs (B5-8)								3.829	3.829	3.829			
<i>Subtotal</i>	<i>80.023</i>	<i>46.513</i>	<i>73.395</i>	<i>196.125</i>	<i>395.014</i>	<i>716.943</i>	<i>1 412.946</i>	<i>3 293.819</i>	<i>6 214.778</i>	<i>2 884.376</i>	<i>2 026.486</i>	<i>1 008.696</i>	<i>295.220</i>
<b>External action (Heading 4)</b>									0.000				
EDF (B7-1)													
Food aid (B7-2)		4.238	17.232	5.870	62.414	95.659	192.091	939.016	1 316.520	616.790	344.797	213.935	140.999
Cooperation — Asian and Latin American countries (B7-3)	251.324	121.035	100.374	168.944	280.686	432.045	403.230	777.316	2 534.954	322.446	323.714	327.009	1 561.785
Cooperation — Mediterranean countries (B7-4)	72.637	37.597	56.896	30.618	121.377	172.064	225.547	428.978	1 145.714	399.969	391.605	274.215	79.925
Other cooperation measures (B7-5)	3.781	3.269	8.407	10.760	61.690	116.721	245.161	506.144	955.933	335.819	275.500	195.297	149.317
Cooperation — Central and Eastern Europe and independent States of the former Soviet Union (B7-6)			8.555	144.632	365.237	742.644	1 043.998	1 565.293	3 870.360	1 106.459	1 074.722	872.263	816.917
Cooperation — other third countries (B7-7)	0.028	0.127	0.292	18.817	3.110	7.309	20.180	39.595	89.458	67.854	21.604		
External aspects of certain Community policies (B7-8)				0.071	0.634	5.432	45.799	42.807	94.742	60.881	27.229	6.632	
Common foreign and security policy (B8-1)								18.334	18.334	17.412	0.922		
<i>Subtotal</i>	<i>327.770</i>	<i>166.266</i>	<i>191.756</i>	<i>379.712</i>	<i>895.149</i>	<i>1 571.873</i>	<i>2 176.007</i>	<i>4 317.483</i>	<i>10 026.016</i>	<i>2 927.630</i>	<i>2 460.092</i>	<i>1 889.351</i>	<i>2 748.943</i>
<b>Administrative expenditure (Heading 5)</b>													
Administration — Part A						0.079	0.002	0.142	0.223	0.223			
<i>Subtotal</i>						<i>0.079</i>	<i>0.002</i>	<i>0.142</i>	<i>0.223</i>	<i>0.223</i>			
<b>Grand Total</b>	<b>1 325.636</b>	<b>358.296</b>	<b>418.409</b>	<b>1 026.257</b>	<b>2 608.654</b>	<b>7 324.456</b>	<b>8 220.588</b>	<b>20 845.421</b>	<b>42 127.716</b>	<b>19 207.335</b>	<b>12 088.218</b>	<b>6 814.824</b>	<b>4 017.340</b>

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1995

### Assets

(ECU)

	1995	1994
<b>I — Fixed assets</b>	<b>13 328 376 712.43</b>	<b>13 615 379 169.72</b>
A — Tangible assets	1 500 654 962.28	1 091 379 172.59
1. Buildings	424 313 951.98	392 198 176.93
2. Advances and payments on account in respect of tangible assets	337 083 892.91	12 076 856.00
3. Equipment and furniture	453 031 073.96	489 683 308.34
4. Vehicle fleet	20 615 481.79	17 587 038.20
5. Computer equipment	265 610 561.64	179 833 793.12
B — Subscriptions and participations	920 801 176.20	915 156 605.20
1. EBRD	300 000 000.00	300 000 000.00
2. ECIP	20 801 176.20	15 156 605.20
3. Eurotech capital	0.00	0.00
4. Venture Consort	0.00	0.00
5. EIF	600 000 000.00	600 000 000.00
C — Loans granted from the budget	756 226 165.33	722 962 032.36
1. Building loans from 76 budget appropriations	139 472.92	174 389.55
2. Cooperation with non-member countries – loans on special terms	445 796 355.53	442 423 059.63
– risk capital operations	49 445 949.78	47 559 756.33
3. Improving housing conditions for migrant workers	271 471.10	313 398.75
4. ECIP	80 464 799.00	54 338 718.90
5. ECIP capitalized interest	5 108 117.00	3 152 709.20
6. Assistance for countries affected by the Gulf crisis	175 000 000.00	175 000 000.00
D — Loans granted from borrowed funds	9 632 342 429.85	10 527 263 134.44
1. Balance of payments support	5 069 496 090.70	5 043 100 644.43
2. Financial assistance for non-member countries	2 640 000 000.00	2 675 000 000.00
3. Food aid for the former Soviet Union	347 265 724.37	809 742 822.05
4. Euratom loans	729 480 896.01	785 767 731.71
5. NCI	846 099 718.77	1 213 651 936.25
E — Community budget guarantees	211 510 253.76	58 163 065.20
F — Guarantee Fund	300 847 830.50	294 191 584.52
G — Other fixed assets	5 993 894.51	6 263 575.41
1. Commission	5 539 237.41	5 837 127.82
2. Other institutions	454 657.10	426 447.59
<b>II — Stocks</b>	<b>100 056 069.68</b>	<b>99 037 185.03</b>
1. Office supplies	26 600 542.99	14 464 926.02
2. Other institutions	73 455 526.69	84 572 259.01

**Assets (continued)**

(ECU)

	1995	1994
<b>III — Current assets</b>	<b>2 235 845 335.31</b>	<b>1 887 768 218.55</b>
A — Amounts owed by Member States	944 961 326.71	931 085 954.73
1. Commission	943 837 161.71	929 067 854.73
2. Parliament	1 124 165.00	2 018 100.00
B — Institutions	1 315 031.58	0.00
C — Expenditure on the Official Journal owed by the institutions	16 100 672.84	8 004 972.96
D — Amounts owed by Community bodies	32 646 001.33	45 586 251.47
1. ECSC	31 054 461.18	44 770 783.06
2. Others	1 591 540.15	815 468.41
E — Sundry debtors	1 137 379 736.66	724 104 661.75
1. Staff	8 707 501.29	12 061 322.01
2. Third parties	13 585 170.34	15 660 737.71
3. Debtors under lending operations	43 004.34	42 683 361.94
4. Revenue to be collected	847 269 436.91	653 699 240.09
5. Entitlements resulting from activities of Guarantee Fund	267 774 623.78	0.00
F — Misc. expenditure not booked	103 442 566.19	178 986 377.64
1. Commission	84 515 253.35	143 810 405.91
2. Other institutions	18 927 312.84	35 175 971.73
<b>IV — Cash accounts</b>	<b>13 528 084 910.70</b>	<b>11 406 167 753.34</b>
A — Deposit accounts	84 942 996.38	78 527 298.58
B — Accounts with treasuries	10 230 326 481.70	9 565 990 442.39
C — Accounts with central banks	2 741 594 848.87	1 023 041 635.02
D — Current accounts	284 424 666.67	617 285 667.35
1. Cash	247 286 537.82	500 510 488.06
2. Borrowing and lending operations	37 138 128.85	116 775 179.29
E — Imprests	114 030 591.43	49 497 604.26
1. Commission	108 076 097.49	43 805 918.41
2. Other institutions	5 954 493.94	5 691 685.85
F — Cash in hand	998 697.30	825 105.74
1. Commission	437 264.52	409 753.03
2. Other institutions	561 432.78	415 352.71
G — Ongoing transfers of funds	71 766 628.35	71 000 000.00
<b>V — Prepayments</b>	<b>700 836 745.28</b>	<b>716 309 360.59</b>
	<b>29 893 199 773.40</b>	<b>27 724 661 687.23</b>

## Liabilities

(ECU)

	1995	1994
<b>I — Fixed capital</b>	<b>22 944 409 238.73</b>	<b>20 479 644 586.24</b>
A — Own capital	2 527 738 373.49	2 030 534 995.18
1. Tangible assets	1 500 654 962.28	1 091 379 172.59
2. Subscriptions and participations	170 801 176.20	117 156 605.20
3. Loans granted from the budget	756 226 165.33	722 962 032.36
4. Stocks	100 056 069.68	99 037 185.03
B — Balance for the year	9 220 491 842.89	6 540 476 460.89
— European Union	9 215 192 382.86	6 538 366 798.97
— EFTA	5 299 460.03	2 109 661.92
C — Surplus of loan proceeds over borrowing costs	69 096 551.35	66 336 541.61
1. Euratom	26 149 982.65	26 244 513.42
2. NCI	42 415 461.56	39 788 955.66
3. Food aid for the former Soviet Union	10 149.92	933.23
4. Financial assistance	518 571.67	300 452.18
5. Balance of payments	2 385.55	1 687.12
D — Provisions	568 622 453.33	294 191 584.52
1. Depreciation of assets	300 847 830.50	294 191 584.52
2. Doubtful debts	267 774 622.83	0.00
E — Loans raised	9 865 629 837.30	10 855 546 388.21
1. Balance of payments support	5 045 096 657.59	5 021 889 515.65
2. Financial assistance for non-member countries	2 640 000 000.00	2 675 000 000.00
3. Euratom	720 073 710.43	779 143 120.46
4. NCI	1 113 193 744.85	1 569 770 930.05
5. Food aid for the former Soviet Union	347 265 724.43	809 742 822.05
F — Payments outstanding on non-called-up capital	690 000 000.00	690 000 000.00
1. EIF	480 000 000.00	480 000 000.00
2. EBRD	210 000 000.00	210 000 000.00
G — Deposits and guarantees received	2 830 180.37	2 558 615.83
1. Commission	2 099 082.48	1 895 002.36
2. Other institutions	731 097.89	663 613.47



**Liabilities (continued)**

(ECU)

	1995	1994
<b>II — Short-term liabilities</b>	<b>4 841 428 242.73</b>	<b>5 434 968 014.07</b>
A — Amounts owed to Member States	711 538.90	697 639.61
B — Amounts owed to the institutions	12 607 609.02	18 155 429.59
C — Amounts owed to Community bodies	10 899 818.24	8 500 129.51
D — Sundry creditors	93 976 950.45	139 796 172.48
1. Third parties	33 929 154.07	31 366 661.35
2. Borrowing and lending operations	47 796.38	429 511.13
3. Acquisition of shares in called-up bodies		
— EBRD	0.00	18 000 000.00
— EIF	60 000 000.00	90 000 000.00
E — Revenue not booked	275 085 466.83	215 811 588.70
1. Revenue from fines	130 816 270.89	105 534 203.89
2. Revenue for re-use	116 395 506.12	76 373 927.89
3. Other	27 873 689.82	33 903 456.92
F — Revenue to be collected	1 739 233 513.66	1 260 940 800.02
1. Commission	1 735 087 959.75	1 260 174 206.81
2. Other institutions	4 145 553.91	766 593.21
G — Appropriations to be carried over	731 062 915.97	1 372 447 820.01
H — Ongoing payments	1 977 850 429.66	2 376 302 141.59
1. Commission	1 975 874 096.92	2 362 719 286.62
2. Other institutions	1 976 332.74	13 582 854.97
I — Budget advances	0.00	42 316 292.56
<b>III — Cash accounts</b>	<b>1 595 207 121.77</b>	<b>1 296 251 709.24</b>
A — Accounts with treasuries	0.00	9 307 972.69
B — Accounts with central banks	179 277 982.69	545 432 414.32
C — Current accounts	1 408 992 402.56	741 511 322.23
1. Cash	1 408 992 402.56	741 496 846.02
2. Borrowing and lending operations	0.00	14 476.21
D — Imprests	6 936 736.52	0.00
<b>IV — Accrued expenses</b>	<b>512 155 170.17</b>	<b>513 797 377.68</b>
	<b>29 893 199 773.40</b>	<b>27 724 661 687.23</b>

## EXPLANATORY NOTES TO THE 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.

A full inventory of the Commission's tangible assets in Brussels and Luxembourg was started in late 1995. On completion of this operation, scheduled for June 1996, the inventories' database will be corrected; these corrections should appear in the 1996 accounts.

The data for the tangible assets of some of the Commission delegations are either unavailable or incomplete.

Four delegations were unable to furnish a full inventory on the date for closure of the accounts. An estimate was therefore made on the basis of the data available in the delegations' inventory system. The totals contained in the system of these four delegations were broken down in accordance with the following scale:

- furniture: 70%
- vehicle fleet: 18%
- computer equipment: 12%
- supplies: 1994 figures

##### 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 1995.

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

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 had been repaid in full for them at the end of 1995, they are still included in the ECSC's balance sheet (except for the Haren building) 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.

##### 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 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).

#### 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 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*

The entry for Eurotech capital covers payments totalling ECU 8.045 million since 1990, in the form of advances repayable in certain circumstances when contracts run out. The Venture consort instrument covers contributions totalling ECU 10.003 million since 1985 for investments in SMEs engaging in innovative 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 60 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 445.8 million) and risk capital operations (ECU 49.4 million) for Mediterranean countries. In addition, loans and advances are granted under the ECIP programme to promote the setting up of investment joint ventures in Asia, Latin America, the Mediterranean region and South Africa. These loans and advances, including capitalized interest, amount to ECU 85.6 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 0.1 million).

#### **D. Loans granted from borrowed funds**

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.

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 performance 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 had not been covered by the Guarantee Fund by the date for

the closure of accounts 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 assets side of the Commission's balance sheet represents the Fund's net assets at 31 December 1995.

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 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 the Publications Office and 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 1995 and converted to 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. Pursuant to the principle of prudence, stocks of heavy water, fissile material and samples for industrial and scientific use are valued every year and are entered in the balance sheet at their commercial value, which is less than the real historic cost.

## III. Current assets

### A. Amounts owed by Member States

This heading covers repayments to be made in respect of EAGGF advances paid to some Member States and amounts due in respect of own resources outstanding and taxes paid by the Community institutions to be recovered from Member States.

### B. Institutions

This heading covers expenditure by Community institutions on behalf of other Community institutions which has not been regularized in the budget at the close of the financial year.

### 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 Publications Office on behalf of the institutions. They then have to make appropriate budgetary adjustments.

### D. Amounts owed by Community bodies

These are amounts owed to the Commission by Community bodies for certain expenditure that is paid by the Commission 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 31.1 million paid by the Commission in December 1995 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. This heading also contains outstanding fines which have been suspended and for which a bank guarantee has been furnished.

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) and amounts owed as a result of Guarantee Fund operations, as detailed below:

<i>Country</i>	<i>Amount</i>	<i>(million ECU)</i>	
		<i>Default interest</i>	<i>Total</i>
Armenia	38.0	0.6	38.6
Former Yugoslavia	34.4	0.8	35.2
Georgia	81.3	1.5	82.8
Tadjikistan	63.2	1.3	64.5
Turkmenistan	45.8	0.8	46.6
<b>Total</b>	<b>262.7</b>	<b>5.0</b>	<b>267.7</b>

#### **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 includes ECU 44.5 million in rents and charges paid by the Commission in December 1995 and chargeable to the 1996 budget.

#### **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) for which the balance sheets and revenue and expenditure accounts are shown later in this volume. It covers accrued interest on loans, investments and swaps, issuing costs and redemption premiums to be paid off, as well as EIB-NCI accruals.

The final out-turn of NCI treasury operations is borne by the EIB.

## 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 1995 budget out-turn was ECU 9 220 491 842.89, which breaks down as follows:

- Balance from the participation of the EFTA countries belonging to the EEA: ECU 5 299 460.03
- Balance relating to the European Union: ECU 9 215 192 382.86

#### C. Surpluses of loan proceeds over borrowing costs

This heading covers out-turns carried over and the out-turn 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. Provisions

A provision has been set up for the depreciation of the net total assets of the Guarantee Fund (see note I.F — assets) in view of the risks inherent in its operations.

A provision for doubtful debts has also been established for the total amount of Guarantee Fund assistance which was not repaid by defaulting debtors at 31 December 1995 (see note III.E.5 — assets).

#### E. Loans raised

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 Publications Office.

### 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. This item also contains deductions and repayments in respect of building loans granted to Community officials.

### 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 debt that is certain, liquid and definitively due 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:

	<i>(million ECU)</i>
<input type="checkbox"/> Automatic carryovers of non-differentiated appropriations	406.1
<input type="checkbox"/> Differentiated appropriations carried over by the budgetary authority	0.8
<input type="checkbox"/> Differentiated appropriations carried over by Commission decision	282.3
<input type="checkbox"/> Differentiated current year appropriations in respect of contributions by third parties	14.2
<input type="checkbox"/> Differentiated appropriations carried over from 1994 in respect of contributions by third parties	27.7
Total	<u>731.1</u>

### H. Ongoing payments

This item covers payments booked to the 1995 budget but only effected by the accounting officer between 1 and 15 January 1996.

### I. Budget advances

This item records advances paid from the general budget for food aid loans to the former Soviet Union. The balance on these advances at 31 December 1995 was zero.

## III. Cash accounts

This heading comprises those accounts showing a debit, in terms of accounting dates, at 31 December 1995.



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The amount shown at III-D (liabilities) corresponds to the financial operations under the imprest accounts of Community delegations and information offices which had not been reconciled with the accounts at headquarters on the date for closure of the accounts.

The balance of these operations comprises the cash resources of the former European Association for Cooperation (EAC) delegations which were taken over by the Commission on 1 January 1988 — ECU 3.4 million at the ecu rates applying on that date — and which were to be included in the Commission's accounts as soon as the transfer agreement was

signed between the EAC and the Commission (in 1996).

#### **IV. Accrued expenses**

This item relates to loans granted from borrowed funds for which the balance sheets and profit and loss accounts are contained later in this volume.

It covers accrued interest on borrowings and swaps, swap operations, provisions and suspense accounts.



**Commitments made (continued)**

(ECU)

7	Leasing and long-term rental commitments		
	Buildings — Parliament		1 076 879 643.00
	Building — Council		6 407 820.00
	Palais building — Court of Justice		2 121 044.00
	Annexe buildings — Court of Justice		241 000 127.00
	Buildings — ESC		33 448 644.43
	Computer equipment — Court of Justice		1 757 098.00
	Computer equipment — ESC		17 023.00
	Vehicle fleet — Court of Justice		260 304.00
	Guarantees to be refunded — JRC		13 195.66
	Working capital — JRC		4 120 976.37
	Currency swaps to be made		769 700 095.60
	Balance of payments support	284 399 433.11	
	Euratom	157 261 385.59	
	NCI	328 039 276.90	
	Exchange rate swaps to be made		2 707 039 591.18
	Balance of payments support	715 000 000.00	
	Euratom	237 039 591.18	
	Financial assistance	1 755 000 000.00	
	Swaps of maturity to be made		6 216 520.57
	Correction of budgetary imbalances		P.M.
	Commitments in respect of pensions		P.M.

## Commitments received

(ECU)

1	Commitments against differentiated appropriations not covered by carryovers of payment appropriations, to be covered by payment appropriations from future years Demolition — sale of Seville Expo 92 pavilion	41 803 556 204.53 300 000.00
6	Leasing and long-term rental commitments — Commission Buildings, external delegations Movable property Vehicle fleet  2.29 ha plot in Luxembourg, 29-year lease — Commission	2 400 000.00 202 605.00 68 564.97  1.00
7	Leasing and long-term rental commitments  Buildings — Parliament Building — Council Palais building — Court of Justice Annexe buildings — Court of Justice Buildings — ESC  Computer equipment — Court of Justice Computer equipment — ESC  Vehicle fleet — Court of Justice  Guarantees to be refunded — JRC  Working capital — JRC  Currency swaps to be received Balance of payments support Euratom NCI  Exchange rate swaps to be received Balance of payments support Euratom Financial assistance Revenue assessments 108 items 177 items	1 076 879 643.00 6 407 820.00 2 121 044.00 241 000 127.00 33 448 664.43  1 757 098.00 17 023.00  260 304.00  13 195.66  4 120 976.37  674 468 847.02 260 000 000.00 145 000 000.00 269 468 847.02  2 707 039 591.18 715 000 000.00 237 039 591.18 1 755 000 000.00  34 914 672.80 P.M.
8	Commitments received (bank guarantees) in respect of fines, cases still pending at 31.12.1995	426 802 417.00
9	Entitlements relating to the clearance of the EAGGF Guarantee accounts (Decisions 94/871/EEC, 94/1076/EEC, 94/1077/EEC, 95/369/EEC) Greece Spain Italy	758 098 655.51 4 921 035.61 278 336 284.91 474 841 334.99
10	Potential entitlements relating to cases of fraud and irregularities established in the field of traditional own resources	809 310 269.00
11	Potential entitlements relating to cases of fraud and irregularities established in the EAGGF Guarantee sector	1 298 622 778.00
12	Potential entitlements relating to cases of fraud and irregularities established in the field of structural operations	25 471 467.00
13	Net potential gain from the disposal of agricultural stocks foreseeable sales value at 30.9.1995: 679.718.000.00 book value of stocks: -568.720.284.00  Correction of budgetary imbalances Commitments in respect of pensions	110 997 716.00  P.M. P.M.

**EXPLANATORY NOTES  
TO THE OFF-BALANCE SHEET COMMITMENTS —  
POTENTIAL LIABILITIES AND CLAIMS**

1. Commitments against differentiated appropriations still outstanding at 31 December 1995 totalled ECU 42 127 716 136.95, of which ECU 324 159 932.42 is covered by carryovers of payment appropriations.

2. As formulated, the guarantee legally covers the loans signed by the EIB at 31 December 1995. However, it should be noted that these loans have not been fully paid out. At 31 December 1995 the amount paid out totalled ECU 3 248 344 993.89 and this, therefore, is the amount of the risk incurred by the Communities. The following tables shows the annual forecasts of amounts outstanding on these EIB loans guaranteed under the general budget (with the exception of those for third countries which have joined the Community) on the basis of the amounts paid out at 31 December 1995.

<i>Amount outstanding at 31 December</i>	<i>million ECU</i>
1995	2 864
1996	2 700
1997	2 503
1998	2 267
1999	2 006
2000	1 748
2001	1 501
2002	1 261
2003	1 042
2004	841
2005	656
2006	484
2007	348
2008	227
2009	150
2010	94
2011	50
2012	21
2013	8

3. The determination of the final amount of the liability and the year in which it will be

charged to the budget will depend on the length of the procedure before the Court of Justice.

4. These liabilities will be settled when the decision is taken on the clearance of the accounts.

5. The Brussels-capital region has introduced a tax on office workers. The Commission has asked the regional authorities about its exemption under the Protocol on privileges and immunities. The initial reply given was favourable.

However, the local authorities took the question to court, where the judge confirmed that the Commission qualified for exemption under the protocol.

An appeal is due to be heard in November 1996. If the verdict goes against the Commission, this would cost about ECU 2 million a year. The total for 1992-95 would be ECU 6 957 619.00 and the amount for 1996 would come to ECU 1 752 038.00.

6. As these amounts come from outside the accounts, the figures shown for this item are not exhaustive. Also, they do not include all the charges to be paid before the contracts expire.

7. As these amounts come from outside the accounts, the figures shown for this item are not exhaustive.

Parliament buildings in Brussels and Strasbourg are covered by long-term contracts with a purchase option.

The amount shown for the Council building corresponds to the amount still outstanding on the overall purchase price.

The amount shown for the Court of Justice's Palais building corresponds to the annual charge. The amount shown for the Court of

Justice's Annexe buildings is the outstanding charge.

The ESC's buildings are covered by operational leasing contracts.

8. The following table, classified by year of Commission decision, shows all the cases involving fines for infringement of the rules of competition which were still pending at 31

December 1995. It does not show cases completely settled by that date.

In view of the complicated nature of these cases, the number of companies involved and the possible options, this table cannot reflect historical developments over a number of years. It therefore merely gives the current situation for each case pending in relation to the Commission's initial decision.

(ECU)

Year of decision	Number of companies involved	Total fines initially imposed	Appeals pending against Commission decision		No appeal (i.e. definitive payment)
			Without payment (with bank guarantee)	With payment (provisionally)	
1986	15 7	57 850 000 <i>45 500 000</i>	56 850 000 <i>45 500 000</i>		1 000 000
1987	2 2	410 000 <i>410 000</i>	400 000 <i>400 000</i>	10 000 <i>10 000</i>	
1989	14 2	9 501 000 <i>3 320 000</i>	8 664 000 <i>3 320 000</i>		837 000
1990	3 2	48 000 000 <i>47 000 000</i>	47 000 000		1 000 000
1991	1 <i>1</i>	75 000 000 <i>75 000 000</i>	75 000 000	75 000 000 <i>+ int. 26 276 712</i>	
1992	50 38	48 906 200 <i>33 778 300</i>	14 272 500 <i>13 112 006</i>	17 795 845 <i>18 152 994</i>	15 124 500
1994	92 87	410 736 000 <i>408 694 000</i>	372 759 411 <i>372 759 411</i>	28 978 589 <i>28 978 589</i>	2 412 000
1995	4 4	14 510 000 <i>14 510 000</i>	2 700 000 <i>2 700 000</i>	10 000 <i>10 000</i>	
Totals Decisions notified	181 <i>143</i>	653 924 200 <i>616 853 300</i>	566 656 911 <i>426 802 417</i>	46 794 434 <i>122 151 583</i>	20 373 500

N.B.: Fines still pending are shown in italics.

9. The amounts are due in three equal instalments at the end of the EAGGF financial years 1996, 1997 and 1998.

10. The amounts relating to cases of fraud and irregularities discovered in the field of traditional own resources are those reported by the Member States at the end of the first half of 1995. The Member States had not supplied the figures for the second half of 1995 when the 1995 revenue and expenditure account was drawn up.

<i>(million ECU)</i>	
<i>Member State</i>	<i>Total</i>
Belgium	116.94
Denmark	7.17
Germany	277.23
Greece	5.03
Spain	13.72
France	129.70
Ireland	5.41
Italy	124.03
Luxembourg	0.08
Netherlands	26.41
Austria	0.23
Portugal	4.50
Finland	0.00
Sweden	0.17
United Kingdom	98.69
<b>Total</b>	<b>809.31</b>

11. The amounts recovered by the Member States as a result of irregularities reported to the Commission in accordance with Article 3 of Regulations (EEC) No 283/72 and No 595/91 are shown in the table below.

<i>(million ECU)</i>	
<i>Member State</i>	<i>Total</i>
Belgium	20.27
Denmark	20.88
Germany	148.48
Greece	35.66
Spain	96.11
France	48.73
Ireland	8.48
Italy	839.43
Luxembourg	0.00
Netherlands	29.66
Austria	0.38
Portugal	20.96
Finland	0.00
Sweden	0.06
United Kingdom	29.53
<b>Total</b>	<b>1 298.62</b>

The figures cover all the cases in the EAGGF Guarantee Section, except those dating from the final quarter of 1995 in the case of Greece which had not yet reported these amounts when the 1995 revenue and expenditure account was drawn up.

Under Article 8 of Regulation (EEC) No 729/70, the sums recovered by the Member States are paid to the paying agencies or departments and deducted by them from the expenditure financed by the EAGGF.

The arrangements for acting against irregularities and recovering the sums lost require the Member States to inform the Commission of the state of the administrative and judicial procedures (Article 5 of Regulation (EEC) No 283/72 and Regulation (EEC) No 595/91).

The amounts recovered may not be deducted from EAGGF expenditure until the judicial

procedures have been completed. In view of the uncertain duration of these procedures, it is not possible to fix a schedule for recovery. These amounts are therefore subject to constant change.

12. The amounts relating to cases of fraud and irregularities discovered in the field of structural operations are those reported by the Member States at the end of the third quarter of 1995. The Member States had not supplied the figures for the fourth quarter of 1995 when the 1995 revenue and expenditure account was drawn up.

*(million ECU)*

<i>Member State</i>	<i>Total</i>
Belgium	0.00
Denmark	0.04
Germany	0.22
Greece	4.04
Spain	10.39
France	0.95
Ireland	0.02
Italy	5.67
Luxembourg	0.00
Netherlands	0.45
Austria	0.00
Portugal	1.75
Finland	0.00
Sweden	0.00
United Kingdom	1.94
<b>Total</b>	<b>25.47</b>

3. At 30 September 1995, with potential liabilities of ECU 0.9 million and potential gains of ECU 111.9 million, there was a net potential gain of ECU 111 million for the disposal of agricultural stocks.

These differences result from a number of factors:

- More than three quarters of the total potential gain is accounted for by common wheat for breadmaking and by durum wheat. This is due to the distinct recovery in world prices for these products after the reform of the CAP led to an increase in foreseeable sales value. The price of common wheat for breadmaking thus rose from ECU 77/t to ECU 125/t.
- The other sector for which a considerable gain is expected is olive oil. This is due to the fact that the depreciation at the end of 1993 for Italy (which accounts for half the Community's stocks of this product) proved to be too high and cut the book value of all the stocks to a level far below the foreseeable sales value at the end of 1994. This excessive depreciation resulted from an over-evaluation of the book value of the stocks declared by Italy before the depreciation at the end of 1993. It is still continuing to produce a relatively substantial potential gain in 1995.



Volume, book value and expected sales value of stocks and potential losses/gains  
at 30 September 1995

(ECU)

Products	Quantity (tonnes)	Book value (budget ECU) (a)	Expected sales value (budget ECU) (c)	Potential gains / losses (budget ECU) (d)
Common wheat for breadmaking	1 929.618	178 401.711	225 970.000	47 568.289
Common wheat not breadmaking	16.972	1 032.988	1 370.000	337.012
Barley	2 867.259	225 141.270	231 560.000	6 418.730
Rye	1 008.633	65 007.519	64 150.000	-857.519
Durum wheat	345.320	16 814.987	43 230.000	26 415.013
Maize	8.904	541.963	760.000	218.037
Sorghum	0	0	0	0
<i>Cereals – total</i>	<i>6 176.706</i>	<i>486 940.438</i>	<i>567 040.000</i>	<i>80 099.562</i>
Rice	416	0	120.000	120.000
Olive oil	34.901	21 169.449	45 980.000	24 810.551
Manufactured tobacco	19	1.900	10.000	8.100
Baled tobacco	13.199	3 775.327	4 100.000	324.673
<i>Tobacco – total</i>	<i>13.218</i>	<i>3 777.227</i>	<i>4 110.000</i>	<i>332.773</i>
Public alcohol (b)	1 650.655	7 425.231	8 210.000	784.769
Mixed alcohol	1 246.595	4 515.783	6 200.000	1 684.217
<i>Alcohol – total</i>	<i>2 897.250</i>	<i>11 941.014</i>	<i>14 410.000</i>	<i>2 468.986</i>
Butter	19.211	16 904.539	18 330.000	1 425.461
Skimmed milk powder	17.781	13 874.097	14 148.000	273.903
<i>Milk products – total</i>	<i>36.992</i>	<i>30 778.636</i>	<i>32 478.000</i>	<i>1 699.364</i>
Bone-in-beef	2.236	1 202.481	1 330.000	127.519
Boned (boneless) beef	16.652	12 911.039	14 250.000	1 338.961
<i>Beef – total</i>	<i>18.888</i>	<i>14 113.520</i>	<i>15 580.000</i>	<i>1 466.480</i>
<b>Grand total</b>		<b>568 720.284</b>	<b>679 718.000</b>	<b>110 997.716</b>
(a) At rates on 30 September 1995.				
(b) Hectolitres of alcohol.				
(c) Source: working paper on the calculation of the end-1995 depreciation.				
(d) + = gain; - = loss.				

The value of new stocks is written down from the date on which they are formed. The 1996 budget contains ECU 726 million for the depreciation of these stocks (Subsection B1), broken down as follows:

Cereals	154
Rice	1
Olive oil	pm
Alcohol	165
Tobacco	10
Skimmed milk powder	49
Butter	65
Beef/veal	282
<b>Total</b>	<b>726</b>