

European Communities

Financial report

**1988**

## FOREWORD

The first financial report of the Communities was warmly welcomed. It is now my pleasure to publish this, the report for 1988.

The year 1988 was the first for which the principles of budgetary discipline defined at the Copenhagen and Brussels Summits were applied. In June the Financial Regulation was modified to reinforce the idea of annuality in the budget by, among other things, setting stricter controls on carrying forward appropriations and enforcing the cancellation of unused appropriations. Tighter controls on agricultural spending and the strengthening of the early-warning system together with the introduction of management measures and 'stabilizers' all contributed to the better results in this sector. The year 1988 also saw the introduction of the new system of revenue designed to bring the budget into balance. While the new revenue arrangements were being finalized the additional funding was provided by an intergovernmental agreement, a part of which was not paid over until 1989 and is therefore not reflected in the results of the year 1988.

The year began in fact without a budget and a provisional-twelfths regime was used until June when the budget for the year was finally approved. It was necessary almost immediately to pass a rectifying and supplementary budget which in July made available about ECU 43 820 million. The result for the year was a surplus of ECU 1 140 million.

One of the important factors of this result is the treatment of the expenditure of the EAGGF. A regulation of 7 September 1988 allows half of the expenditure for October to be counted with that of November and its subsequent counting as part of the 1989 expenses (normally the 12 months

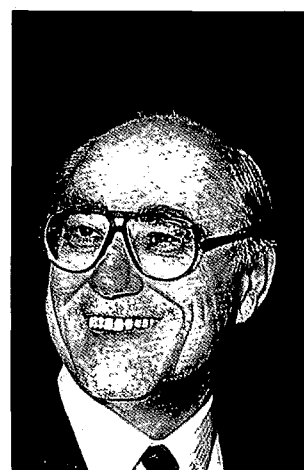
November to October are taken into account in any given year). Thus in 1988, the first year of application of this measure, only the expenditure for 1 November 1987 to 15 October 1988 is taken into account (11.5 months).

In addition we have taken further measures to clarify the presentation of real future financial liabilities and propose therefore to include under this heading only those items which can be said to constitute potential obligations to third parties. A typical example lies in the Financial Protocols agreed with Mediterranean countries for a fixed sum.

More details on all these points can, of course, be found in this report. It only remains for me to hope that the present volume will enable the user to grasp the main elements of the out-turn for the 1988 financial year.

**P. Schmidhuber**

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# CONTENTS

|   | <i>Page</i> |
|---|-------------|
| The financing of the European Communities                         | 6           |
| The institutions  | 10          |
| Revenue   | 14          |
| Treasury report   | 18          |
| Expenditure   | 20          |
| Agriculture and fisheries   | 20          |
| Regional and transport policy                                     | 23          |
| Social policy   | 24          |
| Research, energy and industry                                     | 25          |
| Cooperation with non-member countries                             | 26          |
| Liabilities to be settled in future years                         | 29          |
| The consolidated accounts of the Communities                      | 37          |
| Accounting policies   | 37          |
| Consolidated revenue and expenditure account                      | 40          |
| Consolidated balance sheet  | 41          |
| Notes to the consolidated accounts                                | 42          |
| Notes to the consolidated balance sheet                           | 48          |
| Consolidated revenue and expenditure account<br>five-year summary | 57          |
| Appropriations for 1988   | 58          |

# THE FINANCING OF THE EUROPEAN COMMUNITIES

## Introduction

The budget and accounts of the European Communities have a unique character derived from a mingling of the legislative and financial traditions of the different Member States. The revenue and expenditure accounts and balance sheet should therefore be placed in their proper perspective and the concepts and procedures that lie behind them fully explained.

It is important to remember that the Community budget represents no more than 3% of the combined budgets of the individual Member States or about 1% of their total GNP. Two-thirds of the Community budget is absorbed by agriculture, which means that the remainder must be sharply focused on key areas of Community policy.

## The ecu

The Communities' currency unit is the ecu, which is made up of a 'basket' of 10 Community currencies, the weighting of each currency reflecting its economic and financial strength (Figure 1). The value of the ecu is calculated daily on the basis of representative market rates for each country provided by the Central Bank of the Member State concerned.

Some important sections of the budget, including research and energy policy, are now implemented in ecus and the Communities also issue calls for tenders in ecus for the provision of services to the institutions. The financial sector, attracted by the ecu's stability in relation to most national currencies, is now a frequent user, for example for issues of bonds.

## Budgetary procedure

No Community institution can make financial commitments or payments except through a budget duly adopted by the budgetary authority. The two arms of the

FIGURE 1  
THE COMPOSITION OF THE ECU

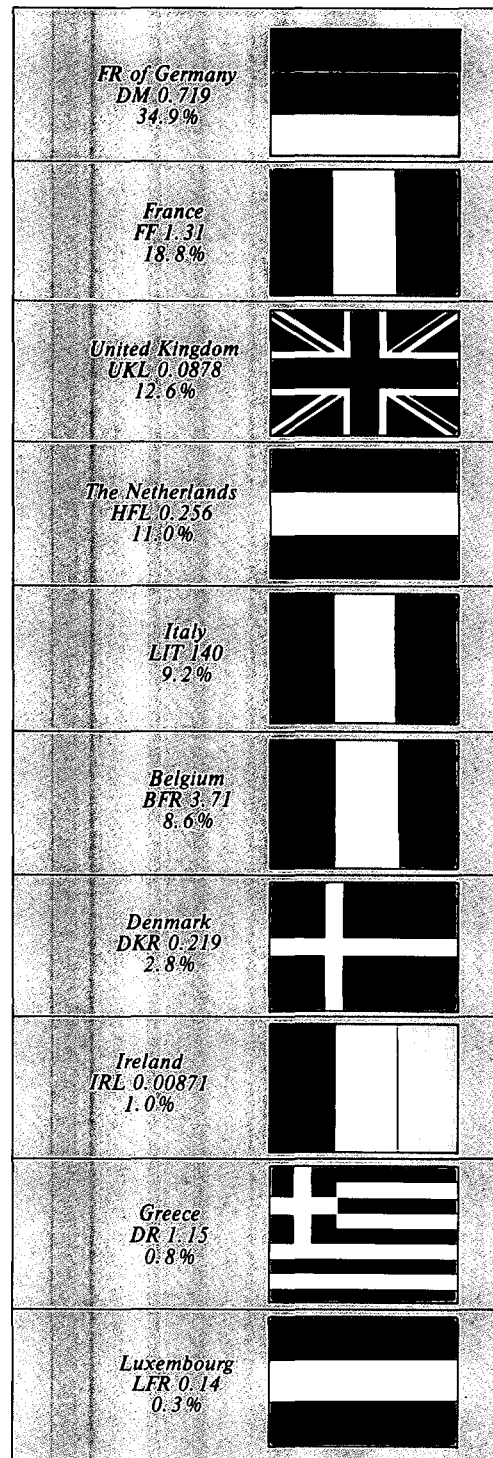


TABLE 1

## Implementation of the budget

(ECU million)

|   | Differentiated appropriations<br>(multiannual operations) |          | Non-differentiated<br>appropriations<br>(administration and annual<br>operations) |          | Total       |          |
|---|---|----------|---|----------|-------------|----------|
|   | Commitments   | Payments | Commitments   | Payments | Commitments | Payments |
| Available appropriations  |   |          |   |          |             |          |
| Budget 1988   | 10 472.2  | 8 942.0  | 34 902.9  | 34 902.9 | 45 375.1    | 43 844.9 |
| Carried over from 1987  | 418.5   | 817.4    | 16.7  | 543.1    | 435.2       | 1 360.5  |
| Available after the<br>cancellation of commitments<br>prior to 1988                         | 294.1   |          |   |          | 294.1       |          |
| Total available   | 11 184.8  | 9 759.4  | 34 919.6  | 35 446.0 | 46 104.4    | 45 205.4 |
| of which:   |   |          |   |          |             |          |
| used in 1988  | 11 034.2  | 8 886.1  | 32 324.1  | 32 392.8 | 43 358.3    | 41 278.9 |
| lapsed  | 125.4   | 819.9    | 2 209.3   | 2 285.6  | 2 334.7     | 3 105.5  |
| carried over to 1989  | 25.2  | 53.4     | 386.2   | 767.6    | 411.4       | 1 821.0  |
| % used  | 99%   | 91%      | 93%   | 91%      | 94%         | 91%      |
| Commitments outstanding at 1.1.1988   | 14 230.8  |          | 526.4   |          | 14 757.2    |          |
| of which:   |   |          |   |          |             |          |
| cancelled   | (1 403.4)   |          | (76.3)  |          | (1 479.7)   |          |
| — between 1.1.1988 and 17.7.1988<br>corresponding appropriations<br>available automatically | ( 294.1)  |          |   |          |             |          |
| other   | ( 43.0)   |          |   |          |             |          |
| — after 17.7.1988<br>corresponding appropriations<br>made available again in 1989           | ( 400.0)  |          |   |          |             |          |
| other   | ( 666.3)  |          |   |          |             |          |
| paid  | (4 538.5)   |          | (450.1)   |          | (4 988.6)   |          |
| Outstanding at 31.12.1988   | 8 288.9   |          | —   |          | 8 288.9     |          |
| Commitments made in 1988  | 11 034.2  |          | 32 324.1  |          | 43 358.3    |          |
| Payments against commitments  | (4 347.6)   |          | (31 942.6)  |          | (36 290.2)  |          |
| Outstanding at 31.12.1988   | 6 686.6   |          | 381.5   |          | 7 068.1     |          |
| Total commitments outstanding<br>at 31.12.1988  | 14 975.5  |          | 381.5   |          | 15 357.0    |          |

NB: See footnotes at the end of this chapter.

budgetary authority, as they are called, are the Council of Ministers and the Parliament.

The Council has particular responsibility for 'compulsory expenditure', i.e. expenditure resulting directly from the provisions of the Treaty or from secondary legislation, whereas Parliament has primary responsibility for 'non-compulsory expenditure' which covers most expenditure other than on agriculture and certain protocols with Mediterranean countries.

The Commission starts the procedure by drawing up a preliminary draft budget using estimates of expenditure provided by its own departments, the other institutions and its own calculations of revenue. This preliminary draft is sent to the Council which may endorse or amend the preliminary draft before passing it, on majority vote, to Parliament as a draft budget (Figure 2, p. 9), an act which constitutes its formal adoption.

Parliament too may endorse or amend the draft budget, but if amendments are made, they must be returned to the Council for endorsement. When the Council and Parliament are in agreement, the President of Parliament signs the budget.

#### **Implementing the budget**

Responsibility for the implementation of the budget rests with the Commission which has two main objectives: first, to deploy the resources voted by the budgetary authority in order to implement the Communities' financial programmes and, second, to control any significant imbalance that may develop between expenditure and available revenue. At times of financial stringency, a conflict can arise between these two objectives.

The Community budget is based on the principle of annuality, which requires that all payments made in any financial year must be entered in and charged to the budget of that year. The budget is also based on a distinction between commitment appropriations and

payment appropriations. Commitment appropriations are intended to cover the full amount of financial obligations to be entered into by the Community during the year. Payment appropriations authorize the payments to be made on existing and new commitments during the same period.

In addition, the appropriations voted may be differentiated or non-differentiated.

Differentiated appropriations, which are used for multiannual operations such as the European Regional Development Fund, research and certain development aid programmes, provide separate allocations for commitments and payments according to the requirements of any particular year. The payment appropriations must, of course, cover the servicing of existing commitments as well as the payments against new commitments.

Non-differentiated appropriations are used for administrative expenditure in all institutions, for the agricultural guarantee sector and for certain other annual operations. The commitments must be entered into within the financial year and the corresponding payments, which are tied to individual commitments, must be completed during the following year.

Carryovers of appropriations to the following year are permitted within certain limits which the European Council decided in 1988 to restrict even further in the interests of tighter budgetary discipline.

Table 1 shows the use of the available commitment and payment appropriations during the year. Appropriations available include those carried over from 1987 as well as those voted in the 1988 budget. The table also shows the payment appropriations for the year used to service commitments remaining from previous years.

**Note concerning differentiated appropriations**

The amendments to the Financial Regulation which took effect on 18 July 1988 provide that when commitments outstanding from previous financial years are cancelled the corresponding appropriations do not automatically become available in the current financial year but they may be made available again in the following financial year by special decision.

Of the ECU 14 230.8 million in commitments outstanding on 1 January 1988, ECU 1 403.4 million was cancelled:

ECU 337.1 million before 17 July 1988, of which ECU 294.1 million became automatically available for 1988

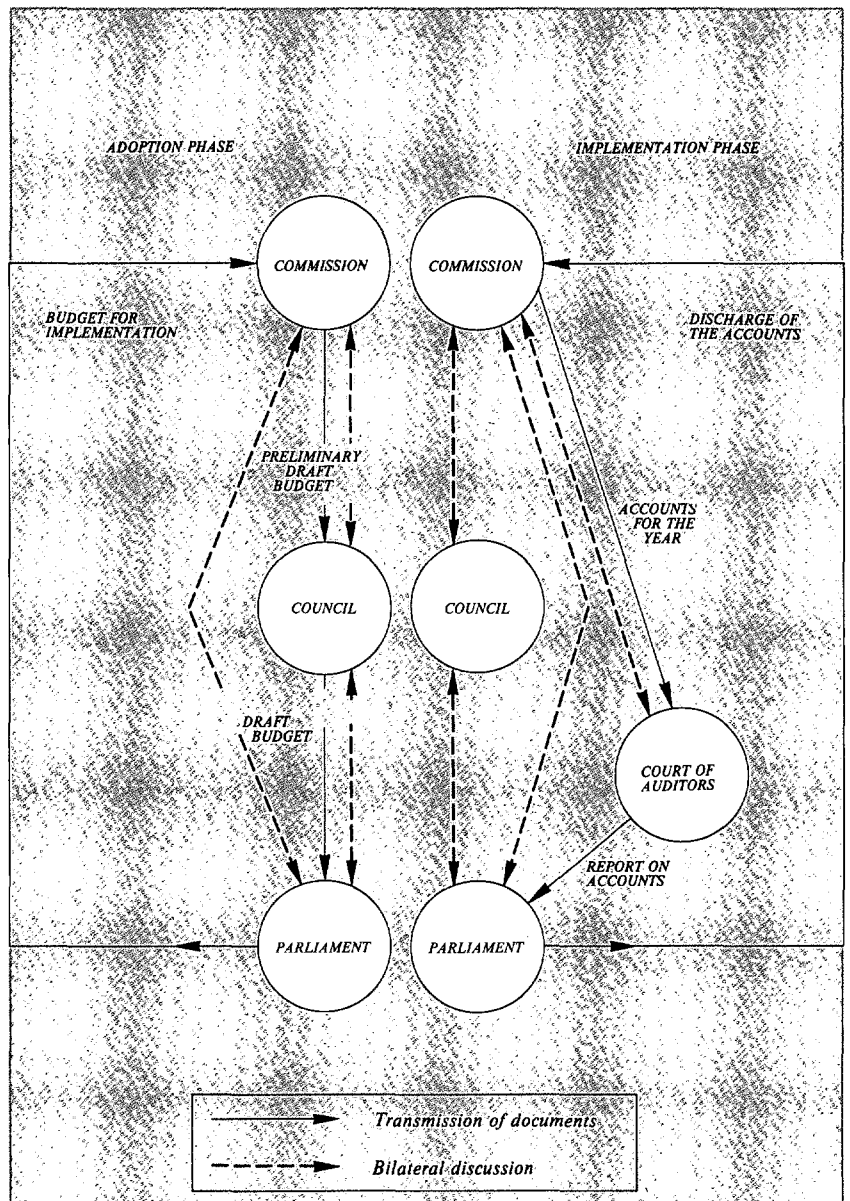
ECU 1 066.3 million after 17 July 1988, of which ECU 400.0 led to appropriations being made available again for 1989

Commitment appropriations totalling ECU 425.2 million were carried over to 1989.

**Note concerning appropriations carried over from 1987**

Table 1 includes ECU 16.7 million in non-automatic carryovers of appropriations for commitments and ECU 1 360.5 million in carryovers of appropriations for payments (including ECU 16.7 million non-automatic) which do not appear in the table on page 58.

**FIGURE 2:  
THE BUDGETARY PROCEDURE**





# THE INSTITUTIONS

The institutions consolidated within this financial report are:

Parliament,  
 Council of Ministers (and the Economic and Social Committee),  
 Commission (and the Publications Office),  
 Court of Justice,  
 Court of Auditors,

each of which is responsible for its own personnel and administrative expenditure.

Of the five, the Commission accounts for the bulk of the Community budget, as it also manages the various expenditure programmes approved by the budgetary authority.

The personnel costs and administrative expenditure of each of the institutions are set out in Table 2 in summary form.

## Parliament

Members of Parliament are directly elected every five years by the people of each Member State. There are 518 members in all, representing:

|                 |   |
|-----------------|---|
| FR of Germany   | 81  |
| France          | 81  |
| Italy           | 81  |
| United Kingdom  | 81  |
| Spain           | 60  |
| The Netherlands | 25  |
| Belgium         | 24  |
| Greece          | 24  |
| Portugal        | 24  |
| Denmark         | 16  |
| Ireland         | 15  |
| Luxembourg      | 6   |
|                 | <hr style="width: 100px; margin-left: 0;"/> |
|                 | 518   |

The members sit in political groups rather than by Member State. They are supported by a secretariat of some 2 900 officials and form 18 parliamentary committees.

Parliament has a major role to play in connection with the budget. Together with the Council, it is one of the two arms of the budgetary authority and shares in the procedure for the adoption of the budget. At first reading, it can amend or modify the Council's draft budget. At second reading, it has the last say on non-compulsory expenditure which it has amended at first reading and has the power to adopt the budget or to reject it completely.

Parliament also monitors the implementation of the budget closely and, after consulting the Council, gives or withholds the discharge to the Commission on the basis of the annual report from the Court of Auditors.

The Financial Regulation and other legislation governing the preparation and implementation of the budget are also adopted or amended in consultation with Parliament, as is the implementing legislation for each of the main spending programmes.

## The Council of Ministers

The Council of Ministers normally sits in Brussels except in April, June and October when it meets in Luxembourg. It consists of the appropriate ministers representing each Member State and exercises the powers provided for in the Treaty of Rome (in particular in the legislative and budgetary sectors). Each Member State in turn carries out the role of president for six months.

The Foreign Ministers of the Member States sit in the General Affairs Council. The Councils may consist of other ministers when they deal with more specific subjects.

The Council meets regularly to consider proposals made by the Commission, which the ministers adopt by a unanimous vote or by a qualified majority, depending on the Treaty article concerned. Germany, France, Italy and the United Kingdom each have 10 votes; Spain has eight; Belgium, Greece, the

Netherlands and Portugal have five; Denmark and Ireland have three and Luxembourg two.

The Council is supported by the Permanent Representatives Committee (Coreper), which coordinates the preparatory work behind Community decisions, by meetings of senior officials from the Member States, and by a secretariat of some 2 000 officials.

Since 1975 a European Council, bringing together Heads of State or Government and representatives of the Council and the Commission, has met two or three times a year to provide an important impetus and direction to Community affairs. It was the European Council, in meetings at Copenhagen and Brussels, that took the decision in principle to create a new financial resource based on the gross national products of the Member States. This measure, designed to put a stop to the recurrent budgetary crises of recent years, will be implemented in full in the budget of 1989.

The Economic and Social Committee advises the Council on proposals put forward by the Commission. It has 189 members representing employers, trade unions, consumers, farmers and other special interest groups.

#### **Commission**

The Commission includes at least one representative of each Member State and two from Germany, France, Spain, Italy and the United Kingdom. Members are appointed by the governments of Member States for a four-year term. They are required to act in the interests of the Communities, taking no instruction from individual governments, but being ultimately responsible to Parliament. Although individual Members concentrate on particular policies within the Commission, decisions are taken collectively.

The 12 000 staff of the Commission are based mainly in Brussels and Luxembourg, with

offices in Member States and delegations in most non-Community countries. They are divided into some 30 Directorates-General and departments, with about a quarter of all staff engaged in language work. In addition, there are approximately 3 000 staff based in a number of research establishments, whose costs are borne by the research budget.

#### **Court of Justice**

The Court of Justice of the European Communities, based in Luxembourg, has 13 judges and six Advocates-General, each appointed for a six-year term.

The Court may be appealed to when there is a dispute between institutions or the legality of the budgetary procedure is challenged. In such cases Community law is clarified by the Court, as in 1986.

#### **Court of Auditors**

The Court of Auditors consists of 12 Members appointed by the Council after consulting Parliament. The role of the Court is to verify the legality and regularity of the Communities' revenue and expenditure, and ensure sound financial management.

The findings of the Court's audits are contained in annual reports on the implementation of the budget or in special reports on the management of a specific sector of Community activity. The institutions audited express their views on the Court's findings in the replies attached to these reports.

Parliament and the Council examine the Court's reports during the annual discharge procedure or as part of their responsibility for monitoring implementation of the budget. The Commission, as the institution responsible for implementing the budget, must take account of the comments of the Court and the discharge authority.

The Court also has consultative powers on any proposal for Community legislation of a financial, budgetary or accounting nature.

**European Investment Bank**

The Bank is not covered by the Community budget, although Community taxes applied to the salaries of its directors and officials are included in the budget.

TABLE 2

## Expenditure on staff and administration of the institutions in 1988

(ECU million)

|   | Staff   | Administration | Revenue | Total   |
|---|---------|----------------|---------|---------|
| Parliament  | 249.9   | 120.0          | (29.0)  | 340.9   |
| Council (including<br>Economic and Social<br>Committee) | 124.8   | 78.8           | (23.0)  | 180.6   |
| Commission  | 896.0   | 397.2          |         | 1 293.2 |
| Court of Justice  | 38.5    | 8.0            | (6.4)   | 40.1    |
| Court of Auditors                                       | 23.0    | 2.7            | (3.8)   | 21.9    |
| Total   | 1 332.2 | 606.7          | (62.2)  | 1 876.7 |

# REVENUE

## Sources of finance

The Community budget was financed from a number of sources in 1988, in the proportions displayed in Figure 3:

- (i) the traditional own resources established by the Member States:
  - (a) customs duties,
  - (b) agricultural and sugar levies;
- (ii) own resources accruing from VAT;
- (iii) financial contributions from Member States in place of VAT;
- (iv) a percentage of Member States' gross national product (GNP);
- (v) miscellaneous revenue, including tax and other deductions from staff remuneration, bank interest, contributions to research

programmes, repayments of unused Community aid and other adjustments.

## Traditional own resources

The Communities receive customs duties in respect of trade with non-member countries, based on the Common Customs Tariff. These rates are subject to regular reductions as a result of negotiation rounds under the General Agreement on Tariffs and Trade (GATT). Although there has been some growth in the annual revenue from customs duties in absolute terms due to the growth in world trade, it has not usually been sufficient to make a significant contribution to meeting the growing budget. In percentage terms, therefore, customs duties are a declining proportion of Community revenue. In 1988, however, a sharp rise was recorded as a result

FIGURE 3: REVENUE OF THE COMMUNITIES IN 1988

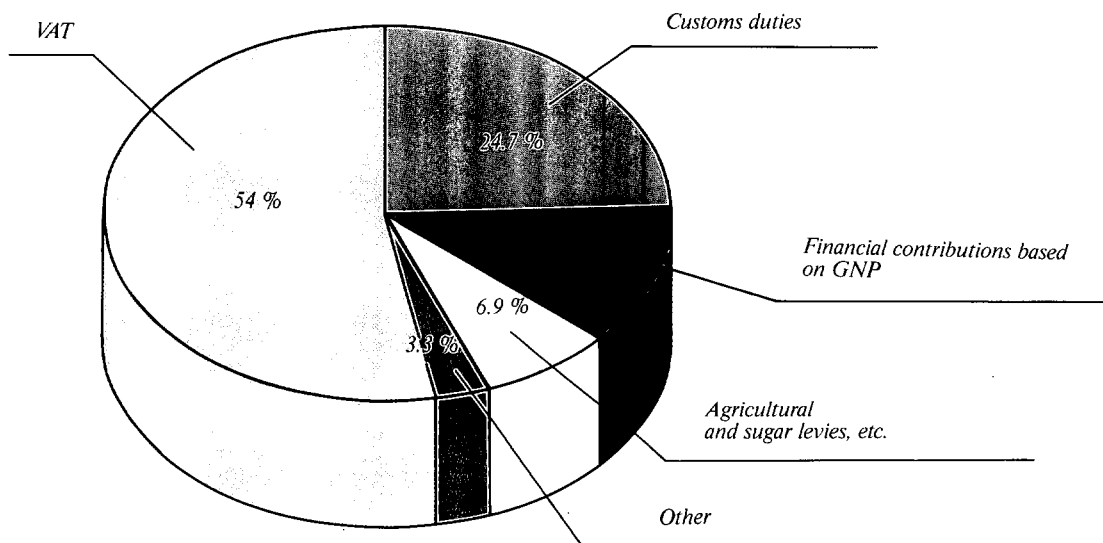
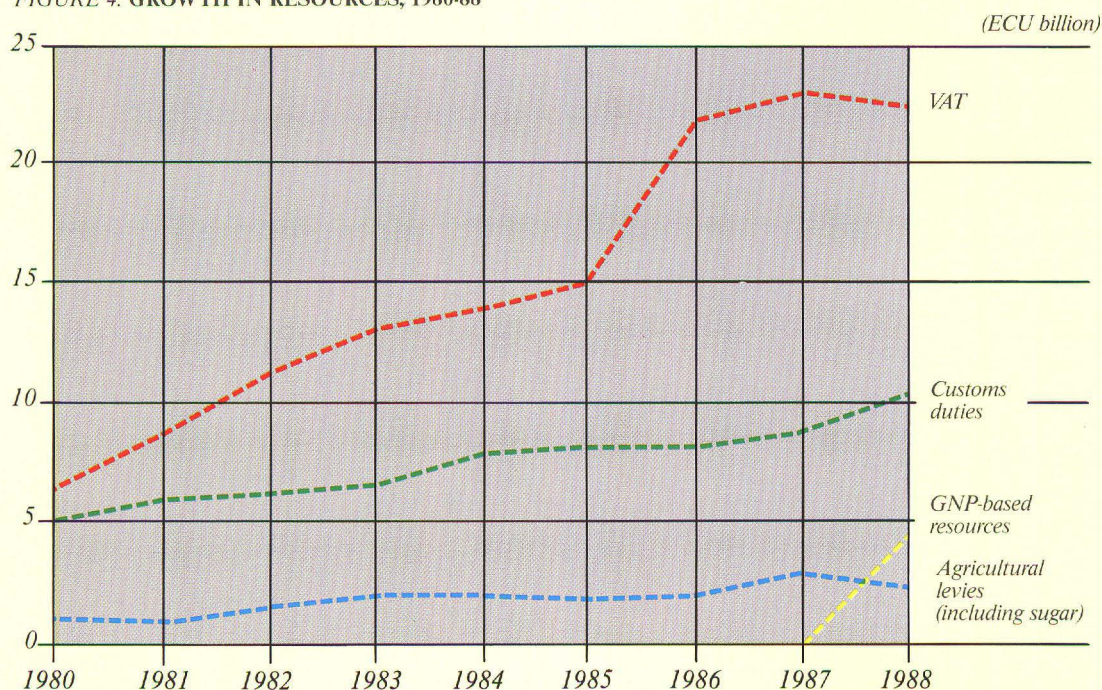


FIGURE 4: GROWTH IN RESOURCES, 1980-88



of vigorous international economic activity and a firmer US dollar exchange rate.

Agricultural levies are charged when a Member State imports agricultural products from a non-member country. The intention is to offset differences between world prices and the Community price level. As the Member States have become increasingly self-sufficient in agricultural products, the total of agricultural levies has declined in real terms. This trend was confirmed in 1988.

Sugar and isoglucose producers pay levies on production to cover market support arrangements and to finance a system of equalization of sugar storage costs introduced to ensure that the marketing of sugar occurs regularly throughout the year. These levies do not produce any net revenue available to finance general budget expenditure since they

are offset by an expenditure of a similar amount.

**Own resources: VAT and financial contributions from certain Member States; GNP resource**

Financial contributions from Member States have been progressively replaced by the traditional own resources (agricultural levies and customs duties), with the balance provided since 1979 by a percentage of the imputed yield of VAT in each Member State, calculated on a common base. The percentage was initially not to exceed 1%, raised at the Fontainebleau Summit of June 1984 to 1.4% for most Member States, with adjustments for the United Kingdom and Germany with regard to VAT.



The new financing mechanism laid down in the 1988 own resources decision assigns to the Community resources not exceeding the following percentage shares of Community GNP:

| 1988 | 1989 | 1990 | 1991 | 1992 |
|------|------|------|------|------|
| 1.15 | 1.17 | 1.18 | 1.19 | 1.20 |

This represents a substantial increase in the sums available to finance the budget. Significant changes have also been made in the financing structure such that Member States' shares better reflect their relative prosperity and ability to pay.

One disadvantage of using VAT as a resource is that it tends to reflect economic activity

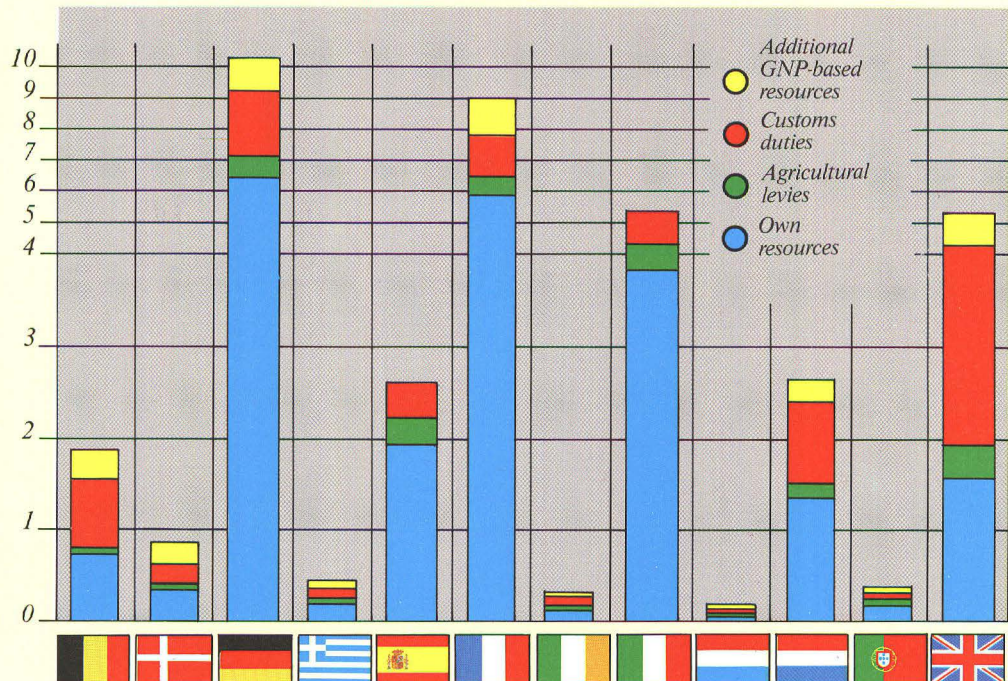
only through its effect on consumption. The new mechanism controls this tendency first by limiting the size of a Member State's VAT base to 55% of its GNP and secondly by introducing an additional resource based upon Member States' GNP. In 1988, four Member States — Ireland, Luxembourg, Portugal and the United Kingdom — benefited from the limitation of the VAT base.

Furthermore, maintaining the maximum VAT rate at 1.4% means that additional budget expenditure will be mainly financed by the GNP resource.

Lastly, the United Kingdom's compensation arrangements have been maintained but the amount is now financed by the other Member

FIGURE 5: REVENUE BY MEMBER STATE IN 1988

(ECU billion)



States according to their GNP share rather than according to their VAT shares.

Before accession, some Member States did not operate a VAT system and had therefore to make an alternative contribution to Community resources, generally based on their share of the Community GNP. In 1988, only Portugal did not pay VAT in accordance with a harmonized system, although it has introduced a national system of VAT in January 1986. Portugal benefits from a temporary exemption from VAT-based payments, valid until 1989. Although Greece did not introduce VAT until January 1987, it made payments to the budget in 1986 on the basis of the amount which would have been due if VAT had been introduced.



# TREASURY REPORT

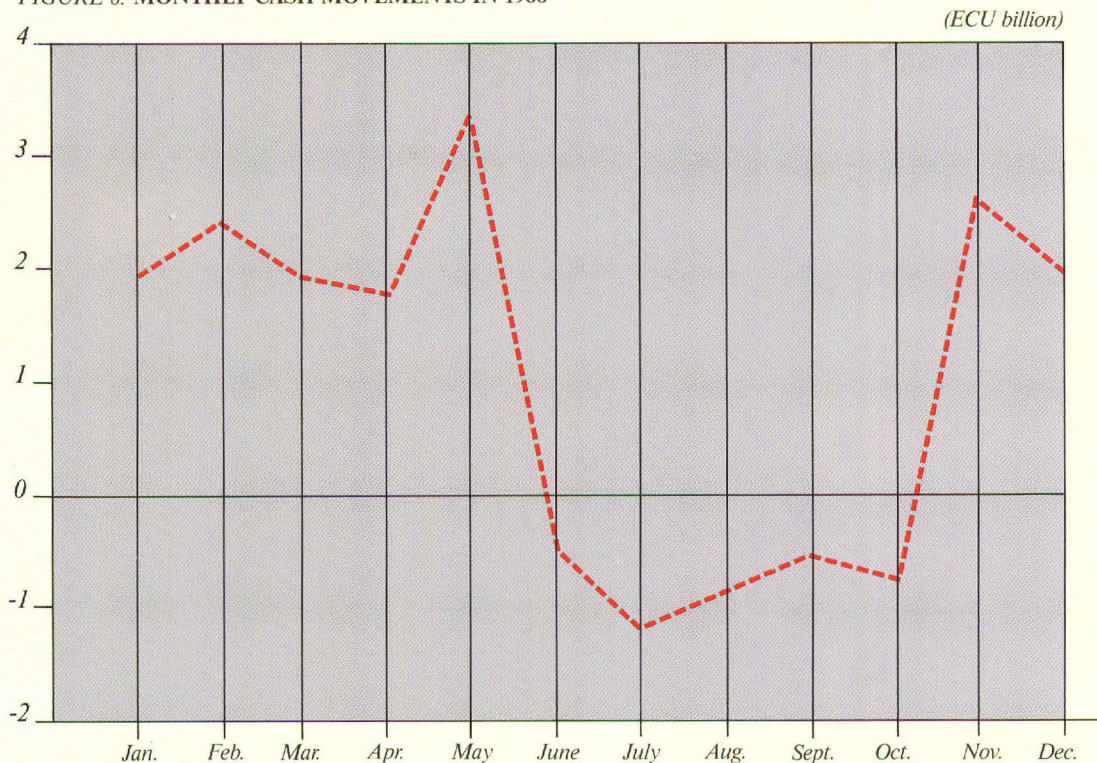
The Commission holds accounts with the Treasuries and/or Central Banks of Member States, on which it receives revenue and through which it pays the bulk of its transactions, in particular those relating to EAGGF Guarantee, most of the expenditure on the structural Funds and reimbursements to Member States.

Normal commercial bank accounts are used for administrative expenditure and other

direct payments to beneficiaries, representing some 15% of the annual budget.

The decision giving effect to the new GNP-based resource did not enter into force until February 1989, which meant that the cash requirements of the budget during 1988 had to be met by means of an intergovernmental advance. The payment of this advance occurred in the last months of the year — in fact, part of it was not paid until the beginning

FIGURE 6: MONTHLY CASH MOVEMENTS IN 1988





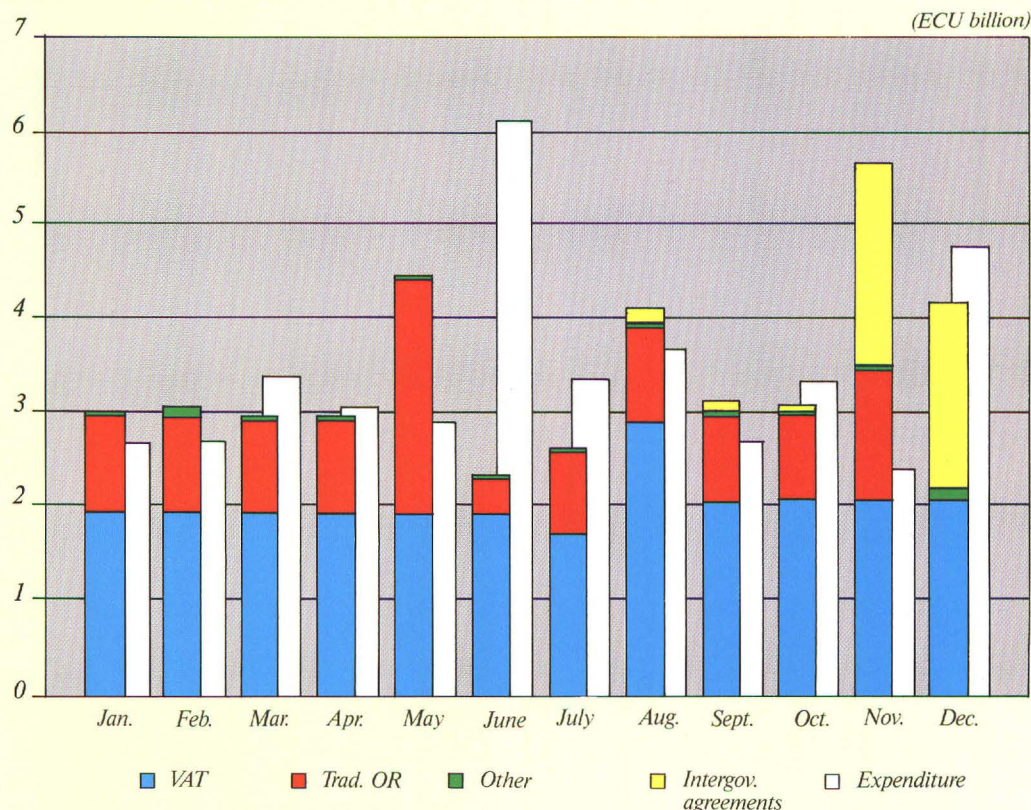
of 1989. Consequently, the monthly instalments of revenue at the beginning of 1988 were less than the instalments of expenditure, as shown in Figure 6, resulting in an overdraft on the Commission's accounts with Member States between the months of May and October (see Figure 6).

The positive and negative balances are spread over the Commission's accounts with Member States in proportion to the latter's relative contributions to the budget. As these

accounts are kept in national currencies and as the Commission is increasingly using the ecu for payments, exchange transactions are necessarily frequent.

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 and no interest is receivable or payable on balances with Member States.

FIGURE 7: MONTHLY REVENUE AND EXPENDITURE IN 1988



# EXPENDITURE

About 4% of the budget covers the administrative costs of the institutions. The remaining 96% is allocated to the operational budget which is implemented by the Commission and includes agriculture, the structural Funds, research and a range of other policies. The financial results for the principal sectors are presented as in previous years.

However, following the passing of the Single European Act in 1987, programmes are becoming more closely integrated and some traditional concerns such as the protection of the environment are increasingly taken into account over the full range of Community policies.

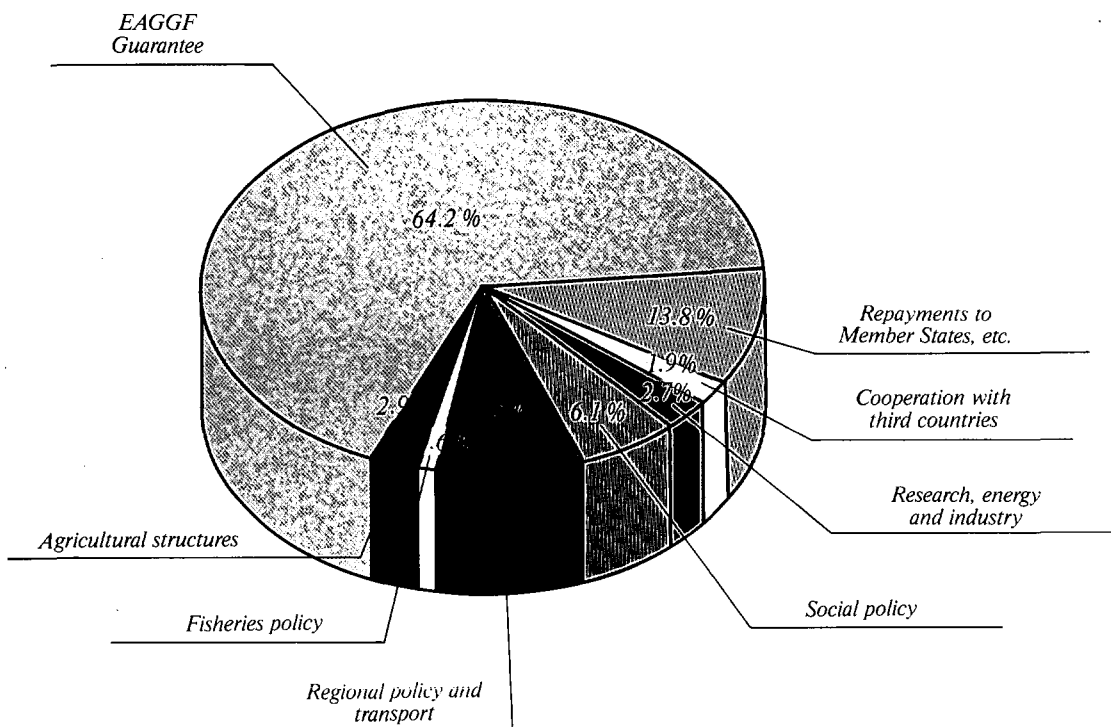
In 1988 the Communities' expenditure on operations and administration increased by

around 16% compared with 1987 and revenue also increased by 16% with the result that a surplus of ECU 1 140 million for the year was achieved and will be carried over as shown in the consolidated revenue and expenditure account on page 40. Agriculture continues to absorb a large proportion of the budget. This, and the other categories of operational expenditure, are set out in Figure 7.

## AGRICULTURE AND FISHERIES

The allocation for EAGGF Guarantee in 1988 was ECU 27 500 million — the amount set by the agricultural guideline — plus ECU

FIGURE 8: OPERATIONAL EXPENDITURE BY SECTOR IN 1988



1 240 million for the depreciation of existing stocks. The total amount available for the operation of the agricultural markets, including fisheries, was thus ECU 28 770 million.

| 1988 appropriations                           | ECU million |
|---|-------------|
| Titles 1 and 2                                | 27 500      |
| Total allocation under the guideline          | 27 500      |
| Fisheries (Chapter 40)                        | 30          |
| Depreciation of existing stocks (Article 810) | 1 240       |
| Total EAGGF Guarantee                         | 28 770      |

Actual expenditure totalled ECU 27 687.3 million.

The level of expenditure in 1988 is not directly comparable with that in 1987 for two reasons:

- (i) there was no depreciation of stocks in 1987 while expenditure on depreciation in 1988 totalled ECU 2 598.2 million;
- (ii) the financial year for the EAGGF Guarantee Section covered 10 months' expenditure in 1987 and 11.5 months' expenditure in 1988.

It would therefore be wrong to try to calculate annual rates of increase in expenditure on the basis of the out-turn figures for each of these two financial years. This applies to both total expenditure and expenditure by sector.

The 1988 financial year was also the first year of application of the new system of budgetary discipline resulting from the decisions of the European Council held in Brussels on 11 to 13 February 1988.

To impose this discipline, the Council, acting on a proposal from the Commission, introduced devices called 'stabilizers' into the

agricultural legislation to regulate production. In addition to using these stabilizers whenever the criteria for their use warranted, the Commission took management measures to contain expenditure when this proved necessary. This was particularly the case with cereals, for which the export control measures applied helped to reduce expenditure at the end of the year.

Elimination of existing debt through depreciation and a reduction in the volume of stocks continued at a faster pace in 1988. This rapid improvement in the stocks situation was helped by the massive reduction in butter stocks in 1987 and 1988, the favourable structural effect of stabilizers on surplus production and the drop in world production in some sectors following the drought in the United States in summer 1988. Overall, the 'potential losses' on public stocks, estimated at ECU 6 800 million at the end of 1986, were brought down to ECU 1 460 million at the end of 1988.

To assess the increase in expenditure by sector between 1987 and 1988, the considerable outlay on depreciation in 1988 must be excluded and allowance must be made for the fact that the 1988 financial year covered 11.5 months' expenditure.

#### Expenditure by sector, 1987 and 1988

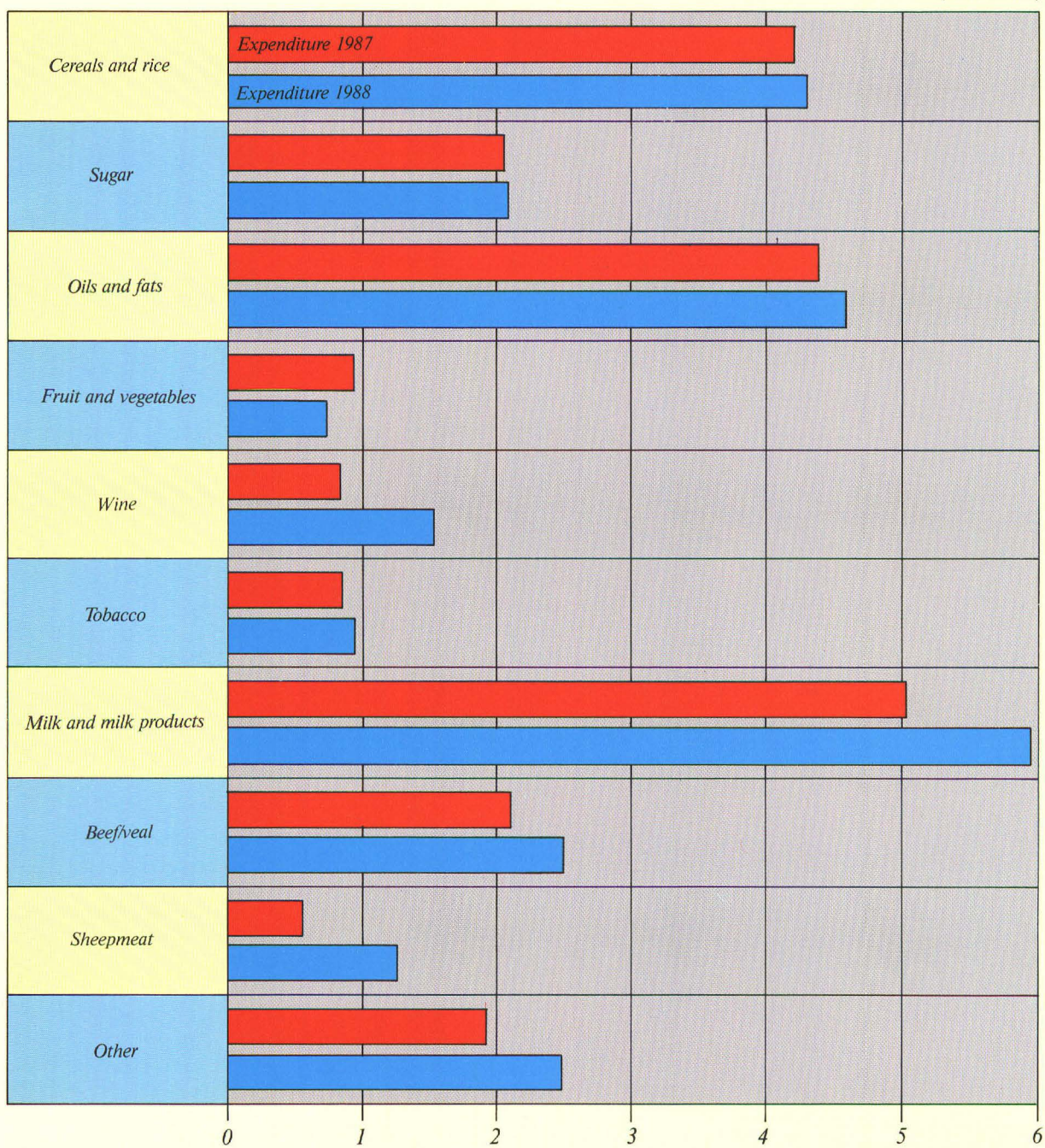
There was only a slight increase in expenditure on cereals and rice because of the export-control measures taken by the Commission to contain expenditure and the yield of the co-responsibility levy (- ECU 677.5 million).

There was a slight rise in the oil and fats sector for the chapter as a whole, but this can be broken down into a reduction for olive oil because of delays in the payment of production aid and the reduction in the rate of consumption aid and an increase for oilseeds



FIGURE 9: EXPENDITURE BY SECTOR IN 1988

(ECU billion)



because of the increase in areas under cultivation and in harvests in 1987/88; this also applies to protein plants.

Expenditure on wine increased considerably, but almost 80% was on depreciation (ECU 576.3 million), the remainder resulting mainly from an increase in the quantities distilled.

The increase in guarantee expenditure on milk and milk products was due to the following factors, together with expenditure on depreciation (ECU 121.9 million) and the longer financial year:

- (i) increase in quantities exported;
- (ii) increase in the amount of the premiums for the definitive cessation of milk production;
- (iii) payment in 1988 of a premium for the temporary suspension of milk production;
- (iv) reduction of the quantity of milk covered by the linear levy.

The substantial increase in the beef/veal sector was more than accounted for by expenditure on the depreciation of new stocks, which totalled ECU 343.8 million in 1988; if this expenditure is ignored, total expenditure in this sector is comparable to the previous year.

Expenditure on the other meat sectors was also higher. The rise for sheepmeat was due to a substantial increase in the average rate of the premium paid to producers in view of the low market prices for the previous year which are used as a basis for its calculation. The increase in expenditure on pigmeat and poultrymeat was due to the constant rise in production recorded in these sectors, which, because of the resulting drop in market prices, led to an increase in the rates of aid.

#### **Agricultural structures**

The Community's contribution to structural measures is included in the EAGGF Guidance Section. With the expansion of the Community in the Mediterranean region, the measures in favour of hill-farming and farming in less-favoured areas have increased considerably and are the main item of Guidance Section expenditure.

The marketing and processing of agricultural products is the second priority of the Guidance Section. This aid is supplied direct to recipients.

Farm modernization is another important sector of Community aid.

These three categories of aid account for more than three-quarters of Guidance Section expenditure and this predominance will increase because the regional measures are gradually being incorporated with the integrated Mediterranean programmes (IMPs) as the regulations governing them expire. Virtually all the appropriations were used and, under the reform of the structural Funds, all this expenditure will eventually be classified as non-compulsory.

#### **Fisheries**

The cost of operations remained relatively low, with the exception of expenditure on fisheries agreements with developing countries. Because of the overcapacity of fishing vessels and the low level of aid requested for the temporary or definitive withdrawal of fishing vessels, expenditure on the modernization of structure has slowed down a little. The creation of a European fisheries guidance and guarantee fund independent of the EAGGF will highlight Community activities in this sector, in particular as regards the marketing and processing of fishery products.

## **REGIONAL AND TRANSPORT POLICY**

The new rules governing the activities of the Community's three structural Funds (EAGGF Guidance Section, ERDF and ESF) were adopted in 1988 following the decisions of the Brussels European Council of February 1988 to double the appropriations available to them by 1993 and to reorganize the Funds so that they can make a more effective contribution to the economic and social cohesion of the Community.

Under these new rules, which entered into force on 1 January 1989, each Fund will, in performing its own specific functions, contribute to the achievement of the five objectives of the Community's structural policy:

- (1) promoting the development and structural adjustment of the regions whose development is lagging behind;
- (2) converting the regions seriously affected by industrial decline;
- (3) combating long-term unemployment;
- (4) facilitating the occupational integration of young people;
- (5) speeding up the adjustment of agricultural structures and promoting the development of rural areas.

In 1988, pending implementation of this reform, the European Regional Development Fund (ERDF) continued to finance productive and infrastructure investment projects, national programmes of Community interest and specific programmes.

All the commitment and payment appropriations provided for ERDF operations in 1988 were used, as were virtually all the supplementary appropriations earmarked for the integrated Mediterranean programmes in progress; preparations are now being made for the second stage of most of these programmes.

The rules for a specific industrial development programme for Portugal (Pedip), which will be allocated ECU 500 million over the five years between 1988 and 1992, were also adopted in 1988.

In the transport sector, pending adoption of the proposal for a regulation for an action programme in the field of transport infrastructure with a view to the completion of an integrated transport market in 1992, the adoption of a specific regulation at the end of 1988 enabled the 1988 appropriations to be used to finance a number of transport infrastructure projects in the Community.

## **SOCIAL POLICY**

In the budget, the Community's social policy is reflected not only in the appropriations for the European Social Fund but also in those for education and training, employment, social protection and public health and the protection of the environment and consumers. In addition, there is the aid for victims of disasters in the Community and the Community's information and culture policies.

Some ECU 2 160 million (75%) of the Social Fund's commitment appropriations was devoted to measures on behalf of young persons under 25, reflecting the Community's concern about youth unemployment: 44% of total ESF appropriations were spent in the less-favoured regions. The reform of the Funds should lead to even fuller and more effective use of Community appropriations.

The main feature of 1988 in education and youth policy was the success enjoyed by the various programmes in this sector, in particular Erasmus, an action programme to aid student mobility, Comett, the programme of cooperation between universities and

industry in training for new technologies, and the Community programme for exchanges of young workers.

As regards living and working conditions, several measures were continued under the 1988 budget to improve health and safety at work, integrate less-favoured groups, fight poverty and improve public health (campaigns against cancer, AIDS, alcohol and drug abuse). In all, almost ECU 60 million was spent in this sector in 1988.

After 1987, the European Year of the Environment, the Community continued its operations in several sectors involving the protection of the environment and consumers in 1988; ECU 36 million was committed in the course of the year.

Aid to disaster victims in the Community (ECU 33.2 million in 1988) is granted in the form of direct grants and subsidized loans and is charged to the budgets of successive financial years. The loans still outstanding relate to the earthquakes in Italy and Greece in 1980 and 1981; a further loan to help repair damage caused by the earthquake in Greece in 1986 will be granted in the near future.

## RESEARCH, ENERGY AND INDUSTRY

The year was particularly busy as regards research and technological development, with many developments in the sectors in which the Community is active.

The bulk of these developments came under the framework R&TD programme (1987-91) which continued at a very fast pace in 1988. During the year, the Council formally adopted 10 new programmes.<sup>1</sup> These 10 programmes, together with the five already adopted at the end of 1987, mean that 74% of the framework programme has actually been implemented.

During the year the Commission also presented 18 new programme proposals, most of them subject to the cooperation procedure between the Council and the Parliament as defined in the Single European Act. The Council reached a common position on three of them,<sup>2</sup> as well as on two proposals presented at the end of 1987.<sup>3</sup>

At 31 December 1988 the overall situation was as follows:

| Type of legal act                     | Amount        |       |
|---------------------------------------|---------------|-------|
|                                       | (ECU million) | %     |
| Programme decisions by the Council    | 3 992.2       | 74    |
| Common position                       | 737.5         | 13.7  |
| Programmes proposed by the Commission | 574.7         | 10.7  |
| Programmes to be proposed             | 91.6          | 1.6   |
| Total                                 | 5 396,0       | 100,0 |

<sup>1</sup> Esprit II (European strategic programme for research in information technologies)

Delta (Developing European learning through technological advance)

Drive (Dedicated road infrastructure for vehicle safety in Europe)

AIM (Advanced informatics in medicine in Europe)

Science (Stimulation of the international cooperation and interchange needed by European research scientists)

BCR (Community Bureau of References)

Revision of the Brite programme (Basic technological research and application of new technologies)

Revision of the biotechnology programme

Controlled thermonuclear fusion

JRC (Joint Research Centre).

<sup>2</sup> Brite/Euram (Basic technological research and application of new technologies and European research on advanced materials)

Joule (Joint opportunities for unconventional or long-term energy supply)

SPES (Stimulation plan for economic science).

<sup>3</sup> Eclair (European collaborative linkage of agriculture and industry through research)

Large-scale scientific facilities.



Among the most important decisions taken during the year were those affecting the activities and operation of the Joint Research Centre (JRC). The Council formally adopted the JRC's programmes of activities in the nuclear and non-nuclear fields (1988-91) and, in a resolution, generally endorsed the Commission's proposals to reform the Centre and increase its financial autonomy and flexibility of management.

The Community also stepped up its scientific and technical cooperation with non-member countries. Several agreements were signed in specific sectors with the countries of the European Free Trade Association (EFTA) with which the Community is linked by framework agreements on scientific and technical cooperation. The Commission also expressed its views and intentions on broad European scientific cooperation in two communications dealing with COST cooperation<sup>1</sup> and with Community-Eureka links. The signature of the ITER agreement between the Community, the United States, the Soviet Union and Japan on research into nuclear fusion confirmed the Community's place among the frontrunners in this sector.

In energy policy, the Communities are continuing to encourage technological development in the hydrocarbons sector and promote demonstration projects and industrial pilot projects in the field of new energy technologies.

Four activities should be underlined in the information market and innovation sector: the information services market, the multilingual plans (development of machine translation systems), the transfer of technologies with the Sprint programme (Strategic programme for innovation and technology transfer) and the dissemination and utilization of research findings.

<sup>1</sup> European cooperation in the field of scientific and technical research.

The policies coming under the industry and internal market sectors mainly cover measures connected with the completion of the large internal market, such as the type approval of telecommunications terminals, and standardization. In addition, there are the business stimulation measures which are intended to a very large extent for small and medium-sized firms.

## **COOPERATION WITH NON-MEMBER COUNTRIES**

The scale of Community activities in external relations is evidenced by the 133 accredited diplomatic missions to the Communities. In 1988 new missions were opened by St Vincent and the Grenadines and by Laos. A special embodiment of Community external relations is the series of Lomé Conventions between the Communities and 66 African, Caribbean and Pacific States. The latest Convention expires in March 1990 and negotiations for its renewal began in October 1988. Associated with the Conventions are the development aid programmes financed from successive European Development Funds. This expenditure is not included in the budget but to form a complete picture of Community activity in this area it is worth noting that development aid commitments from this source amounted in 1988 to ECU 1 607.6 million.

Within the budget, food aid remains the largest single form of aid in the field of cooperation. In 1988, a total of ECU 565 million was spent for this purpose. As at 31 December 1988 allocations had been made from the 1988 programme in favour of 75 countries. Thirty-two countries received direct Community grants of aid. The remaining countries received Community aid indirectly by way of intermediary international or non-governmental organizations. Food aid may be granted for a variety of purposes, varying from help in emergency to

the longer-term aims of raising standards of nutrition, improving food security and, partly through linked development projects, contributing to the balanced economic and social development of the recipient countries. The mechanisms adopted may accordingly vary between free distribution to those in need and normal sale of foodstuffs on the local market, the resulting counterpart funds being used to finance rural development or other relevant projects in the benefiting country. In some cases, in a 'triangular operation' products are bought in one developing country in order to be supplied as food aid in another.

Other policy objectives financed from the budget in the field of cooperation with non-member countries include cooperation with developing countries in Latin America and Asia (ECU 327 million) and with Mediterranean countries (ECU 153 million); specific aid measures including support for initiatives taken by non-government organizations (ECU 97 million); emergency and exceptional actions including disaster aid and positive measures regarding South Africa (ECU 96 million); and miscellaneous measures including trade promotion flowing from Cooperation Agreements with various countries (ECU 17 million).

The major Community effort in favour of developing countries in Latin America and Asia takes the form of the well-established programme of support for projects situated particularly in the least-prosperous countries and focused to some extent on rural development and the improvement of food production. The year 1988 also saw the launching of a new initiative, 'European Community international investment partners', offering financial support, through co-investment in joint ventures, to firms in Community countries, and in certain Latin American and Asian countries, desiring to promote productive investment in the non-associated countries concerned. The support is normally channelled through a specialized financial institution experienced in this field,

and will also be available for projects in a number of Mediterranean countries. The Community also provides a system of compensation from the budget for certain losses of export earnings by least-developed countries. This is the counterpart, for non-Lomé countries, of the parallel compensation system which exists within the Lomé Convention.

The aid granted to Mediterranean countries results, in large measure, from a series of Financial Protocols annexed to agreements with the various recipient countries. A new generation of agreements with southern Mediterranean countries came into effect in

1988 and their budgetary effect will be felt in the subsequent years. Typically the Financial Protocols provide a mixture of outright grants of aid for the various development projects in question and loan finance provided by the European Investment Bank and supported in most cases by interest rate subsidies charged to the budget. Thus, in total, the support measures provided by the recent agreements with southern Mediterranean countries amount to ECU 615 million in grants (including interest subsidies) and ECU 1 003 million in EIB loans.

As regards the grants made by the Community towards activity administered by non-governmental organizations, the development projects benefiting from this aid are spread world-wide and are mostly small-scale, localized schemes, in such fields as rural development, training and health. The aid granted in 1988 was channelled through 187 different organizations in all 12 Member States.

Emergency and exceptional aid includes, first of all, the contingency fund used to finance emergency grants made in order to demonstrate Community solidarity in support of victims of natural catastrophes affecting non-associated countries. There is a similar provision within the European Development Fund for the 66 co-signatories of the Lomé Convention. During 1988 addi-

tional resources were transferred to this fund to enable the Community to offer a total of ECU 10 million disaster aid to the Soviet Union following the earthquake in Armenia. Another important and regular grant of exceptional aid went to support the education programme organized by the United Nations' Relief and Works Agency for Palestinian refugees for the children of over two million refugees situated in Jordan, Syria, Lebanon, Transjordan and Gaza.

# LIABILITIES TO BE SETTLED IN FUTURE YEARS

## Liabilities of the Communities at 31 December 1988

It is a feature of the accounting system of the Communities that sums due but unpaid at 31 December are not in all cases accrued in the balance sheet and charged to the revenue and expenditure account for the year.

Those normally accrued include:

- (i) revenue to be transferred to other bodies;
- (ii) interest and other sums due in relation to the New Community Instrument (NCI) and the European Atomic Energy Community (Euratom);
- (iii) payments authorized in December 1988 and paid between 1 and 15 January 1989;
- (iv) payment appropriations available for carryover to the following year.

The purpose of this section of the report is to set out those liabilities, potential liabilities and other contingencies which are not provided within the consolidated accounts at 31 December 1988.

The Communities have a number of known financial obligations to be settled in 1989 and future years, which have normally been presented outside the balance sheet. In addition, the Communities have other potential liabilities which may never arise, or can only be roughly estimated at 31 December 1988.

To offset these liabilities, however, there are potential receipts. For instance, on discovering a fraud or irregularity relating to sums paid under the European Agricultural Guidance and Guarantee Fund, a Member State notifies the Commission and takes steps to recover the sums paid on its behalf. The sums likely to be recovered can only be estimated at present on the basis of amounts notified. The date of their receipt, likewise, cannot be estimated with any certainty.

The amounts of financial obligations, other potential liabilities and potential receipts are

set out in Table 3. The total of ECU 4 325.8 million represents liabilities of the Communities at 31 December 1988 which, under a system of accruals accounting, would be charged in whole or in part to the revenue and expenditure account and included in the balance sheet at 31 December 1988. The liabilities set out in the table are, therefore, provided as information supplementary to the consolidated accounts of the Communities.

The Commission wishes to begin to make provision for its liabilities as set out above and, accordingly, has sought and received approval from the Council (11 to 13 February 1988) to set up a provision against losses anticipated on existing intervention stocks. It has been agreed that amounts will be set aside annually and charged to the revenue and expenditure account as repayments to Member States. The sums to be set aside will total ECU 6 800 million over the next five years, as follows:

1988: ECU 1 200 million (ECU 1 240 million actually paid)  
1989-92: ECU 1 400 million each year

By 1992, therefore, the Commission anticipates that losses on existing stocks will be fully provided. In addition, the Council has determined that provision should be made in each year's budget for losses on stocks newly bought in.

Allowance will now be made for the depreciation of these stocks from the date on which they enter the stores. The amount recorded for 1988 is ECU 1 400 million. For 1989 to 1992 the provision will represent potential losses on all new stocks bought in.

## Sums falling due in future years

It is part of the budgetary process that, in order for a payment to be made, it must fall within the scope of both a commitment appropriation and a payment appropriation. (These terms are explained and their respective roles in the budgetary process are

set out in the chapter on the financing of the European Communities.)

Commitment appropriations may cover multiannual programmes but the matching payment appropriations will be allocated separately in each year's budget.

This means that at any one time there are commitments outstanding which must be met from the budgets of succeeding years as they fall due. At 31 December 1988, the commitments outstanding on differentiated appropriations amounted to ECU 14 975.5 million. An analysis of this sum and of the years in which payments are expected to fall due appears in Table 7 on page 35.

In the 1987 financial report the Commission mentioned a second category of sums falling due in future years relating to policies and programmes approved by the Council in principle, but not yet legally committed or entered in the budget.

Most of the amounts in this category are not obligations in the accounting sense, but represent a factor of budgetary planning.

The Commission has therefore redefined this group of liabilities and considers that only future expenditure arising from an obligation towards a third party should be taken into account.

The only expenditure which comes into this category falls under cooperation with developing countries and non-member countries: the protocols concluded with the Mediterranean countries for which the balance to be paid during the period 1986-91 amounts to ECU 505 million (as against ECU 465.5 million in 1987).

#### **Contractual commitments (Non-revenue)**

NCI and Euratom have considerable borrowing and lending operations. At 31

December 1988 a number of borrowing and lending transactions were in the course of completion. These transactions, if presented within the accounts, would affect only the balance sheet and not the revenue and expenditure account.

#### **NCI-Euratom**

*(ECU million)*

|  | Due by<br>NCI/EUR | Due to<br>NCI/EUR | Net<br>1988  | Net<br>1987  |
|--|-------------------|-------------------|--------------|--------------|
| Loans signed but not paid                | 411.9             | —                 | 411.9        | 338.4        |
| Borrowings raised but not received       | —                 | 81.9              | (81.9)       | —            |
| SWAP operations                          | —                 | —                 | —            | 102.7        |
| Bank deposits to cover coupons and bonds | 67.6              | —                 | 67.6         | 136.5        |
| Deferred purchase of bonds               | —                 | —                 | —            | 15.0         |
| <b>Total</b>                             | <b>479.5</b>      | <b>81.9</b>       | <b>397.6</b> | <b>592.6</b> |

#### **Contingent liabilities**

The Communities have identified a number of contingent liabilities, only some of which can be quantified.

— pension costs: The Communities undertake to pay pensions to former employees on the basis of years of service. However, although contributions are made by employees, no separate fund is maintained from which the eventual liabilities will be met. There is, therefore, a liability for pension costs, which cannot be determined without an actuarial valuation.

— guarantees given: The Commission guarantees loans to non-member countries

granted by the European Investment Bank from its own funds. Not all loans are guaranteed at 100%, the average being 75% of the capital value of loans guaranteed. Interest may also be guaranteed but is not quantified below.

*(ECU million)*

|                    | 1988    | 1987    |
|--------------------|---------|---------|
| 1. 75 % guarantee  | 2 319.8 | 1 485   |
| 2. 100 % guarantee | 141.5   | 141.5   |
|                    | 2 461.3 | 1 626.5 |

TABLE 3

## Liabilities of the Communities at 31 December 1988

(ECU million)

|   | 1988           | 1987           |
|---|----------------|----------------|
| <i>Financial obligations</i>  |                |                |
| European Agricultural Guidance and Guarantee Fund (EAGGF):  |                |                |
| Exceptional operation to dispose of butter stocks: <sup>(1)</sup>   |                |                |
| debts realized in 1987  | 1 534.8        | 1 534.8        |
| debts to be realized in 1988<br>(1986:1989-92)  | 1 643.0        | 1 643.0        |
| Following judgments by the Court of Justice, sums<br>due to Member States on clearance of accounts  | —              | 40.7           |
| Repayments to Member States:<br>Collection charges deferred to 1988   | —              | 442.7          |
| Amounts provisionally disallowed  | 14.0           | —              |
|   | 3 191.8        | 3 661.2        |
| <i>Other potential liabilities</i>  |                |                |
| European Agricultural Guidance and Guarantee Fund (EAGGF):  |                |                |
| Difference between the guarantee price and selling price of<br>agricultural stocks at 31 December 1988 (excluding butter stocks<br>subject to the exceptional disposal operation and alcohol stocks<br>on which only disposal costs will arise) (Table 4)   | 1 310.9        | 3 659.1        |
| Judgments awaited from the Court of Justice on sums claimed<br>by Member States relating to clearance of accounts (Table 5)   | 141.7          | 265.6          |
|   | 1 452.6        | 3 924.7        |
| <i>Potential receipts (Table 6)</i>   | (318.7)        | (197.7)        |
| <b>Total</b>  | <b>4 325.7</b> | <b>7 388.2</b> |
| <p><i>Note:</i> An amount which cannot be quantified at present will probably be determined in 1989 in respect of the additional milk levy for Belgium, Denmark, Germany, France, Italy and the Netherlands.</p> <p><sup>(1)</sup> The funds necessary for these operations are pre-financed by the Member States and will be reimbursed in the budget year 1989 and following.</p> |                |                |

TABLE 4

Volume, book value, foreseeable sales value and potential liabilities of stocks at 31 December 1988

| Product                       | Quantity (tonnes) | Book value (million budget ECU) | Foreseeable sales value (million budget ECU) | Unit loss on sales (ECU/t) | Potential liabilities (million budget ECU) |
|-------------------------------|-------------------|---------------------------------|--|----------------------------|--|
| Common wheat                  | 2 669.429         | 306 877.939                     | 189 529.459                                  | 44.0                       | 117 348.480                                |
| Common wheat, not breadmaking | 1 105.525         | 115 243.287                     | 56 301.775                                   | 53.3                       | 58 941.512                                 |
| Barley                        | 3 066.886         | 300 083.774                     | 171 745.616                                  | 41.8                       | 128 338.158                                |
| Rye                           | 905.454           | 90 163.111                      | 35 312.706                                   | 60.6                       | 54 850.405                                 |
| Durum wheat                   | 2 165.299         | 344 113.937                     | 212 199.302                                  | 60.9                       | 131 914.635                                |
| Maize                         | 18.393            | 1 231.095                       | 735.720                                      | 26.9                       | 495.375                                    |
| Sorghum                       | 7.885             | 709.314                         | 315.400                                      | 50.0                       | 393.914                                    |
| Cereals — Total               |                   | 1 158 422.457                   | 666 139.978                                  | 337.5                      | 492 282.479                                |
| Sugar                         |                   |                                 |  |                            |  |
| Olive oil                     | 349.207           | 565 850.873                     | 565 850.873                                  | 0.0                        | 0.0  |
| Colza                         | 9.935             | 3 405.609                       | 1 669.080                                    | 174.8                      | 1 736.529                                  |
| Sunflower                     | 146.149           | 60 097.836                      | 26 014.522                                   | 233.2                      | 34 083.314                                 |
| Leaf tobacco                  | .002              | 1.277                           | .358   | 459.5                      | .919                                       |
| Manufactured tobacco          | 6.630             | 2 947.119                       | 1 398.930                                    | 233.5                      | 1 548.189                                  |
| Baled tobacco                 | 44.868            | 51 647.488                      | 9 467.148                                    | 940.1                      | 42 180.340                                 |
| Alcohol (*)                   | 3 307.691         | 128 710.555                     | 23 153.837                                   | 31.9                       | 105 556.718                                |
| Butter                        | 101.194           | 233 255.658                     | 136 610.706                                  | 955.0                      | 96 644.952                                 |
| Skimmed-milk powder           | 9.598             | 16 990.091                      | 14 166.648                                   | 294.2                      | 2 823.443                                  |
| Bone-in beef                  | 445.908           | 752 876.825                     | 309 906.060                                  | 993.4                      | 442 970.765                                |
| Boned (boneless) beef         | 136.681           | 329 113.549                     | 237 961.621                                  | 666.9                      | 91 151.928                                 |
| Pigmeat                       |                   |                                 |  |                            |  |
| Total public storage          |                   | 3 303 319.337                   | 1 992 339.761                                |                            | 1 310 979.576                              |
| Mixed alcohol (*)             | 6 870.131         | 144 272.751                     | 48 090.917                                   | 114.0                      | 96 181.834                                 |
| Grand total                   |                   | 3 447 592.088                   | 2 040 430.678                                |                            | 1 407 161.410                              |

(\*) The quantity unit for alcohol is 100 litres.



TABLE 5

## Claims submitted to the Court of Justice at 31 December 1988

|                                 | Claims on the Commission<br>(national currencies) | 1988<br>(ECU million) | 1987<br>(ECU million) |
|---------------------------------|---|-----------------------|-----------------------|
| Awaiting judgment of the Court: |   |                       |                       |
| Belgium                         | —   | —                     | —                     |
| Denmark                         | 8.0   | 1.0                   | 23.2                  |
| FR of Germany                   | 7.2   | 3.5                   | 2.9                   |
| Greece                          | 11 534.6  | 66.7                  | 70.1                  |
| France                          | —   | —                     | 7.7                   |
| Ireland                         | —   | —                     | —                     |
| Italy                           | 84 289.9  | 55.0                  | 31.1                  |
| The Netherlands                 | 38.1  | 16.3                  | 65.1                  |
| United Kingdom                  | —   | —                     | 65.5                  |
| Total                           |   | 142.5                 | 265.6                 |

TABLE 6

## Potential receipts arising from frauds and irregularities notified at 31 December 1988

|                 | Measures financed<br>100% by the<br>EAGGF Guarantee<br>Section | Measures<br>financed<br>partially <sup>1</sup> | Total | 1987  |
|-----------------|--|--|-------|-------|
| Belgium         | 14.5   | 0.1  | 14.6  | 13.8  |
| FR of Germany   | 79.5   | 2.3  | 81.8  | 41.0  |
| Denmark         | 1.0  | 1.3  | 2.3   | 1.8   |
| Greece          | —  | —  | —     | —     |
| Spain           | —  | —  | —     | —     |
| France          | 6.9  | 0.3  | 7.2   | 5.7   |
| Ireland         | 5.7  | 0.3  | 6.0   | 3.2   |
| Italy           | 192.6  | —  | 192.6 | 121.6 |
| Luxembourg      | —  | —  | —     | —     |
| The Netherlands | 3.0  | 0.2  | 3.2   | 2.8   |
| Portugal        | —  | —  | —     | —     |
| United Kingdom  | 10.5   | 0.5  | 11.0  | 7.8   |
| Total           | 313.7  | 5.0  | 318.7 | 197.7 |

<sup>1</sup> Joint Guarantee/Guidance financing of premium for the non-marketing of milk and the conversion of dairy herds.

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.

TABLE 7

## Commitments from differentiated appropriations still to be settled at 31 December 1987

(ECU million)

| Budget title | Heading   | Year in which the commitments were entered into |      |      |       |       |       |       |       |         |         |         |         | Totals   | Foreseeable schedule of payment |         |         |         |                            |
|--------------|---|---|------|------|-------|-------|-------|-------|-------|---------|---------|---------|---------|----------|---------------------------------|---------|---------|---------|----------------------------|
|              |   | 1977  | 1978 | 1979 | 1980  | 1981  | 1982  | 1983  | 1984  | 1985    | 1986    | 1987    | 1988    |          | 1989                            | 1990    | 1991    | 1992    | Subsequent financial years |
| 3            | <b>Part B</b><br>European Agricultural Guidance and Guarantee Fund — Guidance Section, and specific agricultural measures     | 0.9   | 0.2  | 3.3  | 11.9  | 27.1  | 31.6  | 45.0  | 97.1  | 173.8   | 239.9   | 282.0   | 323.6   | 1 236.4  | 326.4                           | 252.9   | 192.6   | 133.7   | 330.8                      |
| 4            | Common policy on fisheries and the sea  |   |      |      |       | 0.3   | 1.5   | 1.2   | 10.4  | 13.6    | 60.3    | 107.9   | 117.2   | 312.4    | 149.7                           | 82.7    | 55.3    | 24.7    |                            |
| 5            | Operations in the regional and transport sectors  | 2.5   | 8.3  | 24.9 | 65.3  | 106.9 | 215.8 | 227.5 | 505.7 | 595.4   | 920.3   | 1 701.1 | 3 007.3 | 7 381.0  | 2 523.0                         | 1 232.9 | 950.6   | 901.4   | 1 773.1                    |
| 6            | Operations in the social sector   |   |      |      |       | 0.1   | 0.4   | 0.3   | 3.7   | 26.7    | 79.3    | 511.0   | 1 496.1 | 2 117.6  | 1 333.0                         | 686.0   | 97.4    | 0.4     | 0.8                        |
| 7            | Operations in the energy, industry and technology, research, nuclear safeguards and information market and innovation sectors |   |      | 0.1  | 6.4   | 1.2   | 7.8   | 14.2  | 35.5  | 92.8    | 213.4   | 538.9   | 929.2   | 1 839.5  | 781.6                           | 494.3   | 378.3   | 118.3   | 67.0                       |
| 9            | Cooperation with developing and non-member countries  | 2.9   | 3.6  | 7.4  | 25.1  | 44.8  | 43.3  | 65.3  | 150.5 | 157.8   | 331.4   | 443.2   | 813.3   | 2 088.6  | 710.7                           | 314.5   | 353.9   | 172.5   | 537.0                      |
|              | <b>Total</b>  | 6.3   | 12.1 | 35.7 | 108.7 | 180.4 | 300.4 | 353.5 | 802.9 | 1 060.1 | 1 844.6 | 3 584.1 | 6 686.7 | 14 975.5 | 5 824.4                         | 3 063.3 | 2 028.1 | 1 351.0 | 2 708.7                    |

# THE CONSOLIDATED ACCOUNTS OF THE COMMUNITIES

## ACCOUNTING POLICIES

1. The accounts are prepared in accordance with the requirements of the Financial Regulation of 21 December 1977, as supplemented by implementing regulations issued by the Commission. The Financial Regulation is now being revised.

### 2. The ecu

2.1. The accounts are stated in ecus, a unit of currency comprising the sum of the following amounts of Member States' currencies:

|     |       |     |         |
|-----|-------|-----|---------|
| BFR | 3.71  | HFL | 0.256   |
| DKR | 0.219 | IRL | 0.00871 |
| DM  | 0.719 | LFR | 0.14    |
| DR  | 1.15  | LIT | 140.0   |
| FF  | 1.31  | UKL | 0.0878  |

2.2. Advances paid in respect of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are converted at the exchange rates applying on the 20th of the second month preceding that to which they relate.

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 rate for 31 December 1988 has been used to prepare the balance sheet except as follows:

- (i) tangible assets, which are calculated at the accounting rate applying when they were purchased;
- (ii) appropriations carried over, some of which are to cover commitments in national currencies converted into ecus at the monthly accounting rates for December.

2.4. The rates applying on 31 December 1988 for converting national currencies into ecus were as follows:

|         |     |         |     |          |
|---------|-----|---------|-----|----------|
| 1 ECU = | BFR | 43.5760 | HFL | 2.34586  |
|         | DKR | 8.02983 | IRL | 0.778450 |
|         | DM  | 2.07781 | LFR | 43.5760  |
|         | DR  | 172.909 | LIT | 1 531.10 |
|         | ESC | 171.704 | PTA | 132.877  |
|         | FF  | 7.09821 | UKL | 0.648551 |

### 3. Consolidation

3.1. The consolidated accounts comprise the accounts of various European institutions, including the Parliament, the Council, the Economic and Social Committee, the Commission (including the Publications Office and the Joint Research Centre), the Court of Justice and the Court of Auditors. They do not, however, include the accounts of the European Coal and Steel Community, the European Development Fund or the European Investment Bank.

3.2. The assets and liabilities resulting from NCI and Euratom borrowing and lending operations are included in the appropriate items of the Communities' balance sheet.

3.3. The 1988 accounts relating to NCI and Euratom borrowing and lending operations appear in Volume II (Section III) of the published accounts of the Communities.

3.4. Balances between the institutions are netted off on consolidation wherever possible. Any residual sums are included in current assets and creditors.

3.5. All figures are in millions of ecus, unless otherwise stated.

### 4. Revenue

4.1. Own resources and financial contributions are entered in the accounts on the basis of the amounts credited in the course of the year to the accounts opened in the name of the Commission by the governments

of the Member States. The difference between the budget entries for VAT own resources and financial contributions and the amount actually due is calculated by 1 July of the following year and entered in an amending budget.

4.2. Other revenue is entered in the accounts on the basis of the amounts actually collected in the course of the year.

## **5. Expenditure**

5.1. Expenditure for the year, as included in the revenue and expenditure account, represents payments against the year's appropriations for payments plus any appropriations for payments for the year which are unused and are carried over.

5.2. The payments against the year's appropriations for payments are those for which authorization reaches the Financial Controller not later than 31 December and which are effected by the Accounting Officer not later than 15 January of the following year.

5.3. The payments taken into consideration for the Guarantee Section of the European Agricultural Guidance and Guarantee Fund are those effected by the Member States between 16 October and 15 October provided that the Accounting Officer is notified of the commitment and authorization not later than 31 January of the following year. (By way of exception, the agricultural guarantee payments entered in the accounts for 1988 are those effected by the Member States between 1 November 1987 and 15 October 1988 since expenditure in the second half of October 1987 was still charged to 1987 under the old rules.)

5.4. Appropriations for payments may be carried over to the following financial year:

(i) non-differentiated appropriations: the carryover is generally automatic when it is

to cover commitments outstanding; in other cases the prior authorization of the budgetary authority is required;

(ii) differentiated appropriations: unused payment appropriations usually lapse; however, the Commission may decide to carry them over if the payment appropriations for the following year are not sufficient to meet previous commitments or commitments in connection with commitment appropriations which have themselves been carried over.

## **6. Payments on account and accelerated payments**

6.1. Payments on account for operational purposes, other than those paid in connection with the common agricultural policy, are included with the expenditure for the financial year and do not appear as assets in the balance sheet.

## **7. Tangible assets**

7.1. The movable property of all the institutions (equipment and furniture) is valued at purchase price in national currency converted into ecus at the accounting rate in force at the time of purchase.

7.2. Buildings in Brussels, those of the external offices and delegations and those at the Geel, Karlsruhe and Petten establishments of the Joint Research Centre are included in the balance sheet at their purchase prices. The buildings at the Ispra establishment site are valued in accordance with the valuation conducted in 1982, increased in 1984 by 14% for buildings and by 20% for other infrastructure. Since then, the valuation has been increased every year by the amount of investment which took place that year.

7.3. No depreciation is provided as the full purchase cost of tangible assets is written off to the revenue and expenditure account in the

year of acquisition. The full value remains in the balance sheet until items are withdrawn from service, and is balanced by an exactly equivalent figure which forms part of own capital.

## **8. Stocks**

8.1. Stocks represent the consumable stores held by all the institutions, including certain nuclear materials held by the research centres. All items are valued for balance sheet purposes at purchase price, with the exception of nuclear material and heavy water which are valued at commercial valuation, net of reprocessing costs.

**CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT**  
for the year ending 31 December 1988

| <i>Revenue</i>   | Notes | 1988<br>(ECU million) | 1987<br>(ECU million) |
|--|-------|-----------------------|-----------------------|
| Own resources  | 1     | 35 842.6              | 35 497.9              |
| Financial contributions                                    | 2     | 4 657.2               | 210.6                 |
| Adjustments to previous year's revenue                     | 3     | 383.6                 | 359.3                 |
| Other revenue  | 4     | 496.1                 | 452.0                 |
|  |       | <hr/>                 | <hr/>                 |
| <i>Total revenue</i>                                       |       | 41 379.5              | 35 801.2              |
|  |       | <hr/>                 | <hr/>                 |
| <i>Expenditure</i>   |       |                       |                       |
| <i>Operational expenditure</i>                             |       |                       |                       |
| Agricultural market guarantees                             | 5     | 26 400.3              | 22 950.3              |
| Agricultural structures                                    | 6     | 1 198.0               | 825.6                 |
| Fisheries and the sea                                      | 7     | 257.7                 | 163.5                 |
| Regional policy and transport                              | 8     | 3 192.1               | 2 679.0               |
| Social policy  | 9     | 2 520.3               | 2 722.9               |
| Research, energy and industry                              | 10    | 1 091.4               | 964.8                 |
| Cooperation with non-member countries                      | 11    | 784.4                 | 1 063.2               |
|  |       | <hr/>                 | <hr/>                 |
|  |       | 35 444.2              | 31 369.3              |
|  |       | <hr/>                 | <hr/>                 |
| <i>Other expenditure</i>                                   |       |                       |                       |
| Staff costs  | 12    | 1 340.1               | 1 174.7               |
| Administrative expenses                                    | 12    | 607.0                 | 544.3                 |
|  |       | <hr/>                 | <hr/>                 |
|  |       | 1 947.1               | 1 719.0               |
|  |       | <hr/>                 | <hr/>                 |
| <i>Repayments to Member States</i>                         | 13    | 3 729.6               | 1 561.0               |
|  |       | <hr/>                 | <hr/>                 |
| <i>Total expenditure</i>                                   | 14    | 41 120.9              | 34 649.3              |
|  |       | <hr/>                 | <hr/>                 |
| <i>Surplus of revenue over expenditure for the year</i>    |       | 258.6                 | 1 151.9               |
| Entry of surplus for the previous year                     | 15    | 500.0                 | (819.9)               |
| Appropriations carried over from previous year which lapse | 14    | 381.5                 | 189.5                 |
|  |       | <hr/>                 | <hr/>                 |
| <i>Retained surplus for the year</i>                       |       | 1 140.1               | 521.5                 |
|  |       | <hr/>                 | <hr/>                 |

# CONSOLIDATED BALANCE SHEET

as at 31 December 1988

|   | Notes | 1988<br>(ECU million) | 1987<br>(ECU million) |
|---|-------|-----------------------|-----------------------|
| <i>Fixed assets</i>                           |       |                       |                       |
| Tangible assets                               | 16    | 577.4                 | 538.5                 |
| Loans   | 17    | 9 438.0               | 9 859.3               |
|   |       | <hr/>                 | <hr/>                 |
|   |       | 10 015.4              | 10 397.8              |
| <i>Long-term debtors</i>                      |       |                       |                       |
|   | 18    | 38.2                  | 95.8                  |
| <i>Current assets</i>                         |       |                       |                       |
| Stocks  | 19    | 67.8                  | 70.2                  |
| Amounts owed by Member States                 | 20    | 1 678.0               | 103.5                 |
| Amounts owed by Community bodies              | 21    | 12.2                  | 23.2                  |
| Debtors                                       | 22    | 743.4                 | 606.7                 |
| Cash at bank and in hand                      | 23    | 5 135.0               | 3 957.7               |
|   |       | <hr/>                 | <hr/>                 |
|   |       | 7 636.4               | 4 761.3               |
| Less: Creditors due within one year           | 24    | (5 555.0)             | (4 231.0)             |
|   |       | <hr/>                 | <hr/>                 |
| <i>Net current assets</i>                     |       | 2 081.4               | 530.3                 |
|   |       | <hr/>                 | <hr/>                 |
| <i>Total assets less current liabilities</i>  |       | 12 135.0              | 11 023.9              |
| <i>Creditors due after more than one year</i> | 25    | (10 136.7)            | (10 226.1)            |
| <i>Provisions for liabilities and charges</i> | 26    | (32.3)                | (28.8)                |
|   |       | <hr/>                 | <hr/>                 |
|   |       | 1 966.0               | 769.0                 |
|   |       | <hr/>                 | <hr/>                 |
| <i>Fixed capital</i>                          |       |                       |                       |
| Own capital                                   | 27    | 1 053.6               | 998.4                 |
| Balance brought forward                       | 28    | (227.7)               | (750.9)               |
| Balance for the year                          | 28    | 1 140.1               | 521.5                 |
|   |       | <hr/>                 | <hr/>                 |
|   |       | 1 966.0               | 769.0                 |
|   |       | <hr/>                 | <hr/>                 |

## NOTES TO THE CONSOLIDATED ACCOUNTS

| 1. Own resources   | Budget<br>reference | 1988<br>(ECU million) | 1987<br>(ECU million) |
|--|---------------------|-----------------------|-----------------------|
| Agricultural levies  |                     | 1 504.6               | 1 626.1               |
| Sugar and isoglucose levies  |                     | 1 390.7               | 1 471.8               |
| Customs duties   |                     | 10 344.7              | 8 936.5               |
| VAT resources  |                     | 23 927.6              | 23 463.5              |
| Own resources collection costs   |                     | (1 325.0)             | —                     |
| <p>From 1988 the own resources collection costs are being deducted at source by the Member States and therefore appear as a reduction of resources in the Community budget, whereas previously they were repaid to the Member States and thus appeared as expenditure from the Community budget (see Note 13): the collection costs for 1987 totalled ECU 1 202.7 million, of which ECU 760.0 million was charged to 1987 and ECU 442.7 million to 1988.</p> |                     |                       |                       |
|  | 1                   | 35 842.6              | 35 497.9              |
| <b>2. Financial contributions</b>  |                     |                       |                       |
| Portugal's GNP-based financial contribution  |                     | 211.4                 | 210.6                 |
| Member States' financial contributions to balance the general budget   |                     | 4 445.8               | —                     |
|  |                     | 4 657.2               | 210.6                 |
| <b>3. Adjustments to previous year's revenue</b>   |                     |                       |                       |
| Balance of VAT own resources and adjustments to financial contributions for previous year  |                     | 398.4                 | (477.6)               |
| Corrections to the balance of own resources and adjustments to financial contributions for 1979 to 1985  |                     | (14.8)                | 118.3                 |
|  | 3                   | 383.6                 | (359.3)               |
| <b>4. Other revenue</b>  |                     |                       |                       |
| Miscellaneous Community taxes, levies and dues   | 4                   | 259.9                 | 190.7                 |
| Revenue accruing from the administrative operation of the institutions   | 5                   | 43.4                  | 37.6                  |
| Contributions to Community programmes; repayments of expenditure and revenue from services rendered  | 6                   | 136.0                 | 176.7                 |
| Interest on late payments and fines  | 7                   | 14.9                  | 19.5                  |
| Borrowing and lending operations   | 8                   | 3.1                   | 6.9                   |
| Miscellaneous  | 9                   | 2.7                   | 2.7                   |
| Exchange gains   |                     | 36.1                  | 17.9                  |
|  |                     | 496.1                 | 452.0                 |



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**5. Agricultural market guarantees**

|  | Budget<br>reference | 1988<br>(ECU million) | 1987<br>(ECU million) |
|--|---------------------|-----------------------|-----------------------|
| Expenditure by the Guarantee Section of the European<br>Agricultural Guidance and Guarantee Fund (EAGGF)             |                     | 26 447.2              | 22 967.7              |
| Less: Expenditure on the common organization of the<br>market in fishery products, included in fisheries<br>(Note 7) | 40B                 | (46.9)                | (17.4)                |
|  | 1B, 2B              | 26 400.3              | 22 950.3              |

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**6. Agricultural structures**Expenditure by the Guidance Section of the European  
Agricultural Guidance and Guarantee Fund (EAGGF)Less: Expenditure on fisheries policy, included in  
fisheries (Note 7)

|  |            |         |        |
|--|------------|---------|--------|
|  |            | 1 176.1 | 843.5  |
|  | 46B        | (35.2)  | (53.2) |
|  | 30B to 33B | 1 140.9 | 790.3  |
| Expenditure in the agricultural sector | 38B        | 57.1    | 35.3   |
|  |            | 1 198.0 | 825.6  |

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**7. Fisheries and the sea**Expenditure by the Guarantee and Guidance Sections  
of the EAGGF

Organization of the market (Note 5)

Fisheries policy (Note 6)

Other

|  |     |       |       |
|--|-----|-------|-------|
|  | 40B | 46.9  | 17.4  |
|  | 46B | 35.2  | 53.2  |
|  | 4 B | 175.6 | 92.9  |
|  |     | 257.7 | 163.5 |

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**8. Regional policy and transport**

European Regional Development Fund

Other regional policy operations

Mediterranean programmes

Community support programme

Transport

|  |          |         |         |
|--|----------|---------|---------|
|  | 50B, 51B | 2 979.8 | 2 562.3 |
|  | 54B      | 55.7    | 12.9    |
|  | 55B      | 86.0    | 76.8    |
|  | 56B      | 5.0     | —       |
|  | 58B      | 65.6    | 27.0    |
|  |          | 3 192.1 | 2 679.0 |

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| 9. Social policy                         | Budget<br>reference | 1988<br>(ECU million) | 1987<br>(ECU million) |
|--|---------------------|-----------------------|-----------------------|
| European Social Fund                     | 60B, 61B            | 2 298.6               | 2 542.2               |
| Environmental and consumer protection    | 66B                 | 25.5                  | 31.6                  |
| Aid to disaster victims in the Community | 69B                 | 33.2                  | 37.8                  |
| Miscellaneous social expenditure         | 63B, 64B,<br>67B    | 163.0                 | 111.3                 |
|  |                     | 2 520.3               | 2 722.9               |

#### 10. Research, energy and industry

|                                   |     |         |       |
|-----------------------------------|-----|---------|-------|
| Energy policy                     | 70B | 131.2   | 89.5  |
| Nuclear safeguards                | 71B | 3.9     | 4.1   |
| Research and investment           | 73B | 872.2   | 774.9 |
| Information market and innovation | 75B | 20.7    | 23.7  |
| Industry and the internal market  | 77B | 62.0    | 70.6  |
| Financial engineering             | 79B | 1.4     | 2.0   |
|                                   |     | 1 091.4 | 964.8 |

Research and investment also includes related staff and administrative expenditure incurred in the research centres of Ispra, Karlsruhe, Petten and Geel.

#### 11. Cooperation with non-member countries

|   |            |       |         |
|---|------------|-------|---------|
| Food aid  | 92B        | 339.6 | 540.5   |
| Other cooperation activities with developing and non-member countries | 93B to 99B | 444.8 | 522.7   |
|   |            | 784.4 | 1 063.2 |

A further ECU 242.7 million (1987: ECU 259.4 million) of export refunds made in connection with food aid are included in EAGGF Guarantee Section expenditure.

In addition to the above amounts consolidated:

- (i) the European Development Fund made payments of ECU 1 196.3 million (1987: ECU 837.9 million) to developing countries;
- (ii) the European Investment Bank (EIB) grants loans to developing countries from its own funds, guaranteed by the Commission.

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**12. Other operating expenses**

|                                | Budget<br>reference | 1988<br>(ECU million) | 1987<br>(ECU million) |
|--------------------------------|---------------------|-----------------------|-----------------------|
| <i>Staff costs</i>             |                     |                       |                       |
| Parliament                     | 1                   | 250.4                 | 233.3                 |
| Council                        | 1                   | 101.0                 | 96.1                  |
| Economic and Social Committee  | 3                   | 24.0                  | 22.3                  |
| Commission                     | 1A                  | 886.7                 | 750.8                 |
| Publications Office            | 3A                  | 15.6                  | 15.0                  |
| Court of Justice               | 1                   | 39.3                  | 35.4                  |
| Court of Auditors              | 1                   | 23.1                  | 21.8                  |
|                                |                     | <hr/>                 | <hr/>                 |
|                                |                     | 1 340.1               | 1 174.7               |
|                                |                     | <hr/>                 | <hr/>                 |
| <i>Administrative expenses</i> |                     | 607.0                 | 544.3                 |
|                                |                     | <hr/>                 | <hr/>                 |

The costs of employees and administration at the various research establishments are included in research, energy and industry (Note 10).

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**13. Repayments to Member States**

|   |     |         |         |
|---|-----|---------|---------|
| Flat-rate repayment of costs incurred in collecting own resources                     | 80B | 442.7   | 760.0   |
| Repayments to the Member States in respect of the depreciation of agricultural stocks | 81B | 1 240.0 | —       |
| Refunds and financial compensation  | 86B | 1 545.2 | 801.0   |
| Reimbursement of advances granted in 1984   | 87B | 501.7   | —       |
|   |     | <hr/>   | <hr/>   |
|   |     | 3 729.6 | 1 561.0 |
|   |     | <hr/>   | <hr/>   |

In supplementary and amending budget No 1/87 the budgetary authority decided that for 1987 the Member States would receive no further repayments from August onwards for the costs incurred in collecting own resources; the collection costs for the final months of 1987 (ECU 442.7 million) were repaid in 1988.

From 1988 these costs are no longer being repaid to the Member States but are being deducted by the Member States from their payments (see Note 1).

In the same supplementary and amending budget, the budgetary authority decided that payment of the 1987 instalment of advances granted by the Member States in 1984 would be deferred to 1988; the ECU 501.7 million therefore covers the 1987 and 1988 instalments.

**14. Total expenditure***Operational expenditure*

|                                       | Payments for<br>the year<br>(ECU million) | Carried<br>over<br>(ECU million) | 1988<br>(ECU million) | 1987<br>(ECU million) |
|---------------------------------------|---|----------------------------------|-----------------------|-----------------------|
| Agricultural market guarantees        | 26 389.1                                  | 11.2                             | 26 400.3              | 22 950.3              |
| Agricultural structures               | 1 174.6                                   | 23.4                             | 1 198.0               | 825.6                 |
| Fisheries and the sea                 | 237.3                                     | 20.4                             | 257.7                 | 163.5                 |
| Regional policy and transport         | 3 159.3                                   | 32.8                             | 3 192.1               | 2 679.0               |
| Social policy                         | 2 440.0                                   | 80.3                             | 2 520.3               | 2 722.9               |
| Research, energy and industry         | 1 060.6                                   | 30.8                             | 1 091.4               | 964.8                 |
| Cooperation with non-member countries | 713.5                                     | 70.9                             | 784.4                 | 1 063.2               |

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**35 174.4**

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**269.8**

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**35 444.2**

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**31 369.3**

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*Other expenditure*

|                         |         |       |         |         |
|-------------------------|---------|-------|---------|---------|
| Staff costs             | 1 308.5 | 31.6  | 1 340.1 | 1 174.7 |
| Administrative expenses | 471.4   | 135.6 | 607.0   | 544.3   |

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**1 779.9**

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---

**167.2**

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**1 947.1**

---

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**1 719.0**

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*Repayments to Member States*

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**3 347.6**

---

---

**382.0**

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---

**3 729.6**

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**1 561.0**

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**40 301.9**

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**819.0**

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**41 120.9**

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**34 649.3**

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### Breakdown of expenditure by institution

#### Commission:

|                                   |          |       |          |          |
|-----------------------------------|----------|-------|----------|----------|
| non-differentiated appropriations | 31 326.3 | 705.2 | 32 031.5 | 26 221.2 |
| differentiated appropriations     | 8 375.2  | 51.4  | 8 426.6  | 7 829.1  |
|                                   | <hr/>    | <hr/> | <hr/>    | <hr/>    |
|                                   | 39 701.5 | 756.6 | 40 458.1 | 34 050.3 |
| Parliament                        | 341.1    | 43.1  | 384.2    | 337.7    |
| Council                           | 190.1    | 12.8  | 202.9    | 192.1    |
| Court of Justice                  | 44.7     | 4.2   | 48.9     | 44.0     |
| Court of Auditors                 | 24.5     | 2.3   | 26.8     | 25.2     |
|                                   | <hr/>    | <hr/> | <hr/>    | <hr/>    |
|                                   | 40 301.9 | 819.0 | 41 120.9 | 34 649.3 |
|                                   | <hr/>    | <hr/> | <hr/>    | <hr/>    |

### Reconciliation with the budget

|   | Expenditure   |               |
|---|---------------|---------------|
|   | 1988          | 1987          |
|   | (ECU million) | (ECU million) |
| Payment appropriations approved for the year  | 43 844.9      | 36 170.6      |
| Less: Appropriations not used and which lapse | (2 724.0)     | (701.4)       |
| Deficit for the previous year                 | —             | (819.9)       |
|   | <hr/>         | <hr/>         |
| Expenditure for the year                      | 41 120.9      | 34 649.3      |
|   | <hr/>         | <hr/>         |

Expenditure for the year comprises payments made against payment appropriations for the year plus the balance of payment appropriations available for carryover to the following year.

In accordance with the current regulations of the Commission, payment appropriations brought forward from the previous year which remain unused lapse, and are credited to the revenue account of the current year.

A more detailed analysis of payment appropriations and their use appears in Annex 1 to these Notes.

### 15. Entry of surplus for the previous year

The amount of ECU 500.0 million represents the part of the surplus from 1987 entered as revenue in 1988 following adoption of the 1988 budget; the balance of ECU 21.5 million is entered as revenue in the 1989 budget.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 16. Tangible assets

|                               | Buildings             |                       | Furniture and equipment |                       | Total                 |                       |
|-------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|-----------------------|
|                               | 1988<br>(ECU million) | 1987<br>(ECU million) | 1988<br>(ECU million)   | 1987<br>(ECU million) | 1988<br>(ECU million) | 1987<br>(ECU million) |
| Parliament                    | 1.5                   | 1.4                   | 37.3                    | 32.7                  | 38.8                  | 34.1                  |
| Council                       |                       |                       | 13.2                    | 12.8                  | 13.2                  | 12.8                  |
| Economic and Social Committee |                       |                       | 3.2                     | 3.0                   | 3.2                   | 3.0                   |
| Commission                    | 243.2                 | 231.4                 | 273.2                   | 249.9                 | 516.4                 | 481.3                 |
| Court of Justice              |                       |                       | 3.7                     | 5.7                   | 3.7                   | 5.7                   |
| Court of Auditors             |                       |                       | 2.1                     | 1.6                   | 2.1                   | 1.6                   |
| <b>Total</b>                  | <b>244.7</b>          | <b>232.8</b>          | <b>332.7</b>            | <b>305.7</b>          | <b>577.4</b>          | <b>538.5</b>          |

The amount at 31 December 1987 included an estimate of the value of the library stocks (ECU 2.4 million); this has not been included in the balance sheet at the end of 1988 so that all the institutions are treated alike.

### 17. Loans

#### *Loans granted from the budget*

Loans in connection with cooperation with non-member countries

- Loans on special terms
- Risk capital operations

Loans in favour of migrant workers

Building loans to Community officials

|       |       |
|-------|-------|
| 401.5 | 383.5 |
| 5.8   | 5.0   |
| 0.7   | 0.7   |
| 0.4   | 0.5   |

|       |       |
|-------|-------|
| 408.4 | 389.7 |
|-------|-------|

#### *Loans granted from borrowed funds*

Community loans for balance-of-payments support

Euratom loans

Loans to promote investment in the Communities (NCI)

|         |         |
|---------|---------|
| 2 108.7 | 2 226.7 |
| 2 145.3 | 2 373.0 |
| 4 775.6 | 4 869.9 |

|         |         |
|---------|---------|
| 9 029.6 | 9 469.6 |
|---------|---------|

|       |         |
|-------|---------|
| Total | 9 438.0 |
|       | 9 859.3 |

Detailed tables showing all loans granted appear in the accounts of Euratom and NCI borrowing and lending operations, which are contained in Volume II (Section III) of the Communities' published accounts.

The two types of loan were grouped together under a single heading in the balance sheet at the end of 1987. The amount of ECU 392.1 million was overestimated by ECU 3.6 million.

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**18. Long-term debtors**

|   | 1988<br>(ECU million) | 1987<br>(ECU million) |
|---|-----------------------|-----------------------|
| Deposits, guarantees and working balances paid to third parties | 5.5                   | 4.5                   |
| Recoverable costs   | 32.7                  | 91.3                  |
|   | <u>38.2</u>           | <u>95.8</u>           |

Recoverable costs arise on NCI and Euratom borrowing and lending operations as a result of the difference between the interest rates charged on loans granted and the lower interest rates paid on loans raised. They are recovered gradually over the lifetime of the borrowings.

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**19. Stocks**

|                               |             |             |
|-------------------------------|-------------|-------------|
| Parliament                    | 1.2         | 1.4         |
| Council                       | 0.7         | 0.6         |
| Economic and Social Committee | 0.1         | 0.1         |
| Commission <sup>1</sup>       | 65.4        | 67.8        |
| Court of Justice              | 0.3         | 0.2         |
| Court of Auditors             | 0.1         | 0.1         |
|                               | <u>67.8</u> | <u>70.2</u> |

<sup>1</sup> Includes nuclear materials held at research centres.

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**20. Amounts owed by Member States**

|                                       |                |              |
|---------------------------------------|----------------|--------------|
| Amounts receivable from Member States | 1 678.0        | 20.0         |
| Payments on account to Member States  | —              | 83.5         |
|                                       | <u>1 678.0</u> | <u>103.5</u> |

(a) *Receivable from Member States*

Own resources to be recovered  
Taxes paid and to be recovered  
Interest on late payments

| 1988<br>(ECU million) | 1987<br>(ECU million) |
|-----------------------|-----------------------|
| 1 672.6               | 14.9                  |
| 5.2                   | 4.7                   |
| 0.2                   | 0.4                   |
| 1 678.0               | 20.0                  |

The own resources to be recovered at 31 December 1988 include ECU 1 638.0 million entered in the 1988 budget as revenue to balance the general budget and received in early 1989.

The taxes to be recovered at 31 December 1987 include VAT of ECU 1.5 million to be recovered and shown under 'Sundry accounts receivable' in the accounts at the end of 1987.

(b) *Payments on account to Member States*

The amount entered under this heading in the balance sheet at 31 December 1987 covered payments on account to the Member States in respect of food aid (ECU 64.8 million) and EAGGF expenditure (ECU 18.7 million).

Payments on account are no longer being made in respect of food aid from 1988.

Payments on account are still being made in respect of EAGGF expenditure before it is charged to the Community budget.

The payments on account for expenditure incurred by the Member States before 15 October 1988 and chargeable to the 1988 budget have been fully settled and charged to the budget. To book this expenditure to the accounts, ECU 2.5 million in excess of the payments on account made to the Member States had to be charged to the 1988 budget at the end of the year. This was repaid at the beginning of 1989; in the balance sheet at the end of 1988, this amount therefore appears as payable to the Member States (see Note 24).



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**21. Amounts owed by Community bodies**

|                       | 1988<br>(ECU million) | 1987<br>(ECU million) |
|-----------------------|-----------------------|-----------------------|
| Due to Parliament     | 0,2                   | 0,6                   |
| Due to the Commission | 12,0                  | 22,6                  |
|                       | <hr/>                 | <hr/>                 |
|                       | 12,2                  | 23,2                  |
|                       | <hr/>                 | <hr/>                 |

Community bodies include those Communities not consolidated, for example the European Coal and Steel Community (ECSC), and other connected bodies, for example the Medical Insurance Scheme.

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**22. Debtors**

Debtors comprise sundry debtors relating to the institutions and balances relating to the borrowing and lending operations of NCI and Euratom.

*Sundry debtors*

|  |       |       |
|--|-------|-------|
| Due from staff of the institutions                         | 8.2   | 4.5   |
| Due from third parties, including bank interest receivable | 14.1  | 9.4   |
| Advances to be settled                                     | 2.1   | 3.6   |
| Receivable orders to be recovered                          | 286.5 | 262.1 |
| Prepayments <sup>1</sup>                                   | 19.4  | 16.2  |
| Other  | 11.3  | 5.9   |
|  | <hr/> | <hr/> |
|  | 341.6 | 301.7 |
|  | <hr/> | <hr/> |

*NCI and Euratom*

|                  |       |       |
|------------------|-------|-------|
| Accrued interest | 269.4 | 274.6 |
| Other            | 132.4 | 30.4  |
|                  | <hr/> | <hr/> |
|                  | 401.8 | 305.0 |
|                  | <hr/> | <hr/> |
|                  | 743.4 | 606.7 |
|                  | <hr/> | <hr/> |

<sup>1</sup> Prepayments comprise sums paid during 1987 to be charged to the budget of the following year:

|                               | 1988<br>(ECU million) | 1987<br>(ECU million) |
|-------------------------------|-----------------------|-----------------------|
| Parliament                    | 3.2                   | 3.1                   |
| Council                       | 1.7                   | —                     |
| Economic and Social Committee | —                     | 0.1                   |
| Commission                    | 14.5                  | 13.0                  |
|                               | <hr/>                 | <hr/>                 |
|                               | 19.4                  | 16.2                  |
|                               | <hr/>                 | <hr/>                 |

### 23. Cash at bank and in hand

In addition to the current and deposit accounts which the institutions have with banks in Community and non-Community countries to carry out their financial operations, the Commission also has accounts with each Member State. The amount of established own resources is credited by each Member State to an account opened for this purpose in the Commission's name with its Treasury or with the body it has appointed for the purpose. The Commission may draw on the sums credited to these accounts to the extent necessary to cover its cash requirements arising out of budget execution.

The institutions may establish imprest accounts to cover payment of certain types of expenditure, and particularly to permit the operation of information offices and delegations in non-member countries and to international organizations. The amounts advanced are to cover cash needs for a short period. The funds are reconstituted on presentation of expenditure vouchers.

The total of bank balances and cash is made up as follows:

|   |         |         |
|---|---------|---------|
| Securities (held by NCI)                  | 2.9     | 2.7     |
| Fixed-term deposit accounts               | 529.3   | 161.7   |
| Accounts with Treasuries of Member States | 3 073.4 | 2 689.7 |
| Accounts with Central Banks               | 288.2   | 71.1    |
| Current accounts                          | 1 212.1 | 969.4   |
| Imprest accounts                          | 27.9    | 17.8    |
| Documentary credits                       | 1.0     | 1.0     |
| Cash in transit                           | —       | 44.0    |
| Cash in hand                              | 0.2     | 0.3     |
|   | <hr/>   | <hr/>   |
|   | 5 135.0 | 3 957.7 |
|   | <hr/>   | <hr/>   |

The Commission holds accounts with Treasuries and Central Banks. Its deposit and current accounts include ECU 740.5 million (1986: ECU 554.3 million) available from NCI and Euratom borrowing and lending operations. The breakdown of the amounts in the institutions' current accounts is as follows:

|                               | 1988<br>(ECU million) | 1987<br>(ECU million) |
|-------------------------------|-----------------------|-----------------------|
| Parliament                    | 2.7                   | 13.2                  |
| Council                       | 5.0                   | 5.7                   |
| Economic and Social Committee | 3.7                   | 4.2                   |
| Commission <sup>1</sup>       | 1 199.5               | 945.0                 |
| Court of Justice              | 1.1                   | 1.2                   |
| Court of Auditors             | 0.1                   | 0.1                   |
|                               | <hr/>                 | <hr/>                 |
|                               | 1 212.1               | 969.4                 |
|                               | <hr/>                 | <hr/>                 |

<sup>1</sup> Includes ECU 571.1 million (1986: ECU 396.7 million) for NCI and Euratom borrowing and lending operations in 1988.

#### 24. Creditors: due within one year

|  |         |         |
|--|---------|---------|
| Payable to Member States <sup>1</sup>                | 251.7   | 750.9   |
| Less: Proportion due in more than one year (Note 25) | —       | (249.2) |
|  | <hr/>   | <hr/>   |
|  | 251.7   | 501.7   |
| Amounts owed to Community bodies <sup>2</sup>        | 4.6     | 3.8     |
| Appropriations to be carried over <sup>3</sup>       | 821.0   | 1 360.5 |
| Sundry creditors <sup>4</sup>                        | 29.6    | 25.7    |
| Revenue to be entered <sup>5</sup>                   | 120.7   | 52.2    |
| Revenue to be collected <sup>6</sup>                 | 1 962.4 | 280.9   |
| Accruals <sup>7</sup>                                | 1 544.5 | 1 587.5 |
| Accrued interest (NCI and Euratom)                   | 387.2   | 410.5   |
| Bank balances <sup>8</sup>                           | 433.3   | 8.2     |
|  | <hr/>   | <hr/>   |
|  | 5 555.0 | 4 231.0 |
|  | <hr/>   | <hr/>   |

<sup>1</sup> This item covers the repayable advances granted by the Member States in 1984 (ECU 249.2 million) and ECU 2.5 million which has to be repaid to the Member States in respect of EAGGF expenditure in 1988.

<sup>2</sup> *Amounts owed to Community bodies*

|   | 1988<br>(ECU million) | 1987<br>(ECU million) |
|---|-----------------------|-----------------------|
| Due by the Commission                                 | 4.6                   | 3.8                   |
| <sup>3</sup> <i>Appropriations to be carried over</i> |                       |                       |
| Non-differentiated appropriations                     |                       |                       |
| — Automatic carryovers                                | 381.4                 | 526.4                 |
| — Non-automatic carryovers                            | 386.2                 | 16.7                  |
| Differentiated appropriations                         |                       |                       |
| — Current year's appropriations carried over          | 51.4                  | 815.1                 |
| — Appropriations carried over again                   | 2.0                   | 2.3                   |
|   | 821.0                 | 1 360.5               |

<sup>4</sup> *Sundry creditors*

|   |      |      |
|---|------|------|
| Revenue to be transferred to other bodies                               | 21.3 | 19.3 |
| NCI and Euratom current liabilities on borrowing and lending operations | 0.1  | 0.7  |
| Other   | 8.2  | 5.7  |
|   | 29.6 | 25.7 |

<sup>5</sup> *Revenue to be entered*

|   |       |      |
|---|-------|------|
| Revenue available for use   | 89.3  | 37.3 |
| Miscellaneous revenue to be identified and booked to an item of account | 31.4  | 14.9 |
|   | 120.7 | 52.2 |

The revenue still to be booked to an item of account at 31 December 1987 includes ECU 0.2 million contained under the heading 'Sundry accounts payable' in the balance sheet at the end of 1987.

<sup>6</sup> *Revenue to be collected*

This is an entry to balance those debtor balances which relate to revenue to be entered in the accounts of 1989.

<sup>7</sup> *Accruals*

Payments made between 1 and 15 January 1989 authorized before 31 December 1988 are recorded as expenditure of 1988 and appear in the balance sheet as accruals.

The accruals at 31 December 1987 include ECU 0.2 million contained under the heading 'Sundry accounts payable' in the balance sheet at the end of 1987.

<sup>8</sup> *Bank balances*

|   | 1988<br>(ECU million) | 1987<br>(ECU million) |
|---|-----------------------|-----------------------|
| Fixed-term deposit accounts (NCI)         | 1.4                   | 0.5                   |
| Accounts with Treasuries of Member States | 429.5                 | —                     |
| Current accounts (NCI)                    | —                     | 5.5                   |
| Documentary credits                       | 2.4                   | 2.2                   |
|   | <hr/>                 | <hr/>                 |
|   | 433.3                 | 8.2                   |

**25. Creditors: due after more than one year**

*Loans raised*

|  |          |          |
|--|----------|----------|
| Community loans raised for balance-of-payments support                   | 2 458.7  | 2 226.7  |
| Euratom loans raised   | 2 164.0  | 2 499.9  |
| Loans raised to promote investment in the Communities (NCI) <sup>1</sup> | 5 514.0  | 5 250.3  |
|  | <hr/>    | <hr/>    |
|  | 10 136.7 | 9 976.9  |
|  | <hr/>    | <hr/>    |
| Refundable advances due to Member States (Note 24)                       | —        | 249.2    |
|  | <hr/>    | <hr/>    |
|  | 10 136.7 | 10 226.1 |

<sup>1</sup> The NCI loans include ECU 20.9 million as a redemption premium.

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**26. Provisions for liabilities and charges**

|         | 1988<br>(ECU million) | 1987<br>(ECU million) |
|---------|-----------------------|-----------------------|
| NCI     | 20.0                  | 17.9                  |
| Euratom | 12.3                  | 10.9                  |
|         | <hr/> 32.3            | <hr/> 28.8            |

These balances represent surpluses to be allocated by the Commission, and retained to cover costs not yet incurred or to be set against the assets item 'Recoverable costs' recorded in 'Long-term debtors' (see Note 18 above).

The detailed accounts of NCI and Euratom borrowing and lending operations are set out in Volume II (Section III) of the published accounts of the Communities.

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**27. Own capital**

This is the contra-item to various assets which are recorded in the balance sheet after first being charged to budgetary expenditure. Like the corresponding assets, this item varies from one year to the next. The assets are tangible assets, loans granted from the budget and inventories.

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**28. Balance brought forward and balance for the year**

|                         |         |         |
|-------------------------|---------|---------|
| Balance brought forward | (227.7) | (750.9) |
| Balance for the year    | 1 140.1 | 521.5   |
|                         | <hr/>   | <hr/>   |

(a) In 1984 the Member States granted repayable advances to finance supplementary and amending budget No 1/84, which was prepared to prevent a deficit arising for that year. The amount remaining to be refunded to the Member States (ECU 249.2 million entered as expenditure in the 1989 budget) is contained in the balance sheet as a liability of the Communities (see Note 24).

(b) ECU 500 million of the 1987 balance of ECU 521.5 million was entered as revenue for 1988; the remaining ECU 21.5 million is entered as revenue in the 1989 budget.

# CONSOLIDATED REVENUE AND EXPENDITURE ACCOUNT FIVE-YEAR SUMMARY

(ECU million)

|   | 1984             | 1985            | 1986             | 1987            | 1988            |
|---|------------------|-----------------|------------------|-----------------|-----------------|
| <b>Revenue</b>  |                  |                 |                  |                 |                 |
| Own resources   | 24 769.3         | 25 708.1        | 32 615.0         | 35 497.9        | 35 842.6        |
| Financial contributions   | 222.5            | 260.9           | 210.1            | 210.6           | 4 657.2         |
| Adjustments to previous year's revenue                            | (111.8)          | 111.8           | 377.3            | (359.3)         | 383.6           |
| Other   | 890.3            | 1 989.6         | 431.5            | 452.0           | 496.1           |
|   | <b>25 770.3</b>  | <b>28 070.4</b> | <b>33 633.9</b>  | <b>35 801.2</b> | <b>41 379.5</b> |
| <b>Expenditure</b>  |                  |                 |                  |                 |                 |
| Agricultural market guarantees                                    | 18 330.8         | 19 728.1        | 22 119.4         | 22 950.3        | 26 400.3        |
| Agricultural structures   | 666.3            | 747.3           | 797.6            | 825.6           | 1 198.0         |
| Fisheries and the sea   | 85.0             | 94.3            | 150.7            | 163.5           | 257.7           |
| Regional policy and transport                                     | 1 461.7          | 1 697.0         | 2 574.8          | 2 679.0         | 3 192.1         |
| Social policy   | 1 635.3          | 1 620.2         | 2 652.5          | 2 722.9         | 2 520.3         |
| Research, energy and industry                                     | 1 692.5          | 685.5           | 760.1            | 964.8           | 1 091.4         |
| Cooperation with non-member countries                             | 1 031.6          | 1 091.8         | 1 161.5          | 1 063.2         | 784.4           |
|   | <b>24 903.2</b>  | <b>25 664.2</b> | <b>30 216.6</b>  | <b>31 369.3</b> | <b>35 444.2</b> |
| <i>Operational expenditure</i>                                    |                  |                 |                  |                 |                 |
| <i>Repayments to Member States</i>                                | 1 082.5          | 1 071.5         | 3 095.4          | 1 561.0         | 3 729.6         |
| <i>Other expenditure</i>  |                  |                 |                  |                 |                 |
| Staff costs   | 829.1            | 907.9           | 1 049.6          | 1 174.7         | 1 340.1         |
| Administrative expenses   | 394.5            | 406.5           | 501.6            | 544.3           | 607.0           |
|   | <b>27 209.3</b>  | <b>28 050.1</b> | <b>34 863.2</b>  | <b>34 649.3</b> | <b>41 120.9</b> |
| <i>Surplus of revenue over expenditure for the year (deficit)</i> | <b>(1 439.0)</b> | <b>20.3</b>     | <b>(1 229.3)</b> | <b>1 151.9</b>  | <b>258.6</b>    |
| Surplus for the previous year (deficit)                           | 307.1            | (172.5)         | 53.8             | (819.9)         | 500.0           |
| Appropriations carried over from previous year which lapse        | 287.4            | 127.3           | 355.6            | 189.5           | 381.5           |
| Other, including transfer of appropriations carried over          | 17.2             | 1.0             | —                | —               | —               |
| <b>Retained surplus for the year (deficit)</b>                    | <b>(827.3)</b>   | <b>(23.9)</b>   | <b>(819.9)</b>   | <b>521.5</b>    | <b>1 140.1</b>  |



# Appropriations for 1988

(ECU million)

| Sector                                 | Commitments          |                          |                         |                |                              | Payments             |                 |                         |                |
|--|----------------------|--------------------------|-------------------------|----------------|------------------------------|----------------------|-----------------|-------------------------|----------------|
|  | Final appropriations | Commitments entered into | Appropriations          |                | Reconstituted appropriations | Final appropriations | Payments made   | Appropriations          |                |
|  |                      |                          | Available for carryover | Lapsing        |                              |                      |                 | Available for carryover | Lapsing        |
| Staff                                  |                      |                          |                         |                |                              |                      |                 |                         |                |
| Commission                             | 914.6                | 902.3                    |                         | 12.3           |                              | 914.6                | 881.0           | 21.3                    | 12.3           |
| Parliament                             | 259.6                | 250.4                    |                         | 9.2            |                              | 259.6                | 242.5           | 7.9                     | 9.2            |
| Council                                | 135.1                | 125.0                    |                         | 10.1           |                              | 135.1                | 124.0           | 1.0                     | 10.1           |
| Court of Justice                       | 42.8                 | 39.3                     |                         | 3.5            |                              | 42.8                 | 38.3            | 1.0                     | 3.5            |
| Court of Auditors                      | 24.8                 | 23.1                     |                         | 1.7            |                              | 24.8                 | 22.7            | 0.4                     | 1.7            |
| Administration                         |                      |                          |                         |                |                              |                      |                 |                         |                |
| Commission                             | 383.6                | 382.0                    |                         | 1.6            |                              | 383.6                | 298.5           | 83.5                    | 1.6            |
| Parliament                             | 140.4                | 129.7                    | 4.2                     | 6.5            |                              | 140.4                | 98.6            | 35.2                    | 6.6            |
| Council                                | 78.9                 | 77.9                     |                         | 1.0            |                              | 78.9                 | 66.1            | 11.8                    | 1.0            |
| Court of Justice                       | 10.2                 | 9.6                      |                         | 0.6            |                              | 10.2                 | 6.4             | 3.2                     | 0.6            |
| Court of Auditors                      | 4.0                  | 3.7                      |                         | 0.3            |                              | 4.0                  | 1.8             | 1.9                     | 0.3            |
| Agricultural market guarantees         | 27 500.0             | 26 400.3                 |                         | 1 099.7        |                              | 27 500.0             | 26 389.1        | 11.2                    | 1 099.7        |
| Agricultural structures                | 1 261.8              | 1 237.7                  | 0.4                     | 23.7           | 36.9                         | 1 210.5              | 1 174.6         | 23.4                    | 12.5           |
| Fisheries and the sea                  | 343.8                | 324.7                    |                         | 19.1           |                              | 287.0                | 237.3           | 20.4                    | 29.3           |
| Regional policy and transport          | 4 311.2              | 4 286.4                  | 2.4                     | 22.4           | 215.4                        | 3 209.5              | 3 159.3         | 32.8                    | 17.4           |
| Social policy                          | 3 138.3              | 3 107.2                  |                         | 31.1           | 147.7                        | 2 833.5              | 2 440.0         | 80.3                    | 313.2          |
| Research, energy and industry          | 1 456.3              | 1 437.7                  | 10.9                    | 7.7            |                              | 1 164.3              | 1 060.6         | 30.8                    | 72.9           |
| Repayments to Member States            | 3 729.9              | 3 347.6                  | 382.0                   | 0.3            |                              | 3 729.9              | 3 347.6         | 382.0                   | 0.3            |
| Cooperation with non-member countries  | 1 286.1              | 1 257.8                  | 11.5                    | 16.8           |                              | 866.1                | 713.5           | 70.9                    | 81.7           |
| Provisional appropriations and reserve | 1 066.3              |                          |                         | 1 066.3        |                              | 1 050.1              |                 |                         | 1 050.1        |
| <b>Total</b>                           | <b>46 087.7</b>      | <b>43 342.4</b>          | <b>411.4</b>            | <b>2 333.9</b> | <b>400.0</b>                 | <b>43 844.9</b>      | <b>40 301.9</b> | <b>819.0</b>            | <b>2 724.0</b> |

## Breakdown by institution

|                                   |                 |                 |              |                |              |                 |                 |              |                |
|-----------------------------------|-----------------|-----------------|--------------|----------------|--------------|-----------------|-----------------|--------------|----------------|
| Commission, of which:             | 45 391.9        | 42 683.7        | 407.2        | 2 301.0        | 400.0        | 43 149.1        | 39 701.5        | 756.6        | 2 691.0        |
| non-differentiated appropriations | 34 207.0        | 31 649.5        | 382.0        | 2 175.5        |              | 34 207.0        | 31 326.3        | 705.2        | 2 175.5        |
| differentiated appropriations     | 11 184.9        | 11 034.2        | 25.2         | 125.5          | 400.0        | 8 942.1         | 8 375.2         | 51.4         | 515.5          |
| Parliament                        | 400.0           | 380.1           | 4.2          | 15.7           |              | 400.0           | 341.1           | 43.1         | 15.8           |
| Council                           | 214.0           | 202.9           |              | 11.1           |              | 214.0           | 190.1           | 12.8         | 11.1           |
| Court of Justice                  | 53.0            | 48.9            |              | 4.1            |              | 53.0            | 44.7            | 4.2          | 4.1            |
| Court of Auditors                 | 28.8            | 26.8            |              | 2.0            |              | 28.8            | 24.5            | 2.3          | 2.0            |
| <b>Total</b>                      | <b>46 087.7</b> | <b>43 342.4</b> | <b>411.4</b> | <b>2 333.9</b> | <b>400.0</b> | <b>43 844.9</b> | <b>40 301.9</b> | <b>819.0</b> | <b>2 724.0</b> |