Procedure file

Basic information

COS - Procedure on a strategy paper (historic)	1997/2182(COS)	Procedure completed
Agenda 2000: the new financial framework 2000-2006, the future financing system of the Union Subject 8.20.40 Enlargement's financial point of view 8.70.01 Financing of the budget, own resources		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	BUDG Budgets	PSE COLOM I NAVAL Joan	21/11/1996
	Committee for opinion	Rapporteur for opinion	Appointed
	AGRI Agriculture and Rural Development	I-EDN DES PLACES Edouard C.M.P.	30/09/1997
	ENER Research, Technological Development and Energy	PSE HAUG Jutta	27/05/1997
	REGI Regional Policy	PSE DAVID Wayne	15/07/1997
	TRAN Transport and Tourism	PPE STENMARCK Per	23/09/1997
	ENVI Environment, Public Health and Consumer Protection	PPE FLORENZ Karl-Heinz	22/07/1997
	DEVE Development and Cooperation	PSE LÖÖW Maj-Lis	19/06/1997
	LIBE Civil Liberties and Internal Affairs	PSE D'ANCONA Hedy	14/05/1997
	CONT Budgetary Control	PPE BOURLANGES Jean-Louis	22/07/1997
	INST Institutional Affairs	ELDR BRINKHORST Laurens Jan	02/07/1997
	PECH Fisheries	ELDR KOFOED Niels Anker	24/06/1997

Council of the European Union	Council configuration	Meeting	Date
	General Affairs	2047	24/11/1997
	Economic and Financial Affairs ECOFIN	2032	13/10/1997

Key events

15/07/1997	Non-legislative basic document published	COM(1997)2000	Summary
18/07/1997	Committee referral announced in Parliament		
13/10/1997	Debate in Council	2032	
27/10/1997	Vote in committee		Summary
27/10/1997	Committee report tabled for plenary	A4-0331/1997	
24/11/1997	Debate in Council	2047	
03/12/1997	Debate in Parliament		
04/12/1997	Decision by Parliament	T4-0598/1997	Summary
04/12/1997	End of procedure in Parliament		
22/12/1997	Final act published in Official Journal		

Technical information

Procedure reference	1997/2182(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/4/09136

Documentation gateway

Non-legislative basic document		COM(1997)2000	15/07/1997	EC	Summary
Committee report tabled for plenary, single reading		A4-0331/1997 OJ C 371 08.12.1997, p. 0002	27/10/1997	EP	
Committee of the Regions: opinion		CDR0280/1997 OJ C 064 27.02.1998, p. 0048	19/11/1997	CofR	
Text adopted by Parliament, single reading		T4-0598/1997 OJ C 388 22.12.1997, p. 0010-0031	04/12/1997	EP	Summary
Document attached to the procedure		COM(2001)0662	13/11/2001	EC	

Agenda 2000: the new financial framework 2000-2006, the future financing system of the Union

OBJECTIVE: AGENDA 2000: presentation of the future financial framework for the period 2000-2006, having regard to the prospect of the enlargement of the Community. SUBSTANCE: the future financial framework should cover consistently and within a reasonable, limited budget the development of Community policies and the issues relating to enlargement to include new Member States. The definition of the future financial framework respond to three main concerns: - to cover a broad enough period of time: 2000-2006; - to allow the funding of essential needs: agricultural policy, cohesion policy, development of internal policies, assertion of the role of the Union on the international stage, financing a modernized European administration; - to ensure the sound management of public finances: the Community's ceiling of 1.27% GNP for own resources should remain unchanged. In this respect, the Commission considers that, with economic growth estimated at 2.5% per annum for the 15 Member States over the period 2000-2006 and estimated at 4-5% per annum by 2006 for the new Member States, the retention of this ceiling could result in potential additional resources of approximately ECU 20 billion. A. EXPENDITURE: six major categories were defined: (1) the CAP: maintaining the current method of calculating the agricultural guideline would not pose any difficulty in covering identified agricultural expenditure needs (46% of the Community budget). For the 15 Member States, the reformed CAP would cover: - market intervention measures and export refunds (with a foreseeable saving of ECU 3.7 billion), - direct compensatory aid (with foreseeable additional expenditure of ECU 7.7 bn), - existing accompanying measures (agri-environment, afforestation, early retirement) accompanied by the new rural development accompanying measures and the horizontal measures in the fisheries sector (between ECU 1.9 bn and 2.1 bn). Expenditure for the applicant countries would include: - pre-accession aid estimated at about ECU 500 million per year, for modernizing farms and agri-foodstuff distribution chains. Following the accessions, this figure would remain the same for those countries not due to join until later, - expenditure relating to the accession of the new Member States for market organization measures (between ECU 1.1 and 1.4 billion per year), enhanced accompanying measures and special modernization aid following on from the pre-accession measures (from ECU 0.6 to 2.5 billion after the accession). Application of the guideline as it stood would leave a financial margin that would grow from 2003 onwards, reaching a very substantial amount by 2006 (ECU 4.7 billion). This margin would be essential in order to cover agricultural market uncertainties, to facilitate the integration of new Member States and to prepare for further enlargement; (2) structural expenditure: this expenditure would be maintained at the 1999 level, namely 0.46% of the Union's GNP. The total allocation for the period 2000 to 2006 would therefore be ECU 275 billion of which: - ECU 210 billion would be allocated to the current 15 Member States, on the basis of new guidelines (two-thirds would be allocated for measures in 'Objective 1' regions, which would be gradually phased out of these arrangements; one-third would be for other objectives, concentrating expenditure on areas with a low eligible population density with high unemployment). For the Commission, partnership was the most important issue in order to coordinate public and private financing in all areas where Community aid was to be considerably reduced; - ECU 45 billion would be allocated to the new Member States: pre-accession aid to be taken from this budget would be made available from the year 2000 and would aim to bring the applicant countries' infrastructure, transport and environment up to Community standards; - ECU 20 billion for the Cohesion Fund (with a review of eligibility under the criterion of per capita GNP being lower than 90% of the Community average, carried out half-way through the period); (3) internal policies: in this context, there were two main concerns: targeting available resources so that they were not wasted on measures that were unlikely to have a significant impact and increasing allocations for certain programmes which had been given priority (trans-European networks, research and innovation, education and training, environment-friendly technologies and measures to support SMUs). These guidelines would mean raising the ceiling slightly more than the rise in the GNP of the 15 Member States; (4) external actions: special attention should be paid to the development of pre-accession aid during the first part of the period under review. After the first accessions, the total amount of this aid should remain stable at ECU 1.5 billion and be concentrated exclusively on the countries due to join at a later date. The Community would be able to develop its aid to the former Soviet republics, the former Yugoslavia, Albania, the Mediterranean countries and Turkey. It could also step up its humanitarian aid; (5) administrative expenditure: enlargement would involve a certain increase in costs as a result of the new working languages, the new tasks for the Community and the accommodation of nationals from the new Member States. Moreover, there would be additional expenditure caused by the ageing of the European civil service (retirements). Nevertheless, this could be controlled through the internal rationalization measures that the Commission had already begun to implement; (6) reserves: these should reduce with the gradual phasing-out of the monetary reserve by 2003 and the reduction in the emergency aid reserve. B. REVENUE - FINANCIAL ARRANGEMENTS: during the period 2000-2006, it would be possible to face the challenges of enlargement without exceeding the existing own resources ceiling (1.27% of GNP). The Community budget should rise to ECU 92.5 billion in payment appropriations from the year 2000 and reach ECU 111.4 billion in 2006 (compared to ECU 82.3 billion in 1997). The current decision on own resources would therefore remain unchanged. However, during 1998, the Commission would present a full report on the functioning of the own resources system covering also the mechanism used to reduce the contribution of the United Kingdom and the possibility of introducing a new own resource. It noted, in this respect, that the margin available under the financial resources available had never been fully utilized. Combined with the increases in the own resources ceiling for the period from 1997 to 1999, these important financial margins could be used to help accommodate a first wave of accessions. The introduction of a new own resource (based mainly on a new tax-based system) presented so many technical and institutional obstacles that it was not an option for the near future. C. MAIN TRENDS TO 2006: a first wave of accessions would affect the budgetary position of all the present Member States who were net beneficiaries of the Community. Applicant countries would have a strong claim to substantial amounts of Structural Fund payments and would enjoy long transitional periods (particularly for the own resources payment). Similarly, the Community budget would be influenced by the necessary reforms: agricultural policy, structural policy, etc. There still remained the problem concerning the contribution paid by the United Kingdom, which receives compensation until its level of prosperity reached to that of the other Member States. This issue, together with the general financing of the budget, would both be closely considered after the first wave of accessions. There might be the possibility of introducing a general rebate mechanism which would incorporate the problem of the United Kingdom and alleviate the imbalances in the most important sections of the budget. ?

Agenda 2000: the new financial framework 2000-2006, the future financing system of the Union

The committee adopted the report by COLOM I NAVAL (PSE, E) on the financial framework and the future financing system of the Union after 2000. It considered that "declaring the current own-resources ceiling of 1.27 % of GNP to be sacrosanct ... was premature". The committee felt that the European Commission, in its Agenda 2000, had not really estimated future Community policy requirements for the fifteen existing Member States and the applicant countries. It considered this approach to be inadequate for such an ambitious project as enlargement and felt that declaring the own-resources ceiling to be sacrosanct at this stage might cause genuine problems to be underestimated. The committee expressed its surprise at the macroeconomic framework submitted by the European Commission in Agenda 2000 and stressed that the global forecast of 2.5% per year could be an overestimate which might give rise to false hopes regarding the possibility of ensuring the success of any enlargement without incurring extra costs. It drew the European Council's attention to the risks involved in basing the entire financial analysis on highly uncertain forecasts. It recognized the value of a financial framework covering a sufficiently long period of time after 2000, but felt that the success of enlargement would require budgetary peace of mind founded on an interinstitutional agreement accompanied by corresponding financial perspectives. These new financial perspectives should be revised automatically as soon as one or more applicant countries sign a treaty of accession, and also if agricultural and structural reforms are not realized or if the estimate rate of growth is not achieved. At the same time, the state of negotiations and the outcome of the envisaged IGC on reform of the institutions would have to be assessed. The committee regretted in its report that the Commission had not addressed the question of the own-resources system and considered it necessary to examine the possibility of a system which was more proportionate to the relative prosperity of the people/taxpayers and more "visible" to the people of Europe. It considered that the application in the budget of the "fair return" principle should be excluded from this examination. The European Commission was called upon to submit, in the near future, a communication concerning the own-resources system. The committee considered that a new interinstitutional agreement (AII) accompanied by new financial perspectives and with the necessary flexibility should make it possible, within certain limits, to transfer appropriations between the various expenditure categories. One possibility would be to place unused appropriations from the various categories in a special reserve chapter. They could then be used both for unexpected developments within the European Union and for the process of enlargement. As regards financing this process, the committee noted that the analysis presented by the Commission was merely an indicative estimate of the amounts needed to ensure the success of accession, which could not be calculated exactly until accession negotiations were completed. Furthermore, the margins which would have to be released to finance enlargement, in the absence of extra resources, could be made available only through major cutbacks in existing policies, in particular agricultural and structural policies. Only when the Council had adopted reforms in these two sectors would it be possible to assess the actual savings made. The committee proposed that all accession expenditure be entered under a new financial perspectives heading. Finally, the committee presented a set of sectoral policy considerations emphasizing the need to promote employment, ensure growth and competitiveness within the European Union and ensure that the European Union plays a more prominent role at world level and with regard to developing countries.?

Agenda 2000: the new financial framework 2000-2006, the future financing system of the Union

In adopting the report by Mr Joan COLOM I NAVAL (PSE, E), the European Parliament notes that the Commission, in its AGENDA 2000, has not really estimated the future Community policy requirements for the 15 existing Member States and for the applicant countries, but has merely declared the current own-resources ceiling of 1.27% of GNP to be sacrosanct. It considers this approach to be inadequate for such an ambitious project as enlargement and feels that declaring the own-resources ceiling to be sacrosanct at this stage may cause genuine problems to be underestimated. It therefore considers that the Commission's analysis in no way exempts it from submitting a formal financial perspective proposal for the 15 Member States by 1 July 1998, as laid down in Article 25 of the current interinstitutional agreement. Parliament is surprised at the macroeconomic framework submitted by the Commission in AGENDA 2000 and takes the view that the global forecast of 2.5% per year could be an overestimate which may give rise to false hopes regarding the possibility of ensuring the success of any enlargement without incurring extra costs. It draws the European Council's attention to the risks involved in basing the entire financial analysis on highly uncertain forecasts. It recognizes the value of a financial framework covering a sufficiently long period of time after 2000, but feels that the success of enlargement will require budgetary peace of mind founded on an interinstitutional agreement accompanied by corresponding financial perspectives. It considers therefore that the duration of the next financial perspectives will depend on the flexibility incorporated into the interinstitutional agreement, either between headings or by means of a binding revision clause to take account of as yet unknown developments. 1) Financial perspectives: Parliament believes that the financial perspectives should be revised 'automatically' as soon as one or more applicant countries sign a treaty of accession, and also if agricultural and structural reforms are not realized or if the estimated rate of growth is not achieved. At the same time, the state of negotiations and the outcome of the envisaged IGC on reform of the institutions will have to be assessed. 2) Own resources: Parliament regrets that the Commission has not addressed the question of the own resources system and considers it necessary to examine the possibility of a system more proportionate to the relative prosperity of the people and with a higher profile for European citizens. It considers that the application in the budget of what is known as the 'fair return' principle should be excluded. It emphasizes the need to take account of all the budgetary and non-budgetary benefits brought about by participation in European integration, particularly the objective benefits emanating from the single market and the perspective of enlargement. It calls on the Commission to submit, in the near future, a communication concerning the own resources system so as to foster debate between the two arms of the budgetary authority. 3) Interinstitutional agreement: Parliament considers that a new interinstitutional agreement accompanied by new financial perspectives and with the necessary flexibility should make it possible, within certain limits, to transfer appropriations between the various expenditure categories and avoid certain anachronisms in the procedures, such as the classification of expenditure. One possibility would be to place unused appropriations from the various categories in a special reserve chapter. They could then be used both for unexpected developments within the Union and for the process of enlargement. 4) Financing: Parliament notes that the analysis presented by the Commission is merely an indicative estimate of the amounts needed to ensure the success of accession, which cannot be calculated exactly until accession negotiations are completed. Furthermore, the margins which will have to be released to finance enlargement, in the absence of extra resources, can be made available only through major cutbacks in existing policies, in particular agricultural and structural policies. Only after adoption of the reforms in these two sectors by the Council will it be possible to assess the actual savings made. Parliament proposes that all accession expenditure be entered under a new financial perspectives heading. Finally, it presents a set of sectoral policy considerations putting the emphasis on the need to promote employment, respect the environment, ensure growth and competitiveness within the Union, and ensure that the Union plays a more prominent role at world level and with regard to developing countries. Regarding the environment, Parliament calls for the creation, together with the EBRD and EIB, of guarantee funds to allow the banks of the Central and Eastern European countries to grant loans for environmental projects, particularly to SMEs and public, local and regional authorities. In the employment field, Parliament is in favour of increasing the allocations for priority programmes relating to internal policies at a faster rate than the rest of the budget; it emphasizes that this must take place fairly, from the regional and social points of view, and taking account of the principle of equal opportunities for men and women. Finally, it considers that the European Council should demonstrate more openness towards enlargement as, when all is said and done, the resources required represent only 0.13% of the GNP of the 15 Member States for the period in question. ?