Conclusions of the Berlin European Council: extract concerning Agenda 2000 (24 and 25 March 1999)

Caption: On 25 March 1999, the Berlin European Council agrees on the changes to be made to the Decision of 31 October 1994 on own resources.

Source: European Council - Presidency Conclusions (Berlin, 24.- 25.03.1999), 100/1/99 rev. Brussels: Council of the European Union, 25.03.1999. 17 p. "Part I - Agenda 2000", p. 1-14.

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Berlin European Council (24 and 25 march 1999)
Presidency Conclusions

I. Introduction

1. The European Council met in Berlin on 24 and 25 March 1999. Proceedings opened with an exchange of views with the President of the European Parliament, Mr. José-María Gil-Robles.

2. The European Council:

• reached an overall agreement on Agenda 2000 (see Part I);
• agreed a declaration on the appointment of the President of the Commission (see Part II);
• adopted two statements on Kosovo (see Part III);
• agreed three other statements on the Middle East Peace Process, the successful conclusion of the Trade and Cooperation Agreement with South Africa and on enlargement (see Part IV).

PART I - AGENDA 2000

3. Agenda 2000 is about equipping the Union with more effective policies and the financial means to implement them in a spirit of solidarity, while ensuring similar budgetary rigour at the level of the Union as applied at national level. The European Council considers that the policy reforms set out in these conclusions, and the financial framework to fund them over the medium-term, will ensure that the Union is in a position to face the challenges of the forthcoming period and to make a success of its future enlargement.

II. The new financial perspective

A. General

4. The Union’s expenditure must respect both the imperative of budgetary discipline and efficient expenditure, and the need to ensure that the Union has sufficient resources at its disposal to ensure the orderly development of its policies for the benefit of its citizens and to cope effectively with the process of enlargement.

5. The new financial perspective should be established for a duration of seven years covering the period 2000-2006. It should be drawn up on the basis of the working assumption of the accession of new Member States starting from 2002.

6. The financial perspective should be drawn up using constant 1999 prices, with automatic annual technical adjustments for inflation as at present.

7. The European Council considers that the appropriate allocation of expenditure for EU-15 is as set out in Table A attached.

B. Presentation of the financial perspective in the context of enlargement

Financial perspective for EU-15 (Table A)

Pre-accession expenditure

8. Expenditure for the three pre-accession instruments (PHARE, the agricultural instrument and the structural instrument) should be entered in separate sub-headings in a new heading 7 in the financial perspective. The annual ceiling for the three sub-headings should remain at a constant level throughout the period and should not exceed:

Heading 7 (Pre-accession instruments) (Mio. euros 1999 prices)

	2000	2001	2002	2003	2004	2005	2006
Pre-accession instruments	3120	3120	3120	3120	3120	3120	3120
PHARE	1560	1560	1560	1560	1560	1560	1560
Agricultural	520	520	520	520	520	520	520
Structural	1040	1040	1040	1040	1040	1040	1040

9. The European Council notes that political agreement exists on the legislative texts of the three regulations contained in doc. 6886/99. It invites the Council to adopt them as soon as possible after it has received the European Parliament’s opinions.

Accession-related expenditure

10. In the financial perspective for EU-15 (Table A), an amount "available for accession" should be set aside under the own resources ceiling from 2002 until 2006 as the maximum amounts in appropriations for payments to cover expenditure resulting from new accessions over the period. Appropriations for payments available for accession should not exceed:

Available for accession (appropriations for payments) (Mio. euros 1999 prices)

	2002	2003	2004	2005	2006
Appropriations for payments	4140	6710	8890	11440	14220
Agriculture	1600	2030	2450	2930	3400
Other expenditure	2540	4680	6640	8510	10820

Financial framework for EU-21 (Table B)

11. An indicative financial framework for EU-21 as set out in Table B attached should accompany the financial perspective. It should include additional own resources resulting from the accession of 6 new Member States, and set out in an additional heading 8 (enlargement) the total cost of enlargement for each of the years 2002-2006, expressed as maximum amounts in appropriations for commitments for agriculture, structural operations, internal policies and administration, as follows:

Heading 8 (Enlargement) (appropriations for commitments) (Mio. Euros 1999 prices)

	2002	2003	2004	2005	2006
Heading 8 (Enlargement)	6450	9030	11610	14200	16780
Agriculture	1600	2030	2450	2930	3400
Structural operations	3750	5830	7920	10000	12080
Internal policies	730	760	790	820	850
Administration	370	410	450	450	450

Ring-fencing of accession-related and pre-accession expenditure

12. The European Council confirms the requirement set out in the conclusions of the Cardiff European Council that a clear distinction must be made in the presentation and implementation of the financial framework, between expenditure relating to the Union as currently constituted, and that reserved for the future acceding countries, including after enlargement. The new Interinstitutional Agreement should adequately reflect this requirement as follows.

13. Expenditure reserved for EU-15 (headings 1 to 6) cannot at any time be used for pre-accession assistance (heading 7) and, conversely, expenditure reserved for pre-accession assistance cannot be used by EU-15.

14. Amounts available for accession can only be used in order to cover expenditure arising as a direct

consequence of enlargement, and cannot cover unforeseen expenditure arising for EU-15 or pre-accession expenditure (headings 1 to 7). Conversely, expenditure earmarked for EU-15 or pre-accession expenditure (headings 1 to 7) cannot be used to supplement the cost of new accessions.

15. After enlargement, in the event of any development of actual expenditure as a direct consequence of the accession of new Member States proving likely to exceed the ceiling on payment appropriations set aside in Table A for new accessions, the financial commitments for EU-15 agreed in the financial perspective will have to be respected.

16. Upon enlargement the financial perspective for EU-15 should be adjusted, taking account of the actual number of acceding countries and the maximum amounts set out in heading 8 in indicative Table B. In undertaking this adjustment, the Council shall act by qualified majority.

C. Principles governing renewal of the Interinstitutional Agreement

17. Given that the current financial framework and the Interinstitutional Agreement have proved their worth in ensuring the smooth completion of the annual budgetary procedure, the European Council hopes that a new agreement can be established between the European Parliament, the Council and the Commission on terms ensuring strict budgetary discipline, while preserving the overall balance of powers between the institutions and clearly ring-fencing pre-accession and accession-related expenditure for the entire duration of the financial perspective.

18. It calls upon the Council, on the basis of a common position, and subject to acceptable terms being attainable, to reach agreement with the European Parliament and the Commission on a new Interinstitutional Agreement. This Agreement should reflect the substance of these conclusions, including the possibility of introducing a provision aimed at ensuring some flexibility in the financial perspective during the annual budgetary procedure up to a limit of 200 million euros per annum.

D. Heading 1 (Agriculture)

Agricultural guideline

19. The agricultural guideline will remain unchanged. It will be reviewed, on the basis of a report to be submitted to the Council by the Commission, before the first enlargement of the Union takes place in order to make any adjustments deemed necessary. As far as the coverage of the guideline is concerned, the amounts set aside in the financial perspective for the agricultural pre-accession instrument under heading 7 and for the part of the amount "available for accession" relating to agriculture expenditure, shall fall within the ceiling established by the guideline.

Content of the CAP reform

20. The European Council welcomes the agreement reached by the Agriculture Council at its March session on an equitable and worthwhile reform of the Common Agricultural Policy. The content of this reform will ensure that agriculture is multifunctional, sustainable, competitive and spread throughout Europe, including regions with specific problems, that it is capable of maintaining the countryside, conserving nature and making a key contribution to the vitality of rural life, and that it responds to consumer concerns and demands as regards food quality and safety, environmental protection and the safeguarding of animal welfare.

Overall level of allocations for heading 1

21. The European Council considers that this reform can be implemented within a financial framework of an

average level of 40.5 billion euros plus 14 billion euros1 over the period for rural development as well as veterinary and plant health measures. This would be more in keeping with actual levels of spending, and is aimed at stabilising agricultural expenditure over the period. 22. In order to achieve the objective of stabilising agricultural expenditure in real terms, the European Council has decided the following measures:

• the dairy reform will enter into force as from the 2005/2006 marketing year without prejudice to the decisions concerning the specific additional dairy quotas;

• the intervention price for cereals shall be reduced by 15% in two equal steps of 7.5% (of the present intervention price) in the marketing years 2000/2001 and 2001/2002. The area payments shall be increased in two equal steps from 54 to 63 euros/t (multiplied by the historical regional reference yield for cereals). A decision upon a final reduction in the intervention price to be applied from 2002/2003 onwards will be taken in the light of market developments. Any consequent increase in area payments will bear the same proportion to the price reduction as those applicable in 2000/2001 and 2001/2002. The area payment from 2002/2003 onwards (aid per tonne multiplied by the historical reference yield for cereals) shall apply also to oil seeds. The base rate of compulsory set aside is fixed at 10% for all the period 2000-2006.

Monthly increments will be maintained as at present;

• the European Council asks the Commission to follow closely the developments on the oilseeds market and to submit a report within two years from the application of the new arrangement. If necessary, this report will be accompanied by appropriate proposals should the production potential deteriorate seriously;

• intervention in the beef sector: the European Council asks the Commission to follow closely the European beef market and to take, if need be, the relevant measures in particular by using Article 34 of the draft Regulation concerning the Beef CMO. These measures might also include ad hoc intervention buying-in;

•the Commission and the Council are requested to pursue additional savings to ensure that total expenditure, excluding rural development and veterinary measures, in the 2000-2006 period will not overshoot an average annual expenditure of 40.5 billion euros. Therefore, the European Council invites the Commission to submit a report in 2002 to the Council on the development of agricultural expenditure accompanied, if necessary, by appropriate proposals, and requests the Council to take the necessary decisions in line with the objectives of the reform;

•the European Council, taking into account the specificity of Portuguese agriculture, recognises the need to improve the balance of the support granted to agriculture by means of rural development measures, financed by EAGGF Guarantee. For Portugal, the existing MGA for durum wheat will be doubled from 59.000 ha to 118.000 ha.

23. In the light of these decisions, the European Council considers that the amounts to be entered in heading 1 of the financial perspective should not exceed:

Heading 1 (Agriculture) (Mio. euros 1999 prices)

	2000	2001	2002	2003	2004	2005	2006
	40920	42800	43900	43770	42760	41930	41660
CAP expenditure (excluding rural development and accompanying measures)							
	36620	38480	39570	39430	38410	37570	37290
Rural development and accompanying measures							
	4300	4320	4330	4340	4350	4360	4370

The Interinstitutional Agreement should include a provision ensuring that all parties to it will respect the financial perspective ceiling for agriculture.

24. The European Council acknowledges the scale of the efforts being made to curb the budget and exercise rigour in implementing the Common Agricultural Policy decided within the framework of Agenda 2000. The efforts made, notably in terms of reducing support prices, represent an essential contribution by the European Community in stabilising the world's agricultural markets. The European Council considers that the decisions adopted regarding the reform of the CAP within the framework of Agenda 2000 will constitute essential elements in defining the Commission's negotiating mandate for the future multilateral trade negotiations at the WTO.

E. Heading Two (Structural Operations)

25. Improving the effectiveness of the structural and Cohesion funds in achieving the goal of economic and social cohesion enshrined in the Treaty is a central plank of the Agenda 2000 reforms. This goal has to be maintained in the future as priorities continue to evolve in a more diverse Union, taking account of the aim of achieving greater concentration of structural assistance, improving the financial management of the structural funds as well as simplifying their operation and administration.

26. Greater concentration of structural fund assistance in the areas of greatest need will be achieved by means of a substantial reduction in the number of Objectives to three. In fostering economic and social cohesion by pursuing these Objectives, the Community shall contribute to the harmonious, balanced and sustainable development of economic activities, the development of employment and human resources, the protection and improvement of the environment, the elimination of inequalities and the promotion of equality between men and women. The Commission and the Member States shall ensure that the operations financed by the funds are in conformity with the provisions of the Treaty, the instruments adopted under it, and are consistent with other Community policies and operations.

Overall level of allocations for heading 2

27. In view of the continued priority accorded to economic and social cohesion and as a result of more targeted concentration of structural expenditure in line with this Treaty objective, the European Council considers that the overall amounts for the structural and Cohesion funds to be entered under heading 2 should be a total of 213 billion euros over the period, broken down as follows:

Heading 2 (Structural operations) (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
32045	31455	30865	30285	29595	29595	29170

28. This overall level of expenditure will enable the Union to maintain the present average aid intensity levels, thereby consolidating the present overall effort in this field.

Structural Funds

Overall level of allocations for the Structural Funds

29. The European Council considers that the appropriate level of commitment appropriations to be entered in the financial perspective for the structural funds, including transitional support, Community initiatives and innovative actions, should be 195 billion euros, broken down as follows:

Structural funds (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
29430	28840	28250	27670	27080	27080	26660

30. 69.7% of the structural funds will be allocated to Objective 1, including 4.3% for transitional support (i.e. a total of 135.9 billion euros).

11.5% of the structural funds will be allocated to Objective 2 including 1.4% for transitional support (i.e. a total of 22.5 billion euros).

12.3% of the structural funds will be allocated to Objective 3 (i.e. a total of 24.05 billion euros).

31. Outstanding unpaid commitments at the end of the current period should be cleared on the basis of decisions to be taken by the budgetary authority. The European Council notes that the Commission has estimated as a working assumption that the rate of clearance should be 45%, 25%, 20% and 10% in each of the first four years of the new financial perspective.

Eligibility

Objective 1

32. Objective 1 shall promote the development and structural adjustment of regions whose development is lagging behind. Objective 1 status for the period 2000-2006 will be conferred on:

• current NUTS level II regions whose per capita GDP is less than 75% of the Community average;

• the most remote regions (the French Overseas Departments, the Azores, Madeira and the Canary Islands), which are all below the 75% threshold;

• areas eligible under Objective 6 for the period 1995-1999 pursuant to Protocol No. 6 to the Act of Accession of Finland and Sweden.

Objective 2

33. Objective 2 shall support the economic and social conversion of areas facing structural difficulties. These shall include areas undergoing economic and social change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries, defined on the basis of objective criteria laid down in the legislative texts.

34. The Member States will propose to the Commission a list of areas which meet the objective criteria, subject to a population ceiling to be applicable to each Member State. This population ceiling for each Member State will be fixed by the Commission on the basis of the total population of the areas in each Member State which meet the Community criteria, and the seriousness of structural problems assessed on the basis of total unemployment and long-term unemployment outside Objective 1 regions.

35. A maximum of 18% of the Union’s population will be covered by the new Objective 2. The indicative breakdown of the population at Community level for the different types of Objective 2 region should be 10% for industrial areas, 5% for rural areas, 2% for urban areas and 1% for fishery dependent areas. The industrial and rural areas meeting the Community criteria laid down in the regulation must contain at least 50% of the population covered by Objective 2 in each Member State, except where this is objectively impossible.

36. In order to ensure that each Member State makes a fair contribution to the overall concentration effort, the maximum reduction in the population covered by Objective 2 compared to the current Objective 2/5b coverage shall not exceed 33%. For the purpose of calculating the maximum reduction in the population for the new Objective 2, ex-Objective 2/5(b) areas which are eligible for Objective 1 in the new period will be taken into account. No account will be taken of ex-Objective 1 regions receiving transitional support and which meet the Objective 2 Community eligibility criteria.

37. An identical per capita aid intensity level (excluding Objective 3 allocations) will apply in all Objective

2 areas throughout the Community; the total allocation to each Member State under Objective 2 will therefore depend directly on the relative share of each Member State in the total population of the Union eligible for Objective 2.

Objective 3

38. Objective 3 will lend support to the adaptation and modernisation of policies and systems of education, training and employment. It shall apply outside Objective 1. Each Member State will receive a percentage of the total resources available for Objective 3 on the basis of its share of the total target populations of the Union yielded by indicators selected on the basis of the objective criteria listed in paragraph 45 below.

39. The European Council considers that the average per capita level of assistance under Objective 3 should take account of the priority given to employment, education and training.

Fisheries

40. Actions for the fisheries sector outside Objective 1 regions will be supported by the financial instrument for fisheries guidance (FIFG) with an amount of 1.1 billion euros over the period, 875 million of which should come from heading 1.

Community initiatives and innovative actions

41. In the light of the added value that Community Initiatives offer over and above the mainstream Objectives, the number of Community initiatives will be reduced to the following three: INTERREG (cross-border, transnational and interregional cooperation), EQUAL (transnational cooperation to combat all forms of discrimination and inequalities in the labour market) and LEADER (rural development). 5% of the structural fund commitment appropriations should be set aside for the Community initiatives. At least 50% of appropriations will be allocated to INTERREG, under which due attention should be given to cross-border activities, in particular in the perspective of enlargement and for Member States which have extensive frontiers with the applicant countries, as well as to improved coordination with the PHARE, TACIS and MEDA programmes. Due account will be taken of the social and vocational integration of asylum seekers in the framework of EQUAL. It is agreed that the three new mainstream Objectives should cover the scope of all existing Community Initiatives which have proved their effectiveness but which are no longer retained as such.

Due attention will also be given to cooperation with the outermost regions.

1% of the structural fund allocations will be set aside for innovative actions and technical assistance.

Transitional support

42. Adequate transitional support for regions which are no longer eligible for assistance are an essential counterpart to greater concentration of structural funds, so as to underpin the results secured by structural assistance in ex-Objective 1 regions, and to support the end of the conversion process in areas ceasing to be eligible under Objective 2/5(b).

43. Transitional support will be given to all regions and areas which no longer meet the relevant eligibility criteria. The overall financial allocation from the structural funds for transitional support should be 11.142 billion euros, for which the Commission will provide an indicative breakdown per Member State. Transitional support in all regions and areas where assistance is being phased out will be lower in 2000 than in 1999, and will cease for both ex-Objective 1 regions and ex-Objective 2/5(b) regions by the end of 2005. The profile of transitional support may be tailored to the specific needs of individual regions, in agreement with the Commission, provided the financial allocation for each region is respected. In 2006, ex-Objective 1 regions will receive any assistance they are entitled to at that time under the relevant Community or national

criteria.

Particular situations (2000-2006)

44. (a) For the development of the Lisbon region, a special phasing out treatment of 500 million euros will be provided for Objective 1.

(b) In recognition of the special efforts for the peace process in Northern Ireland, the PEACE Programme will be continued for five years with an amount of 500 million euros, of which 100 million euros will be allocated to Ireland. This programme will be implemented in full respect of additionality of structural fund interventions. The EU contribution to the International Fund for Ireland (15 million euros per annum under heading 3) will be renewed for a period of 3 years. The Commission is invited to make the necessary proposals.

(c) A special phasing out treatment of 100 million euros will be provided under Objective 1 for the transition region of Ireland resulting from the new classification of regions. The reclassification itself will result in an additional allocation to Ireland of 550 million euros under Objective 1.

(d) In order to take account of the particular characteristics of labour market participation in the Netherlands, an additional amount of 500 million euros is allocated to Objective 3.

(e) A special programme of assistance totalling 150 million euros over the period 2000 to 2006 will be established for Sweden in the framework of Objective 3. A special programme of assistance totalling 350 million euros will be established for the Swedish NUTS II regions which meet the criteria laid down in Article 2 of Protocol No. 6 to the Act of Accession for Sweden.

(f) In order to take account of the specific problems of East Berlin in the transformation process, 100 million euros will be added to the phasing out allocation for East Berlin (Objective 1).

(g) The modification of the safety net provisions will add an additional 96 million euros for Italy and 64 million euros for Belgium to the phasing out allocation for Objective 2.

(h) An additional amount of 15 million euros will be provided for the Hainaut region in Belgium for Objective 1 phasing out.

(i) In view of the particular structural problems resulting from low population density matched with the high degree of poverty, the Highlands and Islands of Scotland will receive a special phasing out programme totalling 300 million euros.

(j) A special financial allowance will be given to Greece, Ireland, Portugal and Spain in order to maintain, for the period 2000 to 2006, the overall average level of per capita aid reached in 1999. The amounts concerned are 450 million euros for Greece, 450 for Portugal, 40 million for Ireland and 200 million for Spain.

(k) A total amount of around 350 million euros will be allocated to Austria inside the Community initiatives.

(l) A total amount of around 550 million euros will be allocated to the Netherlands inside the Community initiatives.

(m) During the examination of eligibility for Objective 2, special attention will be given to areas of the Abruzzi which are adjacent to Objective 1 regions.

Indicative allocations among Member States

45. In accordance with the Commission's proposals, the allocation of resources to Member States for Objectives 1 and 2 will be based, using transparent procedures, on the following objective criteria: eligible population, regional prosperity, national prosperity and the severity of structural problems, especially the level of unemployment. An appropriate balance will be struck between regional and national prosperity. For Objective 3, the breakdown by Member State shall be based principally on the eligible population, the employment situation and the severity of the problems, such as social exclusion, education and training levels and participation of women in the labour market, with a relative weighting as outlined by the Commission.

46. Total annual receipts in any Member State from structural operations (i.e. including the Cohesion Fund) should not exceed 4% of national GDP.

Rates of assistance

47. The European Council, bearing in mind that the actual rates of structural fund assistance applied in practice are often less than the maximum ceilings, agrees that the contribution of the structural funds shall be subject to the following ceilings:

a. a maximum of 75% of the total eligible cost and, as a general rule, at least 50% of eligible public expenditure in the case of measures carried out in the regions covered by Objective 1. Where the regions are located in a Member State covered by the Cohesion Fund, the Community contribution may rise, in exceptional and duly justified cases, to a maximum of 80% of the total eligible cost and to a maximum of 85% of the total eligible cost for the outermost regions and for the outlying Greek islands which are under a handicap due to their distant location;

b. a maximum of 50% of the total eligible cost and, as a general rule, at least 25% of eligible public expenditure in the case of measures carried out in areas covered by Objective 2 or Objective 3.

48. In the case of investment in firms, the contribution of the funds shall comply with the ceilings on the rate of aid and on combinations of aid set in the field of state aids. The European Council also endorses the lower rates proposed by the Commission for contributions of the funds to revenue generating infrastructure investment and investment in firms.

Administration and financial management of the Structural Funds

49. The administration of the structural funds should be substantially simplified by giving practical effect to decentralising decision-making and striking the right balance between simplification and flexibility so as to ensure that funds are disbursed quickly and effectively. To achieve this, responsibilities of Member States, their partners and the Commission will be clarified, bureaucracy reduced and monitoring, evaluation and control strengthened, thereby ensuring improved and sound financial management.

Cohesion Fund

50. The European Council considers that the basic objectives of the Cohesion Fund, which was set up to further economic and social cohesion in the Union and solidarity among the Member States by providing a financial contribution to projects in the field of the environment and trans-European networks, are still relevant today. The European Council considers that the four current beneficiaries should continue to be eligible for the fund in 2000, i.e. Member States with a per capita GNP of less than 90% of the Union average and a programme leading to the fulfilment of the conditions of economic convergence.

51. In view of the continuing progress achieved towards real convergence and taking account of the new

macroeconomic context in which the Cohesion Fund now operates, the overall allocation of assistance for Member States participating in the euro will be adjusted so as to take account of the improvement in national prosperity attained over the previous period.

52. The European Council accordingly considers that the overall level of resources available to be committed under the Cohesion Fund should be 18 billion euros, broken down as follows:

Cohesion Fund (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
2615	2615	2615	2515	2515	2515	2510

53. A review of eligibility based on the 90% average GNP criterion will be undertaken at mid-term in 2003. In the event of a Member State becoming ineligible, resources for the Cohesion Fund will be reduced accordingly.

54. With regard to the economic convergence criterion, the current macro-economic conditionality provisions will continue to apply. Accordingly, no new projects or new project stages shall be financed by the Fund in a Member State in the event of the Council, acting by qualified majority on a recommendation from the Commission, finding that the Member State has not respected the stability and growth pact.

55. The rate of Community assistance granted by the Cohesion Fund shall remain unchanged at between 80% and 85% of public or equivalent expenditure. This rate may be reduced to take account of a project's capacity to generate revenue and of any application of the polluter-pays principle. The European Council notes that the Commission will ensure that Member States maximise the leverage of fund resources by encouraging greater use of private sources of financing, that it will draw up implementing procedures on the application of the polluter-pays principle, and that in implementing them, it will take account of specific situations in each beneficiary Member State.

56. The European Council considers that the financial management and control provisions should be consistent with the relevant provisions of the Structural Funds Regulation, subject to taking due account of the specific features of the Cohesion Fund.

Completion of legislative work

57. The European Council considers that the agreement on the above political questions implies agreement on the content of the following legislative texts related to the structural and Cohesion funds:

6896/99 (General Regulation on the Structural Funds) + COR 1, 2, 3
6881/99 (ERDF Regulation)
6882/99 (ESF Regulation)
6876/99 (FIFG Regulation) + COR 1
6878/99 (Cohesion Fund Regulations) + COR 1

58. The European Council, recalling the readiness expressed by the Parliament and the Council at the Cardiff European Council to achieve final adoption of the legislative texts before the next European Parliamentary elections, urges both institutions to take the necessary steps to ensure that they are enacted by that deadline, particularly in view of the need to prepare a smooth transition into the new structural funds programming period beginning on 1 January 2000.

F. Heading 3 (Internal Policies)

59. The level for heading 3 should be fixed so that the main items of priority expenditure under this heading are maintained, taking account of programmes already decided by the Council and the Parliament. The level of commitments for the Union's internal policies covered by heading 3 of the financial perspective should

not exceed:

Heading 3 (Internal policies) (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
5900	5900	6000	6050	6100	6 150	6200

G. Heading 4 (External Action)

60. An appropriate balance should continue to be struck in the geographical distribution of the Union’s external commitments, taking account of the Union’s policy commitments, political priorities and countries with the greatest need. The level of commitments for the Union’s external policies covered by heading 4 of the financial perspective should not exceed:

Heading 4 (External action) (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
4550	4560	4570	4580	4590	4600	4610

H. Heading 5 (Administrative Expenditure)

61. Taking account of objective factors determining the current level of administrative expenditure, the constraints imposed on Member States’ administrative budgets and the savings which can be achieved by the introduction of new technologies, as well as improved building and human resource management, the level of commitments for the Union’s administrative expenditure over the period should not exceed:

Heading 5 (Administration) (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
4 560	4 600	4 700	4 800	4 900	5 000	5 100

62. The principle of budgetary discipline should apply equally to all institutions.

I. Heading 6 (Reserves)

Monetary reserve

63. The monetary reserve should be phased out by the end of 2002, as follows:

(millions d'euros prix de 1999)

2000	2001	2002
500	500	250

Emergency aid reserve

64. The provision for the emergency aid reserve should not exceed:

Emergency aid reserve (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
200	200	200	200	200	200	200

65. The level of commitment appropriations for heading 4 has been set taking account of the amount of the reduction in the reserve, in order to ensure that operational items under heading 4 do not draw on this reserve when the budget is being drawn up. This reserve should only be used for genuinely new and unforeseeable humanitarian aid requirements.

Loan guarantee reserve

66. Taking account of the target amount and provisioning rate foreseen in the revised loan guarantee fund regulation, on which political agreement already exists (cf. doc. 13261/98 ADD 5 Annex II), the provision for the loan guarantee reserve should not exceed:

Loan guarantee reserve (Mio. euros 1999 prices)

2000	2001	2002	2003	2004	2005	2006
200	200	200	200	200	200	200

III. Own resources and budgetary imbalances

Principles underlying the own resources system

67. The Union's own resources system must ensure adequate resources for the orderly development of the Union's policies, subject to the need for strict budgetary discipline. It should be equitable, transparent, cost-effective and simple. Pursuit of other goals, such as financial autonomy, should not undermine these four generally accepted objectives. The system must be based on criteria which best express each Member State's ability to contribute.

Budgetary imbalances

68. While it is recognised that the full benefits of Union membership cannot be measured solely in budgetary terms, the Fontainebleau European Council acknowledged the possible existence of budgetary imbalances. These should, to the extent possible, be resolved by means of expenditure policy, although provision is made for the possibility of a correction for Member States sustaining a budgetary burden which is excessive in relation to their relative prosperity. The European Council acknowledges that there are various factors which act directly or indirectly on budgetary imbalances, such as the overall level of spending, the content of policy reforms, the composition of expenditure, and the own resources structure.

Steps to be taken

69. Bearing in mind the above principles, the European Council has decided on the following combination of measures for improving the equity of the financial framework starting in 2000.

Action on the expenditure side

70. The European Council has decided on a number of measures on the expenditure side with immediate effect, which will both secure the development of the Union's policies in the forthcoming period, and pave the way for welcoming new Member States. The Union's own resources ceiling shall remain at the current level of 1.27% of EU GNP. In agreeing a new financial perspective which will ensure similar budgetary rigour at the level of the Union as applied at national level, and that EU spending does not grow faster than national public expenditure, the Union's overall level of spending will, as of now, be stabilised in a consolidated framework. In particular, a substantial, genuine and equitable CAP reform for the benefit of producers and consumers, within strict budgetary parameters and leading to degressive expenditure over the period, will make a significant contribution to the overall objective of achieving a more equitable financial framework.

Changes to the Own Resources Decision

71. The Own Resources Decision will be modified so that the ratification process can be completed to allow entry into force from the beginning of 2002. In order to continue the process of making allowance for each Member State's ability to contribute and of correcting the regressive aspects of the current system for the least prosperous Member States, the maximum rate of call of the VAT resource will be reduced to 0.75% in 2002 and to 0.50% in 2004. Traditional own resources will be maintained, with the percentage retained by the Member States in the form of collection costs increasing to 25% with effect from 2001.

72. The UK abatement will remain. In accordance with the principles reflected in the conclusions of the 1988 Brussels and 1992 Edinburgh European Councils, its amount shall not include windfall gains from changes to the financing system. So technical adjustments in the new Own Resources Decision will, as before, neutralise windfall gains resulting from the progressive reduction of the VAT resource and now from the increase in the percentage of Traditional Own Resources retained by Member States to cover their collection costs. Similarly, at the time of enlargement, an adjustment will reduce "total Allocated Expenditure" by an amount equivalent to the annual pre-accession expenditure in the acceding countries, thereby ensuring that expenditure which is unabated now remains unabated.

73. The overall impact of these two effects is estimated at 220 million euros by 2006.

74. The financing of the UK abatement by other Member States will be modified to allow Austria, Germany, the Netherlands and Sweden to see a reduction in their financing share to 25% of the normal share. The adjustment of the financing shares will take place through an adjustment of the GNP bases. These modifications will be implemented already during the first year of application of the new Own Resources Decision on the basis of the figures for the previous year.

75. When referring to budgetary imbalances, the Commission, for presentational purposes, will base itself on operational expenditure.

76. The European Council invites the Commission to undertake a general review of the own resources system, including the effects of enlargement, before 1 January 2006. As part of this review, the question of creating new autonomous own resources should also be addressed.

[Table A : Financial Perspective EU-15]

[Table B : Financial Framework EU-21]

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