# Agenda 2000: financial perspectives 2000-2006, interinstitutional agreement on budgetary discipline

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OBJECTIVE: presentation of a general communication on the establishment of a new Financial Perspective for the Community for the period 2000-2006, taking account of the implications of Agenda 2000 (COS0590). SUBSTANCE: In accordance with the Interinstitutional Agreement (IIA) on budgetary discipline and improvement of the budgetary procedure, the Commission proposes the new financial framework for the period 2000-2006 taking account of the implications of Agenda 2000. The figures presented follow the Agenda 2000 proposals very closely and leave sufficient margins to finance the cost of enlargement. They are based on the most recent economic forecasts available and a projected growth rate of 2.5% per annum for the Union. The main table of the Financial Perspective sets ceilings for the six expenditure items at 1999 prices: 1) agriculture: expenditure set to increase from euro 45.2 bn in 1999 to 51.6 bn in 2006, 2) structural operations: expenditure approximately euro 247 bn for the whole of the period in question (including pre-accession aid), 3) internal policies: a gradual rise from euro 6.4 bn to 7.6 bn in 2006, 4) external action: a rise of 2% per annum, from euro 6.9 bn in 1999 to 7.9 bn in 2006 (including euro 1560 m per annum for the Phare programme), 5) administration: a rise from euro 4.7 bn in 1999 to 5.3 bn in 2006 (increase due largely to pension costs), 6) reserves (monetary reserve to be gradually phased out as from 2003, emergency aid reserve of euro 200 m per annum from 2000 to 2006, and guarantee reserve of euro 150 m per annum for the period 2000/2006). The table shows in particular that it will be possible to pursue the development of the reformed Community policies for the 15 existing Member States and, subject to certain conditions, to finance the accession of a certain number of Central and Eastern European countries and Cyprus, while maintaining the own resources ceiling unaltered at 1.27% of GNP from now until 2006. The Financial Perspective also takes account of the Commission's other proposals regarding revision of the common agricultural policy, structural measures, pre-accession aid and the Guarantee Fund for lending operations. It also retains the existing system for annual increases in agricultural expenditure (method of calculation of the guideline) and in the percentage intended for structural expenditure (0.46% of the GNP of the Union). The total ceiling for commitment appropriations is projected to rise from euro 103.4 bn in 1999 to 105.2 bn in 2006, an increase of 0.2% per annum, including pre-accession aid. The ceiling for payment appropriations is projected to rise from euro 96.4 bn in 1999 to 104.6 bn in 2006, which in real terms would represent a declining percentage of the Community's GNP (from 1.23% in 1999 to 1.13% in 2006). This ceiling should make it possible to leave a substantial margin below the Union's own resources ceiling, of the order of 0.11%, in 2006. As from 2002, this margin would be used to pay for any accessions. The main innovation in the next Financial Perspective will be the treatment, alongside measures for the present Member States, of expenditure associated with the enlargement process (pre-accession aid and expenditure entailed by the accession of new Member States). These figures are presented in a second table which singles out pre-accession aid (the amount of which is included in the Financial Perspective drawn up within the limits of the own resources of the present Community) and expenditure resulting from accession. The accession-expenditure element in the Financial Perspective will be adjusted at the time of the accessions and will be geared to meeting new needs arising from the accessions and to making use of the additional resources arising from the growth of the Community's GNP as a result of the accessions. The adjustment of the Financial Perspective would affect headings 2, 3 and 5 of the budget but should not affect agricultural expenditure, which will be covered by the existing margin under the agricultural guideline.