Conclusions of the Edinburgh European Council: extract concerning the future financing of the Community (11 and 12 December 1992)

Caption: On 12 December 1992, the Edinburgh European Council adopts a series of measures enabling the objectives related to the signing of the Maastricht Treaty to be implemented.

Source: European Council in Edinburgh- Presidency Conclusions, 11and 12 December 1992, SN 456/92. Brussels: Council of the European Communities, December 1992. 113 p.

URL:
http://www.cvce.eu/obj/conclusions_of_the_edinburgh_european_council_extract_concerning_the_future_financing_of_the_community_11_and_12_december_1992-en-411a436a-e5c5-47e3-bf5a-055518ff0a70.html

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Edinburgh European Council (11 and 12 December 1992)
Conclusions of the Presidency

[...]

Part C - Future Financing of the Community - Delors II-Package

Taking account of:

- the need for the Community to have at its disposal adequate resources to finance its policies;
- the need to apply budget discipline to all areas of Community expenditure, which involves the definition of expenditure priorities;
- the contributive capacity of individual Member States;
- the need to reflect commitments made at Maastricht, and at Lisbon;

the European Council has reached the following conclusions on the financing of the Community for the period 1993 1999.

A. Revenue

i. Own Resources Ceiling

The annual ceilings on own resources for appropriations for payments will be as follows and shall under no circumstances be exceeded:

(% EC GNP)

1993	1994	1995	1996	1997	1998	1999
1,20	1,20	1,21	1,22	1,24	1,26	1,27

A precise ratio between commitment and payment appropriations shall be maintained to guarantee their compatibility and to enable the payments ceiling mentioned above to be observed.

The appropriations for commitments entered in the general budget of the Communities over the period 1993 to 1999 must therefore follow an orderly progression resulting in a total amount which does not exceed 1.32% of the total GNP of the Community in 1999.

ii. Structure of Own Resources

The structure of own resources defined in Article 2 of the 1988 Own Resources Decision will be modified as follows:

a) the ceiling on the uniform rate specified in section 4 (a) of Article 2 will be reduced from 1.4% to 1.0%, in equal steps over the period 1995-99.

b) for countries with a per capita GNP of less than 90% of the Community average the assessment base for the third resource specified in section l(c) of Article 2 will be limited to 50% of a Member State's GNP, rather than 55% as at present, as from 1995. This change will also be phased in, in equal steps, for the other Member States over the period 1995-1999.

The case for a fixed uniform rate for the VAT resource should be considered in the context of discussions on the new Own Resources Decision.

The European Council notes that some Member States wish the introduction of a fifth resource to be considered and asks the Commission to carry out a study of possible candidates. The Commission should report back to the Council on the result of its study by the end of the new Financial Perspective period[1].

iii. Correction of budgetary imbalances

The correction of the UK's budget imbalance will be calculated by applying the present formula in accordance with the principles and practices set out in the 1988 Own Resources Decision and accompanying working methods paper.

iv. Review

The European Council asks the Commission to bring forward a report on the operation of the Own Resources system no later than the end of the new Financial Perspective period.

v. New Own Resources Decision

The European Council asks the Commission to prepare a new Own Resources Decision incorporating these changes for the Council to approve and recommend to Member States for adoption by 1995 in accordance with the procedure set out in Article 201 of the Treaty. The ceilings applicable in 1999 will continue to apply until such time as the new Own Resources Decision is amended.

B. Expenditure

i. Principles

The European Council reaffirms that the Community's expenditure should be such as to permit the financing at an appropriate level of its policies. It recalls its conviction that strengthened economic and social cohesion remains an essential dimension of the Community. It confirms its view that all Community expenditure should be subject to the principles of sound public finance and budgetary discipline.

Budgetary discipline is addressed in Annex 2.

To ensure value-for-money, thorough prior appraisal should precede the commitment of Community resources in order to ensure that they yield economic benefits in keeping with the resources deployed. All operations should be subject to periodic review.

The European Council considers that the Inter-Institutional Agreement of 1988-1992 was a positive development and hopes that the agreement can be re-established on terms ensuring strict budgetary discipline and a smooth passage of the annual budgetary discussions. It notes that the General Affairs Council of 7 December agreed on a Council common position on the main elements of the revised Inter-institutional Agreement. It calls upon the Council, on the basis of this common position,5 and subject to acceptable terms being attainable, to reach agreement with the Commission and European Parliament on a revised IIA.

In the European Council's view, the appropriate allocation of expenditure for the period 1993 1999 is as described below. The figures are also set out in the table in Annex 1.

ii. Agriculture

The growth rate and base level of the agricultural guideline as defined in Articles 1 and 2 of Decision 377/88 should remain unchanged.

The coverage of the agricultural guideline, as defined in Article 3 of Decision 377/88, should be extended as proposed by the Commission in doc. 5201/92 RAU 2.

The coverage of the guideline should be reviewed in 1996.
The Monetary Reserve should be reduced from 1000 mecu to 500 mecu from 1995, with a reduction in the franchise from 400 mecu to 200 mecu.

The European Council reaffirms the importance of sound budgetary discipline and financial control under the reformed CAP and calls upon the Commission and the Council to ensure that the budgetary costs are kept under control sector by sector.

The European Council notes that recent monetary movements will result in a significant increase in EAGGF Guarantee expenditure.

It agrees that the operation of the monetary reserve will be adjusted so that the costs resulting from monetary realignments between the Member States are taken into account wherever necessary.

In addition, it agrees that if, as a consequence of the increase, agricultural expenditure were to exceed the guideline and thus compromise the funding of the new Common Agricultural Policy as already approved, appropriate steps to increase the EAGGF Guarantee will be taken by the Council.

The Commission is invited to present proposals for a revised Budgetary Discipline Decision incorporating the above changes and those mentioned in Annex 2 on budget discipline as soon as possible.

iii. Structural actions

As part of the Community's task of strengthening economic and social cohesion, increased financing for structural actions shall be provided to complement the implementation of sound economic policies.

The total level of resources available to be committed on structural actions over the period 1993-1999 should be as follows:

(mecu - 1992 prices)

1993	1994	1995	1996	1997	1998	1999
21 277	21 885	23 480	24 990	26 526	28 240	30 000

These commitments represent cumulatively some 176 becu over the new Financial Perspective period compared to 67 becu for the Structural Funds over the existing Financial Perspective period. This represents on average around 25 becu a year from 1993 to 1999 compared to 13 becu a year from 1988 to 1992 (all figures in constant 1992 prices).

In the light of the Maastricht agreements, expenditure on Structural Actions should be concentrated on the least prosperous Member States, outmost regions and rural areas of the Community in accordance with Article 13 OA of the Maastricht Treaty. For the four Cohesion Fund Member States, the above figures will permit a doubling of commitments under Objective 1 and the Cohesion Fund between 1992 and 1999 after allowing for full Objective 1 treatment of the new German Lander and East Berlin. For the four Cohesion Fund Member States this means about 85 becu over the period 1993 1999.

Cohesion Fund

A Cohesion Fund, as agreed at Maastricht, should be established in accordance with the text at Annex 3. The resources available to be committed should total 15150 mecu, broken down as follows:

(mecu - 1992 prices)

1993	1994	1995	1996	1997	1998	1999
1 500	1 750	2 000	2 250	2 500	2 550	2 600

For the period of the new Financial Perspective, the four countries with a GNP per capita below 90% of the Community average will be eligible for finance from the fund provided they have a programme leading to the fulfilment of the conditions of economic convergence set out in Article 104 C of the Treaty. They will remain able to draw on the fund for new projects or new stages of multi stage projects provided that they meet the conditions set out in Annex 3 and that after a midterm review in 1996 they remain below the 90% figure mentioned above. The Fund will provide support for environmental projects and transport infrastructure projects on the terms described in Annex 3 and at a Community co-financing rate of between 80 and 85%.

Preparations for the Cohesion Fund in accordance with the Treaty as amended at Maastricht should be completed as quickly as possible. In addition the European Council invites the Commission to put forward, and the Council to adopt, before the 1st April 1993, a proposal for an interim instrument based on Article 235 of the present Treaty permitting financial support to Ireland, Greece, Portugal and Spain in the areas to be covered by the new Cohesion Fund.

Structural Funds

The resources available to be committed under the structural funds and other structural operations should be as follows:

(mecu - 1992 prices)

1993	1994	1995	1996	1997	1998	1999
19 777	20 135	21 480	22 740	24 026	25 690	27 400

In allocating these resources, the following guidelines should be observed:

a) The resources available to be committed under Objective 1 should be:

(mecu - 1992 prices)

1993	1994	1995	1995	1997	1998	1999
12 328	13 220	14 300	15 330	16 396	17 820	19 280

b) Commitments under Objectives 2, 3/4 and 5b should broadly maintain their present proportions, relative to each other, throughout the period of the new financial perspective. Commitments under Objective 5a, outside Objective 1 and 5b regions, should not increase in real terms. Appropriate attention should be given to the needs of areas dependent on fishing, within the relevant objectives.

c) The allocation for Community initiatives should be between 5 and 10% of total resources committed under the structural funds. They should mainly promote cross-border, transnational and inter-regional co-operation and assistance for the outermost regions, in accordance with the principle of subsidiarity.

d) Full account should be taken, as now, of national prosperity, regional prosperity, population of the regions, and the relative severity of structural problems, including the level of unemployment and, for the appropriate objectives, the needs of rural development. Transparent procedures with objective criteria on the above basis will be laid down in the Structural Funds implementing regulation. These criteria will be appropriately weighted in the allocation of resources. Greater account will be taken of national prosperity in deciding on Community co-financing rates.

e) The basic principles laid down in 1988 (concentration, programming, partnership and additionally) should continue to guide the implementation of the Structural Funds. Decision making procedures and their transparency should be improved. Administrative procedures should be simplified. Financial control will be strengthened and greater emphasis will be given to ex ante appraisal, monitoring and ex post evaluation. Assistance will be allocated where appraisal shows medium term economic and social benefits commensurate with the resources deployed. Operations should be adjusted to accord with the results of monitoring and evaluation.

f) The coverage of Objective l should be determined as in Article 8 (1) of Regulation (EEC) 2052/88. The list will include the new German Lander and East Berlin which will be treated on a basis of equality with other such regions from 1 January 1994.

The European Council invites the Commission to table as soon as possible proposals to revise the Structural Funds regulations.

The European Council requests the Commission in its first report on economic and social cohesion under Article 130b of the Treaty to consider how the operation of the structural funds can best be coordinated with the process of economic convergence.

The European Council attaches great importance to the supplementary role of loan funding in furthering the Community's cohesion objectives and recognizes the important continuing role of the EIB. To increase available loan finance, in addition to the Community budget financing on which it has now agreed, it calls on the Council and the Commission to take the appropriate steps to implement the arrangements outlined in Annex 4.

iv. Internal policies

The level of commitments for the Community's internal policies covered by category three of the proposed financial perspective should not exceed:

(mecu 1992 prices)

1993	1994	1995	1996	1997	1998	1999
3 940	4 084	4 323	4 520	4 710	4 910	5 100

The distribution of resources between the Community's various internal policies should be decided in the annual budget procedure, but respecting amounts fixed in Community legislation.

The development of expenditure on R&D should be consistent with the overall development of expenditure on internal policies under category 3 of the proposed Financial Perspective, remaining between one half and two thirds of the overall figure.

Community support for R&D should continue to focus on generic, precompetitive research and be of multisectoral application. EUREKA should remain the principal vehicle for supporting research activities which are nearer to the market and the Commission should bring forward proposals to improve the synergy between the Community's research activities and EUREKA. Improving the dissemination of results amongst enterprises, particularly small and medium-sized businesses, cost-effectiveness and coordination between national programmes should be priorities for Community action.

These conclusions should be reflected in the consideration and adoption of the 4th Framework Programme.

In determining annual expenditure, the resources for Trans-European networks should reflect the emphasis given by the Treaty.

v. External policies

The level of commitments for external policies should not exceed:

(mecu - 1992 prices)

1993	1994	1995	1996	1997	1998	1999
4 450	4 500	4 880	5 160	5 430	5 780	6 200

The European Council takes the view that, bearing in mind the Community's changing priorities, an appropriate balance should be maintained in the geographical distribution of the Community's commitments.

Within this total there will be two reserves inscribed within a separate category of the Financial Perspective:

a) a reserve to provide flexibility to respond rapidly to needs for emergency aid of a non recurring kind in third countries related to events not foreseeable during the budgetary procedure. The provision should not exceed:

(mecu - 1992 prices)

1993	1994	1995	1996	1997	1998	1999
200	200	300	300	300	300	300

The Commission will monitor carefully use of the reserve and inform the Council and Parliament of the impact of any proposal on the margin remaining in the reserve.

b) a reserve to provide for financing a loan guarantee fund. The provision should not exceed:

(mecu - 1992 prices)

1993	1994	1995	1996	1997	1998	1999
300	300	300	300	300	300	300

Access to these reserves, and the operation of the loan guarantee fund, should follow the principles set out in Annex 5 and in the new IIA.

vi. Administration

The administrative resources available to the Community institutions should not exceed:

(mecu - 1992 prices)

1993	1994	1995	1996	1997	1998	1999
3 280	3 380	3 580	3 690	3 800	3 850	3 900

The principles of budget discipline should apply equally to all institutions.

C. 1993 Budget

The European Council invites the Presidency to seek to reach agreement on the 1993 budget on a basis consistent with its conclusions.

1) The Commission has made clear the conditions which it believes should be met by any future fifth resource in its report on the. system of Own Resources doc. no 5202/92.