Conclusions of the Brussels European Council: extract concerning own resources, budgetary discipline and budget management (11–13 February 1988)

Caption: After intense negotiations, the European Council, meeting in Brussels from 11 to 13 February 1988, adopts the 'Delors I Package'.

Source: European Council - Presidency Conclusions (Brussels, 11.-13.02.1988) , SN 461/1/88. Brussels: Council of the European Communities, February 1988. 28 p.

URL:
http://www.cvce.eu/obj/conclusions_of_the_brussels_european_council_extract_concerning_own_resources_budgetary_discipline_and_budget_management_11_13_february_1988-en-eeec6f42-3251-44b0-9749-0dcc4bf64931.html

Publication date: 06/09/2012

Brussels European Council (11, 12 and 13 February 1988)
Conclusions of the Presidency

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Chapter A — Budgetary discipline and budget management

Introduction

1. Budgetary discipline shall be applied in conformity with the conclusions of the Brussels European Council (29/30 June 1987).

Ceilings

2. The Decision on the system of the Communities' own resources shall lay down, for payment appropriations, both an overall own resources ceiling and annual ceilings for the period 1988-1992. It shall lay down a ceiling for commitment appropriations in 1992 and determine an orderly evolution for them, maintaining a strict relationship between commitment appropriations and payment appropriations ensuring their compatibility and enabling the ceilings for subsequent years expressed in payment appropriations to be kept to. The Commission for its part will only put forward proposals for commitment appropriations consistent with expenditure within the agreed ceilings and subceilings. The Council for its part will also respect this principle. The Communities' annual budgets for the financial years 1988 to 1992 shall be kept within those ceilings.

Agricultural expenditure

Agriculture guideline

3. The annual growth rate of EAGGF Guarantee expenditure as defined below shall not exceed 74% (1) of the annual growth rate of the Community GNP.

4. The expenditure of EAGGF Guarantee shall be that chargeable to Section III, Part B, Titles 1 and 2 (EAGGF Guarantee) of the budget, less amounts corresponding to the disposal of ACP sugar, food-aid refunds, sugar and isoglucose levy payments by producers, and any other revenue raised from the agricultural sector in the future.

For the financial years 1988 to 1992, systematic depreciation costs for newly formed stocks, commencing at the time they are established, shall also be financed from the above allocation.

The Council shall enter each year in its draft budget the necessary appropriations to finance the costs of stock depreciation. Furthermore, Council Regulation 1881/78 is to be modified so as to create a legal obligation to proceed to stock depreciation over the period in question so as to arrive at a normal stock situation by 1992.

The Commission undertakes to make use of the appropriations in question in the early months of the budget year.

Costs connected with depreciation of existing excess agricultural stocks shall be kept outside the guideline. The following amounts will be inscribed in title B of the budget for depreciation of existing excessive stocks (1988 prices).

1988 1,200 MECU
1989-1992 1,400 MECU per year

Spain and Portugal will be treated, as far as their financial participation in the depreciation of these stocks is concerned, as if this depreciation had been entirely financed by the Community in 1987; an appropriate restitution will be entered in title 8 of the budget for this purpose.

5. The reference basis for the definition of the annual allocations for EAGGF-Guarantee expenditure shall be the 1988 expenditure figure of 27.500 MECU (1988 prices), adjusted in accordance with point 4, para. 1.

6. The annual maximum allocation for the EAGGF Guarantee section for a given year after 1988 shall be the reference basis set out in point 5 increased by 74 % of the growth rate of GNP between 1988 and the year in question (adjusted in accordance with point 4 para. 1).

Stabilizers

7. New agricultural stabilizers will be introduced according to the decisions contained under Chapter D supplementing the existing agricultural stabilizers.

Budget management

8. Budgetary management of the EAGGF-Guarantee expenditure shall be strengthened with a view to enabling the Commission to operate an efficient "early warning system" concerning the development of expenditure of the individual EAGGF expenditure chapters. Before the beginning of each budget year the Commission shall define expenditure profiles for each budget chapter based on a comparison of monthly expenditure with the profile of the expenditure over the three preceding years. The Commission shall submit monthly reports thereafter on the development of actual expenditure against profiles. Where the Commission finds, thanks to the early warning system, that the rate of development of real expenditure is exceeding the forecast profile, or risks doing so, it shall use the management measures at its disposal including those which it has under the stabilizing measures, to remedy the situation. If these measures are insufficient, the Commission shall examine the functioning of the agricultural stabilizers in the relevant sector and, if necessary, shall present proposals to the Council calculated to strengthen their action. The Council shall act within a period of two months in order to remedy the situation.

9. So as to enable the Council and the Commission to put the above rules into application, measures shall be taken to accelerate the transmission and treatment of data supplied by the Member States on agricultural expenditure within each marketing organization so as to ensure that the rate at which appropriations in each chapter are used is known with precision one month after expenditure has taken place. Present agriculture legislation will be adapted to ensure this. The special provisions concerning the financing of the CAP decided for 1987 (switch) shall continue to apply; however the delay of the advances by the Commission to Member States shall be extended from 2 to 2 1/2 months. The present system for payments of interest will be continued.

Payment of Community advances are subject to Member States complying with their obligation to make available to the Commission the information set out above justifying Community payment.

The Commission declares that prudent management necessitates that payment of monthly advances by the Commission only be executed on the basis of the above information and to the extent that, as under the budgetary procedure for other compulsory expenditure, the availability of credits is established by chapter, i.e. by common market organisation.

Where credits are not available, the Commission will propose corresponding transfers to the budget authority.

A realistic schedule shall be established for the clearance of EAGGF accounts.

Price-fixing

10. The Commission's price proposals shall be consistent with the limits laid down by the agricultural reference framework.

If the Commission considers that the outcome of the Council's discussions on these price proposals is likely to exceed the costs put forward in its original proposal, the final decision shall be referred to a special meeting of the Council attended by the Ministers of Finance and the Ministers of Agriculture which shall have the sole power to adopt a decision.

11. The agricultural allocation shall be respected each year.

exceptional circumstances

12. The level of EAGGF Guarantee expenditure may be influenced by movements in the dollar/ecu market rate. To cover developments caused by significant and unforeseen movements in the dollar/ecu market rate compared to the rate used in the budget a Monetary Reserve of 1000 MECU shall be entered each year in the budget in the form of provisional appropriations.

The reserve shall function in the following way:

i) A report will be prepared by the Commission to the Budget Authority in October each year on the impact of movements in the dollar/ecu Market rate on EAGGF Guarantee expenditure.

ii) Savings or additional costs resulting from movements in the rate shall be treated in a symmetrical fashion. Where favourable changes take place in the dollar/ecu rate compared to the budget rate, the savings in the Guarantee section of up to 1000 MECU shall be transferred to the Monetary Reserve. Where additional budgetary costs are engendered by a fall in the dollar against the ecu compared with the budget rate, transfers shall be made from the Reserve to the EAGGF Guarantee lines in question.

iii) There shall be a franchise of 400 MECU. Savings or additional costs below this amount will not necessitate transfers to or from the Monetary Reserve. Savings or additional costs above this amount will be paid into or met from the Monetary Reserve.

iv) The revenue corresponding to the Monetary Reserve will only be called up from the Member States if it is actually required, i.e. not until a transfer proposal from the Reserve has been approved by the Budget Authority. The amount paid over by the Member States will be limited to the amount of the approved transfers.

v) Any amount remaining at year end in the Monetary Reserve will be cancelled and thus contribute to a budgetary surplus which is counted as a revenue item in succeeding budgets.

vi) The Monetary Reserve shall not be included in the EAGGF Guarantee expenditure guideline.

Other compulsory expenditure

13. The Council shall adopt each year the reference framework for the other compulsory expenditure (commitment appropriations and payment appropriations) with due regard for the Community's Legal obligations.

NON-COMPULSORY EXPENDITURE

14. Budget discipline in this field will be applied in conformity with the principles set out in the conclusions of the Brussels European Council as follows:

"Budgetary discipline must be applied to all the Community's expenditure, both to payment appropriations and to commitment appropriations. It must be binding on all the Institutions which will be associated with its implementation.

The Council, for its part, shall apply the provisions of Article 203(9) of the Treaty in such a way that the two following guidelines will be respected:

(a) progression of the NCE which have been the subject of a multiannual financing decision by the Council for the period 1988-1992 (Structural Funds, IMP, research) ensuring that such decisions will be honoured;

(b) progression of NCE other than that referred to in (a) above equal to the maximum rate of increase communicated by the Commission.

The procedure laid down in Article 9 of the Council conclusions on budgetary discipline will continue to apply for these expenditures.

Member States will within the framework of Article 203.9 of the Treaty consider the result of these two guidelines as a maximum during all the budget procedure.

15. The Council will aim to agree with the European Parliament an understanding on the implementation of the Decisions of the European Council covering the whole period up to 1992.

The Council decisions to implement the decisions of the European Council in this field will be adopted in the
light of the outcome of the discussions with the European Parliament and in conformity with the principles set out in para. 14, 1 above and at the same time as the new Own Resources Decision.

Strengthening of budgetary management

16. In the interests of better budgetary management, carryovers of differentiated appropriations shall no longer be automatic; certain carryovers justified by technical reasons may be decided by the Commission on the basis of specific criteria laid down in the financial regulation.

The restoration of certain appropriations following decommitments shall only be possible by decision of the Commission on the basis of specific criteria laid down in the rules for implementation of the financial regulation; decommitted appropriations shall otherwise be automatically cancelled. (2)

The strengthening of these principles of annuality cannot call into question the achievement of the objectives fixed for Communities policies.

17. The size of my future negative reserves in the budget shall be limited to 200 mio ECU.

18. All the elements set out above are legally binding decisions on the general principles of budgetary discipline. Corresponding legal texts will be adopted to replace the 1984 decision and will remain in force for the duration of the Own Resources Decision. Moreover:

Point 2 will be incorporated in the Own Resources decision.

The "stabilisers" referred to in point 7 will be incorporated into the agricultural market organizations.

Points 9, 16 and 17 will be implemented by a revision of the existing financial regulation.

A general revision of the Financial Regulation will be carried out before the end of 1988.

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Chapter C — System of own resources

Introduction

1. The Own Resources Decision will be established in conformity with the conclusions of the European Council in Brussels (29/30 June 1987).

Level of resources

2. The overall ceiling on own resources shall be fixed at 1.20 t of the Community's total GNP for payment appropriations. An overall ceiling of 1.30% of total Community GNP shall be fixed for commitment appropriations. The total amount of own resources assigned to the Communities may not exceed for each year during the period 1988-1992 a given percentage of the Community's total GNP for that year. This percentage will be laid down in the Own Resources Decision and will correspond to the result of the guidelines established for growth in Community expenditure as laid down in Chapter A and a safety margin of 0,03% of GNP aimed at coping with unforeseen expenditure.

The overall ceilings referred to above all apply to payment appropriations respectively until this decision is amended. The development of commitment appropriations and payment appropriations shall correspond to the principles laid down in Chapter A, para. 2. This shall involve an orderly progression in commitment appropriations resulting in a total allocation of commitment appropriations of not more than 1.30% of GNP in 1992.

Before the end of 1991, the Commission shall present a report on the operation of the own resources system and the application of budgetary discipline.

The EDF will continue to be financed outside the budget.

The correction of budgetary imbalances will be carried out in such a way that the amount of Own Resources available for Community policies is not affected.

Origin of own resources

3. Revenue from the following shall constitute own resources entered in the budget of the European Communities:

(a) agricultural levies and sugar and isoglucose duties less 10% to be withheld by Member States as collection costs;

(b) CCT customs duties and custom duties on products coming under the ECSC Treaty less 10% to be withheld by Member States as collection costs.

(c) the application of a rate of 1.4% valid for all Member States to the assessment basis for value added tax which is determined in a uniform manner for Member States according to Community rules. The assessment basis for value added tax may not exceed 55% of the gross national product at market prices of each Member State.

(d) the application of a rate to be determined under the budgetary procedure in the light of the total of all other revenue to an additional base representing the sum of the gross national product at market prices.

It is assumed that the UK's compensatory payments will be dealt with in accordance with the present method (by means of VAT).

4. The above provisions must be embodied in a legal decision ready for submission to the Parliaments of the Member States for ratification, which must be finally adopted by the Council before 31 May 1988, in order

for it to be finally approved (after ratification by the national Parliaments) before the end of 1988, with retroactive effect from 1 January 1988.

5. The Commission will introduce a directive on the application of the rules governing the establishment of the gross national product at market prices guaranteeing the comparability and uniformity of national statistics used for the purpose as well as the verification of these statistics and providing for a procedure of revision.

The Commission report referred to in point 2 above shall also assess what progress has been made towards taking greater account of the proportionality of contributions in accordance with the relative prosperity of Member States.

Correction of budgetary imbalances

The European Council conclusions of 25 and 26 June 1984 on the correction of budgetary imbalances remain applicable for as Long as the new decision on Own Resources remains in force.

The mechanism decided at Fontainebleau was based on the difference between the United Kingdom’s VAT share and its share in allocated expenditure, multiplied by allocated expenditure. The compensation represented 66%.

The following modifications are to be made:

a) The VAT share shall be replaced by the United Kingdom's share of payments under the third and fourth resource.

b) The effect on the United Kingdom in respect of a given year of the introduction of the 4th resource, which is not compensated by the change under a), will be offset by an adjustment to the compensation in respect of that year.

c) The compensation to the United Kingdom will be financed by the eleven other Member States on the basis of a GNP key. However the contribution of Germany is reduced by a third and those of Spain and Portugal in accordance with the abatement provided for in articles 187 et 374 of the Treaty of Accession.

The review of the British compensation will be carried out in the framework of the Commission report on the system of Own Resources.

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(1) This figure corresponds to a rate of increase of 80% of the growth of GNP if one takes into account the 200 mio ECU corresponding to the financing of set-aside.
(2) cf. Annex to Annex I in doc 9643/1/87.