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**INTRODUCTORY SUMMARY**

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## **E. THE CHALLENGE OF ENLARGEMENT**

Preparing for enlargement is a challenge both for the applicant States and the Union itself. A key element in helping prepare applicant States for EU membership is the enhanced pre-accession strategy decided on by the Luxembourg European Council. The Union itself must ensure that its policies will remain effective and affordable for all its members following enlargement, bearing in mind financial constraints.

### **The new pre-accession instruments**

The Commission's overall approach, designed in part to familiarise applicant countries with Union procedures by creating new instruments for agricultural and structural pre-accession funding, has received broad support, subject to a detailed examination of the way in which this assistance would be coordinated and implemented, in order to ensure the greatest possible coherence of the Union's assistance.

### **Financial aspects**

With regard to pre-accession expenditure, two key financial issues have arisen. The first is the needs of applicant countries and their ability to absorb assistance; it is generally accepted that these amounts may only be determined when the Financial Perspective is agreed. The second is the Heading or Headings in the Financial Perspective under which these amounts should be entered.

With regard to accession-related expenditure, the main issue is whether the Commission's approach, which involves earmarking margins in the new Financial Perspective specifically for enlargement, and drawing, where required, on the increase in Union resources following enlargement, adequately ringfences accession-related expenditure, particularly regarding Heading 1 (Agriculture). The Luxembourg European Council concluded that there should be a clear distinction to be made in the presentation and implementation of accession, as well as pre-accession, expenditure.

Agreement will need to be reached, at the same time as the new Financial Perspective, on a Table setting out the increases to be made in the maximum amounts under the various Headings following enlargement, which will constitute the common negotiating position of the 15 Member States in the accession negotiations.