



SECRETARIAT WORKING PARTY  
TASK-FORCE  
"ENLARGEMENT"

THE COORDINATOR

JF/bo Luxembourg, 8 December 1998

# TOPICAL NOTE

## No 1

### **THE EUROPEAN PARLIAMENT AND THE PRE-ACCESSION AID**

\* *The views expressed in this document are not necessarily those held by the European Parliament as an institution.*

*The topical notes drawn up by the Task-Force of the General Secretariat of the European Parliament are specific information notes on various enlargement issues. They complement the briefing notes of the Task-Force, while at the same time being much more analytical and forward-looking.*

<u>Number</u>	<u>Title</u>	<u>PE No</u>	<u>Date</u>	<u>Languages</u>
1	The European Parliament and the pre-accession aid	.....	08.12.98	DE-EN-ES-FR-IT

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## 1. INTRODUCTION

This briefing deals with the reinforced pre-accession aid strategy adopted by the European Union with a view to the future enlargement process with the 10 CEEC applicant states and Cyprus. The position of the European Parliament concerning the pre-accession aid scheme is especially highlighted.

## 2. BACKGROUND EVENTS

The Essen European Council and the Madrid Council of 15 and 16 December 1995 called on the Commission to submit a detailed analysis of the impact of enlargement on Community policies especially on the agricultural and structural policies. On 17 July 1997 the Commission submitted a three-volumed analysis, the so called 'Agenda 2000' to the European Parliament. Volume II of 'Agenda 2000' (the Challenge of Enlargement) refers specifically to reinforcing the pre-accession strategy and describes the objectives, methods, financial resources and legal instruments.

The European Parliament, in its resolution of 4 December 1997 on the Commission communication 'Agenda 2000: for a stronger and wider Union', came down firmly on the side of enlargement.

The Luxembourg European Council of 12 and 13 December 1997 took the decisions required to launch the enlargement process as a whole, with the 10 CEEC applicant states and Cyprus. Moreover, the Luxembourg Council adopted the reinforced pre-accession strategy proposed by the Commission for these countries. The aim of the strategy is now to enable all the applicant States to become members of the European Union and, to this end, to bring them into line as far as possible with the Union's *acquis* before accession. More specifically, the new reinforced pre-accession strategy has the dual objective of combining all the Union's various forms of support in a single framework (Accession Partnerships) and to familiarize the applicants with the Union's policies and procedures by offering them the opportunity to take part in Community programmes.

Finally, in its resolution of 18 December 1997 on the conclusions of the Luxembourg European Council of 21 November and 12 and 13 December 1997 the EP welcomed the creation of the 'Accession Partnerships' with each of the applicant countries, whilst regretting that the European Council had not made provision for consulting Parliament about the common framework for the partnership agreements.

## 3. AGENDA 2000: PRE-ACCESSION AID PROPOSALS

A new approach to pre-accession aid has been adopted in Luxembourg following the proposals made in 'Agenda 2000'. On the basis mentioned above, the Commission has submitted, in March 1998, three relevant proposals for Regulations.

- Firstly, the Commission submitted a proposal for a Regulation on *coordinating aid to the applicant countries in the framework of the pre-accession strategy*, the purpose of which is to ensure coordination and coherence between the pre-accession aid granted under the PHARE programme, the agricultural instrument and the structural instrument. The purpose of all this is also to avoid any overlapping with aid from other international institutions (EIB, EBRD, IMF,

etc.). On 30 September 1998 the Commission amended the above proposal for a Council Regulation taking into account 'Agenda 2000 as a package' containing a set of proposals for instruments of various types. The Commission therefore proposes a series of general 'guidelines', for example:

- \* making aid dependent on compliance with the conditions and priorities set out in the
  - \* relevant Accession Partnership;
  - \* any action or measure to be financed by pre-accession aid may benefit from support
  - \* under only one of the three instruments;
  - \* the systematic participation of the beneficiary States in the financing of investments by each of the three instruments;
  - \* the creation of a Coordination Committee (consisting of representatives of the Member States and chaired by the Commission representative) in order to ensure the coordination of measures in the framework of the Coordinating Regulation.
- Secondly, a proposal for a regulation on Community support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe during the pre-accession period (*agricultural pre-accession aid*). The Commission proposes allocating in the forthcoming financial perspective ECU 520 million per year over the next ten years, i.e. a total of ECU 3 064 million for the period 2000-2006. The aim is to help the applicant CEECs to transform and modernize their agricultural sector and to promote the application of the Community *acquis* in this sphere.
  - Finally, the Commission submitted at the same date a proposal for a regulation creating an *Instrument for Structural Policies for pre-accession (ISPA)*. The Commission proposes allocating ECU 1 billion per year to the ten applicant CEECs during the period 2000-2006. Basically, this aid is designed to help bring the countries into line with EU infrastructure standards, by analogy with the existing Cohesion fund in the EU in the transport and environment spheres, making allowance for an appropriate balance between the two. Furthermore, the measures financed by ISPA must meet the conditions laid down in the European Agreements.

The Commission has also reorientated the *PHARE Programme* which should focus on two priority objectives. Up to 30% of the overall amount to be allocated to strengthening administrative and judicial capacity and up to 70% to be allocated to investments connected with the adoption and implementation of the *acquis* in areas which are not covered by the other two instruments.

In any event, it should be noted that the financial support to the States covered by the enlargement process will be based, as regards the distribution of aid, on the principle of equal treatment, irrespective the date of accession, with particular attention being devoted to those states which need it most, for which reason the Commission has provided for the creation of a recovery mechanism.

The European Council in Cardiff underlined "the Union's priority to maintain the enlargement process for the countries covered in the Luxembourg European Council conclusions, within which they can actively pursue their candidatures and make progress towards taking on the obligations of membership, including the Copenhagen criteria." After the amended version of Commission proposal concerning the co-ordinating Regulation had been launched on 30 September 1998 a political agreement was reached by the General Affairs Council on 26 October.

#### 4. THE POSITION OF THE EUROPEAN PARLIAMENT

The European Parliament has been carrying out an important work on the three above-mentioned proposals. Although all the proposals pursue the same goal they do not all have the same legal basis. For example, having Article 235 as a basis also means that expenditure for agricultural measures will come under the category of 'non-compulsory expenditure'. With effect from the 2000 budget Parliament will have a say in how this money is spent. In this way Parliament will be able to exercise a supervisory role in respect of the way the appropriations are spent and in preventing reservoirs being formed.

Furthermore, in some cases, e.g. the reform of the Structural Funds, the legal basis is destined to change when the Treaty of Amsterdam enters into force. Since this situation is likely to make Parliament's position inconsistent, and the impact of its opinion extremely variable, Parliament proposed to the Commission and Council that an interinstitutional agreement be drawn up permitting Parliament to deliver its opinion at two readings on all the legislative proposals in question together, leaving aside the legal base (the legal basis chosen for the draft legislation of 'ISPA' and 'AGRI' is Article 235 as agreed upon at the Luxembourg Council. It provides for unanimity in the Council and mere consultation of the EP). Although the Council rejected the proposal, it took note of Parliament's wish to state a preliminary position (adoption in plenary of legislative amendments on November 18th) before adopting its formal opinion on all the proposals in question (=vote at a later stage, in March or April 1999, on the draft legislative resolution). The aim is to ensure that the EP is duly involved in all stages of the enlargement procedure.

In mid-June 1998 it has been decided that:

1. The Committee responsible for the **Coordinating Aid to the Applicant Countries proposal** will be the Committee on Foreign Affairs, Security and Defence Policy in collaboration with the Committee on Budgets, the Committee on External Economic Relations, the Committee on Regional Policy and the Committee on Agricultural and Rural Development.

The Committee on Foreign Affairs, Security and Defence Policy considered the amended Commission proposal and the draft report at its meetings of 21 July, 23 and 24 September, 13 and 26 October 1998, while at the latter it adopted the draft legislative resolution.

2. The Committee responsible for the **Agricultural Pre-Accession Aid proposal** will be the Committee on Agricultural and Rural Development in collaboration with the Committee on Regional Policy, the Committee on Budgets, the Committee on External Economic Relations and the Committee on Foreign Affairs, Security and Defence Policy.

The Committee on Agricultural and Rural Development considered the Commission proposal and the draft report at its meetings of 2/3 September, 27/28 September, and adopted the draft legislative resolution the 27 October 1998.

3. The Committee responsible for the **ISPA proposal** will be the Committee on Regional Policy in collaboration with the Committee on Budgets and the Committee on External Economic Relations. The Committee on Regional Policy considered the Commission proposal and the draft report at its meetings of 22 September, 13 and 26 October 1998, while at the latter it adopted the draft legislative resolution. Although consulted under the Hughes Procedure, the Committee on

Foreign Affairs, Security and Defence Policy decided on 3 June 1998 not to deliver an opinion following its scrutiny of the coordinating regulation.

A clear overall position emerges from the three draft proposals on pre-accession aid strategy: the committees responsible broadly endorse the proposed reforms but stressed the need to clarify, coordinate and target the three arrangements through transparent policies.

Analogies of amendments in all proposals where the following

- Tighter financial controls (responsibility of beneficiary countries);
- better allocation of funds and improved monitoring;
- annual report presented by the Commission;

Given the political significance of the pre-accession aid, the EP seeks greater visibility: the fact that the future accession agreements will only enter into force after the EP has given its consent should not be overlooked.

Moreover, the EP seeks greater involvement in the planning and implementation of pre-accession aid. Accordingly, the Commission and the Council should first take up Parliament's stated positions and incorporate them in an amended proposal and then guarantee it a role, if only a consultative one, in the proceedings of the Coordination Committee and ensure that it receives all the necessary information relating to the monitoring and expenditure.

Finally, while being faced with a rapid succession of proposals and initiatives (Agenda 2000 package) which will not easily form a coherent or harmonious whole (for EU Member States and for candidate countries), the EP asks the European Council to make up a global reflection (at the level of a political strategy) on the significance of enlargement and the strategy for achieving it under optimum conditions.

## **5. CONCLUSIONS, OUTCOME OF THE VOTE OF THE 19 NOVEMBER 1998**

Commissioner Van den Broek, closing the debate, presented the Commission's position which was then confirmed on the 19th November, after the vote:

### **5.1. Coordination draft regulation**

The tasks of the various instruments were already defined in relevant articles of the amended proposal. As asked for by Parliament, the coordination for the three instruments has been transferred to the PHARE Committee and an additional management and financial control step has been introduced in the amended proposal. Furthermore, the Commission has accepted to present to the Parliament an annual report on the evolution of the pre-accession aid.

However, Commissioner Van den Broek stressed that it was the Commission's task to supervise and to control financing. Consequently, the proposed cooperation with the Budgetary Authority had been denied.

## **5.2.AGRI draft regulation**

The Commissioner's general remarks concerned concentration of aid for the most necessary projects in countries which need it most in order to avoid internal and external migration. Decentralisation of project management is requested in order to become familiar with the working methods of the Commission. In this context, the Commission should be in charge of monitoring the implementation process through a relevant controlling committee. According to Van den Broek, the following amendments had already been considered, partly in the amended proposal on coordinating the aid:

- areas of concern such as food safety, hygiene and quality;
- need to ensure continued commitment to reform in the applicant countries;
- better adjustment and consistency in agriculture, trade and commerce;
- better definition and more details concerning the measures which may be supported, including some new aspects;
- tighter financial controls, better allocation of funds and improved monitoring;
- greater concern for environment to ensure necessary equilibrium between different measures.

The Commission could not agree with the following amendments:

- Community contribution limited to 75 %;
- establishment of a Consultative Committee of experts from EU and applicant countries to assist with choice of projects and programming;
- Community support by a selection of mutually approved structural improvement measures;
- improvement of communication and consultation between relevant players in rural areas in planning and implementation of measures, including Member States;
- financing the establishment of an agricultural credit and rural banking system, introduction of book-keeping in farming and legal assistance to protect private ownership;
- further training for officials and retraining to help people move out of farming.

## **5.3.ISPA draft regulation**

Commissioner Van den Broek classified the amendments into three categories. The first group includes amendments which the Commission is willing to take into account.

- consideration of short- and long-term social and employment consequences;
- the promotion of a balanced pan-European transport infrastructure;
- the EP and the European Court of Auditors must be kept fully informed in order to ensure the greatest possible transparency.

The second group is formed of amendments which the Commission is generally supporting, but for which the Council might prefer another wording:

- the balanced ratio of 50/50 between environmental projects and improving transport infrastructure;
- the focus on interoperability, intermodality and interregional cohesion and access to corridors as concerns the pan-European transport infrastructure;
- to guarantee optimal coordination between INTERREG, PHARE, TACIS and ISPA programmes for the purpose of improving strategic border crossing points;
- strengthening actions in response to failure to comply with strategic priorities- suspense of payment; beneficiary countries are responsible for prosecuting irregularities;



The third group is composed of amendments which will not be accepted:

- the support of technical and administrative assistance measures necessary for the efficient implementation, supervision and monitoring;
- the request to closely associate the applicant countries in the standardisation work of the relevant bodies, which is essential to the interoperability of the various modes of transport;
- to facilitate participation in all research projects and pilot projects aimed at improving environmental protection and in the area of transport, particularly in the framework of the Community's Fifth RTD Programme and its environmental action programme.
- to ensure the participation of applicant countries in the financing instrument for the environment (LIFE).

As far as all other amendments tabled by the EP are concerned, the Commission prefers to stick to the original proposal.

Furthermore, the attention is drawn to the fact that, despite good coordination, two amendments voted introduced a certain degree of discrepancy in Parliament's position on pre-accession strategy:

1. Participation of Cyprus in ISPA; not considered neither in the coordination nor in the AGRI proposals;
2. Participation of applicant countries in the Coordination Committees; foreseen only in the case of ISPA and AGRI proposals.

## **FOLLOW-UP**

The proposals tabled under the consultation procedure were referred back to the various committees for further discussions in view of the Commission's attitude towards non-binding amendments. The Commission is now asked to improve its proposals and the Council to accept Parliament's suggestions. A special *conciliation* procedure between a Parliament delegation, Council and Commission will take place shortly, before the "second reading" (i.e. before March).

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