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COMMISSION WORKING DOCUMENT

INTERINSTITUTIONAL AGREEMENT

on budgetary discipline and improvement of the budgetary procedure

Draft

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The attached draft Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure is intended as a working paper for the negotiations between the European Parliament, the Council and the Commission.

It provides not only for the renewal of the Interinstitutional Agreement of 29 October 1993 in the light of experience acquired with its implementation but also for the consolidation of all the joint declarations and interinstitutional agreements concluded on budgetary matters since 1982.

Where it is proposed that provisions be taken from other interinstitutional agreements or joint declarations, the origin is specified in the right-hand column of the working paper. All the proposed amendments, deletions or additions in relation to the other consolidated texts are shown in bold and the necessary remarks are attached.

INTERINSTITUTIONAL AGREEMENT
of
on budgetary discipline and improvement of the budgetary procedure

I. BASIC PRINCIPLES OF THE AGREEMENT	
1. This Interinstitutional Agreement renews, amends and supplements ✕ the Agreement concluded on 29 October 1993 . Its purpose is to implement budgetary discipline and to improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters.	Deletion of the reference to the Edinburgh European Council conclusions.
2. Budgetary discipline under this Agreement covers all expenditure. It is binding on all the institutions involved for as long as the Agreement is in force.	
3. This Agreement does not alter the respective budgetary powers of the various institutions as laid down in the Treaties.	
4. Without prejudice to Section II.C, any amendment of this Agreement requires the consent of all the institutions which are party to it.	
II. FINANCIAL PERSPECTIVE 2000-2006: DEFINITION AND IMPLEMENTING PROVISIONS	
A. Contents and nature of the financial perspective	
5. The financial perspective 2000-2006, presented in Annex I, is an integral part of this Agreement. It constitutes the reference framework for interinstitutional budgetary discipline. ✕	Deletion of the reference to the Edinburgh European Council conclusions
6. The financial perspective is intended to ensure that, in the medium term, Community expenditure, broken down by broad category, develops in an orderly manner and within the limits of the own resources assigned to the Community.	
7. The financial perspective 2000-2006 establishes, for each of the years and for each heading or subheading, amounts of expenditure in terms of appropriations for commitments. Overall annual totals of expenditure are also shown in terms of both appropriations for commitments and appropriations for payments. The financial perspective does not take account of budget items financed by earmarked revenue within the meaning of Article 4 of the Financial Regulation. The financing of specific items of expenditure may not be moved from one ceiling to another, unless the financial perspective is revised. All these amounts are expressed in 1999 prices, except for the	Addition

<p>monetary reserve, where the amounts are expressed in current prices.</p> <p>Information relating to operations not included in the general budget of the European Communities and the foreseeable development of the various categories of Community own resources are set out, as an indication, in separate tables. This information is updated annually when the technical adjustment is made to the financial perspective.</p> <p>The European Parliament, the Council and the Commission (the 'institutions') confirm the principles and mechanisms concerning the agricultural guideline. The Commission will present to the two arms of the budgetary authority, by no later than 1 July 2004, a report on the application of the agricultural guideline together, if appropriate, with proposals for revision of the method of calculating the guideline with effect from 2005.</p>	<p>Former second subparagraph of paragraph 16, with additional text</p>
<p>8. The institutions acknowledge that each of the absolute amounts shown in the financial perspective 2000-2006 represents an annual ceiling on Community expenditure. Without prejudice to Section II.C, they undertake to use their respective powers in such a way as to comply with the various annual expenditure ceilings during each budgetary procedure and when implementing the budget for the year concerned.</p> <p>In particular the two arms of the budgetary authority agree to accept ∞ the maximum rates of increase for non-compulsory expenditure deriving from the budgets established within the ceilings set by the financial perspective.</p> <p>For the purposes of sound financial management, the institutions will ∞ ensure as far as possible during the budgetary procedure and at the time of the budget's adoption that margins are left available beneath the ceilings for the various headings so that, if necessary, additional appropriations can be entered in the course of the financial year without the financial perspective having first to be revised.</p> <p>Within the maximum rates of increase for non-compulsory expenditure specified in the second subparagraph, the European Parliament and the Council undertake to respect the allocations of commitment appropriations provided in the financial perspective for structural operations.</p> <p>The two arms of the budgetary authority also undertake to bear in mind the assessment of the possibilities for executing the budget made by the Commission in its preliminary drafts.</p>	<p>Former paragraph 17. Deletion of reference to period 1993-99</p> <p>Former paragraph 19. Deletion of reference to former paragraph 21, inserted below</p> <p>Former first subparagraph of paragraph 21. Covers the whole of heading 2</p> <p>Former second subparagraph of paragraph 21</p>
<p>9. The budgetary authority may, during the budgetary procedure, approve appropriations in excess of the ceiling for heading 3 or 4 of the financial perspective up to a maximum of EUR 100 million, without revision of the</p>	<p>Addition: flexibility between headings 3 and 4</p>

<p>financial perspective, provided that a margin of at least EUR 100 million more than this excess is left beneath the ceiling for the heading not concerned by the excess. This excess will be discussed during the conciliation procedure provided for in Annex III. A ceiling may not be exceeded for the same purpose in two consecutive years.</p> <p>On a proposal from the Commission the two arms of the budgetary authority may also agree, during the conciliation procedure provided for in Annex III, to enter in the budget commitment appropriations of up to EUR 500 million in excess of the financial perspective ceilings to cover clearly identified requirements of significant political importance, provided that a corresponding amount of commitment appropriations remained unused the previous year and the balance of the budget outturn and the overall balance from the previous year was at least the same amount.</p>	<p>Addition: flexibility from one year to the next</p>
<p>10. A decision by the Council or joint decision by the European Parliament and the Council which involves exceeding the appropriations available in the budget or the allocations available in the financial perspective in accordance with paragraphs 8 and 9 may not be implemented in financial terms until the budget has been amended and, if necessary, the financial perspective has been appropriately revised in accordance with the relevant procedure for each of these cases.</p>	
<p>11. For each of the years covered by the financial perspective, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments or revisions, must not be such as to produce a call-in rate for own resources that exceeds the ceiling in force for these resources.</p> <p>If need be, the two arms of the budgetary authority will decide, acting on a proposal from the Commission and in accordance with the majority voting rules laid down in the fifth subparagraph of Article 203(9) of the Treaty, to lower the ceilings set in the financial perspective in order to ensure compliance with the ceiling on own resources.</p>	
<p>B. Annual adjustments of the financial perspective</p>	
<p><i>Technical adjustments</i></p>	
<p>12. Each year the Commission, acting ahead of the budgetary procedure for year n+1, will make the following technical adjustments to the financial perspective in line with movements in gross national product (GNP) and prices:</p> <p>(a) calculation of the agricultural guideline, which represents the ceiling for heading 1 (Common agricultural policy);</p> <p>(b) revaluation, at year n+1 prices, of the ceilings for the other headings and subheadings and of the overall figures</p>	

<p>for appropriations for commitments and appropriations for payments, except in the case of the monetary reserve.</p> <p>The Commission will make these technical adjustments on the basis of the most recent economic data and forecasts available. However, the technical adjustment of the ceiling for the "Structural Funds" subheading will be based on the overall deflator stipulated in the Structural Funds regulations for determining the programming of the corresponding operations. The index base against which the allocations for 2004 to 2006 are pegged will be reviewed, if necessary, by the Commission before 31 December 2003 on the basis of the most recent information available. There will be no <i>ex post</i> adjustment of the allocations for earlier years.</p> <p>The results of such adjustments and the underlying economic forecasts will be communicated to the two arms of the budgetary authority.</p> <p>No further technical adjustments will be made in respect of the year concerned, either during the year or as <i>ex post</i> corrections during subsequent years.</p>	<p>Amendment: overall deflator for Structural Funds (cf new Structural Funds regulations)</p>
<p><i>Adjustments connected with the conditions of implementation</i></p>	
<p>13. When notifying the two arms of the budgetary authority of the technical adjustments to the financial perspective, the Commission will present any proposals for adjustments to the total appropriations for payments which it considers necessary, in the light of the conditions of implementation, to ensure an orderly progression in relation to the appropriations for commitments.</p> <p>14. For the adjustment exercise in 2001 and in the event of delays in the adoption of the programmes for structural operations, the two arms of the budgetary authority undertake to authorise, on a proposal from the Commission, the transfer to subsequent years, in excess of the corresponding ceilings on expenditure, of the allocations not used in 2000.¹</p>	<p>Amendment: transfer of allocations for structural operations not used in 2000</p>
<p>15. The European Parliament and the Council will take decisions on these proposals before 1 May of year n, in accordance with the majority voting rules laid down in the fifth subparagraph of Article 203(9) of the Treaty.</p>	
<p>C. Revision of the financial perspective</p>	

¹ Should there be any significant delay in the adoption of the new rules for the Structural Funds, the possibility of re-entry in the budget could be extended to appropriations not used in the first two years of the financial perspective.

<p>16. In addition to the regular technical adjustments and adjustments in line with the conditions of implementation and without prejudice to paragraph 9, the financial perspective may be revised in compliance with the own resources ceiling, on a proposal from the Commission, if unforeseen measures have to be initiated.</p>	<p>Addition: reference to the new provisions on flexibility</p>
<p>17. As a general rule, any such proposal for revision must be presented and adopted before the start of the budgetary procedure for the year or the first of the years concerned.</p> <p>The decision to revise the financial perspective will be taken jointly by the two arms of the budgetary authority acting in accordance with the majority voting rules laid down in the fifth subparagraph of Article 203(9) of the Treaty.</p>	
<p>18. The institutions, acting on a proposal from the Commission, will examine the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected underutilisation of appropriations.</p> <p>The objective should be that a significant amount, in absolute terms and as a percentage of the new expenditure planned, should be within the existing ceiling for the heading.</p> <p>The institutions will also examine the scope for offsetting raising the ceiling for one heading by lowering the ceiling for another.</p> <p>They undertake, however, not to allow any revision of the compulsory expenditure in the financial perspective to lead to a reduction in the amount available for non-compulsory expenditure.</p> <p>Any revision must maintain an appropriate relationship between commitments and payments.</p>	
<p>D. Consequences of the absence of a joint decision by the institutions on the adjustment to, or revision of, the financial perspective</p>	
<p>19. If the institutions fail to reach a joint decision on any adjustment or revision of the financial perspective proposed by the Commission, the objectives set previously will, after the annual technical adjustment, continue to apply as the expenditure ceilings for the year in question, without prejudice to paragraph 9.</p>	<p>Addition: reference to the new provisions on flexibility</p>
<p>E. Reserves</p>	
<p>20. × The three reserves appearing in heading 6 of the financial perspective are entered in the general budget of the European Communities. The necessary resources will be</p>	<p>Deletion of the reference to the Edinburgh European</p>

<p>called in only when these reserves are implemented.</p> <p>(a) The monetary reserve is intended to cover, during the years 2000 to 2002, the impact on agricultural budget expenditure of significant and unforeseen movements in the euro/US dollar parity in relation to the parity used in the budget;</p> <p>✕</p> <p>(b) the reserve for guaranteeing loans to non-member countries is intended to endow the budget headings which will be drawn on to constitute the Guarantee Fund and for any additional payments to be made should a debtor default;</p> <p>(c) the purpose of the emergency aid reserve is to provide a rapid response to the ✕ aid needs of non-member countries caused by events which could not be foreseen when the budget was established, first and foremost for humanitarian operations.</p> <p>A call may be made on the emergency aid reserve in such circumstances even before the appropriations in the relevant operational items covered by heading 4 have been fully used, where the programming of expenditure from these items suggests that they will be used in full and provided that needs to be covered exceed EUR 15 million.</p> <p>When it considers that one of these reserves needs to be called on, the Commission will present a proposal for an appropriate transfer to the two arms of the budgetary authority.</p> <p>Any Commission proposal to draw on the reserve for emergency aid must, however, be preceded by an examination of the scope for reallocating appropriations.</p> <p>At the same time as it presents its proposal for a transfer, the Commission will initiate a triologue procedure, if necessary in a simplified form, to secure the agreement of the two arms of the budgetary authority on the need to use the reserve and on the amount required.</p> <p>If the Commission's proposal fails to secure the agreement of the two arms of the budgetary authority, and if the European Parliament and the Council are unable to agree on a common position, they will refrain from taking a decision on the Commission's proposal for a transfer.</p>	<p>Council conclusions</p> <p>Amendment: time restriction on the use of the monetary reserve</p> <p>Deletion of the provisions concerning currency fluctuations within the EMS</p> <p>Amendment: conditions for using the emergency aid reserve</p> <p>Clarification of the terms governing use of the reserve for emergency aid</p>
<p>F. Adjustment of the financial perspective upon enlargement</p>	

<p>21. Where the Community is enlarged to include new Member States during the period covered by the financial perspective, the institutions, acting on a proposal from the Commission, will adjust the financial perspective to take account of the requirements of the enlarged Community. The table in Annex II gives an estimate of these requirements; this estimate in no way prejudices the accession negotiations with the applicant countries. The additional requirements will be covered by the available amounts set aside for this purpose in the financial perspective and, if necessary, by the margin beneath the own resources ceiling for the enlarged Community.</p>	<p>Former second subparagraph of paragraph 24, amended</p>
<p>G. Duration of the financial perspective and procedure to be applied should a new financial perspective not be agreed</p>	
<p>22. By 1 July 2005, the Commission will present proposals for a new medium-term financial perspective.</p> <p>Should the two arms of the budgetary authority fail to agree on a new financial perspective, and unless the existing financial perspective is expressly denounced by one of the parties to this Agreement, the ceilings for the last year covered by the existing financial perspective will be adjusted in accordance with paragraph 12 of this Agreement by applying to these amounts the average rate of increase observed over the preceding period, excluding any adjustments made to take account of enlargement of the Community. This rate of increase may not, however, exceed the rate of growth of Community GNP. Without prejudice to paragraph 12(a), the annual ceiling for any heading may not be lower, in constant prices, than the level set in the current financial perspective for 2006.</p>	<p>Former second indent of first subparagraph of paragraph 25</p> <p>Former second subparagraph of paragraph 25, amended</p>
<p>23. The provisions of paragraphs 5 to 22 will apply for the entire duration of the financial perspective.</p>	<p>Former first subparagraph of paragraph 24</p>
<p>III. IMPROVEMENT OF INTERINSTITUTIONAL COLLABORATION DURING THE BUDGETARY PROCEDURE</p>	
<p>A. The interinstitutional collaboration procedure</p>	
<p>24. The institutions agree to set up a procedure for interinstitutional collaboration in budgetary matters. The details of this collaboration are set out in Annex III, which forms an integral part of this Agreement.</p>	
<p>B. Establishment of the budget</p>	
<p>25. The Commission will present each year, within the limits of the financial perspective, a preliminary draft budget based on</p>	

<p>the Community's actual financing requirements.</p> <p>It will take into account:</p> <ul style="list-style-type: none"> - the capacity for utilising appropriations, endeavouring to maintain a strict relationship between appropriations for commitments and appropriations for payments, - the possibilities for starting up new policies or continuing multiannual operations which are coming to an end, after assessing whether it will be possible to secure a proper legal basis. 	
<p>26. The institutions will, as far as possible, avoid entering items in the budget carrying insignificant amounts of expenditure on operations.</p>	
<p>27. The institutions agree to treat food aid expenditure in accordance with the rules laid down in Annex IV, which forms an integral part of this Agreement.</p>	
<p>C. Classification of expenditure</p>	
<p>28. The institutions consider compulsory expenditure to be such expenditure as the budgetary authority is obliged to enter in the budget to enable the Community to meet its obligations, both internally and externally, under the Treaties and acts adopted in accordance therewith.</p> <p>The institutions undertake to provide appropriations in the budget to honour the Communities' internal and external legal obligations and policy commitments, with due regard for budgetary discipline.</p>	<p>Cf. Joint Declaration of 30 June 1982</p>
<p>29. The institutions agree on the classification of expenditure as set out in Annex V, which forms an integral part of this Agreement.</p>	<p>Classification of existing budget items</p>
<p>30. The preliminary draft budget shall contain a reasoned proposal for the classification of each new budget item and each item whose legal basis has been amended.</p> <p>These items and the expenditure relating to them will be classified by agreement between the two arms of the budgetary authority. This agreement will be reached at the latest during the conciliation procedure provided for in Annex III. Should the European Parliament and the Council fail to agree on the classification of the budget item concerned, the classification proposed in the preliminary draft budget will stand approved.</p> <p>The agreed classification, which is considered provisional if the basic act has not yet been adopted, may be reviewed by the same procedure in the light of the basic act when it is adopted.</p>	<p>New classification procedure</p> <p>Cf. Joint Declaration of 30 June 1982</p>

<p>D. Maximum rate of increase of non-compulsory expenditure</p>	<p>Cf. Joint Declaration of 30 June 1982</p>
<p>31. Without prejudice to paragraph 8 the institutions agree on the following provisions:</p> <p>(a) Parliament's margin for manoeuvre - which is to be at least half the maximum rate - applies as from the draft budget established by the Council at first reading, including any letters of amendment.</p> <p>The maximum rate is to be observed in respect of the annual budget, including amending and/or supplementary budgets, if any. Without prejudice to the setting of a new rate, any portion of the maximum rate which has not been utilised will remain available for use and may be used when draft amending and/or supplementary budgets are considered.</p> <p>(b) If it appears in the course of the budgetary procedure that completion of the procedure might require agreement on setting a new rate of increase for non-compulsory expenditure to apply to payment appropriations and/or a new rate to apply to commitment appropriations (the latter rate may be at a different level from the former), the institutions will endeavour to secure an agreement between the two arms of the budgetary authority by the conciliation procedure provided for in Annex III.</p> <p>If, however, agreement has not been reached by 31 December, the two arms of the budgetary authority undertake to continue their efforts to complete the budgetary procedure so that the budget can be adopted by the end of January.</p>	
<p>E. Incorporation of financial provisions in legislative instruments</p>	
<p>32. Legislative instruments concerning multiannual programmes adopted under the codecision procedure may contain a provision in which the legislative authority lays down the financial framework for the programme for its entire duration.</p> <p>That amount will constitute a special reference for the budgetary authority during the annual budgetary procedure. The budgetary authority may, however, agree to depart from the amount under the conciliation procedure provided for in Annex III.</p> <p>The Commission, when establishing the preliminary draft budget, and, failing agreement between the two arms of the budgetary authority on an amount different from the reference amount set in the legislative instrument, the institutions of last resort undertake not to depart from this amount by more than 10% either upwards or downwards.</p>	<p>Cf. Declaration of 6 March 1995, amended</p>

<p>33. Legislative instruments concerning multiannual programmes not subject to the codecision procedure will not contain an 'amount deemed necessary'.</p> <p>Should the Council wish to include a financial reference, this will be taken as illustrating the will of the legislative authority and will not affect the powers of the budgetary authority as defined by the Treaty. This provision will be mentioned in all instruments which include such a financial reference.</p> <p>If the amount concerned has been the subject of an agreement pursuant to the conciliation procedure provided for in the Joint Declaration of 4 March 1975,² it will be considered a reference amount within the meaning of paragraph 32.</p>	<p>Cf. Declaration of 6 March 1995</p>
<p>34. The financial statement provided for in Article 3 of the Financial Regulation will reflect in financial terms the objectives of the proposed programme and include a schedule covering the duration of the programme. It will be revised, where necessary, when the preliminary draft budget is drawn up, taking account of the extent of implementation of the programme.</p> <p>The revised statement will be forwarded to the budgetary authority together with the preliminary draft budget.</p>	<p>Cf. Declaration of 6 March 1995</p>
<p>F. Legal bases</p>	<p>Cf. Joint Declaration of 30 June 1982, amended</p>
<p>35. As a rule the appropriations entered in the budget may not be used for any Community action if a legal basis has not first been adopted.</p> <p>However, the following may be used without a legal basis:</p> <ul style="list-style-type: none"> - appropriations for autonomous operations conducted by the Commission under the powers conferred on it by the Treaty; - appropriations entered for items allocated less than EUR 5 million, provided they comply with the principle of budgetary specification; - appropriations for preparatory operations and pilot projects with a lifespan of not more than two years. If, after these two years, the Commission presents to the legislative authority a proposal for a basic act, the appropriations concerned may be used during an additional year on preparatory operations or pilot 	

² Joint Declaration of the European Parliament, the Council and the Commission on the introduction of a conciliation procedure, OJ C 89, 22.4.1975, p. 1.

<p>projects.</p> <p>However, for two categories of specific preparatory operations, the institutions agree to apply the following special arrangements:</p> <p>(a) when one programme takes over from another in a given area, the Commission may, without a legal basis, use appropriations to implement trial operations for a year in order to test innovatory aspects for this programme at the same time as the initiation of the legislative procedure for its adoption;</p> <p>(b) "test-bed items", which finance operations preparing the ground for the drafting of legislation to give effect to certain Community policies for which the instruments are constantly being renewed and adapted, do not require a legal basis.</p>	
<p>G. Expenditure relating to fisheries agreements</p>	<p>Cf. Joint Declaration of 12 December 1996 on fisheries agreements</p>
<p>36. The institutions agree to finance expenditure on fisheries agreements in accordance with the arrangements set out in Annex VI, which forms an integral part of this Agreement.</p>	
<p>H. Financing of the common foreign and security policy</p>	<p>Cf. Interinstitutional Agreement of 17 July 1997 on the financing of the CFSP</p>
<p>37. ✕</p> <p>For the CFSP expenditure charged to the general budget in accordance with Article [J.18] of the Treaty, the institutions will endeavour, in the conciliation procedure provided for in Annex III and on the basis of the preliminary draft budget established by the Commission, to secure each year agreement on the amount of the operational expenditure to be charged to the Community budget and on the distribution of this amount between the articles of the CFSP budget chapter suggested in the fourth subparagraph. In the absence of agreement, it is understood that the European Parliament and the Council will enter in the budget the amount contained in the previous budget or the amount proposed in the preliminary draft budget, whichever is the lower.</p> <p>The total amount of operational CFSP expenditure will be entered entirely in one (CFSP) budget chapter, distributed between the articles of this chapter as suggested in the fourth subparagraph. This amount is to cover the real predictable needs and a reasonable margin for unforeseen actions. No funds will be entered in a reserve. Each article covers</p>	<p>Annex V stipulates that CFSP expenditure is non-compulsory</p> <p>Drafting changes</p>

common strategies or joint actions already adopted, measures which are foreseen but not yet adopted and all future - i.e. unforeseen, - actions to be adopted by the Council during the financial year concerned.

In conformity with the Financial Regulation, the Commission, on the basis of a Council decision, has the authority, within the framework of a CFSP action, to autonomously transfer appropriations between articles within one budget chapter, i.e. the CFSP allocation; the flexibility deemed necessary for speedy implementation of CFSP actions will accordingly be assured. In the event of the amount of the CFSP budget during the financial year being insufficient to cover the necessary expenses, the European Parliament and the Council will seek a solution as a matter of urgency, on a proposal from the Commission.

Within the CFSP budget chapter, the articles into which the CFSP actions are to be entered could read along the following lines:

- observation and organisation of elections/participation in democratic transition processes;
- European Union envoys;
- prevention of conflicts/peace and security processes;
- financial assistance to disarmament processes;
- contributions to international conferences;
- urgent actions.

The European Parliament, the Council and the Commission agree that the amount for actions entered under the article mentioned in the sixth indent may not exceed 20% of the overall amount of the CFSP budget chapter.

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Description of conciliation procedure omitted (covered by Annex III)

38. Once a year the Council Presidency will consult the European Parliament on a Council document setting out the main aspects and basic choices of the CFSP, including the financial implications for the Communities' budget. Furthermore, the Presidency will regularly inform the European Parliament about the development and implementation of CFSP actions.

Whenever it adopts a decision in the field of CFSP entailing expenditure, the Council will immediately and in each case send the European Parliament an estimate of the costs envisaged ('financial statement'), in particular those regarding

time-frame, staff employed, use of premises and other infrastructure, transport facilities, training requirements and security arrangements.

Once a quarter the Commission will inform the budgetary authority about the execution of CFSP actions and the financial forecasts for the remaining period of the year.

IV. FINAL PROVISIONS

39. Without prejudice to paragraphs 4 and 23, this Agreement will apply for an indefinite duration.

Former first subparagraph of paragraph 24, amended

40. Whenever it considers it necessary and at all events at the same time as any proposal for a new financial perspective presented pursuant to paragraph 22, the Commission will present a report on the application of this Agreement and on the amendments which need to be made to it in the light of experience.

Former first indent of first subparagraph of paragraph 25, amended

41. This Agreement enters into force on 1 January 2000. It repeals and replaces with effect from the same date:

- the Joint Declaration by the European Parliament, the Council and the Commission of 30 June 1982 on various measures to improve the budgetary procedure;
- the Declaration by the European Parliament, the Council and the Commission of 6 March 1995 on the incorporation of financial provisions into legislative acts;
- the Joint Declaration of 12 December 1996 concerning the improvement of information to the budgetary authority on fisheries agreements;
- the Interinstitutional Agreement between the European Parliament, the Council and the European Commission of 17 July 1997 on provisions regarding financing of the common foreign and security policy.

Consolidation of existing instruments on budgetary matters

ANNEX I FINANCIAL PERSPECTIVE	
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<p style="text-align: center;">ANNEX II ESTIMATE OF EXPENDITURE CONNECTED WITH ACCESSION AND FINANCING ARRANGEMENTS</p>	
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ANNEX III INTERINSTITUTIONAL COLLABORATION IN THE BUDGETARY SECTOR		
A.	After the technical adjustment of the financial perspective for the forthcoming financial year and prior to the Commission's decision on the preliminary draft budget, a meeting of the triologue will be convened to discuss the possible priorities for the budget of that year, with due account being taken of the institutions' powers.	
B.	<p>1. An ad hoc conciliation procedure is set up for all expenditure.</p>	Extension of scope of conciliation procedure
	<p>2. As regards compulsory expenditure, the Commission, in presenting its preliminary draft budget, will identify:</p> <p>(a) appropriations connected with new or planned legislation; and</p> <p>(b) appropriations arising from the application of legislation existing when the previous budget was adopted.</p> <p>The Commission will make a careful estimate of the financial implications of the Community's obligations based on legislation. If necessary, it will update its estimates in the course of the budgetary procedure. It will supply the budgetary authority with all the duly justified reasons it may require.</p> <p>If it considers it necessary, the Commission may present to the budgetary authority an ad hoc letter of amendment to update the figures underlying the estimate of agricultural expenditure in the preliminary draft budget and/or to update, on the basis of the most recent information available concerning fisheries agreements, the appropriations entered in the operational items for international fisheries agreements and those entered in reserve.</p> <p>This letter of amendment must be sent to the budgetary authority before the end of October.</p> <p>If it is presented to the Council less than a month before Parliament's first reading, the Council will as a rule consider the ad hoc letter of amendment when giving the draft budget its second reading.</p>	Cf. Memorandum of understanding on the ad hoc letter of amendment. Extension of scope to include fisheries agreements
	<p>3. The purpose of the conciliation procedure is to:</p> <p>(a) secure agreement between the two arms of the budgetary authority as regards the appropriations</p>	Extension of scope of conciliation procedure

referred to in 2(a) and 2(b), including those proposed in the ad hoc letter of amendment referred to at 2 above;

- (b) continue discussion on the broad lines of the budget for the coming year in the light of the Commission's preliminary draft, and more particularly to secure agreement between the two arms of the budgetary authority on matters for which reference to this procedure is made in this Agreement, namely:

the possibility of exceeding the ceiling for heading 3 or 4 of the financial perspective during the budgetary procedure within the limits and on the terms laid down in the first subparagraph of paragraph 9;

-- the possibility of entering in the budget commitment appropriations in excess of the financial perspective ceilings in accordance with the second subparagraph of paragraph 9;

-- the classification of new budget items in accordance with paragraph 30;

-- the setting of a new rate of increase for non-compulsory expenditure, where necessary, in accordance with point (b) of paragraph 31;

-- the entry in the budget of an amount different from that specified in a legislative instrument adopted by the codecision procedure for the programmes concerned, in accordance with paragraph 32;

-- the amounts to be entered in the operational items and in the reserve for financing fisheries agreements, in accordance with Annex VI;

-- the amounts to be entered in the budget to finance expenditure on CFSP operations and the distribution between the articles in the CFSP budget chapter, in accordance with paragraph 37.

4. The procedure will begin with a triologue meeting convened in time to allow the institutions to seek an agreement by no later than the date set by the Council for

<p>establishing its draft budget.</p> <p>At this triologue meeting, the institutions' delegations will be led by the President of the Council (Budgets), the Chairman of Parliament's Committee on Budgets and the Member of the Commission with responsibility for budgets.</p>	
<p>5. There will be conciliation between the Council and a European Parliament delegation, with the Commission also taking part, on the results of this triologue.</p> <p>Unless decided otherwise during the triologue, the conciliation meeting will be held at the traditional meeting between the same participants on the date set by the Council for establishing the draft budget.</p> <p>If necessary the institutions will continue the conciliation after the first reading of the budget by each of the two arms of the budgetary authority, in particular to discuss the ad hoc letter of amendment referred to in point 2 above. In this case a second conciliation meeting will be held on the day set by the Council for its second reading.</p>	<p>Extension of conciliation beyond the Council's first reading</p>
<p>6. Each arm of the budgetary authority will take whatever steps are required to ensure that the results which may be secured in the conciliation process are respected throughout the current budgetary procedure.</p>	

ANNEX IV
RULES FOR THE TREATMENT OF FOOD AID
EXPENDITURE

The institutions agree on the following reference prices for the products subject to refunds, in the calculation of the appropriations for food aid:

- common wheat [ECU 127 per tonne]
- other cereals [ECU 270 per tonne]
- milk powder [ECU 1 119 per tonne]
- butteroil [ECU 1 591 per tonne]
- category A sugar [ECU 232 per tonne] *

The amount of appropriations for food aid in these products, excluding transport costs, charged to heading 4 will be obtained by multiplying the prices set as above by the quantities corresponding to the structural food aid requirements of non-member countries. The amount of appropriations for food aid charged to the EAGGF Guarantee Section will be obtained by multiplying the difference between the reference prices set as above and the foreseeable price on the Community market by the quantities used in the preceding calculation.

In accordance with the joint statement made by the three institutions when the Financial Regulation was revised and to ensure the proper financing of food aid without having to revise the financial perspective, compliance with the ceilings for headings 1 and 4 will not prevent a transfer between the items in Chapter B1-33 (Refunds in connection with Community food aid) and Chapter B7-20 (Food aid). The criteria for examining these transfers are those agreed by the European Parliament, the Council and the Commission in their statement of 12 February 1990.

* Figures to be decided.

ANNEX V	
CLASSIFICATION OF EXISTING BUDGET ITEMS (nomenclature and distribution by heading in 1998 budget)	
Heading 1 Expenditure connected with common market organisations Other expenditure financed by EAGGF Guarantee Section	Compulsory Non-compulsory
Heading 2	Non-compulsory
Heading 3	Non-compulsory
Heading 4 Union financial contributions under international agreements: – <i>Food Aid Convention (B7-200)</i> – <i>UNRWA (B7-421)</i> – <i>subscription to capital of EBRD (B7-51)</i> International fisheries agreements (other than contributions to international organisations) Other items covered by heading 4 of the financial perspective	Compulsory Compulsory Non-compulsory
Heading 5 Allowances and miscellaneous contributions on termination of service Pensions and severance grants Legal expenses Damages Compensation Other items covered by heading 5 of the financial perspective	Compulsory Compulsory Compulsory Compulsory Compulsory Non-compulsory

<p style="text-align: center;">ANNEX VI FINANCING OF EXPENDITURE DERIVING FROM FISHERIES AGREEMENTS</p>	<p>Cf. Declaration of 12 December 1996 on fisheries agreements</p>
<p>A. Expenditure relating to fisheries agreements is financed by two items (by reference to the 1998 budget nomenclature):</p> <p>(a) International fisheries agreements (B7-8000)</p> <p style="text-align: center;">✕</p> <p>(b) Contributions to international organisations (B7-8001)</p> <p>All the amounts relating to agreements and protocols which will be in force on 1 January of the year in question will be entered under item B7-8000. Amounts relating to all new or renewable agreements which will come into force after 1 January of the year in question will be assigned to item B7-8000 but entered in the reserve B0-40.</p>	<p>Addition to (b): breakdown of appropriations between operational item and reserve</p>
<p>B. In the ad hoc conciliation procedure provided for in Annex III, the European Parliament and the Council will seek to agree on the amount to be entered in the headings and in the reserve (B0-40) on the basis of the proposal made by the Commission.</p>	<p>Addition</p>
<p>C. The European Commission undertakes to keep the European Parliament regularly informed about the preparation and conduct of the negotiations, including the budgetary implications. As part of the legislative process relating to fisheries agreements, the institutions undertake to make every effort to ensure that all procedures are carried out as soon as possible.</p> <p>If appropriations relating to fisheries agreements (including the reserve) prove insufficient, the Commission will provide the budgetary authority with the necessary information for an exchange of views in the form of a dialogue, possibly simplified, on the causes of the situation, and on the measures which might be adopted under established procedures. Where necessary, the Commission will propose appropriate measures. Each quarter the Commission will present to the budgetary authority detailed information about the implementation of agreements in force and financial forecasts for the remainder of the year.</p>	
<p>D. As far as possible fisheries agreements will leave six months between the initialling of the agreement and payment of the first financial compensation to allow the European Parliament time to deliver its opinion.</p>	<p>Addition</p>