





**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 11 December, 2002**

**15524/1/02  
REV 1**

**LIMITE**

**ELARG 418**

**REPORT**

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**from : Council**  
**on : 10 December 2002**  
**to : European Council in Copenhagen**

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**prev. doc : 15174/02 ELARG 408**

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**Subject : ENLARGEMENT**

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Delegations will find attached the Presidency's proposal for a global solution to all outstanding issues in the accession negotiations with Cyprus, Hungary, Poland, Estonia, the Czech Republic, Slovenia, Malta, Slovakia, Latvia, Lithuania at the Copenhagen European Council, adjusted in the light of the discussion at the Council on 10 December 2002.

It is understood that the only issues still to be finalised by the European Council in Copenhagen concern the global amount (including the financial consequences of the agriculture quota proposal) as well as questions relating to direct payments, the remaining elements of the package being acceptable to delegations on condition that they are part of the overall final agreement.

## CYPRUS

<b>AGRICULTURE (only issues where EU offers go beyond EUCP)</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Direct Payments</b>	Phasing-in schedule maintained.
<b>Top-ups and state aid</b>	<p>Cyprus has the possibility of topping up to the 2001 Cypriot support level. In 2004-2006 the topping-up can be financed partly from the EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• A maximum of 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• Application of relevant maximum EU co-financing rate (80% in objective 1 regions)</li> </ul> <p>Aid beyond that level or aid for products not covered by EU direct payments as linear degressive state aid over a period of maximum 7 years for an agreed list of products.</p> <p>See appendix.</p>
<b>Milk Quota</b>	145,200 t See appendix
<b>Suckler Cow premium</b>	500
<b>Beef premium</b>	12,000
<b>Slaughter premium</b>	21,000
<b>Durum wheat</b>	6,183 ha (traditional area)
<b>Tobacco</b>	350 tons
<b>Wine planting rights</b>	2,000 ha (of existing reserve of 4,100 ha) + normal carry-over of replanting rights under the acquis (grubbed up before accession and replanted after accession within acquis time span) See appendix
<b>Special support for deprived areas</b>	5 year TP during which CY can provide state aid above the normal levels as provided under Regulation (EC) 1257/99. See appendix.
<b>Fruits &amp; vegetables</b>	5 year TP for the degressive adjustment for withdrawals. See appendix

<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Advance payments</b>	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
<b>Real payments</b>	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
<b>Schengen facility</b>	No Schengen funds will be made available for CY.
<b>Pre-accession aid</b>	€16m in 2003
<b>Special cash flow facility of € 1 billion</b>	Lump sum of €28 m in 2004.
<b>Lump sum budgetary compensation</b>	CY receives €180.5m in 2004-2006, plus, instead of Schengen facility, CY receives a budgetary compensation of €86m, plus in addition, a further lump-sum of €33.4m will be made available to CY.

## Final package – appendix: Agriculture - Cyprus

### 1. Complementary national direct payments

#### **Topping-up**

1. Cyprus should be given the possibility to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to the total level of support he would have been entitled to receive in Cyprus prior to accession (2001).

The Cypriot authorities must ensure that, the total direct support the farmer is granted after accession in Cyprus under the relevant EU scheme including all complementary national direct payments in no case exceeds the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Cyprus chose to apply the simplified scheme.
3. On the basis of information received from Cyprus the amounts of complementary national aid to be granted are enclosed in table 1 and 2.

The complementary national aid to be granted will be subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

4. During the years 2004-2006 Cyprus should have the possibility to co-finance the complementary national aid from its national rural development allocation under EAGGF guarantee (heading 1b). However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in this envelope for each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from the rural development allocation under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments or aids will be financed exclusively from the national budget of Cyprus.

#### **State aid**

In those sectors where Cyprus is providing a higher level of aid than presently in the EU, Cyprus is given the possibility in addition to the Complementary National direct payments to grant transitional and degressive national aids until the end of 2010. These State aids should be granted in a form that is similar to Community aids, such as decoupled payments.

Taking into account the kind of and amount of national support granted in 2001, Cyprus should be allowed to grant State aid to the (sub)sectors mentioned and up till the amounts mentioned in table 3.

The state aid to be granted will be subject to any adjustments which may be rendered necessary by developments in the common agricultural policy. Should such adjustments prove necessary, the amount of the aids or the conditions for the granting thereof should be amended at the Commission's request or on the basis of a decision by the Commission.

Cyprus must yearly submit a report to the Commission on the implementation of the State aid measures indicating the aid forms and amounts per (sub)sector.

Table 1:

## Standard scheme

	25%	30%	35%	40%	50%	60%	70%	80%	90%	100%
sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Arable crops (durum wheat excluded)	7.913.822	7.386.234	6.858.646	6.331.058	5.275.881	4.220.705	3.165.529	2.110.353	1.055.176	0
Durum wheat	2.269.470	2.118.172	1.966.874	1.815.576	1.512.980	1.210.384	907.788	605.192	302.596	0
Grain legumes	30.228	28.273	26.318	24.363	20.363	16.362	12.272	8.181	4.091	0
Milk and dairy	0	899.576	1.572.371	2.178.000	1.815.000	1.452.000	1.089.000	726.000	363.000	0
Beef	3.456.709	3.226.262	2.995.814	2.765.367	2.304.473	1.843.578	1.382.684	921.789	460.895	0
Sheep and goat	8.267.087	7.715.948	7.164.809	6.613.669	5.511.391	4.409.113	3.306.835	2.204.556	1.102.278	0
Olive oil	5.951.250	5.554.500	5.157.750	4.761.000	3.967.500	3.174.000	2.380.500	1.587.000	793.500	0
Tobacco	782.513	730.345	678.178	626.010	521.675	417.340	313.005	208.670	104.335	0
Bananas	3.290.625	3.071.250	2.851.875	2.632.500	2.193.750	1.755.000	1.316.250	877.500	0	0
Dried grapes	104.393	86.562	68.732	50.901	15.241	0	0	0	0	0
Total	32.066.096	30.817.121	29.341.366	27.798.445	23.138.253	18.498.483	13.873.862	9.249.241	4.185.871	0

Table 2:

## Simplified scheme

Sector	2004	2005	2006	2007	2008
Arable crops (durum wheat excluded)	6.182.503	3.997.873	2.687.095	1.303.496	0
Durum wheat	2.654.980	2.469.490	2.358.196	2.240.719	2.018.131
Grain legumes	27.346	20.566	16.498	12.204	4.068
Milk and dairy	0	1.165.968	2.365.032	3.566.500	3.548.500
Beef	4.608.945	4.608.945	4.608.945	4.608.945	4.608.945

State aid Cyprus

Sector	2004	2005	2006	2007	2008	2009	2010
Cereals (durum wheat excluded)	7.920.562	6.789.053	5.657.544	4.526.035	3.394.527	2.263.018	1.131.509
Milk and dairy	7.122.260	5.066.822	3.359.449	1.995.577	1.496.683	997.789	498.894
beef	227.103	194.660	162.216	129.773	97.330	64.887	
sheep and goats	3.597.708	3.083.750	2.569.791	2.055.833	1.541.875	1.027.917	513.958
pig sector	9.564.120	8.197.817	6.831.514	5.465.211	4.098.909	2.732.606	1.366.303
poultry and eggs	3.998.310	3.427.123	2.855.936	2.284.749	1.713.561	1.142.374	571.187
Wine	15.077.963	12.923.969	10.769.974	8.615.979	6.461.984	4.307.990	2.153.995
Olive oil	7.311.000	6.266.571	5.222.143	4.177.714	3.133.286	2.088.857	1.044.429
Table grapes	3.706.139	3.176.691	2.647.242	2.117.794	1.588.345	1.058.897	529.448
Processed tomatoes	411.102	352.373	293.644	234.915	176.187	117.458	58.729
Bananas	445.500	381.857	318.214	254.571	190.929	127.286	63.643
Deciduous fruit including stone fruit	9.709.806	8.322.691	6.935.576	5.548.461	4.161.346	2.774.230	1.387.115
Almonds	2.531.871	2.170.175	1.808.479	1.446.783	1.085.088	723.392	361.696
Carobs	517.500	443.571	369.643	295.714	221.786	147.857	73.929
<b>Total</b>	<b>72.140.945</b>	<b>60.797.123</b>	<b>49.801.366</b>	<b>39.149.111</b>	<b>29.361.833</b>	<b>19.574.556</b>	<b>9.754.835</b>

## **2. Special support to deprived areas:**

CY is granted a 5 year TP during which CY can provide state aid above the normal levels as provided under Regulation (EC) No 1257/1999 to ensure that the average family income in certain deprived areas does not fall below 80% of the national average family income. This aid can be provided only to farmers participating in rural development schemes except those related to Articles 4, 5, 6, 7 and 25, 26, 27 and 28.

Cyprus must yearly submit a report on the implementation of the State aid measures indicating the aid forms and amounts.

## **3. Degressive adjustment for withdrawals (Article 23(4) of Council Regulation (EC) No 2200/96 as amended by Council Regulation (EC) No 2699/2000)**

The EU can accept a 5 year transitional period from the date of accession, during which the quantitative limit for withdrawal with respect to apples, pears, peaches and table grapes should be fixed at 20% of the marketed quantity and with respect to citrus (excluding grapefruit) at 10% for Cyprus.

## **4. Wine planting rights**

Cyprus is authorised to maintain by accession a national reserve of planting rights of 2,000 ha for the production of quality wines. Cyprus shall also provide to the Commission a list of regions which will be allocated the rights coming from the reserve. The provisions laid down under article 5 of Regulation (EC) No 1793/1999 will apply to this reserve of 2,000 ha.

With regard to replanting rights owned by individual producers, it is underlined that such replanting rights must be similar to the replanting rights granted under paragraph 2 of article 4 of Regulation (EC) No 1493/1999 and acquired under Cyprus' legislation before accession. These rights must be used within the period laid down under article 4 paragraph 5 of Regulation (EC) No 1493/1999.

## **5. Milk quotas**

The milk quota should be set in accordance with the following:

quota – 2004: 145.200 tonnes

deliveries: 141.337 tonnes

direct sales: 3.863 tonnes

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92 should apply:

**Representative fat content:**

3.46%

**Individual reference quantity:**

31.03.2004

## BUDGETARY ESTIMATES

<b>CYPRUS</b>		
<i>1999 prices, € millions</i>		
<b>2003</b>		
pre-accession aid		<b>16</b>
<b>2004</b>		
pre-accession aid		11
agriculture		12
structural actions		6
internal actions		5
additional expenditure		0
cash flow lump-sum		28
<b>total allocated expenditure</b>		<b>62</b>
trad. own resources		-27
VAT resource		-10
GNP resource		-59
UK rebate		-8
<b>total own resources</b>		<b>-104</b>
<b>Net balance before budgetary compensation</b>		<b>-42</b>
<b>Budgetary compensation</b>		<b>69</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>27</b>
<b>2005</b>		
pre-accession aid		6
agriculture		37
structural actions		14
internal actions		9
additional expenditure		1
<b>total allocated expenditure</b>		<b>66</b>
trad. own resources		-40
VAT resource		-16
GNP resource		-90
UK rebate		-12
<b>total own resources</b>		<b>-159</b>
<b>Net balance before budgetary compensation</b>		<b>-92</b>
<b>Budgetary compensation</b>		<b>119</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>27</b>
<b>2006</b>		
pre-accession aid		1
agriculture		46
structural actions		18
internal actions		12
additional expenditure		1
<b>total allocated expenditure</b>		<b>77</b>
trad. own resources		-40
VAT resource		-17
GNP resource		-92
UK rebate		-13
<b>total own resources</b>		<b>-162</b>
<b>Net balance before budgetary compensation</b>		<b>-85</b>
<b>Budgetary compensation</b>		<b>112</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>27</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations - Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
CYPRUS

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	4,9	11,8	11,5	28,2
Direct payments	0,0	9,3	11,2	20,5
<b>Total 1a</b>	<b>4,9</b>	<b>21,0</b>	<b>22,8</b>	<b>48,7</b>
<b>1b - Rural development</b>	<b>20,3</b>	<b>22,2</b>	<b>23,9</b>	<b>66,4</b>
<b>Total Heading 1</b>	<b>25,1</b>	<b>43,2</b>	<b>46,7</b>	<b>115,0</b>
<b>2. Structural actions after capping</b>				
Structural Fund	17,1	17,6	18,1	52,7
Cohesion Fund	16,5	13,6	18,1	48,1
Unification of Cyprus				
<b>Total Heading 2</b>	<b>33,5</b>	<b>31,1</b>	<b>36,2</b>	<b>100,8</b>
<b>3. Internal Policies</b>				
Existing policies	14,5	15,0	15,6	45,1
Nuclear safety				
Institution building	1,3	0,8	0,4	2,5
Schengen	0,0	0,0	0,0	0,0
<b>Total Heading 3</b>	<b>15,8</b>	<b>15,8</b>	<b>16,0</b>	<b>47,7</b>
<i>sub-total</i>	<i>74,4</i>	<i>90,2</i>	<i>98,9</i>	<i>263,5</i>
<b>Cash-flow lump sum</b>	<b>27,7</b>	<b>0,0</b>	<b>0,0</b>	<b>27,7</b>
<b>Budgetary Compensation</b>	<b>68,9</b>	<b>119,2</b>	<b>112,3</b>	<b>300,4</b>
<b>Total Appropriations for Commitments</b>	<b>171,0</b>	<b>209,4</b>	<b>211,2</b>	<b>591,6</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	4,9	11,8	11,5	28,2
Direct payments	0,0	9,3	11,2	20,5
<b>Total 1a</b>	<b>4,9</b>	<b>21,0</b>	<b>22,8</b>	<b>48,7</b>
<b>1b - Rural development</b>	<b>7,5</b>	<b>15,7</b>	<b>23,0</b>	<b>46,3</b>
<b>Total Heading 1</b>	<b>12,4</b>	<b>36,8</b>	<b>45,8</b>	<b>95,0</b>
<b>2. Structural actions after capping</b>				
Structural Fund	5,7	10,2	10,9	26,8
Cohesion Fund	0,3	3,8	6,8	10,9
Unification of Cyprus				
<b>Total Heading 2</b>	<b>6,1</b>	<b>14,0</b>	<b>17,7</b>	<b>37,7</b>
<b>3. Internal Policies</b>				
Existing policies	5,2	9,0	12,1	26,3
Nuclear safety				
Institution building	0,5	0,6	0,6	1,7
Schengen	0,0	0,0	0,0	0,0
<b>Total Heading 3</b>	<b>5,7</b>	<b>9,6</b>	<b>12,7</b>	<b>27,9</b>
<i>sub-total</i>	<i>24,2</i>	<i>60,3</i>	<i>76,1</i>	<i>160,6</i>
<b>Cash flow lump sum</b>	<b>27,7</b>	<b>0,0</b>	<b>0,0</b>	<b>27,7</b>
<b>Budgetary Compensation</b>	<b>68,9</b>	<b>119,2</b>	<b>112,3</b>	<b>300,4</b>
<b>Total Appropriations for Payments</b>	<b>120,8</b>	<b>179,5</b>	<b>188,4</b>	<b>488,7</b>

## HUNGARY

### AGRICULTURE (only issues where EU offers go beyond EUCP)

Issue	Presidency proposal
Direct Payments	Phasing-in schedule maintained.
Top-ups	<p>In 2004-2006, HU has the possibility to top up EU direct payments to</p> <ul style="list-style-type: none"> <li>- either 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Hungary may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in HU prior to accession (2003) under a like national scheme increased by 10 percentage points; but in no case higher than 100% of EU-15 level of direct payments.</li> </ul> <p>In 2004-2006 the topping-up up to 40% of the EU level can be financed partly from EAGGF guaranteee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• application of relevant maximum EU co-financing rate (80% in objective 1 regions)</li> </ul>
Reference yield	4.73 t/ha
Base area	3,487,792 ha
Special Beef Premium	94,620
Milk Quota	<p>Basic quota: 1,947,280 t</p> <p>2006 reserve: 42,780 t</p> <p>Total quota: 1,990,060 t</p> <p>See appendix.</p>
Ewes premium	1,146,000
Durum wheat	<p>4,305 ha well established</p> <p>2,500 ha traditional area</p>
Isoglucose	<p>137,627 t</p> <p>A quota: 127,627 t</p> <p>B quota: 10,000 t</p>
Pálinka	Protection of Hungarian spelling for both HU and Austrian Pálinka. See appendix.
Wine	Enrichment of wine with sucrose.

<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Advance payments</b>	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
<b>Real payments</b>	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
<b>Schengen facility</b>	€148m
<b>Special cash-flow facility of € 1 b</b>	Lump sum of € 155m in 2004
<b>OTHERS</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Purchase of Land</b>	Three-year safeguard mechanism (on top of 7 year TP). Managed by COM and based on serious disturbances in the land market. See appendix.
<b>Institutions</b>	Additional two seats in EP (this means that in the next EP, HU will have 3 additional MEPs). See appendix.
<b>Taxation</b>	Reduced excise on 50 l. of fruit alcohol per household. See appendix.
<b>Taxation</b>	VAT exemption threshold for SMEs equivalent to €35.000. See appendix.
<b>Taxation</b>	Reduced VAT rate on gas and electricity. See appendix.

## **CHAPTER 4: FREE MOVEMENT OF CAPITAL**

### **Proposed text to be added to the EUCP – Chapter 4**

If there is sufficient evidence that, upon expiry of the transitional period, there will be serious disturbances or a threat of serious disturbances on the agricultural land market of Hungary, the Commission, at the request of Hungary, shall decide upon the extension of the transitional period for up to a maximum of three years.

## **CHAPTER 10: TAXATION**

### **Proposed text to be added to the EUCPs for the relevant countries Chapter 10-Taxation**

#### **Hungary**

- Hungary may grant an exemption from value added tax (VAT) to taxable persons whose annual turnover is less than the equivalent in national currency of € 35 000.
- Without prejudice to a formal decision to be adopted according to the procedure set out in Article 12(3)(b) of the Sixth VAT Directive (77/388/EC), Hungary may maintain a reduced rate of value added tax (VAT) on the supply of natural gas and electricity until one year after the date of accession.
- Hungary may apply a reduced rate of excise duty, of not less than 50% of the standard national rate of excise duty on ethyl alcohol, to ethyl alcohol produced by fruit growers' distilleries producing, on an annual basis, more than 10 hectolitres of ethyl alcohol from fruit supplied to them by fruit growers' households. The application of the reduced rate shall be limited to 50 litres of fruit spirits per producing fruit growers' household per year, destined exclusively for their personal consumption. The Commission will review this arrangement in 2015 and report to the Council on possible modifications.

## Final package – appendix: Agriculture – Hungary

### 1. Complementary national direct payments

1. Hungary should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Hungary may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year.
- or
- to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Hungary prior to accession (2003) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in Hungary under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Hungary chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
  - the total amount of direct support available for Hungary for the same sectors in the year concerned under the simplified scheme.
3. Hungary should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:
    - if based on 2003 level, specify the relevant national CAP like direct payment schemes
    - define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
    - be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

## **2. Pálinka**

The name "Pálinka", in its Hungarian spelling shall be added as a traditional designation in Regulation (EEC) No 1576/89 under the appropriate category for fruit spirit and grape marc spirit solely produced in Hungary in accordance with the rules regarding fruit spirit and grape marc spirits as laid down in article 1 respectively paragraph 4(i) and 4(f) of Regulation (EEC) No 1476/89.

Ex-officio protection under Regulation (EEC) No 1576/89 will only apply to the name "Pálinka" in its Hungarian spelling.

Such ex-officio protection shall also apply for apricot distillates produced solely in the following counties of Austria: Niederösterreich, Burgenland, Steiermark and Wien.

## **3. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 1.947.280 tonnes  
deliveries: 1.782.650 tonnes  
direct sales: 164.630 tonnes  
reserve 2006: 42.780 tonnes

A special reserve should be established for Hungary. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) to the extent that the on-farm consumption of milk and milk products in Hungary has decreased since 2000.

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by Hungary to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) No 3950/92) should apply:

**Representative fat content:**

3.85%

**Individual reference quantity:**

31.03.2002

## BUDGETARY ESTIMATES

<b>HUNGARY</b>		
<i>1999 prices, € millions</i>		
<b>2003</b>		
pre-accession aid		197
<b>2004</b>		
pre-accession aid		235
agriculture		125
structural actions		209
internal actions		42
additional expenditure		58
cash flow lump-sum		155
<b>total allocated expenditure</b>		<b>824</b>
trad. own resources		-97
VAT resource		-61
GNP resource		-349
UK rebate		-46
<b>total own resources</b>		<b>-553</b>
<b>Net balance before budgetary compensation</b>		<b>271</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>271</b>
<b>2005</b>		
pre-accession aid		199
agriculture		544
structural actions		438
internal actions		72
additional expenditure		61
<b>total allocated expenditure</b>		<b>1.314</b>
trad. own resources		-150
VAT resource		-96
GNP resource		-528
UK rebate		-71
<b>total own resources</b>		<b>-845</b>
<b>Net balance before budgetary compensation</b>		<b>470</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>470</b>
<b>2006</b>		
pre-accession aid		124
agriculture		653
structural actions		524
internal actions		97
additional expenditure		61
<b>total allocated expenditure</b>		<b>1.459</b>
trad. own resources		-150
VAT resource		-99
GNP resource		-542
UK rebate		-74
<b>total own resources</b>		<b>-866</b>
<b>Net balance before budgetary compensation</b>		<b>594</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>594</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations - Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
**HUNGARY**

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	63,6	151,9	152,0	367,5
Direct payments	0,0	264,9	315,9	580,8
<b>Total 1a</b>	<b>63,6</b>	<b>416,8</b>	<b>467,9</b>	<b>948,4</b>
<b>1b - Rural development</b>	164,2	179,4	190,8	534,4
<b>Total Heading 1</b>	<b>227,8</b>	<b>596,2</b>	<b>658,8</b>	<b>1.482,7</b>
<b>2. Structural actions after capping</b>				
Structural Fund	448,1	619,5	785,5	1.853,1
Cohesion Fund	340,2	280,1	373,8	994,1
Unification of Cyprus				
<b>Total Heading 2</b>	<b>788,3</b>	<b>899,6</b>	<b>1.159,3</b>	<b>2.847,2</b>
<b>3. Internal Policies</b>				
Existing policies	116,4	121,2	126,0	363,7
Nuclear safety				
Institution building	25,2	15,1	7,6	47,8
Schengen	49,3	49,3	49,3	147,8
<b>Total Heading 3</b>	<b>190,9</b>	<b>185,6</b>	<b>182,8</b>	<b>559,3</b>
<i>sub-total</i>	<i>1.207,0</i>	<i>1.681,3</i>	<i>2.000,9</i>	<i>4.889,2</i>
<b>Cash-flow lump sum</b>	<b>155,3</b>	<b>0,0</b>	<b>0,0</b>	<b>155,3</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Commitments</b>	<b>1.362,2</b>	<b>1.681,3</b>	<b>2.000,9</b>	<b>5.044,5</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	63,6	151,9	152,0	367,5
Direct payments	0,0	264,9	315,9	580,8
<b>Total 1a</b>	<b>63,6</b>	<b>416,8</b>	<b>467,9</b>	<b>948,4</b>
<b>1b - Rural development</b>	61,0	127,2	185,4	373,6
<b>Total Heading 1</b>	<b>124,7</b>	<b>543,9</b>	<b>653,3</b>	<b>1.321,9</b>
<b>2. Structural actions after capping</b>				
Structural Fund	202,4	359,6	382,9	944,9
Cohesion Fund	6,8	78,4	140,8	226,1
Unification of Cyprus				
<b>Total Heading 2</b>	<b>209,2</b>	<b>438,0</b>	<b>523,8</b>	<b>1.171,0</b>
<b>3. Internal Policies</b>				
Existing policies	41,9	72,2	97,5	211,5
Nuclear safety				
Institution building	9,1	11,6	11,3	31,9
Schengen	49,3	49,3	49,3	147,8
<b>Total Heading 3</b>	<b>100,2</b>	<b>133,0</b>	<b>158,0</b>	<b>391,3</b>
<i>sub-total</i>	<i>434,1</i>	<i>1.115,0</i>	<i>1.335,0</i>	<i>2.884,2</i>
<b>Cash flow lump sum</b>	<b>155,3</b>	<b>0,0</b>	<b>0,0</b>	<b>155,3</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Payments</b>	<b>589,4</b>	<b>1.115,0</b>	<b>1.335,0</b>	<b>3.039,5</b>

## POLAND

<b>AGRICULTURE (only issues where EU offers go beyond EUCP)</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Direct Payments</b>	Phasing-in schedule maintained.
<b>Top ups</b>	<p>In 2004-2006, PL has the possibility to top up EU direct payments to</p> <ul style="list-style-type: none"> <li>- either 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Poland may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in PL prior to accession (2003) under a like national scheme increased by 10 percentage points;</li> </ul> <p>but in no case higher than 100% of EU-15 level of direct payments.</p> <p>In 2004-2006 the topping-up up to 40% of the EU level can be financed partly from EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• application of relevant maximum EU co-financing rate (80% in objective 1 regions)%</li> </ul> <p>See appendix.</p>
<b>Reference yield</b>	3.0 t/ha.
<b>Base area</b>	9,308,277 ha.
<b>Milk Quota</b>	Basic quota: 8,964,017 t; 2006 restructuring reserve: 416,126 t; total quota: 9,380,143 t. See appendix.
<b>Minimum requirements for the recognition of producers organisations</b>	TP of 5 years. See appendix.
<b>Tomato threshold</b>	194,639 t
<b>Sugar quota</b>	1,678,137 t (A: 1,586,210 t; B: 91,926t)
<b>Isoglucose quota</b>	20,571 t
<b>Potato starch</b>	144,985 t
<b>Fibres</b>	924 t long 462 t short
<b>Special beef premium</b>	926,000 (EUCP)
<b>Eligibility of animals for suckler cow premium</b>	3 year TP on definition of suckler cows. See appendix.

Rural development measures: tobacco & hops	PL request on the introduction of a new measure to alleviate negative effects of simplified scheme compared to application of standard scheme in the form of a per ha payment (tobacco and hops producers) not accepted.
Import quotas for rice & bananas	PL requests on: - an increase of the EU tariff quota for rice by 82,000 t at zero tariff for all developing countries; - an increase of the EU tariff quota for bananas by 310,000 t at zero tariff rate for all developing countries. not accepted
Designation of spirits	Protection of designation "herbal vodka from the North Podlasie Lowland aromatised with an extract of bison grass" and of the name "Polish Cherry". See Appendix.
'Polish wine'	The name 'Polish wine' may be granted for wine made from fermented grape juice. See appendix.
<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
Advance payments	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
Real payments	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
Schengen facility	€172m
Special cash-flow facility of €1 b	lump sum of € 443m in 2004
<b>OTHERS</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
Taxation	Super-reduced VAT of 3% limited to products mentioned in annex H of the 6 <sup>th</sup> VAT directive and limited to 4 years as from accession. See appendix.
Taxation	Reduced VAT rate on housing (7%) until the end of 2007 for supply of services for construction, renovation and alteration of residential housing, excluding building materials. See appendix.
Taxation	A technical transitional period of one year under which Poland can keep its existing reduced rates on certain ecological fuels. See appendix.

## **CHAPTER 10: TAXATION**

### **Proposed text to be added to the EUCPs for the relevant countries Chapter 10-Taxation**

#### **Poland**

- Poland may maintain a reduced rate of value added tax (VAT) not lower than 7% on the supply of services for construction, renovation and alteration of residential housing not provided as part of a social policy, and excluding building materials, until 31 December 2007.
- Poland may maintain a super-reduced rate of value added tax (VAT) not lower than 3% on the supply of goods and services of a kind normally intended for use in agricultural production but excluding capital goods such as machinery or buildings (Annex H (10) of the Sixth VAT directive, 77/388/EC) until 30 April 2008.

## Final package – appendix: Agriculture – Poland

### 1. Complementary national direct payments

1. Poland should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Poland may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;

or

- to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Poland prior to accession (2003) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in Poland under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Poland chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
  - the total amount of direct support available for Poland for the same sectors in the year concerned under the simplified scheme.
3. Poland should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:
    - if based on 2003 level, specify the relevant national CAP like direct payment schemes
    - define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
    - be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

## **2. Minimum requirements for the recognition of producers organisations in Poland**

Given the value of the fruit and vegetables production in Poland, Poland shall be classified in the same group (called "group 1") as Belgium, France, Spain (except Balearics and Canary islands), Greece (except some areas), Italy, the Netherlands, Austria and UK (except Northern Ireland).

This proposal will be put forward in the Managing Committee.

However, due to the foreseeable difficulties in creating producer organisations in Poland, Poland shall be granted a 3-year period after accession, during which the minimum requirements for preliminary recognition of producer organisations, as defined in Regulation (EC) 478/97, be set at 5 producers and € 100,000 for the rest of the Polish territory. The time-limit for the preliminary recognition will remain 5 years.

This temporary derogation will be implemented by the Commission under the appropriate procedure.

At the end of the 3 year-transition period, the specific requirements applying for pre recognition as laid down in article 3 of Regulation (EC) No 478/97, that is to say, half the number of the minimum requirements set for the recognition of producer organisations laid down in annexes I and II of Regulation (EC) No 412/97- will apply.

In case the producer organisation, at the end of the 3-year period, does not reach the minimum requirements set in Regulation (EC) 478/97 - the preliminary recognition is withdrawn.

### **3. Polish wine**

In accordance with Annex VII, C2 of Regulation (EC) 1493/1999 the name "Polish wine" is admitted for fermented products falling under CN code 2206 and made from grape must or grape concentrated must. Such products labelled as "Polish wine" will be marketed in Poland only.

### **4. Protection of the name "Polish Cherry"**

According to Poland's new spirit law, and in particular provisions on property law, the name "Wisniowka" or the spirit drink named "Wisniowka/Polish Cherry" cannot be added to Annex II of Regulation (EEC) No 1576/89.

The name Sherry is reserved and protected for a quality liqueur wine psr in Spain in accordance with Regulation (EC) No 1493/1999 and Regulation (EC) No 1607/2000. Unlike Sherry, "Polish Cherry" is a liqueur made from cherries. Because there does not appear to be any danger of confusion possible between the two products, the request to protect the name "Polish Cherry" is acceptable. The name "Polish Cherry" shall be added to Annex II, point 14 of Regulation (EEC) No 1576/89 provided that "Polish Cherry" fully meets the specifications laid down in Article 1(4)(r) for liqueurs. In addition, in accordance with Directive 2000/13/EC on the labelling of foodstuffs, it is underlined that the labelling of the spirit drink "Polish Cherry" must not mislead the purchaser as to its characteristics.

### **5. Vodka made of raw juice of bison grass**

A protection of the geographical designation "Herbal vodka from the North Podlasie Lowland aromatised with an extract of bison grass" under Annex II, point 16 of Regulation (EEC) No 1576/89 can be accepted, provided that this geographical designation is protected under Poland's national legislation and that this spirit drink complies with the requirements laid down in article 1 paragraph 4 (q) of Regulation (EEC) No 1576/89.

Such product will have to be labelled as "Herbal vodka from the North Podlasie Lowland aromatised with an extract of bison grass".

### **6. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 8.964.020 tonnes  
deliveries: 7.025.964 tonnes  
direct sales: 1.938.056 tonnes  
reserve 2006: 416.126 tonnes

A special reserve should be established for Poland. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) to the extent that the on-farm consumption of milk and milk products in Poland has decreased since 2000.

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by Poland to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92) should apply:

**Representative fat content:**

3.9%

**Individual reference quantity:**

31.03.2005

## **7. Eligibility criteria for suckler cows**

For the years 2004 to 2006, Poland may, by way of derogation from Article 3 (f) of Regulation (EC) No 1254/1999, consider cows of the breeds listed in Annex I to Regulation (EC) No 2342/1999, as eligible for the suckler cow premium as provided for in Subsection 3 of Regulation (EC) No 1254/1999, provided that they have been covered or inseminated by bulls of a meat breed.

## BUDGETARY ESTIMATES

<b>POLAND</b>		
<i>1999 prices, € millions</i>		
<b>2003</b>		
pre-accession aid		844
<b>2004</b>		
pre-accession aid		970
agriculture		421
structural actions		969
internal actions		154
additional expenditure		95
cash flow lump-sum		443
<b>total allocated expenditure</b>		<b>3.051</b>
trad. own resources		-123
VAT resource		-194
GNP resource		-1.111
UK rebate		-148
<b>total own resources</b>		<b>-1.576</b>
<b>Net balance before budgetary compensation</b>		<b>1.475</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>1.475</b>
<b>2005</b>		
pre-accession aid		823
agriculture		1.505
structural actions		1.970
internal actions		266
additional expenditure		105
<b>total allocated expenditure</b>		<b>4.669</b>
trad. own resources		-213
VAT resource		-306
GNP resource		-1.682
UK rebate		-228
<b>total own resources</b>		<b>-2.429</b>
<b>Net balance before budgetary compensation</b>		<b>2.240</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>2.240</b>
<b>2006</b>		
pre-accession aid		509
agriculture		1.924
structural actions		2.313
internal actions		359
additional expenditure		104
<b>total allocated expenditure</b>		<b>5.209</b>
trad. own resources		-213
VAT resource		-317
GNP resource		-1.727
UK rebate		-238
<b>total own resources</b>		<b>-2.495</b>
<b>Net balance before budgetary compensation</b>		<b>2.713</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>2.713</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations -Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
POLAND

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	130,2	342,8	366,5	839,5
Direct payments	0,0	557,1	674,9	1.232,0
<b>Total 1a</b>	<b>130,2</b>	<b>899,8</b>	<b>1.041,4</b>	<b>2.071,4</b>
<b>1b - Rural development</b>	781,2	853,6	908,2	2.543,0
<b>Total Heading 1</b>	<b>911,4</b>	<b>1.753,4</b>	<b>1.949,6</b>	<b>4.614,4</b>
<b>2. Structural actions after capping</b>				
Structural Fund	2.076,6	2.889,8	3.668,9	8.635,3
Cohesion Fund	1.277,6	1.051,9	1.403,8	3.733,3
Unification of Cyprus				
<b>Total Heading 2</b>	<b>3.354,2</b>	<b>3.941,7</b>	<b>5.072,7</b>	<b>12.368,6</b>
<b>3. Internal Policies</b>				
Existing policies	428,9	446,5	464,1	1.339,5
Nuclear safety				
Institution building	103,7	62,2	31,1	197,0
Schengen	57,4	57,4	57,4	172,2
<b>Total Heading 3</b>	<b>590,0</b>	<b>566,1</b>	<b>552,6</b>	<b>1.708,7</b>
<i>sub-total</i>	<i>4.855,6</i>	<i>6.261,3</i>	<i>7.574,9</i>	<i>18.691,7</i>
<b>Cash-flow lump sum</b>	<b>442,8</b>	<b>0,0</b>	<b>0,0</b>	<b>442,8</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Commitments</b>	<b>5.298,3</b>	<b>6.261,3</b>	<b>7.574,9</b>	<b>19.134,5</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	130,2	342,8	366,5	839,5
Direct payments	0,0	557,1	674,9	1.232,0
<b>Total 1a</b>	<b>130,2</b>	<b>899,8</b>	<b>1.041,4</b>	<b>2.071,4</b>
<b>1b - Rural development</b>	290,5	605,1	882,2	1.777,8
<b>Total Heading 1</b>	<b>420,7</b>	<b>1.504,9</b>	<b>1.923,6</b>	<b>3.849,2</b>
<b>2. Structural actions after capping</b>				
Structural Fund	943,1	1.675,8	1.784,6	4.403,5
Cohesion Fund	25,6	294,6	528,8	849,0
Unification of Cyprus				
<b>Total Heading 2</b>	<b>968,6</b>	<b>1.970,4</b>	<b>2.313,4</b>	<b>5.252,4</b>
<b>3. Internal Policies</b>				
Existing policies	154,4	265,9	359,0	779,2
Nuclear safety				
Institution building	37,3	47,8	46,4	131,5
Schengen	57,4	57,4	57,4	172,2
<b>Total Heading 3</b>	<b>249,1</b>	<b>371,1</b>	<b>462,8</b>	<b>1.083,0</b>
<i>sub-total</i>	<i>1.638,4</i>	<i>3.846,4</i>	<i>4.699,8</i>	<i>10.184,6</i>
<b>Cash flow lump sum</b>	<b>442,8</b>	<b>0,0</b>	<b>0,0</b>	<b>442,8</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Payments</b>	<b>2.081,2</b>	<b>3.846,4</b>	<b>4.699,8</b>	<b>10.627,4</b>

## ESTONIA

<b>AGRICULTURE (only issues where EU offers go beyond EUCP)</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Direct Payments</b>	Phasing-in schedule maintained.
<b>Top-ups</b>	<p>In 2004-2006, EE has the possibility to top up EU direct payments to:</p> <ul style="list-style-type: none"> <li>- either 45% in the years 2004, 50% in 2005 and 55% in 2006. From 2007, Estonia may top up EU direct payments by 20 percentage points above the applicable phasing in level in the relevant year;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Estonia prior to accession (2003) under a like national scheme increased by 10 percentage points;</li> </ul> <p>but in no case higher than 100% of EU-15 level of direct payments.</p> <p>In 2004-2006, the topping up to 40% of the EU level can be financed partly from EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>- a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping up. Any further topping up can only be financed from national budgets.</li> <li>- Application of relevant maximum EU co-financing rate (80% in objective 1 regions).</li> </ul> <p>See appendix.</p>
<b>Reference yield</b>	2.4 t/ha
<b>Base area</b>	362,827 ha
<b>Milk Quota</b>	<p>Basic quota: 624,483 t;</p> <p>2006 restructuring reserve: 21,885 t;</p> <p>Total quota: 646,368 t</p> <p>see annex</p>
<b>National Dairy Premium</b>	EE has the possibility to grant national dairy premium in 2004, on the condition that it is not higher than the pre-accession level.
<b>Suckler Cow premium</b>	<p>13,416 heads</p> <p>3 year TP on eligibility of suckler cows - see annex</p>
<b>Slaughter premium</b>	107,813 adults and 30,000 calves
<b>Ewe premium</b>	48,000 heads

<b>Rural development</b>	Under Article 31 of Regulation 1257/1999 a transitional measure for 2004-2006 for afforestation on former arable land without granting compensation for income foregone see annex
<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Advance payments</b>	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
<b>Real payments</b>	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
<b>Transfer from cohesion fund to structural funds</b>	Transfer of €3 1m from cohesion fund to structural funds
<b>Schengen facility</b>	€69m.
<b>Pre-accession aid</b>	€ 55m
<b>Special cash-flow facility of € 1 bn</b>	Lump sum of €16m in 2004.
<b>OTHERS</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Purchase of Land</b>	Up to 7 year TP plus 3 year safeguard clause, managed by COM and based on serious disturbances in land market. See annex.
<b>Dioxin levels in fish</b>	TP until end 2006 conditional upon proof by EE that human health not endangered by fish consumption. In addition, no export to other Member States of this fish shall be permitted and appropriate labelling will be ensured. - see annex
<b>Baltic Herring</b>	Through technical adaptations in the Accession Treaty, it will be provided for that EE can maintain its traditional fishing of small size Baltic Herring for human consumption, caught in traditional waters.
<b>Lynx and bears</b>	5 year TP for lynx. See annex.
<b>Marketing rights for chemicals produced from oil shale</b>	The Commission will provide special Phare assistance before accession for testing needed for base set level notification of 14 specified oil shale chemicals. This information must be made available prior to accession, otherwise the products will have to be withdrawn from the market. The testing according to Annex VIII level 1 or Annex VIII level 2 of directive 67/548/EEC can be completed following accession.
<b>Steel imports</b>	The quota of Russian imports will take into account traditional trade flows. - see annex

## ESTONIA – DIOXINS

### A. Proposed Treaty text

"Regulation (EC) No 466/2001 is amended as follows:

In Article 1 the following new paragraph 1b shall be inserted:

"1b. By way of derogation from paragraph 1, the Commission may authorise Estonia for a transitional period, up to 31 December 2006, to place on the market fish, originating from the Baltic region, which is intended for consumption in their territory with dioxin levels higher than those set in point 5.2. of section 5 of Annex 1. This derogation will be granted in accordance with the procedure laid down in Article 8 of Council Regulation (EEC) No 315/93. To this end, Estonia shall demonstrate that the conditions applicable to Finland and Sweden laid down in paragraph 1a are fulfilled and that human exposure to dioxins in Estonia is not higher than the highest average level in one of the present Member States.

If such a derogation is granted to Estonia, any future application of it will be considered in the framework of the review of section 5 of Annex 1, provided for in Article 5(3)."

### B. Estonia has agreed to provide the following information/commitments to the Accession Conference:

- a commitment to take the necessary measures to ensure that non-complying products are not marketed to other EU Member States, and a commitment to provide the Commission with details of these measures before accession;
- clarification of whether or not they intend to export such fishery products to third countries in the period up to 31 December 2004 (and that, if so, they do so only after the explicit agreement of the competent authority of the third country);
- a commitment to provide the Commission with details of the planned monitoring before accession.

#### Declaration of Estonia to the Conference:

"As regards third countries, Estonia will comply fully with the requirements of Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002, laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety."

## **CHAPTER 22 – ENVIRONMENT**

### **Estonia – hunting bears and lynx Habitats Directive**

“The EU cannot accept the Estonian request of being exempted from the strict protection of brown bears (*Ursus Arctos*) under Annex IV of Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora (Habitats Directive).

The EU notes that under Article 16(1) of the said Directive, Estonia can allow hunting brown bears under specified circumstances and subject to the procedures laid down therein. (A declaration to this effect will be attached to the act of accession.)

Regarding the Estonian request of exempting lynx (*lynx lynx*) from Annex IV, and consequently including lynx in Annex V to the Habitats Directive, Estonia has provided the EU with scientific data on the connection between the population of lynx and the population of roe deer demonstrating a possible connection between the sizes of each population. Bearing in mind this information and recognizing the importance of natural balance between these two populations, considering also already existing derogations contained in Annex IV to the directive regarding hunting of other species in certain member states, the EU can accept to include a derogation for Estonia on hunting of *Lynx lynx* in Annex IV and consequently in Annex V to the directive.

Five years after Estonia’s accession the Commission will provide the Council with a report on the further application of the derogation taking especially into account the sustainability of the population of lynx and its effects of sustainability on other wild species. The Council will on this basis review the derogation and may decide to terminate the further application of the derogation acting by qualified majority on a proposal from the Commission.”

#### **Joint declaration to be attached to the Act of Accession:**

"As regards brown bears, Estonia will comply fully with the requirements of the Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora (Habitats Directive). By the latest upon accession, Estonia will establish a system of strict protection that complies with Article 12 of the said Directive.

While general hunting of brown bears could not be allowed, the Conference notes that under Article 16 (1) of the Habitats Directive, Estonia can allow hunting brown bears under specified circumstances and subject to the procedures laid down in Article 16 (2) and (3)."

**ESTONIA - STEEL**  
**Text for inclusion in the Accession Treaty, as agreed with Estonia**

“The quantitative restrictions applied by the Community on imports of steel and steel products shall be adjusted on the basis of imports of new Member States over recent years of steel products originating in the supplier countries concerned.

To that effect, the necessary amendments to the bilateral steel agreements and arrangements concluded by the Community with third countries shall be negotiated prior to the date of accession.

Should the amendments to the bilateral agreements and arrangements not have entered into force by the date of accession, the provisions of the first subparagraph shall apply.”

**Proposed text to be added to the EUCP – Chapter 4  
of Estonia (CONF-EE 22/00).**

“The EU stresses that the completion of the internal market is a key element of the *acquis* and that full alignment with the *acquis* in this field by the earliest possible date is therefore highly desirable. However, in view of the information provided by Estonia, the EU can accept a transitional period of seven years during which Estonia may continue to apply its national legislation with regard to the acquisition of agricultural land and forests by EU nationals and EU legal persons.

The EU notes that companies established or registered in Estonia, even when partly or fully owned by EU shareholders, and local branches or agencies in Estonia of EU companies, shall not be covered by the transitional period. In no instance may EU citizens, in respect of acquisition of agricultural land and forests, receive a less favourable treatment than at the time of signature of the Accession Treaty nor be treated in a more restrictive way than a national from a third country.

A general review of the transitional period shall be held in the third year of the transitional period. To that aim, the Commission shall report in due time to the Council. The Council may, acting unanimously on a proposal from the Commission, decide to shorten or lift the transitional period.

EU nationals who wish to establish themselves as self-employed farmers and reside in Estonia, and who have been legally resident and active in farming in Estonia for at least three years continuously, shall be excluded from the scope of the transitional period and shall not be subject to any procedures other than those applied to nationals of Estonia. The EU notes that constitutional or legal provisions presently preventing EU nationals from acquiring real estate in Estonia will be abolished by the date of accession at the latest.

If there is sufficient evidence that, upon expiry of the transitional period, there will be serious disturbances or a threat of serious disturbances on the agricultural land market of Estonia, the Commission, at the request of Estonia, shall decide upon the extension of the transitional period for up to a maximum of three years.”

## Final package – appendix: Agriculture – Estonia

### 1. Complementary national direct payments

1. Estonia should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Estonia may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year.
- or
- to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Estonia prior to accession (2003) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in Estonia under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Estonia chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
  - the total amount of direct support available for Estonia for the same sectors in the year concerned under the simplified scheme.
3. Estonia should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:
    - if based on 2003 level, specify the relevant national CAP like direct payment schemes
    - define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
    - be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

## **2. State aid to milk producers**

During the quota year 2004/2005, Estonia may continue to provide national payments for milking cows up to the level provided the year before accession.

Estonia must submit a report to the Commission on the implementation of the State aid measures indicating the aid forms and amounts.

## **3. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 624.483 tonnes  
deliveries: 537.118 tonnes  
direct sales: 87.365 tonnes  
reserve 2006: 21.885 tonnes

A special reserve should be established for Estonia. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) to the extent that the on-farm consumption of milk and milk products in Estonia has decreased since 1998

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by Estonia to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92 should apply:

**Representative fat content:**  
4.31% (confirmation needed)

**Individual reference quantity:**  
31.03.2002

#### **4. Eligibility criteria for suckler cows**

For the years 2004 to 2006, Estonia may, by way of derogation from Article 3 (f) of Regulation (EC) No 1254/1999, consider cows of the breeds listed in Annex I to Regulation (EC) No 2342/1999, as eligible for the suckler cow premium as provided for in Subsection 3 of Regulation (EC) No 1254/1999, provided that they have been covered or inseminated by bulls of a meat breed.

#### **5. Rural development**

Support for afforestation under article 31 of Regulation (EC) No 1257/99 cannot normally be granted for abandoned land. However, Estonia shall be given the possibility to do so during a transitional period corresponding to the 2004-2006 programming period, as long as the land in question has been used within the previous 5 years. The support granted may include planting costs and maintenance costs, but not the payments to cover loss of income.

## BUDGETARY ESTIMATES

ESTONIA		
1999 prices, € millions		
<b>2003</b>		
pre-accession aid		55
<b>2004</b>		
pre-accession aid		67
agriculture		29
structural actions		39
internal actions		5
additional expenditure		25
cash flow lump-sum		16
<b>total allocated expenditure</b>		<b>181</b>
trad. own resources		-8
VAT resource		-6
GNP resource		-37
UK rebate		-5
<b>total own resources</b>		<b>-56</b>
<b>Net balance before budgetary compensation</b>		<b>125</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>125</b>
<b>2005</b>		
pre-accession aid		57
agriculture		82
structural actions		88
internal actions		9
additional expenditure		26
<b>total allocated expenditure</b>		<b>263</b>
trad. own resources		-12
VAT resource		-10
GNP resource		-56
UK rebate		-8
<b>total own resources</b>		<b>-86</b>
<b>Net balance before budgetary compensation</b>		<b>177</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>177</b>
<b>2006</b>		
pre-accession aid		35
agriculture		102
structural actions		110
internal actions		12
additional expenditure		26
<b>total allocated expenditure</b>		<b>286</b>
trad. own resources		-12
VAT resource		-11
GNP resource		-57
UK rebate		-8
<b>total own resources</b>		<b>-88</b>
<b>Net balance before budgetary compensation</b>		<b>198</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>198</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations -Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
ESTONIA

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	13,6	33,4	34,4	81,4
Direct payments	0,0	17,3	21,7	39,0
<b>Total 1a</b>	<b>13,6</b>	<b>50,7</b>	<b>56,1</b>	<b>120,3</b>
<b>1b - Rural development</b>	<b>41,0</b>	<b>44,8</b>	<b>47,7</b>	<b>133,6</b>
<b>Total Heading 1</b>	<b>54,6</b>	<b>95,5</b>	<b>103,8</b>	<b>253,9</b>
<b>2. Structural actions after capping</b>				
Structural Fund	85,8	112,6	143,2	341,6
Cohesion Fund	94,5	77,8	103,8	276,1
Unification of Cyprus				
<b>Total Heading 2</b>	<b>180,3</b>	<b>190,4</b>	<b>247,0</b>	<b>617,7</b>
<b>3. Internal Policies</b>				
Existing policies	14,4	15,0	15,6	44,9
Nuclear safety				
Institution building	7,2	4,3	2,1	13,6
Schengen	22,9	22,9	22,9	68,7
<b>Total Heading 3</b>	<b>44,5</b>	<b>42,2</b>	<b>40,6</b>	<b>127,3</b>
<i>sub-total</i>	<i>279,4</i>	<i>328,1</i>	<i>391,4</i>	<i>998,9</i>
<b>Cash-flow lump sum</b>	<b>15,8</b>	<b>0,0</b>	<b>0,0</b>	<b>15,8</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Commitments</b>	<b>295,2</b>	<b>328,1</b>	<b>391,4</b>	<b>1.014,7</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	13,6	33,4	34,4	81,4
Direct payments	0,0	17,3	21,7	39,0
<b>Total 1a</b>	<b>13,6</b>	<b>50,7</b>	<b>56,1</b>	<b>120,3</b>
<b>1b - Rural development</b>	<b>15,3</b>	<b>31,8</b>	<b>46,3</b>	<b>93,4</b>
<b>Total Heading 1</b>	<b>28,8</b>	<b>82,5</b>	<b>102,4</b>	<b>213,7</b>
<b>2. Structural actions after capping</b>				
Structural Fund	37,3	66,3	70,6	174,1
Cohesion Fund	1,9	21,8	39,1	62,8
Unification of Cyprus				
<b>Total Heading 2</b>	<b>39,2</b>	<b>88,1</b>	<b>109,7</b>	<b>236,9</b>
<b>3. Internal Policies</b>				
Existing policies	5,2	8,9	12,0	26,1
Nuclear safety				
Institution building	2,6	3,3	3,2	9,1
Schengen	22,9	22,9	22,9	68,7
<b>Total Heading 3</b>	<b>30,7</b>	<b>35,1</b>	<b>38,2</b>	<b>104,0</b>
<i>sub-total</i>	<i>98,7</i>	<i>205,7</i>	<i>250,2</i>	<i>554,6</i>
<b>Cash flow lump sum</b>	<b>15,8</b>	<b>0,0</b>	<b>0,0</b>	<b>15,8</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Payments</b>	<b>114,5</b>	<b>205,7</b>	<b>250,2</b>	<b>570,4</b>

## CZECH REPUBLIC

<b>AGRICULTURE (only issues where EU offers go beyond EUCP)</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Direct Payments</b>	Phasing-in schedule maintained.
<b>Top-ups</b>	<p>In 2004-2006, CZ has the possibility to top up EU direct payments to:</p> <ul style="list-style-type: none"> <li>- Either 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 the Czech Republic may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year. However, in the arable crops sector the Czech Republic may in the years 2004-2006 top up to 50% of the EU level and in the potato starch sector the Czech Republic may throughout the entire period of phasing in of direct payments top up to 100% of the EU level;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in the Czech Republic prior to accession (2003) under a like national scheme increased by 10 percentage points;</li> </ul> <p>but in no case higher than 100% of EU-15 level of direct payments.</p> <p>In 2004-2006 the topping-up up to 40% of the EU level can be financed partly from EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• application of relevant maximum EU co-financing rate (80% in objective 1 regions)</li> </ul>
<b>Potato starch</b>	33,660 t
<b>Reference yield</b>	4.20 t/ha
<b>Milk Quota</b>	<p>Basic quota: 2,682,143 t</p> <p>2006 restructuring reserve: 55,788 t,</p> <p>total quota: 2,737,931 t.</p> <p>See appendix.</p>
<b>Suckler Cow premium</b>	90,300.
<b>Special beef premium</b>	244,349 heads
<b>Slaughter premium</b>	483,382 adults and 27,380 calves.
<b>Fibres</b>	1923 t long and 2866 t short.
<b>Dried fodder</b>	27,942 t
<b>Fruit &amp; Vegetable thresholds</b>	<p>12,000 t for tomatoes</p> <p>1287 t for peaches</p> <p>11 t for pears</p>

Sheep premium	66,733
Additional payments for sheep	71,000 euro
Wine growing zone	Bohemia in A, Moravia in B
Wine planting rights	New planting rights amounting to 2% of the vineyard existing by accession Replanting rights within time span provided for in the acquis. See appendix.
Quality	Budejovicke pivo and Ceskobudejovicke pivo are recognised as geographical indications. This is however without prejudice to existing trade mark or other rights in the enlarged EU.
Rural development	€100m as additional funds 2004-2006
<b>BUDGETARY ISSUES</b>	
Issue	<b>Presidency proposal</b>
Advance payments	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds offered.
Real payments	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
Schengen facility	No Schengen funds will be made available for CZ.
Pre-accession aid	€170
Special cash flow facility of € 1 billion	Lump sum of €175m in 2004
Lump sum budgetary compensation	€204m in 2004 – 2006 in lump sum budgetary compensation, an additional €30m instead of Schengen facility, and an additional €155m as a further lump-sum.
<b>OTHERS</b>	
Issue	<b>Presidency proposal</b>
Purchase of Land	3 year safeguard clause (on top of 7 year TP) managed by COM and based on serious disturbances in land market. See appendix.
Transport	EU position is maintained
Institutions	2 additional MEPs (this means that in the next EP, CZ will have 3 additional MEPs). See appendix.
Taxation	Reduced excise on 50 l. alcohol per household. See appendix.

## **CHAPTER 4: FREE MOVEMENT OF CAPITAL**

### **Proposed text to be added to the EUCP – Chapter 4**

If there is sufficient evidence that, upon expiry of the transitional period, there will be serious disturbances or a threat of serious disturbances on the agricultural land market of the Czech Republic, the Commission, at the request of the Czech Republic, shall decide upon the extension of the transitional period for up to a maximum of three years.

## **CHAPTER 10: TAXATION**

### **Proposed text to be added to the EUCPs for the relevant countries Chapter 10-Taxation**

#### **Czech Republic**

- The Czech Republic may apply a reduced rate of excise duty, of not less than 50% of the standard national rate of excise duty on ethyl alcohol, to ethyl alcohol produced by fruit growers' distilleries producing, on an annual basis, more than 10 hectolitres of ethyl alcohol from fruit supplied to them by fruit growers' households. The application of the reduced rate shall be limited to 50 litres of fruit spirits per producing fruit growers' household per year, destined exclusively for their personal consumption. The Commission will review this arrangement in 2015 and report to the Council on possible modifications.

## Final package – appendix: Agriculture – Czech Republic

### 1. Complementary national direct payments

1. The Czech Republic should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- option 1: 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 the Czech Republic may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year. However, in the arable crops sector the Czech Republic may in the years 2004-2006 top up to 50% of the EU level and in the potato starch sector the Czech Republic may throughout the entire period of phasing in of direct payments top up to 100% of the EU level.
- or
- option 2: to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in the Czech Republic prior to accession (2003) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in the Czech Republic under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if the Czech Republic chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
  - the total amount of direct support that would be available for the same sectors in the year concerned under the simplified scheme.
3. The Czech Republic should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:
    - in case of option 2: specify the relevant national CAP like direct payment schemes
    - define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
    - be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

## **2. Wine planting rights**

The Czech Republic is granted new planting rights for the production of quality wines psr. amounting to 2 % of the total vineyard existing at the date of accession. These rights will be allocated to a national reserve to which will apply the provisions laid down under article 5 of Regulation (EC) No 1493/1999.

With regard to replanting rights owned by individual producers, it is underlined that such replanting rights must be similar to the replanting rights granted under paragraph 2 of article 4 of Regulation (EC) No 1493/1999 and acquired under the Czech legislation before accession. These rights must be used within the period laid down under article 4 paragraph 5 of Regulation (EC) No 1493/1999.

## **3. Milk quotas**

The milk quota should be set in accordance with the following:

quota – 2004: 2.682.143 tonnes  
deliveries: 2.613.239 tonnes  
direct sales: 68.904 tonnes  
reserve 2006: 55.787 tonnes

A special reserve should be established for the Czech Republic. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) to the extent that the on-farm consumption of milk and milk products in the Czech Republic has decreased since 2000.

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by the Czech Republic to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92) should apply:

**Representative fat content:**  
4.21%

**Individual reference quantity:**  
31.03.2004

#### **4. Geographical indications**

Budejovicke pivo and Ceskobudejovicke pivo are recognised as geographical indications. This is however without prejudice to existing trade mark or other rights in the enlarged EU.

#### **5. Wine growing zones**

The Czech Republic accepts that Bohemia is placed in A and Moravia in B.

The Czech Republic shall be allowed to replace the obligation for persons having made wine to deliver for distillation all the by-products of that wine-making by the obligation to withdraw these by-products, under the provisions laid down under Article 27, paragraph 7 of Regulation (EC) No 1493/1999. This withdrawal must be made under supervision and is subject to further conditions as laid down under Article 50, paragraph 2 of Regulation (EC) No 1623/2000. It is underlined that for the application of this system of withdrawal of wine by-products the production and market structures in the Czech wine growing zones must be able to ensure that the aim of the obligatory distillation measure are achieved.

## BUDGETARY ESTIMATES

<b>CZECH REP.</b>		
<i>1999 prices, € millions</i>		
<b>2003</b>		
pre-accession aid		<b>170</b>
<b>2004</b>		
pre-accession aid		181
agriculture		100
structural actions		179
internal actions		44
additional expenditure		7
cash flow lump-sum		175
<b>total allocated expenditure</b>		<b>687</b>
trad. own resources		-66
VAT resource		-74
GNP resource		-425
UK rebate		-56
<b>total own resources</b>		<b>-622</b>
<b>Net balance before budgetary compensation</b>		<b>65</b>
<b>Budgetary compensation</b>		<b>125</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>190</b>
<b>2005</b>		
pre-accession aid		153
agriculture		392
structural actions		375
internal actions		76
additional expenditure		9
<b>total allocated expenditure</b>		<b>1.005</b>
trad. own resources		-105
VAT resource		-117
GNP resource		-644
UK rebate		-87
<b>total own resources</b>		<b>-953</b>
<b>Net balance before budgetary compensation</b>		<b>52</b>
<b>Budgetary compensation</b>		<b>178</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>230</b>
<b>2006</b>		
pre-accession aid		98
agriculture		483
structural actions		447
internal actions		102
additional expenditure		9
<b>total allocated expenditure</b>		<b>1.138</b>
trad. own resources		-105
VAT resource		-121
GNP resource		-661
UK rebate		-91
<b>total own resources</b>		<b>-978</b>
<b>Net balance before budgetary compensation</b>		<b>160</b>
<b>Budgetary compensation</b>		<b>85</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>245</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations -Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
CZECH REPUBLIC

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	45,0	109,0	111,0	265,1
Direct payments	0,0	168,9	204,5	373,4
<b>Total 1a</b>	<b>45,0</b>	<b>277,9</b>	<b>315,5</b>	<b>638,4</b>
<b>1b - Rural development</b>	147,9	161,6	172,0	481,5
<b>Total Heading 1</b>	<b>193,0</b>	<b>439,6</b>	<b>487,5</b>	<b>1.120,0</b>
<b>2. Structural actions after capping</b>				
Structural Fund	396,3	531,5	663,4	1.591,2
Cohesion Fund	286,2	235,6	314,5	836,3
Unification of Cyprus				
<b>Total Heading 2</b>	<b>682,5</b>	<b>767,1</b>	<b>977,9</b>	<b>2.427,5</b>
<b>3. Internal Policies</b>				
Existing policies	122,2	127,2	132,2	381,7
Nuclear safety				
Institution building	19,6	11,8	5,9	37,2
Schengen	0,0	0,0	0,0	0,0
<b>Total Heading 3</b>	<b>141,8</b>	<b>139,0</b>	<b>138,1</b>	<b>418,9</b>
<i>sub-total</i>	<i>1.017,3</i>	<i>1.345,6</i>	<i>1.603,5</i>	<i>3.966,4</i>
<b>Cash-flow lump sum</b>	<b>174,7</b>	<b>0,0</b>	<b>0,0</b>	<b>174,7</b>
<b>Budgetary Compensation</b>	<b>125,4</b>	<b>178,0</b>	<b>85,1</b>	<b>388,5</b>
<b>Total Appropriations for Commitments</b>	<b>1.317,4</b>	<b>1.523,6</b>	<b>1.688,6</b>	<b>4.529,6</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	45,0	109,0	111,0	265,1
Direct payments	0,0	168,9	204,5	373,4
<b>Total 1a</b>	<b>45,0</b>	<b>277,9</b>	<b>315,5</b>	<b>638,4</b>
<b>1b - Rural development</b>	55,0	114,6	167,1	336,6
<b>Total Heading 1</b>	<b>100,1</b>	<b>392,5</b>	<b>482,5</b>	<b>975,1</b>
<b>2. Structural actions after capping</b>				
Structural Fund	173,7	308,7	328,7	811,1
Cohesion Fund	5,7	66,0	118,5	190,2
Unification of Cyprus				
<b>Total Heading 2</b>	<b>179,4</b>	<b>374,7</b>	<b>447,2</b>	<b>1.001,3</b>
<b>3. Internal Policies</b>				
Existing policies	44,0	75,8	102,3	222,0
Nuclear safety				
Institution building	7,1	9,0	8,8	24,9
Schengen	0,0	0,0	0,0	0,0
<b>Total Heading 3</b>	<b>51,0</b>	<b>84,8</b>	<b>111,0</b>	<b>246,9</b>
<i>sub-total</i>	<i>330,5</i>	<i>852,0</i>	<i>1.040,8</i>	<i>2.223,3</i>
<b>Cash flow lump sum</b>	<b>174,7</b>	<b>0,0</b>	<b>0,0</b>	<b>174,7</b>
<b>Budgetary Compensation</b>	<b>125,4</b>	<b>178,0</b>	<b>85,1</b>	<b>388,5</b>
<b>Total Appropriations for Payments</b>	<b>630,7</b>	<b>1.029,9</b>	<b>1.125,9</b>	<b>2.786,5</b>

## SLOVENIA

<b>AGRICULTURE (only issues where EU offers go beyond EUCP)</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Direct Payments</b>	Phasing-in schedule maintained.
<b>Top-ups</b>	<p>SI has the possibility to top up to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Slovenia prior to accession (2003) under a CAP like national scheme increased by: 10 percentage points in 2004, 15 percentage points in 2005, 20 percentage points in 2006 and 25 percentage points from 2007.</p> <p>In 2004-2006, 40% of the top-ups of the level in the EU-15 level can be financed partly from rural development under the following conditions:</p> <ul style="list-style-type: none"> <li>• maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• this must be nationally co-financed at the rate of at least 20%.</li> </ul> <p>See appendix.</p>
<b>Milk Quota</b>	<p>Basic quota: 560,424 t</p> <p>2006 reserve: 16,214 t</p> <p>Total quota: 576,638 t</p> <p>See appendix.</p>
<b>Wine enrichment</b>	Enrichment of wine with sucrose
<b>Suckler cows</b>	86,384 heads.
<b>Slaughter premium</b>	adults: 161,137; calves: 35,852
<b>Additional payments – beef</b>	€2,964,780.
<b>Phytosanitary issues – quality requirements for seed</b>	Transition period of five years. See appendix.
<b>Wine growing areas</b>	See appendix on classification.
<b>State aid</b>	Continuation of state aids for the production of oil pumpkins agreed for a period of up to 5 years on a degressive basis. See appendix.
<b>Rural development</b>	€150m as additional funds 2004-2006

<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Advance payments</b>	Split of 16% possible into 10% for 2004 and 6% for 2005 as regards structural funds.
<b>Real payments</b>	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
<b>Schengen facility</b>	€107m
<b>Trans European Networks</b>	Declaration to the Accession Treaty on the importance of transport infrastructure in Slovenia for the development of a transeuropean transport network
<b>Pre-accession aid</b>	€45m
<b>Special cash flow facility of € 1 bill</b>	Lump sum €52 million in 2004
<b>Lump sum budgetary compensation</b>	€68m in 2004-2006 plus an additional €65m
<b>OTHERS</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Purchase of Land</b>	Safeguard of 7 years. See appendix.

## **Slovenia**

### **Elements for a declaration on Trans European Networks**

The Union recalls the importance of transport infrastructure in Slovenia for the development of a transeuropean transport network and will take due account of this fact when identifying projects of common interest according to art. 155 of the Treaty.

## **CHAPTER 4: FREE MOVEMENT OF CAPITAL**

### **Proposed text to be added to the EUCP – Chapter 4**

As regards the real estate market, the Republic of Slovenia may resort to the general safeguard clause of this Treaty for a period of up to a maximum of seven years after accession.

*p.m. : the modalities of the general safeguard clause have been defined under chapter 31.*

## Final package – appendix: Agriculture – Slovenia

### 1. Complementary national direct payments

1. Slovenia should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to the total level of direct support he would have been entitled to receive, on a product by product basis, in Slovenia prior to accession (2003) under a CAP like national scheme increased by: 10 percentage points in 2004, 15 percentage points in 2005, 20 percentage points in 2006 and 25 percentage points from 2007.

However, the total direct support the farmer could be granted after accession in Slovenia under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

The option to grant national aid complements should also be available if Slovenia chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector granted in Slovenia prior to accession (2003 level), on a product by product basis, under CAP like direct payments schemes increased as described above and
  - the total amount of direct support available for Slovenia for the same sectors in the year concerned after accession under the simplified scheme.
3. Slovenia should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:
    - specify the relevant national CAP like direct payment schemes
    - define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
    - be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by common market organisations but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments or aids will be financed exclusively from the national budget of Slovenia

## **2. State aid for the production of oil pumpkins**

Slovenia is granted a transitional period of 5 years from the date of accession during which period Slovenia may provide state aid to the production of oil pumpkins applying the following rates of degressivity : 100% for first three years, 80% for fourth year, 50% in fifth year

Slovenia must yearly submit a report to the Commission on the implementation of the State aid measures indicating the aid forms and amounts per (sub)sector.

## **3. Wine growing areas- Slovenia**

With regard to the classification of Slovenia into the EU wine growing zone, the Primorska region should be included in zone CII and the rest of Slovenia into zone B.

However, Slovenia will be authorised for the 3 consecutive wine years 2004-2005, 2005-2006 and 2006-2007 to derogate for the Primorska wine area from the minimum natural alcoholic strength by volume set for zone CII, for table wines and quality wines psr, when the climatic conditions or vine growth conditions are exceptionally unfavourable and does not allow to reach the minimum natural alcoholic strength required in zone CII. Slovenia may not allow however for the Primorska wine area a minimum natural alcoholic strength lower than set for zone CIa for table wines and quality wines psr.

Slovenia will have to present a detailed report to the Commission by the latest three months before the end of this transitional period on the minimum natural alcoholic strength of the grapevines used in the Primorska region. Before the end of the transition period the Commission will notably on the basis of this report, assess the readiness of the Primorska wine area to meet the minimum natural alcoholic strength of the CII zone and take, when necessary, the appropriate measures.

The Commission may extend the transitional period by two further wine years notably if the period would appear to be not long enough to have representative data for meeting the requirements of zone CII.

The Commission will apply by accession the current objective criteria for restructuring aid for vineyards in the Primorska wine area provided for under article 14 of Regulation (EC) No 1493/1999, taking into account particular situations and needs. Slovenia will benefit from this restructuring aid from the 2004-2005 wine year onwards.

The Commission notes the current conditions for the production of Teran PTP Kras which is a quality wine psr obtained from the Refosk variety and having a minimum natural alcoholic strength of 9,2%vol.

Teran PTP Kras will benefit from the same transitional period applied to the Primorska wine area. However, the Commission will make a specific assessment of the readiness of the areas planted for the production of Teran PTP Kras with regard to the application of the CII minimum natural alcoholic strength of 9.5%vol..

Slovenia will have to present a detailed report to the Commission by the latest three months before the end of this transitional period on the minimum natural alcoholic strength of the grapevines used for production of Teran PTP Kras. Before the end of the transition period the Commission will notably on the basis of this report, assess the readiness of the Teran PTP Kras to meet the minimum natural alcoholic strength of the CII zone and take, when necessary, the appropriate measures.

#### **4. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 560.424 tonnes  
deliveries: 467.063 tonnes  
direct sales: 93.361 tonnes  
reserve 2006: 16.214 tonnes

A special reserve should be established for Slovenia. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) in proportion to the decrease of the on-farm consumption of milk and milk products in Slovenia since 2000.

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by Slovenia to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92 should apply:

**Representative fat content:**

4.13%

**Individual reference quantity:**

31.03.2005

## **5. Quality of seeds and propagating material**

Point 69 of doc 20827/02 CONF-SI 67/02 (Quality of seeds and propagating material) should be replaced by the following:

"The EU underlines the importance of achieving full compliance with the acquis upon accession with regard to quality of seeds and propagating material. It takes note of the information provided by Slovenia in this regard.

The EU notes that Slovenia requests a transition period of five years for locally-available varieties of seeds and plant propagating material to comply with the requirements of admission to the EU Common Catalogue in line with Directive 2002/53/EC (Common Catalogue of Varieties of agricultural plant species) and Directive 2002/55/EC (marketing of vegetable seed).

The EU considers that there are valid reasons to grant a transitional period of five years during which Slovenia would be allowed to postpone the application in its territory of Directives 2002/53/EC and 2002/55/EC, with regard to the marketing on its territory of seeds of those varieties listed in its Official Catalogues of agricultural plant species and vegetable plant species which have not been accepted in accordance with the provisions of these Directives. Therefore, the EU can accept this request. During that period, however, seeds of such varieties shall not be marketed in the territory of other Member States."

## BUDGETARY ESTIMATES

<b>SLOVENIA</b>		
<i>1999 prices, € millions</i>		
<b>2003</b>		
pre-accession aid		45
<b>2004</b>		
pre-accession aid		51
agriculture		43
structural actions		27
internal actions		12
additional expenditure		38
cash flow lump-sum		52
<b>total allocated expenditure</b>		<b>224</b>
trad. own resources		-18
VAT resource		-22
GNP resource		-129
UK rebate		-17
<b>total own resources</b>		<b>-187</b>
<b>Net balance before budgetary compensation</b>		<b>37</b>
<b>Budgetary compensation</b>		<b>30</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>67</b>
<b>2005</b>		
pre-accession aid		43
agriculture		125
structural actions		59
internal actions		21
additional expenditure		38
<b>total allocated expenditure</b>		<b>286</b>
trad. own resources		-29
VAT resource		-35
GNP resource		-195
UK rebate		-26
<b>total own resources</b>		<b>-285</b>
<b>Net balance before budgetary compensation</b>		<b>0</b>
<b>Budgetary compensation</b>		<b>66</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>67</b>
<b>2006</b>		
pre-accession aid		27
agriculture		158
structural actions		73
internal actions		28
additional expenditure		38
<b>total allocated expenditure</b>		<b>324</b>
trad. own resources		-29
VAT resource		-37
GNP resource		-200
UK rebate		-28
<b>total own resources</b>		<b>-293</b>
<b>Net balance before budgetary compensation</b>		<b>31</b>
<b>Budgetary compensation</b>		<b>36</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>67</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations -Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
SLOVENIA

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	14,9	38,3	38,8	92,0
Direct payments	0,0	26,9	32,8	59,7
<b>Total 1a</b>	<b>14,9</b>	<b>65,2</b>	<b>71,6</b>	<b>151,6</b>
<b>1b - Rural development</b>	<b>76,7</b>	<b>83,9</b>	<b>89,2</b>	<b>249,8</b>
<b>Total Heading 1</b>	<b>91,6</b>	<b>149,0</b>	<b>160,8</b>	<b>401,4</b>
<b>2. Structural actions after capping</b>				
Structural Fund	58,7	79,3	98,8	236,8
Cohesion Fund	57,7	47,5	63,4	168,6
Unification of Cyprus				
<b>Total Heading 2</b>	<b>116,4</b>	<b>126,8</b>	<b>162,2</b>	<b>405,4</b>
<b>3. Internal Policies</b>				
Existing policies	33,7	35,0	36,4	105,1
Nuclear safety				
Institution building	5,5	3,3	1,6	10,4
Schengen	35,6	35,6	35,6	106,9
<b>Total Heading 3</b>	<b>74,8</b>	<b>74,0</b>	<b>73,7</b>	<b>222,5</b>
<i>sub-total</i>	<i>282,8</i>	<i>349,8</i>	<i>396,7</i>	<i>1.029,2</i>
<b>Cash-flow lump sum</b>	<b>52,4</b>	<b>0,0</b>	<b>0,0</b>	<b>52,4</b>
<b>Budgetary Compensation</b>	<b>29,5</b>	<b>66,4</b>	<b>35,5</b>	<b>131,5</b>
<b>Total Appropriations for Commitments</b>	<b>364,7</b>	<b>416,2</b>	<b>432,2</b>	<b>1.213,1</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	14,9	38,3	38,8	92,0
Direct payments	0,0	26,9	32,8	59,7
<b>Total 1a</b>	<b>14,9</b>	<b>65,2</b>	<b>71,6</b>	<b>151,6</b>
<b>1b - Rural development</b>	<b>28,5</b>	<b>59,4</b>	<b>86,6</b>	<b>174,6</b>
<b>Total Heading 1</b>	<b>43,4</b>	<b>124,6</b>	<b>158,2</b>	<b>326,2</b>
<b>2. Structural actions after capping</b>				
Structural Fund	25,9	45,9	48,9	120,7
Cohesion Fund	1,2	13,3	23,9	38,3
Unification of Cyprus				
<b>Total Heading 2</b>	<b>27,0</b>	<b>59,2</b>	<b>72,8</b>	<b>159,1</b>
<b>3. Internal Policies</b>				
Existing policies	12,1	20,9	28,2	61,1
Nuclear safety				
Institution building	2,0	2,5	2,5	7,0
Schengen	35,6	35,6	35,6	106,9
<b>Total Heading 3</b>	<b>49,7</b>	<b>59,0</b>	<b>66,3</b>	<b>175,0</b>
<i>sub-total</i>	<i>120,1</i>	<i>242,9</i>	<i>297,3</i>	<i>660,3</i>
<b>Cash flow lump sum</b>	<b>52,4</b>	<b>0,0</b>	<b>0,0</b>	<b>52,4</b>
<b>Budgetary Compensation</b>	<b>29,5</b>	<b>66,4</b>	<b>35,5</b>	<b>131,5</b>
<b>Total Appropriations for Payments</b>	<b>202,1</b>	<b>309,3</b>	<b>332,8</b>	<b>844,2</b>

**MALTA**

<b>AGRICULTURE (only issues where EU offers go beyond EUCP)</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Direct Payments</b>	Phasing-in schedule maintained.
<b>Topping-up</b>	<p>In 2004-2006, Malta has the possibility to top up EU direct payments to</p> <ul style="list-style-type: none"> <li>- either 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Malta may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Malta prior to accession (2003) under a like national scheme increased by 10 percentage points;</li> </ul> <p>but in no case higher than 100% of EU-15 level of direct payments.</p> <p>In 2004-2006 the topping-up up to 40% of the EU level can be financed partly from EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• application of relevant maximum EU co-financing rate (80% in objective 1 regions)</li> </ul> <p>See appendix.</p>
<b>Reference yield</b>	2.02 t/ha
<b>Milk Quota</b>	48,698 t
<b>Tomato threshold</b>	27,000 t
<b>Special Market Policy Programme</b>	See appendix.
<b>State aid Gozo</b>	Continuation of existing support for transport of agricultural goods from Gozo to Malta on a degressive basis for a transition period of 5 years. See appendix.
<b>Vineyard planting rights</b>	New planting rights up to total planted wine area in Malta to be used by 2006. If not used by 2005/06, these new planting rights will fall in the reserve and follow the acquis rules regarding the reserve. See appendix.
<b>Olive oil</b>	150 t with a review in 2005. See appendix.
<b>Stocking density</b>	Regarding the request for a derogation from density requirements: a transitional period of 5 years from 4.5 LU/ha to 1.8 LU/ha without taking into account dairy cows.  See appendix.

<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Advance payments</b>	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
<b>Real payments</b>	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
<b>Pre-accession aid</b>	€11m
<b>Schengen facility</b>	There will be no Schengen funds for MT.
<b>Special cash-flow facility of € 1 b</b>	€ 12m in 2004.
<b>Lump sum budgetary compensation</b>	€75m in lump-sum budgetary compensation for 2004-2006 additional €46m instead of Schengen facility €45 additional lump sum payments.
<b>OTHERS</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Taxation</b>	TP on zero VAT rate on food and pharmaceutical products until 31 December 2009.
<b>Gozo</b>	Unilateral MT declaration on its request for a guarantee that Gozo stays under Objective I. See appendix.
<b>Neutrality &amp; Abortion</b>	Protocol on abortion (following the Irish model) to be annexed to the Accession Treaty. See appendix.  On neutrality MT declaration (following the Irish model) to be annexed to the Accession Treaty. See appendix.

## **MALTA: Draft Protocol on abortion**

### Proposed text (after relevant preamble):

“Nothing in the Treaty on European Union, or in the Treaties establishing the European Communities, or in the Treaties or Acts modifying or supplementing those Treaties, shall affect the application in the territory of Malta of national legislation relating to abortion”

**DECLARATION BY THE REPUBLIC OF MALTA  
ON NEUTRALITY  
TO BE ANNEXED TO THE FINAL ACT**

“Malta affirms its commitment to the common foreign and security policy of the European Union as set out in the Treaty on European Union.

Malta confirms that its participation in the European Union's common foreign and security policy does not prejudice its neutrality. The Treaty on European Union specifies that any decision by the Union to move to a common defence would have to be taken by unanimous decision of the European Council adopted by the Member States in accordance with their respective constitutional requirements.”

## DECLARATION BY THE REPUBLIC OF MALTA ON THE ISLAND REGION OF GOZO

“The Government of Malta,

Noting that the island region of Gozo has economic and social specificities as well as handicaps arising from the combined effects of its double insularity, its environmental fragility, its small population size coupled with a high population density as well as its inherent limited resources,

Noting that the Gross Domestic Product per capita of the island region of Gozo is significantly lower than that of Malta as a whole,

Noting that it is pursuing specific economic and social policies with regard to the island region of Gozo, the object of which is to overcome the permanent structural handicaps from which it suffers,

Recognising that, upon the accession of Malta to the European Union, as a result of the agreement regarding the eligibility of Malta for the Structural Funds Objectives and for Cohesion Fund assistance, as well as of the agreements regarding the VAT zero-rate for inter-island passenger transport and the transitional period for the inter-island transport of agricultural goods, Gozo will be benefiting from measures which specifically address its structural handicaps, in addition to participating in measures of more general economic and social benefit,

Recognising further that the NUTS III classification accorded to the island region of Gozo may not, on its own, ensure implementation of the European Union’s stated commitment to take measures for the benefit of less-favoured regions,

Declares that, before the end of each Community budgetary period entailing a redefinition of the Community regional policy, Malta will request that the Commission report to the Council on the economic and social situation of Gozo and, in particular, on the disparities in the social and economic development levels between Gozo and Malta. The Commission would be asked to propose appropriate measures, as required, in the framework of the Community regional policy or other relevant Community policies, to ensure the continuation of the reduction of disparities between Gozo and Malta as well as the further integration of Gozo into the internal market on fair conditions. In particular, in the event that Malta, as a whole, would no longer be eligible to certain measures of the regional policy, the report would assess whether the specific economic situation of Gozo justifies a continued eligibility of Gozo to those measures, and under which conditions, during the reference period.”

## **CHAPTER 10: TAXATION**

### **Proposed text to be added to the EUCPs for the relevant countries Chapter 10-Taxation**

#### **Malta**

- Malta may maintain an exemption with the right of deduction of input VAT on the supply of foodstuffs for human consumption and pharmaceuticals, until 31 December 2009.

**1. Complementary national direct payments**

1. Malta should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Malta may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year.

or

- to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Malta prior to accession (2003) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in Malta under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Malta chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
  - the total amount of direct support available for Malta for the same sectors in the year concerned under the simplified scheme.
3. Malta should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:
    - if based on 2003 level, specify the relevant national CAP like direct payment schemes
    - define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
    - be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose (in combination with the amount for co-financing mentioned under point 1.4 of this fiche concerning the complementary national direct payments) shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

## **2. State aid for the transport of produce from Gozo**

Malta is granted a transitional period of 5 years from the date of accession during which period Malta may on a linear degressive basis (20% per year) provide state aid to the ferry transport of agricultural product from Gozo.

Malta must yearly submit a report to the Commission on the implementation of the State aid measures indicating the aid forms and amounts.

## **3. Special Market Policy Programme for Maltese Agriculture (SMPPMA)**

### **a. Special temporary state aids to support agricultural producers**

Maltese producers of tomatoes for processing, fresh fruit and vegetables, wine, pigmeat, milk, poultry and eggs shall benefit from a special temporary State Aid regime intended to compensate the loss of revenue of farmers resulting from the fall of local prices after accession. This assistance shall be adapted in each sector concerned according to the assistance existing under the current CAP. The maximum level of State aids destined to producers shall be calculated on the basis of:

- the price differential between the EU prices (including transport) and the Maltese ones (prices taken into consideration shall be producers prices);
- additional amounts per sector for marketing and restructuring.

The transition period shall be 7 years for the animal products and 11 years for the crops. The degressivity of the State aid for animal products shall be as follows: 1<sup>st</sup> year 100%, 2<sup>nd</sup> year 95%, 3<sup>rd</sup> year 90%, 4<sup>th</sup> year 72%, 5<sup>th</sup> year 54%, 6<sup>th</sup> year 36% and 7<sup>th</sup> year 18%. For crops the degressivity should be: 1<sup>st</sup> - 2<sup>nd</sup> year 100%, 3<sup>rd</sup> - 4<sup>th</sup> year 95%, 5<sup>th</sup>-6<sup>th</sup> year 90 percent, 7<sup>th</sup> year 75%, 8<sup>th</sup> year 60%, 9<sup>th</sup> year 45% - 10<sup>th</sup> year 30%, and 11<sup>th</sup> year 15%.

When calculating price differences with regard to the above-mentioned state aid scheme, statistical data from Eurostat should be used. EU producer prices shall be defined using prices from EU countries that currently export and/or are likely to sell their products to Malta after accession. In order to avoid that the compensatory aid scheme stimulates production, the state aid shall be limited to the levels of historical production (during a three-year reference period composed of years 1998-1999-2000). However in the fruit and vegetables sector, the year 1998 shall be used as reference year for the calculation of price differences in relation to the support to producers.

Malta should be allowed to grant State aid to the (sub)sectors mentioned and up till the amounts mentioned in tables below:

**Programme for the Crops sectors (Mio €)**

Year	Tomatoes for Processing Sector including Additional Aid	Wine Sector including Additional Aid	Fresh Fruit Sector	Fresh Vegetables Sector	Total for Crops (million Euros)
2004	1.37	2.76	2.43	0.96	7.52
2005	1.48	2.62	2.43	0.96	7.49
2006	2.68	1.23	2.31	0.91	7.13
2007	2.68	1.10	2.31	0.91	7.00
2008	2.63	1.04	2.18	0.86	6.71
2009	2.63	0.94	2.18	0.86	6.61
2010	2.15	0.83	1.82	0.72	5.52
2011	1.46	0.83	1.46	0.57	4.32
2012	0.85	0.76	1.10	0.43	3.14
2013	0.42	0.51	0.73	0.29	1.95
2014	0.18	0.36	0.37	0.15	1.06
<b>TOTAL</b>	<b>18.53</b>	<b>12.98</b>	<b>19.32</b>	<b>7.62</b>	<b>58.45</b>

Programme for Animal Products (Mio €)					
Year	SMPPMA Programme for the Dairy Sector including Restructuring Aid	Pigmeat Sector including Restructuring Aid	Eggs Sector including Restructuring Aid	Poultry Meat Sector including Restructuring Aid)	Total for Animal Products including Restructuring Aid
2004	2.50	5.40	2.30	1.80	12.0
2005	2.45	5.17	2.18	1.70	11.5
2006	2.40	4.94	2.03	1.63	11.0
2007	1.97	4.15	1.70	1.38	9.20
2008	1.63	3.28	1.34	1.15	7.40
2009	1.28	2.46	0.99	0.87	5.60
2010	0.94	1.65	0.59	0.62	3.80
<b>TOTAL</b>	<b>13.17</b>	<b>27.05</b>	<b>11.13</b>	<b>9.15</b>	<b>60.5</b>

Moreover, for each (sub)sectors, State aids will be allocated within the following ceilings..

Crops (annual quantities):

Tomatoes for processing : 27 000 t

Fresh fruit : 19 400 t

Fresh vegetables : 38 200 t

Wine : 1000 ha

Animal products (annual quantities)

Dairy : 45 000 t

Pigmeat : 125 200 heads

Poultry : 7 000 t

Eggs : 5 000 t

**b. Special Temporary state aid to support processors and recognized retailers of imported agricultural products**

A special temporary State Aid regime shall support the purchase of imported agricultural products that before accession were benefiting from export refunds or imported from third countries without duties (sugar, cereals and rice, some dairy products, meats, and semi-processed tomato products) on the basis of traditional trade and consumption habits. A mechanism shall be provided to guarantee that the support is effectively passed on to consumers. The maximum level of State aids destined to processors and recognized retailers shall be calculated on the basis of the price differential between the EU prices (including transport) and the world market ones, and shall take into account the level of the export refunds. This State aid shall be degressive during the 7 year transition period as follows: 1<sup>st</sup> year 100%, 2<sup>nd</sup> year 95%, 3<sup>rd</sup> year 90%, 4<sup>th</sup> - 7<sup>th</sup> year 18% reduction pr. year.

Malta should be allowed to grant State aid to the (sub)sectors mentioned and up till the amounts mentioned in table below:

**Supply measures**

Mio €

Products	2004	2005	2006	2007	2008	2009	2010	Total
Cereals	3,0	2,9	2,7	2,2	1,6	1,1	0,5	14,0
Sugar	11,0	10,5	9,9	7,9	5,9	4,0	2,0	51,2
Meat products	0,8	0,8	0,8	0,6	0,5	0,3	0,2	3,9
Dairy products	1,0	1,0	0,9	0,7	0,5	0,4	0,2	4,7
Semi-proc.tomato pr.	0,8	0,8	0,7	0,6	0,4	0,3	0,1	3,7
								77,4

Moreover, for each (sub)sectors, State aids will be allocated within the following ceilings

Sugar : 35 000 t per year

- Cereals	
Product	Quantity (tonnes per year)
Common wheat and meslin seed	52,000
Barley, excluding barley seeds	61,000
Maize (corn), excluding seeds	62,000
Rice	3,000
Malt of other cereals excluding wheat flour	2,500
Semolina (groats and meal of durum wheat)	3,500

Dairy Products	
Product	Quantity (tonnes per year)
Milk cream in powder or other solid form, fat content < 1.5%	521
Natural butter fat content ≤85% immediate pack	250
Other butter, fat content ≤85% immediate pack	250
Cheddar cheese	1,200
Edam cheese	1,000
Other processed cheese (Kefalo-tyri, etc.)	1,500

<b>Meat products</b>	
Product	Quantity (tonnes per year)
Hindquarters of bovine with bone frozen	4,200
Boneless crop chuck and blade and brisket cut bovine frozen	2,000
Other prepared processed domestic swine products	500
Corned beef in airtight	1,200

<b>'Other Products'</b>	
Product	Quantity (tonnes per year)
Prepared tomatoes dry matter content > 30% in packs >3kg	5,500
Tomatoes preserved whole or in pieces in containers > 3kg	3,000

- c. During the years 2004-2006 the aid can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.

From 2007 all aid will be financed from the national budget.

- d. With regard to the agricultural products covered by the SMPPMA the general economic safeguard clause shall be applicable for Malta up to five years after accession.
- e. Malta must yearly submit a report to the Commission on the implementation of the State aid measures indicating the aid forms and amounts per (sub)sector.

#### **4. Wine planting rights**

Malta is granted new planting rights for the production of quality wines psr. up to a total planted wine area in Malta of 1,000 ha. These rights will have to be used at the latest by the 2005/2006 wine year. If these rights are not used by the 2005/2006 wine year, they will be allocated to the reserve to which will apply the provisions laid down under article 5 of Regulation (EC) No 1493/1999.

## **5. Olive oil national guaranteed quantity**

The national guaranteed quantity (NGQ) of olive oil for Malta is set provisionally at 150 tonnes. This figure will be revised in 2005 after introduction of the Geographical Information System (GIS).

By derogation to Article 4 of Regulation (EC) No 1638/98, olive trees planted after 31 December 2001 are excluded from eligibility for aid.

By 1 January 2005 Malta must fully introduce the Geographical Information System (GIS) and provide figures on the basis of the olive tree register as soon as they are available.

## **6. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 48.698 tonnes  
deliveries: 48.698 tonnes

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92 should apply:

**Representative fat content:**  
transition period

**Individual reference quantity:**  
31.03.2003

## **7. Stocking density**

By way of derogation from Article 12(1) and (2) of Regulation (EC) No 1254/1999, the requirements relating to stocking density coefficients in Malta shall be phased in on a linear basis from 4.5 LU/ha for the first year after accession to 1.8 LU/ha for the fifth year after accession. In this period, for determining the stocking density on the holding, account shall not be taken of dairy cows needed to produce the total reference quantity of milk allocated to the producer.

Malta will submit a report on the implementation of this measure to the Commission before the 31 December 2007.

## BUDGETARY ESTIMATES

<b>MALTA</b>		
<i>1999 prices, € millions</i>		
<b>2003</b>		
<b>pre-accession aid</b>		<b>11</b>
<b>2004</b>		
pre-accession aid		7
agriculture		3
structural actions		7
internal actions		2
additional expenditure		0
cash flow lump-sum		12
<b>total allocated expenditure</b>		<b>32</b>
trad. own resources		-14
VAT resource		-4
GNP resource		-23
UK rebate		-3
<b>total own resources</b>		<b>-43</b>
<b>Net balance before budgetary compensation</b>		<b>-11</b>
<b>Budgetary compensation</b>		<b>38</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>26</b>
<b>2005</b>		
pre-accession aid		2
agriculture		8
structural actions		13
internal actions		4
additional expenditure		0
<b>total allocated expenditure</b>		<b>27</b>
trad. own resources		-21
VAT resource		-6
GNP resource		-34
UK rebate		-5
<b>total own resources</b>		<b>-66</b>
<b>Net balance before budgetary compensation</b>		<b>-39</b>
<b>Budgetary compensation</b>		<b>66</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>26</b>
<b>2006</b>		
pre-accession aid		0
agriculture		10
structural actions		15
internal actions		5
additional expenditure		0
<b>total allocated expenditure</b>		<b>31</b>
trad. own resources		-21
VAT resource		-6
GNP resource		-35
UK rebate		-5
<b>total own resources</b>		<b>-67</b>
<b>Net balance before budgetary compensation</b>		<b>-36</b>
<b>Budgetary compensation</b>		<b>63</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>26</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations -Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
MALTA

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	0,7	1,7	1,7	4,1
Direct payments	0,0	0,1	0,3	0,4
<b>Total 1a</b>	<b>0,7</b>	<b>1,9</b>	<b>1,9</b>	<b>4,5</b>
<b>1b - Rural development</b>	<b>7,3</b>	<b>8,0</b>	<b>8,5</b>	<b>23,9</b>
<b>Total Heading 1</b>	<b>8,0</b>	<b>9,9</b>	<b>10,5</b>	<b>28,4</b>
<b>2. Structural actions after capping</b>				
Structural Fund	14,2	19,8	25,1	59,1
Cohesion Fund	6,7	5,5	7,4	19,6
Unification of Cyprus				
<b>Total Heading 2</b>	<b>20,9</b>	<b>25,3</b>	<b>32,5</b>	<b>78,7</b>
<b>3. Internal Policies</b>				
Existing policies	6,2	6,4	6,7	19,3
Nuclear safety				
Institution building	0,5	0,3	0,1	0,9
Schengen	0,0	0,0	0,0	0,0
<b>Total Heading 3</b>	<b>6,7</b>	<b>6,7</b>	<b>6,8</b>	<b>20,2</b>
<i>sub-total</i>	<i>35,6</i>	<i>41,9</i>	<i>49,8</i>	<i>127,3</i>
<b>Cash-flow lump sum</b>	<b>12,2</b>	<b>0,0</b>	<b>0,0</b>	<b>12,2</b>
<b>Budgetary Compensation</b>	<b>37,8</b>	<b>65,6</b>	<b>62,9</b>	<b>166,3</b>
<b>Total Appropriations for Commitments</b>	<b>85,6</b>	<b>107,5</b>	<b>112,7</b>	<b>305,8</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	0,7	1,7	1,7	4,1
Direct payments	0,0	0,1	0,3	0,4
<b>Total 1a</b>	<b>0,7</b>	<b>1,9</b>	<b>1,9</b>	<b>4,5</b>
<b>1b - Rural development</b>	<b>2,7</b>	<b>5,7</b>	<b>8,3</b>	<b>16,7</b>
<b>Total Heading 1</b>	<b>3,4</b>	<b>7,5</b>	<b>10,2</b>	<b>21,2</b>
<b>2. Structural actions after capping</b>				
Structural Fund	6,5	11,5	12,2	30,1
Cohesion Fund	0,1	1,5	2,8	4,4
Unification of Cyprus				
<b>Total Heading 2</b>	<b>6,6</b>	<b>13,0</b>	<b>15,0</b>	<b>34,6</b>
<b>3. Internal Policies</b>				
Existing policies	2,2	3,8	5,2	11,2
Nuclear safety				
Institution building	0,2	0,2	0,2	0,6
Schengen	0,0	0,0	0,0	0,0
<b>Total Heading 3</b>	<b>2,4</b>	<b>4,1</b>	<b>5,4</b>	<b>11,8</b>
<i>sub-total</i>	<i>12,4</i>	<i>24,6</i>	<i>30,6</i>	<i>67,6</i>
<b>Cash flow lump sum</b>	<b>12,2</b>	<b>0,0</b>	<b>0,0</b>	<b>12,2</b>
<b>Budgetary Compensation</b>	<b>37,8</b>	<b>65,6</b>	<b>62,9</b>	<b>166,3</b>
<b>Total Appropriations for Payments</b>	<b>62,4</b>	<b>90,2</b>	<b>93,5</b>	<b>246,1</b>

## SLOVAKIA

<b>AGRICULTURE (only issues where EU offers to beyond EUCP)</b>	
<b>Issue</b>	<b>Presidency proposal</b>
<b>Direct Payments</b>	Phasing-in schedule maintained.
<b>Top ups</b>	<p>In 2004-2006, Slovakia has the possibility to top up EU direct payments to:</p> <ul style="list-style-type: none"> <li>- either 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Slovakia may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Slovakia prior to accession (2003) under a like national scheme increased by 10 percentage points; but in no case higher than 100% of EU-15 level of direct payments.</li> </ul> <p>In 2004-2006 the topping-up up to 40% of the EU level can be financed partly from EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• application of relevant maximum EU co-financing rate (80% in objective 1 regions)</li> </ul>
<b>Establishment of eligibility of land for direct payments</b>	31 December 2001 cut-off date
<b>Isoglucose quota</b>	42,547 t
<b>Milk Quota</b>	<p>Basic quota: 1,013,316 t</p> <p>Restructuring reserve: 27,472 t</p> <p>Total quota: 1,040,788 t</p> <p>See appendix</p>
<b>Suckler Cow premium</b>	28,080
<b>Sheep premium</b>	305,756 heads (including goats)
<b>Additional payment for sheep</b>	323,000 euro
<b>Fruit and vegetable threshold</b>	<p>29,500 t tomatoes</p> <p>147 t peaches</p>
<b>Tobacco</b>	1715 t
<b>Wine enrichment</b>	Enrichment of wine with sucrose
<b>State aid on warehouse financing</b>	3 year TP. See appendix.
<b>Rural development</b>	€90m can be granted as additional funds 2004-2006

<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Advance payments</b>	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
<b>Real payments</b>	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
<b>Schengen facility</b>	€47.8m
<b>Pre-accession aid</b>	€123m
<b>Special cash-flow facility of €1 b</b>	Lump sum of € 63m in 2004.
<b>OTHERS</b>	
<b>Issue</b>	<b>Result of Final Negotiations</b>
<b>Purchase of Land</b>	3 year safeguard clause (on top of 7 year TP), managed by COM and based on serious disturbances in land market. See appendix.
<b>Taxation</b>	Reduced excise on 50 l. alcohol per household. See appendix.
<b>Bohunice NPP</b>	Protocol on Bohunice. See appendix.

**For the Act of Accession  
Protocol No Y  
on Unit 1 and Unit 2 of the Bohunice V1 Nuclear Power Plant in Slovakia**

THE HIGH CONTRACTING PARTIES,

Noting Slovakia's commitment to close Unit 1 and Unit 2 of the Bohunice V1 Nuclear Power Plant by 2006 and by 2008 respectively and declaring the Union's willingness to continue to provide until 2006 financial aid in continuation of the pre-accession aid planned under the Phare programme in support of Slovakia's decommissioning effort,

Noting the need to adopt implementing provisions regarding the continued Community assistance,

HAVE AGREED AS FOLLOWS:

Article 1

Slovakia commits to the closure of Unit 1 of the Bohunice V1 Nuclear Power Plant by 31 December 2006 and Unit 2 of this plant by 31 December 2008 at the latest and to subsequent decommissioning of these units.

Article 2

1. During the period 2004-2006, the Community shall provide Slovakia with financial assistance in support of its efforts to decommission and to address the consequences of the closure and decommissioning of Unit 1 and Unit 2 of the Bohunice V1 Nuclear Power Plant (hereinafter 'the Assistance').
2. The Assistance shall be decided and implemented – also after Slovakia's accession to the Union - in accordance with the provisions laid down in Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe<sup>1</sup>, as last amended by Regulation (EC) No 2500/2001.<sup>2</sup>
3. For the period 2004 - 2006 the Assistance shall amount to € 90 million in commitment appropriations, to be committed in equal annual tranches.
4. The Assistance or parts thereof may be made available as a Community contribution to the Bohunice International Decommissioning Support Fund, managed by the European Bank for Reconstruction and Development.

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<sup>1</sup> OJ n° L 375, 23/12/1989 p. 0011 – 0012

<sup>2</sup> OJ. No. L342, 27/12/2001

### Article 3

The European Union acknowledges that the decommissioning of the Bohunice V1 Nuclear Power plant will have to continue beyond the current financial perspective and that this effort represents for Slovakia a significant financial burden. Decisions on the continuation of EU assistance in this field after 2006 will take the situation into account.

## **CHAPTER 4: FREE MOVEMENT OF CAPITAL**

### **Proposed text to be added to the EUCP – Chapter 4**

If there is sufficient evidence that, upon expiry of the transitional period, there will be serious disturbances or a threat of serious disturbances on the agricultural land market of Slovakia, the Commission, at the request of Slovakia, shall decide upon the extension of the transitional period for up to a maximum of three years.

## **CHAPTER 10: TAXATION**

### **Proposed text to be added to the EUCPs for the relevant countries Chapter 10-Taxation**

#### **Slovakia**

- Slovakia may apply a reduced rate of excise duty, of not less than 50% of the standard national rate of excise duty on ethyl alcohol, to ethyl alcohol produced by fruit growers' distilleries producing, on an annual basis, more than 10 hectolitres of ethyl alcohol from fruit supplied to them by fruit growers' households. The application of the reduced rate shall be limited to 50 litres of fruit spirits per producing fruit growers' household per year, destined exclusively for their personal consumption. The Commission will review this arrangement in 2015 and report to the Council on possible modifications.

**1. Complementary national direct payments**

1. Slovakia should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Slovakia may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year.

or

- to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Slovakia prior to accession (2003) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in Slovakia under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Slovakia chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
- the total amount of direct support available for Slovakia for the same sectors in the year concerned under the simplified scheme.

3. Slovakia should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:

- if based on 2003 level, specify the relevant national CAP like direct payment schemes
- define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
- be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

## **2. State aid on warehouse financing**

Until 31 December 2006 Slovakia may continue granting a State aid to ensure the functioning of the Warehouse receipt and Goods receipt system as described in Act No. 144/1998 Coll. on a Warehouse Receipt and Goods Receipt effective as of 1 June 1998.

Slovakia must submit a yearly report to the Commission on the implementation of this State aid measure indicating the aid form and the amounts.

## **3. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 1.013.316 tonnes  
deliveries: 990.810 tonnes  
direct sales: 22.506 tonnes  
reserve 2006: 27.427 tonnes

A special reserve should be established for Slovakia. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) to the extent that the on-farm consumption of milk and milk products in Slovakia has decreased since 2000.

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by Slovakia to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92 should apply:

**Representative fat content:**

3.71%

**Individual reference quantity:**

31.03.2004

## BUDGETARY ESTIMATES

SLOVAKIA		
<i>1999 prices, € millions</i>		
<b>2003</b>		
pre-accession aid		123
<b>2004</b>		
pre-accession aid		120
agriculture		57
structural actions		118
internal actions		19
additional expenditure		21
cash flow lump-sum		63
<b>total allocated expenditure</b>		<b>398</b>
trad. own resources		-33
VAT resource		-26
GNP resource		-147
UK rebate		-20
<b>total own resources</b>		<b>-225</b>
<b>Net balance before budgetary compensation</b>		<b>173</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>173</b>
<b>2005</b>		
pre-accession aid		102
agriculture		205
structural actions		244
internal actions		33
additional expenditure		52
<b>total allocated expenditure</b>		<b>636</b>
trad. own resources		-54
VAT resource		-41
GNP resource		-223
UK rebate		-30
<b>total own resources</b>		<b>-347</b>
<b>Net balance before budgetary compensation</b>		<b>289</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>289</b>
<b>2006</b>		
pre-accession aid		64
agriculture		260
structural actions		289
internal actions		45
additional expenditure		52
<b>total allocated expenditure</b>		<b>709</b>
trad. own resources		-54
VAT resource		-42
GNP resource		-229
UK rebate		-31
<b>total own resources</b>		<b>-356</b>
<b>Net balance before budgetary compensation</b>		<b>353</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>353</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations - Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
SLOVAKIA

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	16,9	48,1	49,2	114,3
Direct payments	0,0	73,0	88,1	161,2
<b>Total 1a</b>	<b>16,9</b>	<b>121,2</b>	<b>137,3</b>	<b>275,4</b>
<b>1b - Rural development</b>	<b>108,2</b>	<b>118,3</b>	<b>125,8</b>	<b>352,3</b>
<b>Total Heading 1</b>	<b>125,2</b>	<b>239,4</b>	<b>263,1</b>	<b>627,7</b>
<b>2. Structural actions after capping</b>				
Structural Fund	261,5	351,5	437,3	1.050,3
Cohesion Fund	174,4	143,6	191,7	509,7
Unification of Cyprus				
<b>Total Heading 2</b>	<b>435,9</b>	<b>495,1</b>	<b>629,0</b>	<b>1.560,0</b>
<b>3. Internal Policies</b>				
Existing policies	53,5	55,7	57,9	167,0
Nuclear safety	30,0	30,0	30,0	
Institution building	12,9	7,7	3,9	24,5
Schengen	15,9	15,9	15,9	47,8
<b>Total Heading 3</b>	<b>112,3</b>	<b>109,3</b>	<b>107,7</b>	<b>329,3</b>
<i>sub-total</i>	<i>673,4</i>	<i>843,9</i>	<i>999,8</i>	<i>2.517,0</i>
<b>Cash-flow lump sum</b>	<b>63,2</b>	<b>0,0</b>	<b>0,0</b>	<b>63,2</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Commitments</b>	<b>736,6</b>	<b>843,9</b>	<b>999,8</b>	<b>2.580,2</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	16,9	48,1	49,2	114,3
Direct payments	0,0	73,0	88,1	161,2
<b>Total 1a</b>	<b>16,9</b>	<b>121,2</b>	<b>137,3</b>	<b>275,4</b>
<b>1b - Rural development</b>	<b>40,2</b>	<b>83,8</b>	<b>122,2</b>	<b>246,3</b>
<b>Total Heading 1</b>	<b>57,2</b>	<b>205,0</b>	<b>259,5</b>	<b>521,7</b>
<b>2. Structural actions after capping</b>				
Structural Fund	114,7	203,8	217,0	535,4
Cohesion Fund	3,5	40,2	72,2	115,9
Unification of Cyprus				
<b>Total Heading 2</b>	<b>118,2</b>	<b>244,0</b>	<b>289,2</b>	<b>651,3</b>
<b>3. Internal Policies</b>				
Existing policies	19,2	33,1	44,8	97,1
Nuclear safety	0,0	30,0	30,0	
Institution building	4,6	5,9	5,8	16,3
Schengen	15,9	15,9	15,9	47,8
<b>Total Heading 3</b>	<b>39,8</b>	<b>85,0</b>	<b>96,5</b>	<b>221,3</b>
<i>sub-total</i>	<i>215,2</i>	<i>534,0</i>	<i>645,2</i>	<i>1.394,3</i>
<b>Cash flow lump sum</b>	<b>63,2</b>	<b>0,0</b>	<b>0,0</b>	<b>63,2</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Payments</b>	<b>278,4</b>	<b>534,0</b>	<b>645,2</b>	<b>1.457,5</b>

## LATVIA

AGRICULTURE (only issues where EU offers go beyond EUCP)	
Issue	Presidency proposal
Direct Payments	Phasing-in schedule maintained.
Top-ups	<p>In 2004-2006, LV has the possibility to top up EU direct payments to:</p> <ul style="list-style-type: none"> <li>- either 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Latvia may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Latvia prior to accession (2003) under a like national scheme increased by 10 percentage points; but in no case higher than 100% of EU-15 level of direct payments.</li> </ul> <p>In 2004-2006 the topping-up up to 40% of the EU level can be financed partly from EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets;</li> <li>• application of relevant maximum EU co-financing rate (80% in objective 1 regions).</li> </ul> <p>See appendix on list of products for which a gradual phasing-out of national subsidies will apply (incl. length and amounts)</p>
Milk Quota	<p>Basic quota: 695,395 t</p> <p>2006 restructuring reserve: 33,253 t</p> <p>total quota: 728,648 t.</p> <p>See appendix for details.</p>
Reference yield	2.5 t/ha
Base area	443,580 ha
Potato starch	5,778 t
Fibres	<p>360 t long</p> <p>1,313 t short</p>
Reference yields for drained and non-drained land	Regarding the ability to differentiate reference yields for drained and non-drained land, the existing acquis could provide for this request.
Suckler Cow premium	19,368
Fat Content in Drinking Milk	TP for up to 5 years. See appendix.
Catalogue of Plant Varieties	TP for up to 5 years. See appendix.

<b>Organic farming</b>	Use of untreated seeds, planting material and propagating material produced in conventional farms until 1 January 2006. Certified organic apiaries to use sugar produced as conventional farms as additional bee-feeding until 1 January 2006. Use in organic farms of potassium permanganate preparation allowed for 18 months after accession.
<b>Abandoned land</b>	Letter from the Commission
<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Advance payments</b>	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
<b>Real payments</b>	Reduction from: - 3% to 2% for 2004 as regards structural funds; - 35% to 23.3% for 2004 as regards rural development.
<b>Schengen facility</b>	€ 71m
<b>Special cash-flow facility of € 1 b</b>	Lump sum of € 19m in 2004
<b>OTHERS</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
<b>Purchase of Land</b>	Up to 7 year TP plus 3 year safeguard clause, managed by COM and based on serious disturbances in land market. See appendix.
<b>Lynx</b>	LV request of inclusion of lynx into Annex 5 of Directive, implying managed hunting without need for compliant management plan not accepted.
<b>Baltic Herring</b>	Through technical adaptations in the Accession Treaty, it will be provided for that LV can maintain its traditional fishing of smallest size Baltic Herring (10g) for human consumption, caught in traditional waters.
<b>VAT on heating</b>	VAT exemption for heating until end 2004. See appendix.
<b>Institutions</b>	Introduction of LV unilateral declaration into Accession Treaty concerning voting rights in the Council. See annex.

**Proposed text to be added to the EUCP – Chapter 4  
Latvia (CONF-LV 28/01).**

The EU stresses that the completion of the internal market is a key element of the *acquis* and that full alignment with the *acquis* in this field by the earliest possible date is therefore highly desirable. However, in view of the information provided by Latvia, the EU can accept a transitional period of seven years during which Latvia may continue to apply its national legislation with regard to the acquisition of agricultural land and forests by EU nationals and EU legal persons.

The EU notes that companies established or registered in Latvia, even when partly or fully owned by EU shareholders, and local branches or agencies in Latvia of EU companies, are not considered by Latvia as EU companies and that these shall not be covered by the transitional period. In no instance may EU citizens, in respect of acquisition of agricultural land and forests, receive a less favourable treatment than at the time of signature of the Accession Treaty nor be treated in a more restrictive way than a national from a third country.

A general review of the transitional period shall be held in the third year of the transitional period. To that aim, the Commission shall report in due time to the Council. The Council may, acting unanimously on a proposal from the Commission, decide to shorten or lift the transitional period.

EU nationals who wish to establish themselves as self-employed farmers and reside in Latvia, and who have been legally resident and active in farming in Latvia for at least three years continuously, shall be excluded from the scope of the transitional period and shall not be subject to any procedures other than those applied to nationals of Latvia. The EU notes that constitutional or legal provisions presently preventing EU nationals from acquiring real estate in Latvia will be abolished by the date of accession at the latest.

If there is sufficient evidence that, upon expiry of the transitional period, there will be serious disturbances or a threat of serious disturbances on the agricultural land market of Latvia, the Commission, at the request of Latvia, shall decide upon the extension of the transitional period for up to a maximum of three years.

## **CHAPTER 10: TAXATION**

### **Proposed text to be added to the EUCPs for the relevant countries Chapter 10-Taxation**

#### **Latvia**

- Latvia may maintain an exemption from value added tax (VAT) on the supply of heating to households, until 31 December 2004.

## 1. Complementary national direct payments

### **Topping up**

1. Latvia should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Latvia may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;

or

- to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Latvia prior to accession (2003) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in Latvia under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Latvia chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
- the total amount of direct support available for Latvia for the same sectors in the year concerned under the simplified scheme.

3. Latvia should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:

- if based on 2003 level, specify the relevant national CAP like direct payment schemes
- define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
- be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

#### **State aid**

In those sectors where Latvia is providing a higher level of aid than presently in the EU, Latvia is given the possibility in addition to the Complementary National direct payments to grant transitional and degressive national aids until the end of 2008. These State aids should be granted in a form that is similar to Community aids, such as decoupled payments.

Latvia should be allowed to grant State aid to the (sub)sectors mentioned and up till the amounts mentioned in the table.

The state aid to be granted will be subject to any adjustments which may be rendered necessary by developments in the common agricultural policy. Should such adjustments prove necessary, the amount of the aids or the conditions for the granting thereof should be amended at the Commission's request or on the basis of a decision by the Commission.

Latvia must yearly submit a report to the Commission on the implementation of the State aid measures indicating the aid forms and amounts per (sub)sector.

Table

**STATE AID**

Sector	2004	2005	2006	2007	2008
Flax	654.000	523.200	392.400	261.600	130.800
Milk and dairy	5.236.000	-	-	-	-
pig sector	204.000	163.200	122.400	81.600	40.800
Sheep and goats	107.000	85.600	64.200	42.800	21.400
seeds	109.387	87.510	66.110	44.710	23.310
Total	6.310.387	859.510	645.110	430.710	216.310

**2. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 695.395 tonnes  
deliveries: 468.943 tonnes  
direct sales: 226.452 tonnes  
reserve 2006: 33.253 tonnes

A special reserve should be established for Latvia. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) to the extent that the on-farm consumption of milk and milk products in Latvia has decreased since 1998.

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by Latvia to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92 should apply:

**Representative fat content:**  
LV 4.07%

**Individual reference quantity:**  
LV 31.03.2004

**3. Fat content in drinking milk**

By way of derogation from Article 3(1)(b) and (c) of Regulation (EC) No 2597/97, the requirements relating to the fat content of drinking milk (whole milk and semi-skimmed milk) shall not apply to drinking milk produced in Latvia for a period of five years from the date of accession. Drinking milk which does not comply with the requirements relating to fat content may be marketed only in Latvia or exported to a third country.

#### **4. Quality requirements for seed**

Latvia may postpone for a period of five years following the date of accession the application of Directives 2002/53/EC and 2002/55/EC with regard to the marketing in its territory of seeds of varieties listed in its respective national catalogues of varieties of agricultural plant species and varieties of vegetable plant species which have not been officially accepted in accordance with the provisions of those Directives. During that period, such seeds shall not be marketed in the territory of other Member States.

## BUDGETARY ESTIMATES

LATVIA		
1999 prices, € millions		
<b>2003</b>		
pre-accession aid		84
<b>2004</b>		
pre-accession aid		99
agriculture		42
structural actions		66
internal actions		10
additional expenditure		28
cash flow lump-sum		19
<b>total allocated expenditure</b>		<b>264</b>
trad. own resources		-7
VAT resource		-8
GNP resource		-48
UK rebate		-6
<b>total own resources</b>		<b>-69</b>
<b>Net balance before budgetary compensation</b>		<b>195</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>195</b>
<b>2005</b>		
pre-accession aid		86
agriculture		116
structural actions		151
internal actions		17
additional expenditure		29
<b>total allocated expenditure</b>		<b>398</b>
trad. own resources		-11
VAT resource		-13
GNP resource		-73
UK rebate		-10
<b>total own resources</b>		<b>-106</b>
<b>Net balance before budgetary compensation</b>		<b>292</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>292</b>
<b>2006</b>		
pre-accession aid		52
agriculture		156
structural actions		189
internal actions		22
additional expenditure		28
<b>total allocated expenditure</b>		<b>447</b>
trad. own resources		-11
VAT resource		-14
GNP resource		-75
UK rebate		-10
<b>total own resources</b>		<b>-109</b>
<b>Net balance before budgetary compensation</b>		<b>338</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>338</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations - Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
LATVIA

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	8,9	21,6	23,6	54,1
Direct payments	0,0	25,2	31,1	56,3
<b>Total 1a</b>	<b>8,9</b>	<b>46,7</b>	<b>54,7</b>	<b>110,3</b>
<b>1b - Rural development</b>	89,4	97,7	103,9	291,0
<b>Total Heading 1</b>	<b>98,3</b>	<b>144,4</b>	<b>158,6</b>	<b>401,4</b>
<b>2. Structural actions after capping</b>				
Structural Fund	150,9	207,8	216,1	574,8
Cohesion Fund	173,6	140,1	147,4	461,1
Unification of Cyprus				
<b>Total Heading 2</b>	<b>324,5</b>	<b>347,9</b>	<b>363,5</b>	<b>1.035,9</b>
<b>3. Internal Policies</b>				
Existing policies	26,8	27,9	29,0	83,8
Nuclear safety				
Institution building	10,6	6,4	3,2	20,2
Schengen	23,7	23,7	23,7	71,1
<b>Total Heading 3</b>	<b>61,1</b>	<b>58,0</b>	<b>55,9</b>	<b>175,1</b>
<i>sub-total</i>	<i>484,0</i>	<i>550,3</i>	<i>578,0</i>	<i>1.612,3</i>
Cash-flow lump sum	19,5	0,0	0,0	19,5
Budgetary Compensation	0,0	0,0	0,0	0,0
<b>Total Appropriations for Commitments</b>	<b>503,4</b>	<b>550,3</b>	<b>578,0</b>	<b>1.631,8</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	8,9	21,6	23,6	54,1
Direct payments	0,0	25,2	31,1	56,3
<b>Total 1a</b>	<b>8,9</b>	<b>46,7</b>	<b>54,7</b>	<b>110,3</b>
<b>1b - Rural development</b>	33,2	69,3	101,0	203,5
<b>Total Heading 1</b>	<b>42,1</b>	<b>116,0</b>	<b>155,7</b>	<b>313,8</b>
<b>2. Structural actions after capping</b>				
Structural Fund	62,7	111,4	118,6	292,7
Cohesion Fund	3,5	39,9	70,0	113,4
Unification of Cyprus				
<b>Total Heading 2</b>	<b>66,2</b>	<b>151,3</b>	<b>188,6</b>	<b>406,1</b>
<b>3. Internal Policies</b>				
Existing policies	9,7	16,6	22,4	48,7
Nuclear safety				
Institution building	3,8	4,9	4,8	13,5
Schengen	23,7	23,7	23,7	71,1
<b>Total Heading 3</b>	<b>37,2</b>	<b>45,2</b>	<b>50,9</b>	<b>133,3</b>
<i>sub-total</i>	<i>145,5</i>	<i>312,5</i>	<i>395,2</i>	<i>853,2</i>
Cash flow lump sum	19,5	0,0	0,0	19,5
Budgetary Compensation	0,0	0,0	0,0	0,0
<b>Total Appropriations for Payments</b>	<b>165,0</b>	<b>312,5</b>	<b>395,2</b>	<b>872,7</b>

## LITHUANIA

AGRICULTURE (only issues where EU offers go beyond EUCP)	
Issue	Presidency proposal
Direct Payments	Phasing-in schedule maintained.
Top-ups	<p>In 2004-2006, Lithuania has the possibility to top up EU direct payments to</p> <ul style="list-style-type: none"> <li>- either 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Lithuania may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year;</li> <li>- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in LT prior to accession (2002) under a like national scheme increased by 10 percentage points;</li> </ul> <p>but in no case higher than 100% of EU-15 level of direct payments.</p> <p>In 2004-2006 the topping-up up to 40% of the EU level can be financed partly from EAGGF guarantee rural development allocation under the following conditions:</p> <ul style="list-style-type: none"> <li>• a maximum 20% of the commitment appropriations available in this envelope for each year 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006 can be used for topping-up. Any further topping-up can only be financed from national budgets.</li> <li>• application of relevant maximum EU co-financing rate (80% in objective 1 regions)</li> </ul> <p>See appendix.</p>
Sugar quota	103,000 t (EUCP)
Reference yield	2.7 t/ha.
Base area	1,146,633 ha
Milk Quota	<p>Basic quota: 1,646,939 t</p> <p>2006 restructuring reserve: 57,900 t</p> <p>Total quota: 1,704,839 t.,</p> <p>see appendix</p>
Potato starch	1,211 t
Suckler Cow premium	<p>47,232</p> <p>3 year TP on the eligibility criteria for suckler cows. See appendix.</p>
Fibres	<p>2,263 t long</p> <p>3,463 t short</p>

<b>BUDGETARY ISSUES</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
Advance payments	Split of 16% into 10% for 2004 and 6% for 2005 as regards structural funds.
Real payments	Reduction from: - 3% to 2% for 2004 as regards structural and cohesion funds; - 35% to 23.3% for 2004 as regards rural development.
Schengen facility	€137m to be disbursed at the rate of 33% in 2004, 45% in 2005 and 22% in 2006.
Special cash-flow facility of €1 bn	Lump sum of € 35m in 2004.
<b>OTHERS</b>	
<b>Issue</b>	<b>Results of Final Negotiations</b>
Purchase of land	Up to 7 year TP plus 3 year safeguard clause, managed by COM and based on serious disturbances in land market. See appendix.
Ignalina	Protocol on Ignalina with €285m for 2004-2006 and outlook for an appropriate level for beyond 2006. See appendix.
Kaliningrad	Protocol, declaration and Council Conclusions (including financial assistance). See appendix.

**Proposed text to be added to the EUCP – Chapter 4  
Lithuania (CONF-LT 20/01).**

The EU stresses that the completion of the internal market is a key element of the *acquis* and that full alignment with the *acquis* in this field by the earliest possible date is therefore highly desirable. However, in view of the information provided by Lithuania, the EU can accept a transitional period of seven years during which Lithuania may continue to apply its national legislation with regard to the acquisition of agricultural land and forests by EU nationals and EU legal persons.

The EU notes that companies established or registered in Lithuania, even when partly or fully owned by EU shareholders, and local branches or agencies in Lithuania of EU companies, are not considered by Lithuania as EU companies and that these shall not be covered by the transitional period. In no instance may EU citizens, in respect of acquisition of agricultural land and forests, receive a less favourable treatment than at the time of signature of the Accession Treaty nor be treated in a more restrictive way than a national from a third country.

A general review of the transitional period shall be held in the third year of the transitional period. To that aim, the Commission shall report in due time to the Council. The Council may, acting unanimously on a proposal from the Commission, decide to shorten or lift the transitional period.

EU nationals who wish to establish themselves as self-employed farmers and reside in Lithuania, and who have been legally resident and active in farming in Lithuania for at least three years continuously, shall be excluded from the scope of the transitional period and shall not be subject to any procedures other than those applied to nationals of Lithuania. The EU notes that constitutional or legal provisions presently preventing EU nationals from acquiring real estate in Lithuania will be abolished by the date of accession at the latest.

If there is sufficient evidence that, upon expiry of the transitional period, there will be serious disturbances or a threat of serious disturbances on the agricultural land market of Lithuania, the Commission, at the request of Lithuania, shall decide upon the extension of the transitional period for up to a maximum of three years.

**For the Act of Accession  
Protocol No X  
on the Ignalina Nuclear Power Plant in Lithuania**

THE HIGH CONTRACTING PARTIES,

Declaring the Union's willingness to continue to provide adequate additional Community assistance to Lithuania's decommissioning effort also after Lithuania's accession to the European Union for the period until 2006 and beyond and noting that Lithuania, bearing in mind this expression of Union solidarity, has committed to close Unit 1 of the Ignalina Nuclear Power Plant before 2005 and Unit 2 by 2009,

Recognising that the decommissioning of the Ignalina Nuclear Power Plant with two 1500 MW RBMK-type reactor units inherited from the former Soviet Union is of unprecedented nature and represents for Lithuania an exceptional financial burden not commensurate with the size and economic strength of the country and that this decommissioning will continue beyond the Community's current Financial Perspectives,

Noting the need to adopt implementing provisions for the additional Community assistance to address the consequences of the closure and the decommissioning of the Ignalina Nuclear Power Plant,

Noting that Lithuania will pay due attention to the needs of the regions most affected by the closure of the Ignalina Nuclear Power Plant in its use of Community assistance,

Declaring that certain measures that will be supported through public aids shall be considered as compatible with the internal market, such as the decommissioning of the Ignalina Nuclear Power Plant, and the environmental upgrading in line with the acquis and modernisation of conventional electricity production capacity needed to replace the two Ignalina Nuclear Power Plant reactors after their closure,

HAVE AGREED AS FOLLOWS:

Article 1

Acknowledging the readiness of the Union to provide adequate additional Community assistance to the efforts by Lithuania to decommission the Ignalina Nuclear Power Plant and highlighting this expression of solidarity, Lithuania commits to the closure of Unit 1 of the Ignalina Nuclear Power Plant before 2005 and of Unit 2 of this plant by 31 December 2009 at the latest and to the subsequent decommissioning of these units.

Article 2

1. During the period 2004-2006, the Community shall provide Lithuania with additional financial assistance in support of its efforts to decommission and to address the consequences of the closure and decommissioning of the Ignalina Nuclear Power Plant (hereinafter 'the Ignalina Programme').

2. Measures under the Ignalina Programme shall be decided and implemented in accordance with the provisions laid down in Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe<sup>3</sup>, as last amended by Regulation (EC) No 2500/2001.<sup>4</sup>

3. The Ignalina Programme shall, inter alia, cover: measures in support of the decommissioning of the Ignalina Nuclear Power Plant; measures for the environmental upgrading in line with the acquis and modernisation measures of conventional production capacity to replace the production capacity of the two Ignalina Nuclear Power Plant reactors; and other measures which are consequential to the decision to close and decommission this plant and which contribute to the necessary restructuring, environmental upgrading and modernisation of the energy production, transmission and distribution sectors in Lithuania as well as to enhancing the security of energy supply and improving energy efficiency in Lithuania.

4. The Ignalina Programme shall include measures to support plant personnel in maintaining a high level of operational safety at the Ignalina Nuclear Power Plant in the periods prior to the closure and during the decommissioning of the said reactor units.

5. For the period 2004 - 2006 the Ignalina Programme shall amount to € 285 million in commitment appropriations, to be committed in equal annual tranches.

6. The contribution under the Ignalina Programme may, for certain measures, amount to up to 100% of the total expenditure. Every effort should be made to continue the co-financing practice established under the pre-accession assistance for Lithuania's decommissioning effort as well as to attract co-financing from other sources, as appropriate.

7. The assistance under the Ignalina Programme, or parts thereof, may be made available as a Community contribution to the Ignalina International Decommissioning Support Fund, managed by the European Bank for Reconstruction and Development.

8. Public aid from national, Community and international sources:

-for the environmental upgrading in line with the acquis and modernisation measures of the Lithuanian Thermal Power Plant in Elektrenai as the key replacement for the production capacity of the two Ignalina Nuclear Power Plant reactors; and

-for the decommissioning of the Ignalina Nuclear Power Plant

shall be compatible with the internal market as defined in the EC Treaty.

9. Public aid from national, Community and international sources in support of Lithuania's efforts to address the consequences of the closure and of the decommissioning of Ignalina Nuclear Power Plant may, on a case by case basis, be considered to be compatible - under the EC Treaty- with the internal market, in particular public aid provided for enhancing the security of energy supply.

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<sup>3</sup> OJ n° L 375, 23/12/1989 p. 0011 – 0012

<sup>4</sup> OJ. No. L342, 27/12/2001

### Article 3

1. Recognising that the decommissioning of the Ignalina Nuclear Power Plant is of a long-term nature and represents for Lithuania an exceptional financial burden not commensurate with its size and economic strength, the Union shall, in solidarity with Lithuania, provide adequate additional Community assistance to the decommissioning effort beyond 2006.
2. The Ignalina Programme will be, for this purpose, seamlessly continued and extended beyond 2006. Implementing provisions for the extended Ignalina Programme shall be decided in accordance with the procedure laid down in Article [38] of the Act of Accession and enter into force, at the latest, by the date of expiry of the current Financial Perspectives.
3. The Ignalina Programme, as extended in accordance with the provisions of article 3 (2), shall be based on the same elements and principles as described in Article 2.
4. For the period of the next Financial Perspectives, the overall average appropriations under the extended Ignalina Programme shall be appropriate. Programming of these resources will be based on actual payment needs and absorption capacity.

### Article 4

Without any prejudice to the provisions of article 1, the general safeguard clause referred to in article [x] shall apply until 31 December 2012 if energy supply is disrupted in Lithuania.

**Draft Declaration of the EU on the transit of persons by land between the region of Kaliningrad and other parts of the Russian Federation**

**annexed to the Accession Treaty**

"The Community shall assist Lithuania in fulfilling the conditions for full participation in the Schengen *acquis* as soon as possible in order to secure that Lithuania will be included in the first group of new Member States to participate fully in the Schengen *acquis*. Full participation will depend on an objective evaluation that all necessary conditions are fulfilled according to the Schengen *acquis*."

**COUNCIL CONCLUSIONS  
adopted on 10 December 2002**

"Given the need to ensure that the new arrangement based on the Schengen *acquis* on the Facilitated Transit Document (FTD) and the Facilitated Rail Transit Document (FRTD) can be covered by the guarantees provided for through the Protocol on the transit of persons by land between the region of Kaliningrad and other parts of the Russian Federation to be annexed to the Treaty on Accession, the Council commits itself to take all necessary steps with a view to adoption of the new arrangement on the FTD and FRTD before the signature of the Accession Treaty. As was the case for the overall agreement on Kaliningrad, this new arrangement based on the Schengen *acquis* shall be developed and decided in close consultation with Lithuania.

The Council confirms that the Union is ready to provide financial assistance to Lithuania to cover the additional costs of implementing the measures concerning Lithuania foreseen in the EU-Russia joint statement of 11 November 2002. It invites the Commission before the end of the year to establish these additional costs in consultation with Lithuania and take the necessary steps with the aim of mobilising funding from early 2003. The estimated costs for 2003 based on present information amount to € 9 mio."

**Draft Protocol on the transit of persons by land between the region of Kaliningrad and other parts of the Russian Federation**

**(to be dealt with under Chapter 31 Lithuania) annexed to the Accession Treaty**

"THE HIGH CONTRACTING PARTIES,

CONSIDERING the particular situation of the region of Kaliningrad of the Russian Federation in the context of the Union's enlargement,

RECOGNIZING the obligations and commitments of Lithuania with regard to the *acquis* establishing an area of freedom, security and justice,

NOTING, in particular, that Lithuania shall fully apply and implement the EC *acquis* regarding the list of countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement as well the EC *acquis* regarding the uniform format for a visa as from accession at latest,

RECOGNISING that the transit of persons by land between the region of Kaliningrad and other parts of the Russian Federation through EU territory is a matter concerning the Union as a whole and should be treated as such and must not entail any unfavourable consequence for Lithuania,

CONSIDERING the decision to be taken by the Council to remove controls at internal borders after it has verified that the necessary conditions to that effect have been met,

DETERMINED to assist Lithuania in fulfilling the conditions for full participation in the Schengen area without internal frontiers as soon as possible,

HAVE AGREED on the following provisions:

*Article 1*

The Community rules and arrangements on transit of persons by land between the region of Kaliningrad and other parts of the Russian Federation, and in particular Council Regulation [number to be inserted after adoption] shall not in themselves delay or prevent the full participation of Lithuania in the Schengen *acquis*, including the removal of internal border controls.

### *Article 2*

The Community shall assist Lithuania in implementing the rules and arrangements for the transit of persons between the region of Kaliningrad and the other parts of the Russian Federation with a view of its full participation in the Schengen area as soon as possible.

The Community shall assist Lithuania in managing the transit of persons between the region of Kaliningrad and the other parts of the Russian Federation and shall, notably, bear any additional costs incurred by implementing the specific provisions of the acquis provided for such transit.

### *Article 3*

Without prejudice to the sovereign rights of Lithuania, any further decision concerning the transit of persons between the region of Kaliningrad and other parts of the Russian Federation will be only adopted after the accession of Lithuania by the Council acting unanimously on a proposal by the Commission.

**1. Complementary national direct payments**

1. Lithuania should be given the possibility, subject to authorisation by the Commission, to complement direct aid paid to a farmer under any CAP scheme listed in the annex to Regulation (EC) No 1259/1999 up to:

either

- 45% of EU level in the years 2004, 50% in 2005 and 55% in 2006. From 2007 Lithuania may top-up EU direct payments by 20 percentage points above the applicable phasing-in level in the relevant year.

or

- to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in Lithuania prior to accession (2002) under a like national scheme increased by 10 percentage points.

However, the total direct support the farmer could be granted after accession in Lithuania under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

2. The option to grant national aid complements should also be available if Lithuania chose to apply the simplified scheme.

The total amount per sector of complementary national aids that could be granted in a given year after accession when applying the simplified scheme, should be limited by a specific financial envelope per sector. This specific financial envelope would be equal to the difference between

- the total amount of support per sector resulting from the calculation method described above under either option 1 or 2 and
- the total amount of direct support available for Lithuania for the same sectors in the year concerned under the simplified scheme.

3. Lithuania should have the right to decide, on the basis of objective criteria and subject to authorisation by the Commission, on the amounts of complementary national aid to be granted. The authorisations by the Commission should:

if based on 2003 level, specify the relevant national CAP like direct payment schemes

- define the level up to which the complementary national aids can be paid, the rate of the complementary national aids and, where appropriate, the conditions for the granting thereof,
- be granted subject to any adjustments which may be rendered necessary by developments in the common agricultural policy.

Both under the EU standard scheme and the simplified scheme there should be no complementary national payments and aids for agricultural activities covered by a common market organisation but not directly supported under the CAP (annex to Regulation (EC) No 1259/1999).

A national direct payment scheme applicable prior to accession should be considered as a CAP like scheme if the national direct support available was granted to farmers in respect of a production covered by one of the EU direct payment schemes listed in the annex to Regulation (EC) No 1259/1999.

4. During the years 2004-2006 the complementary national aid up to 40% of the EU level can be financed by the national rural development allocation under EAGGF guarantee, thus from heading 1b. However, the amount available for this purpose shall not exceed 20% of the commitment appropriations available in each of the years 2004, 2005 and 2006 or 25% in 2004, 20% in 2005 and 15% in 2006. Furthermore, the relevant maximum EU co-financing rates shall apply (80% in objective 1 regions). The national co-financing arrangements will be part of the normal rural development programming process. The financing from rural development under EAGGF guarantee shall function according to the normal rules.
5. The arrangement set out under paragraph 4 above is a temporary and sui generis solution and does not constitute a precedent.

From 2007 all national complementary direct payments will be financed from the national budget.

## **2. Milk quota**

The milk quota should be set in accordance with the following:

quota – 2004: 1.646.939 tonnes  
deliveries: 1.256.440 tonnes  
direct sales: 390.499 tonnes  
reserve 2006: 57.900 tonnes

A special reserve should be established for Lithuania. This reserve would be released as from the beginning of the quota year 2006/07 (1.4.2006) to the extent that the on-farm consumption of milk and milk products in Lithuania has decreased since 2000.

The decision on releasing the reserve and of its distribution to the deliveries and direct sales quota will be taken by the Commission under the management committee procedure on the basis of an assessment of a report to be submitted by Lithuania to the Commission by the 31.12.2005. This report should detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market.

The following representative fat contents (Article 11 in Regulation (EEC) No 3950/92) and date for establishing the individual reference quantity (Article 4(1) in Regulation (EEC) 3950/92 should apply:

**Representative fat content:**  
3,99%

**Individual reference quantity:**  
31.03.2003

**3. Eligibility criteria for suckler cows**

For the years 2004 to 2006, Lithuania may, by way of derogation from Article 3 (f) of Regulation (EC) No 1254/1999, consider cows of the breeds listed in Annex I to Regulation (EC) No 2342/1999, as eligible for the suckler cow premium as provided for in Subsection 3 of Regulation (EC) No 1254/1999, provided that they have been covered or inseminated by bulls of a meat breed.

## BUDGETARY ESTIMATES

<b>LITHUANIA</b>		
<i>1999 prices, € millions</i>		
<b>2003</b>		
pre-accession aid		115
<b>2004</b>		
pre-accession aid		127
agriculture		73
structural actions		94
internal actions		11
additional expenditure		84
cash flow lump-sum		35
<b>total allocated expenditure</b>		<b>423</b>
trad. own resources		-22
VAT resource		-14
GNP resource		-78
UK rebate		-10
<b>total own resources</b>		<b>-124</b>
<b>Net balance before budgetary compensation</b>		<b>299</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2004 after budgetary compensation</b>		<b>299</b>
<b>2005</b>		
pre-accession aid		110
agriculture		228
structural actions		203
internal actions		18
additional expenditure		109
<b>total allocated expenditure</b>		<b>668</b>
trad. own resources		-33
VAT resource		-22
GNP resource		-118
UK rebate		-16
<b>total own resources</b>		<b>-189</b>
<b>Net balance before budgetary compensation</b>		<b>479</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2005 after budgetary compensation</b>		<b>479</b>
<b>2006</b>		
pre-accession aid		66
agriculture		294
structural actions		248
internal actions		25
additional expenditure		127
<b>total allocated expenditure</b>		<b>759</b>
trad. own resources		-33
VAT resource		-22
GNP resource		-122
UK rebate		-17
<b>total own resources</b>		<b>-194</b>
<b>Net balance before budgetary compensation</b>		<b>565</b>
<b>Budgetary compensation</b>		<b>-</b>
<b>Net balance 2006 after budgetary compensation</b>		<b>565</b>

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations -Accession 1 May 2004; Negotiation Package 10 December. *in € millions, 1999 prices*  
LITHUANIA

Appropriations for Commitments	2004	2005	2006	2004-2006
<b>1. Agriculture.</b>				
<b>1a - Common Agricultural Policy</b>				
Market measures	23,2	56,1	59,2	138,6
Direct payments	0,0	68,2	83,8	152,1
<b>Total 1a</b>	<b>23,2</b>	<b>124,3</b>	<b>143,1</b>	<b>290,6</b>
<b>1b - Rural development</b>	<b>133,4</b>	<b>145,7</b>	<b>155,1</b>	<b>434,2</b>
<b>Total Heading 1</b>	<b>156,6</b>	<b>270,0</b>	<b>298,1</b>	<b>724,8</b>
<b>2. Structural actions after capping</b>				
Structural Fund	200,5	280,5	341,5	822,5
Cohesion Fund	189,4	156,0	198,1	543,5
Unification of Cyprus				
<b>Total Heading 2</b>	<b>389,9</b>	<b>436,5</b>	<b>539,6</b>	<b>1.366,0</b>
<b>3. Internal Policies</b>				
Existing policies	29,5	30,7	32,0	92,2
Nuclear safety	95,0	95,0	95,0	
Institution building	13,5	8,1	4,1	25,7
Schengen	45,2	45,2	45,2	135,7
<b>Total Heading 3</b>	<b>183,3</b>	<b>179,1</b>	<b>176,3</b>	<b>538,7</b>
<i>sub-total</i>	<i>729,8</i>	<i>885,6</i>	<i>1.014,0</i>	<i>2.629,5</i>
<b>Cash-flow lump sum</b>	<b>34,8</b>	<b>0,0</b>	<b>0,0</b>	<b>34,8</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Commitments</b>	<b>764,6</b>	<b>885,6</b>	<b>1.014,0</b>	<b>2.664,3</b>
<b>Appropriations for Payments</b>				
<b>1. Agriculture.</b>				
<b>1a - Politique agricole commune</b>				
Market measures	23,2	56,1	59,2	138,6
Direct payments	0,0	68,2	83,8	152,1
<b>Total 1a</b>	<b>23,2</b>	<b>124,3</b>	<b>143,1</b>	<b>290,6</b>
<b>1b - Rural development</b>	<b>49,6</b>	<b>103,3</b>	<b>150,6</b>	<b>303,5</b>
<b>Total Heading 1</b>	<b>72,8</b>	<b>227,6</b>	<b>293,7</b>	<b>594,1</b>
<b>2. Structural actions after capping</b>				
Structural Fund	89,8	159,6	169,9	419,3
Cohesion Fund	3,8	43,7	78,1	125,6
Unification of Cyprus				
<b>Total Heading 2</b>	<b>93,6</b>	<b>203,3</b>	<b>248,0</b>	<b>544,9</b>
<b>3. Internal Policies</b>				
Existing policies	10,6	18,3	24,7	53,6
Nuclear safety	34,2	57,5	75,7	
Institution building	4,9	6,2	6,1	17,2
Schengen	45,2	45,2	45,2	135,7
<b>Total Heading 3</b>	<b>95,0</b>	<b>127,3</b>	<b>151,8</b>	<b>374,0</b>
<i>sub-total</i>	<i>261,4</i>	<i>558,1</i>	<i>693,5</i>	<i>1.513,0</i>
<b>Cash flow lump sum</b>	<b>34,8</b>	<b>0,0</b>	<b>0,0</b>	<b>34,8</b>
<b>Budgetary Compensation</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total Appropriations for Payments</b>	<b>296,2</b>	<b>558,1</b>	<b>693,5</b>	<b>1.547,8</b>

# ANNEXES

**ANNEX I**

**Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations  
From Commission information note of 30/01/2002 and Brussels European Council of 25/10/2002- in euro million, 1999  
prices  
- Accession 1st of May NEGOTIATION PACKAGE 10 DECEMBER**

Year 2004													
Appropriations for Commitments	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	not allocated	Total	Info Note
<b>1. Agriculture.</b>													
<b>1a - Common Agricultural Policy</b>													
Market measures	4,9	45,0	13,6	63,6	130,2	14,9	23,2	8,9	16,9	0,7		322	516
Direct payments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0	0
<b>Total 1a</b>	<b>4,9</b>	<b>45,0</b>	<b>13,6</b>	<b>63,6</b>	<b>130,2</b>	<b>14,9</b>	<b>23,2</b>	<b>8,9</b>	<b>16,9</b>	<b>0,7</b>		<b>322</b>	<b>516</b>
<b>1b - Rural development</b>	20,3	147,9	41,0	164,2	781,2	76,7	133,4	89,4	108,2	7,3		1.570	1.532
<b>Total Heading 1</b>	<b>25,1</b>	<b>193,0</b>	<b>54,6</b>	<b>227,8</b>	<b>911,4</b>	<b>91,6</b>	<b>156,6</b>	<b>98,3</b>	<b>125,2</b>	<b>8,0</b>	<b>0</b>	<b>1.892</b>	<b>2.048</b>
<b>2. Structural actions after capping</b>													
Structural Fund	17,1	396,3	85,8	448,1	2.076,6	58,7	200,5	150,9	261,5	14,2	8	3.718	4.167
Cohesion Fund	16,5	286,2	94,5	340,2	1.277,6	57,7	189,4	173,6	174,4	6,7		2.617	2.884
Unification of Cyprus												0	16
<b>Total Heading 2</b>	<b>33,5</b>	<b>682,5</b>	<b>180,3</b>	<b>788,3</b>	<b>3.354,2</b>	<b>116,4</b>	<b>389,9</b>	<b>324,5</b>	<b>435,9</b>	<b>20,9</b>	<b>8</b>	<b>6.335</b>	<b>7.067</b>
<b>3. Internal Policies</b>													
Existing policies	14,5	122,2	14,4	116,4	428,9	33,7	29,5	26,8	53,5	6,2		846	851
Nuclear safety							95,0		30,0			125	125
Institution building	1,3	19,6	7,2	25,2	103,7	5,5	13,5	10,6	12,9	0,5		200	200
Shengen	0,0	0,0	22,9	49,3	57,4	35,6	45,2	23,7	15,9	0,0		250	
<b>Total Heading 3</b>	<b>15,8</b>	<b>141,8</b>	<b>44,5</b>	<b>190,9</b>	<b>590,0</b>	<b>44,8</b>	<b>183,3</b>	<b>61,1</b>	<b>112,3</b>	<b>6,7</b>	<b>0,0</b>	<b>1.421,</b>	<b>1.176</b>

Appropriations for Payments	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	not allocated	Total	Info Note
<b>1. Agriculture.</b>													
<b>1a - Politique agricole commune</b>													
Market measures	4,9	45,0	13,6	63,6	130,2	14,9	23,2	8,9	16,9	0,7		322	516
Direct payments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0	0
<b>Total 1a</b>	<b>4,9</b>	<b>45,0</b>	<b>13,6</b>	<b>63,6</b>	<b>130,2</b>	<b>14,9</b>	<b>23,2</b>	<b>8,9</b>	<b>16,9</b>	<b>0,7</b>		<b>322</b>	<b>516</b>
<b>1b - Rural development</b>	<b>7,5</b>	<b>55,0</b>	<b>15,3</b>	<b>61,0</b>	<b>290,5</b>	<b>28,5</b>	<b>49,6</b>	<b>33,2</b>	<b>40,2</b>	<b>2,7</b>		<b>584</b>	<b>748</b>
<b>Total Heading 1</b>	<b>12,4</b>	<b>100,1</b>	<b>28,8</b>	<b>124,7</b>	<b>420,7</b>	<b>43,4</b>	<b>72,8</b>	<b>42,1</b>	<b>57,2</b>	<b>3,4</b>	<b>0</b>	<b>906</b>	<b>1.264</b>
<b>2. Structural actions after capping</b>													
Structural Fund	5,7	173,7	37,3	202,4	943,1	25,9	89,8	62,7	114,7	6,5	4	1.666	2.105
Cohesion Fund	0,3	5,7	1,9	6,8	25,6	1,2	3,8	3,5	3,5	0,1		52	1.298
Unification of Cyprus												0	13
<b>Total Heading 2</b>	<b>6,1</b>	<b>179,4</b>	<b>39,2</b>	<b>209,2</b>	<b>968,6</b>	<b>27,0</b>	<b>93,6</b>	<b>66,2</b>	<b>118,2</b>	<b>6,6</b>	<b>4</b>	<b>1.718</b>	<b>3.416</b>
<b>3. Internal Policies</b>													
Existing policies	5,2	44,0	5,2	41,9	154,4	12,1	10,6	9,7	19,2	2,2		305	340
Nuclear safety							34,2		0,0			34	83
Institution building	0,5	7,1	2,6	9,1	37,3	2,0	4,9	3,8	4,6	0,2		72	80
Schengen	0,0	0,0	22,9	49,3	57,4	35,6	45,2	23,7	15,9	0,0		250	
<b>Total Heading 3</b>	<b>5,7</b>	<b>51,0</b>	<b>30,7</b>	<b>100,2</b>	<b>249,1</b>	<b>49,7</b>	<b>95,0</b>	<b>37,2</b>	<b>39,8</b>	<b>2,4</b>	<b>0,0</b>	<b>660,9</b>	<b>503</b>
<b>5. Administration</b>												<b>503</b>	<b>503</b>
<b>Total Appropriations for Payments (Heading 1, 2 and 3)</b>	<b>24,2</b>	<b>330,5</b>	<b>98,7</b>	<b>434,1</b>	<b>1.638,4</b>	<b>120,1</b>	<b>261,4</b>	<b>145,5</b>	<b>215,2</b>	<b>12,4</b>	<b>4</b>	<b>3.788</b>	<b>5.687</b>

(1) : 8 mio € of technical assistance is not allocated.

Financial framework for enlargement 2004-2006 - Indicative allocation of Commitment and payment appropriations  
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prices

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Year 2005														
Appropriations for Commitments	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	Not allocated	Totaux	Info Note	
<b>1. Agriculture.</b>														
<b>1a - Politique agricole commune</b>														
Market measures	11,8	109,0	33,4	151,9	342,8	38,3	56,1	21,6	48,1	1,7		815	749	
Compensatory direct aids	9,3	168,9	17,3	264,9	557,1	26,8	68,2	25,1	73,0	0,1		1.211	1.173	
<b>Total 1a</b>	<b>21,0</b>	<b>277,9</b>	<b>50,7</b>	<b>416,8</b>	<b>899,8</b>	<b>65,2</b>	<b>124,3</b>	<b>46,7</b>	<b>121,2</b>	<b>1,9</b>		<b>2.025</b>	<b>1.922</b>	
<b>1b - Rural development</b>	<b>22,2</b>	<b>161,6</b>	<b>44,8</b>	<b>179,4</b>	<b>853,6</b>	<b>83,9</b>	<b>145,7</b>	<b>97,7</b>	<b>118,3</b>	<b>8,0</b>		<b>1.715</b>	<b>1.674</b>	
<b>Total Heading 1</b>	<b>43,2</b>	<b>439,6</b>	<b>95,5</b>	<b>596,2</b>	<b>1.753,4</b>	<b>149,0</b>	<b>270,0</b>	<b>144,4</b>	<b>239,4</b>	<b>9,9</b>	<b>0</b>	<b>3.741</b>	<b>3.596</b>	
<b>2. Structural actions after capping</b>														
Structural Fund	17,6	531,5	112,6	619,5	2.889,8	79,3	280,5	207,8	351,5	19,8	13	5.123	5.751	
Cohesion Fund	13,6	235,6	77,8	280,1	1.051,9	47,5	156,0	140,1	143,6	5,5		2.152	2.371	
Unification of Cyprus												0	27	
<b>Total Heading 2</b>	<b>31,1</b>	<b>767,1</b>	<b>190,4</b>	<b>899,6</b>	<b>3.941,7</b>	<b>126,8</b>	<b>436,5</b>	<b>347,9</b>	<b>495,1</b>	<b>25,3</b>	<b>13</b>	<b>7.275</b>	<b>8.150</b>	
<b>3. Internal Policies</b>														
Existing policies	15,0	127,2	15,0	121,2	446,5	35,0	30,7	27,9	55,7	6,4		881	886	
Nuclear safety							95,0		30,0			125	90	
Institution building	0,8	11,8	4,3	15,1	62,2	3	8,1	6,4	7,7	0,3		120	120	
Shengen	0,0	0,0	22,9	49,3	57,4	35,6	45,2	23,7	15,9	0,0		250		



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Year 2006													
Appropriations for Commitments	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	not allocated	Totaux	Info Note
<b>1. Agriculture.</b>													
<b>1a - Politique agricole commune</b>													
Market measures	11,5	111,0	34,4	152,0	366,5	38,8	59,2	23,6	49,2	1,7		848	734
Compensatory direct aids	11,2	204,5	21,7	315,9	674,9	32,8	83,8	31,1	88,1	0,3		1.464	1.418
<b>Total 1a</b>	<b>22,8</b>	<b>315,5</b>	<b>56,1</b>	<b>467,9</b>	<b>1.041,4</b>	<b>71,6</b>	<b>143,1</b>	<b>54,7</b>	<b>137,3</b>	<b>1,9</b>		<b>2.312</b>	<b>2.152</b>
<b>1b - Rural development</b>	23,9	172,0	47,7	190,8	908,2	89,2	155,1	103,9	125,8	8,5		1.825	1.781
<b>Total Heading 1</b>	<b>46,7</b>	<b>487,5</b>	<b>103,8</b>	<b>658,8</b>	<b>1.949,6</b>	<b>160,8</b>	<b>298,1</b>	<b>158,6</b>	<b>263,1</b>	<b>10,5</b>	<b>0</b>	<b>4.137</b>	<b>3.933</b>
<b>2. Structural actions after capping</b>													
Structural Fund	18,1	663,4	143,2	785,5	3.668,9	98,8	341,5	216,1	437,3	25,1	17	6.415	7.195
Cohesion Fund	18,1	314,5	103,8	373,8	1.403,8	63,4	198,1	147,4	191,7	7,4		2.822	3.111
Unification of Cyprus												0	44
<b>Total Heading 2</b>	<b>36,2</b>	<b>977,9</b>	<b>247,0</b>	<b>1.159,3</b>	<b>5.072,7</b>	<b>162,2</b>	<b>539,6</b>	<b>363,5</b>	<b>629,0</b>	<b>32,5</b>	<b>17</b>	<b>9.237</b>	<b>10.350</b>
<b>3. Internal Policies</b>													
Existing policies	15,6	132,2	15,6	126,0	464,1	36,4	32,0	29,0	57,9	6,7		916	921
Nuclear safety							95,0		30,0			125	90
Institution building	0,4	5,9	2,1	7,6	31,1	4,6	4,1	3,2	3,9	0,1		60	60
Shengen	0,0	0,0	22,9	49,3	57,4	33,6	45,2	23,7	15,9	0,0		250	

Appropriations for Payments	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	not allocated	Total	Info Note
<b>1. Agriculture.</b>													
<b>1a - Politique agricole commune</b>													
Market measures	11,5	111,0	34,4	152,0	366,5	38,8	59,2	23,6	49,2	1,7		848	734
Compensatory direct aids	11,2	204,5	21,7	315,9	674,9	32,8	83,8	31,1	88,1	0,3		1.464	1.418
<b>Total 1a</b>	<b>22,8</b>	<b>315,5</b>	<b>56,1</b>	<b>467,9</b>	<b>1.041,4</b>	<b>71,6</b>	<b>143,1</b>	<b>54,7</b>	<b>137,3</b>	<b>1,9</b>		<b>2.312</b>	<b>2.152</b>
<b>1b - Rural development</b>	<b>23,0</b>	<b>167,1</b>	<b>46,3</b>	<b>185,4</b>	<b>882,2</b>	<b>86,6</b>	<b>150,6</b>	<b>101,0</b>	<b>122,2</b>	<b>8,3</b>		<b>1.773</b>	<b>1.730</b>
<b>Total Heading 1</b>	<b>45,8</b>	<b>482,5</b>	<b>102,4</b>	<b>653,3</b>	<b>1.923,6</b>	<b>158,2</b>	<b>293,7</b>	<b>155,7</b>	<b>259,5</b>	<b>10,2</b>	<b>0</b>	<b>4.085</b>	<b>3.882</b>
<b>2. Structural actions after capping</b>													
Structural Fund	10,9	328,7	70,6	382,9	1.784,6	48,9	169,9	118,6	217,0	12,2	8	3.152	4.266
Cohesion Fund	6,8	118,5	39,1	140,8	528,8	23,9	78,1	70,0	72,2	2,8		1.081	2.198
Unification of Cyprus												0	40
<b>Total Heading 2</b>	<b>17,7</b>	<b>447,2</b>	<b>109,7</b>	<b>523,8</b>	<b>2.313,4</b>	<b>72,8</b>	<b>248,0</b>	<b>188,6</b>	<b>289,2</b>	<b>15,0</b>	<b>8</b>	<b>4.233</b>	<b>6.504</b>
<b>3. Internal Policies</b>													
Existing policies	12,1	102,3	12,0	97,5	359,0	28,2	24,7	22,4	44,8	5,2		708	693
Nuclear safety							75,7		30,0			106	74
Institution building	0,6	8,8	3,2	11,3	46,4	2,5	6,1	4,8	5,8	0,2		89	76
Schengen	0,0	0,0	22,9	49,3	57,4	35,6	45,2	23,7	15,9	0,0		250	
<b>Total Heading 3</b>	<b>12,7</b>	<b>111,0</b>	<b>38,2</b>	<b>158,0</b>	<b>462,8</b>	<b>66,3</b>	<b>151,8</b>	<b>50,9</b>	<b>96,5</b>	<b>5,4</b>	<b>0,0</b>	<b>1.153,4</b>	<b>843</b>
<b>5. Administration</b>												<b>612</b>	<b>612</b>
<b>Total Appropriations for Payments (Heading 1, 2 and 3)</b>	<b>76,1</b>	<b>1.040,8</b>	<b>250,2</b>	<b>1.335,0</b>	<b>4.699,8</b>	<b>297,3</b>	<b>693,5</b>	<b>395,2</b>	<b>645,2</b>	<b>30,6</b>	<b>8</b>	<b>10.084</b>	<b>11.841</b>

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Years 2004 to 2006														
Appropriations for Commitments	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	not allocated	Total	Info Note	
<b>1. Agriculture.</b>														
<b>1a - Common Agricultural Policy</b>														
Market measures	28,19	265,1	81,4	367,5	839,5	92,0	138,6	54,1	114,3	4,1	0	1.985	1.999	
Direct payments	20,49	373,4	39,0	580,8	1.232,0	59,7	152,1	56,2	161,1	0,4	0	2.675	2.591	
<b>Total 1a</b>	<b>48,68</b>	<b>638,5</b>	<b>120,3</b>	<b>948,4</b>	<b>2.071,4</b>	<b>151,6</b>	<b>290,6</b>	<b>110,3</b>	<b>275,4</b>	<b>4,5</b>	<b>0</b>	<b>4.660</b>	<b>4.590</b>	
<b>1b - Rural development</b>	<b>66,35</b>	<b>481,5</b>	<b>133,6</b>	<b>534,4</b>	<b>2.543,0</b>	<b>249,8</b>	<b>434,2</b>	<b>291,0</b>	<b>352,3</b>	<b>23,9</b>	<b>0</b>	<b>5.110</b>	<b>4.987</b>	
<b>Total Heading 1</b>	<b>115,03</b>	<b>1.120,0</b>	<b>253,9</b>	<b>1.482,7</b>	<b>4.614,4</b>	<b>401,4</b>	<b>724,8</b>	<b>401,4</b>	<b>627,7</b>	<b>28,4</b>	<b>0</b>	<b>9.770</b>	<b>9.577</b>	
<b>2. Structural actions after capping</b>														
Structural Fund	52,71	1.591,2	341,6	1.853,1	8.635,3	236,8	822,5	574,8	1.050,3	59,1	38	15.256	17.113	
Cohesion Fund	48,12	836,3	276,1	994,1	3.733,3	168,6	543,5	461,1	509,7	19,6	0	7.590	8.366	
Unification of Cyprus	0,00	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0	0	87	
<b>Total Heading 2</b>	<b>100,83</b>	<b>2.427,5</b>	<b>617,7</b>	<b>2.847,2</b>	<b>12.368,6</b>	<b>405,4</b>	<b>1.366,0</b>	<b>1.035,9</b>	<b>1.560,0</b>	<b>78,7</b>	<b>38</b>	<b>22.846</b>	<b>25.566</b>	
<b>3. Internal Policies</b>														
Existing policies	45,14	381,7	44,9	363,7	1.339,5	105,1	92,2	83,8	167,0	19,3	0	2.642	2.658	
Nuclear safety	0,00	0,0	0,0	0,0	0,0	0,0	285,0	0,0	90,0	0,0	0	375	305	
Institution building	2,51	37,2	13,6	47,8	197,0	1,4	25,7	20,2	24,5	0,9	0	380	380	
Shengen	0,00	0,0	68,7	147,8	172,2	106,9	135,7	71,1	47,8	0,0	0	750		

Appropriations for Payments	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	not allocated	Total	Info Note
<b>1. Agriculture.</b>													
<b>1a - Politique agricole commune</b>													
Market measures	28,2	265,1	81,4	367,5	839,5	92,0	138,6	54,1	114,3	4,1	0	1.985	1.999
Direct payments	20,5	373,4	39,0	580,8	1.232,0	59,7	152,1	56,2	161,1	0,4	0	2.675	2.591
<b>Total 1a</b>	<b>48,7</b>	<b>638,5</b>	<b>120,3</b>	<b>948,4</b>	<b>2.071,4</b>	<b>151,6</b>	<b>290,6</b>	<b>110,3</b>	<b>275,4</b>	<b>4,5</b>	<b>0</b>	<b>4.660</b>	<b>4.590</b>
<b>1b - Rural development</b>	<b>46,3</b>	<b>336,6</b>	<b>93,4</b>	<b>373,6</b>	<b>1.777,8</b>	<b>174,6</b>	<b>303,5</b>	<b>203,5</b>	<b>246,3</b>	<b>16,7</b>	<b>0</b>	<b>3.572</b>	<b>3.664</b>
<b>Total Heading 1</b>	<b>95,0</b>	<b>975,1</b>	<b>213,7</b>	<b>1.321,9</b>	<b>3.849,2</b>	<b>326,2</b>	<b>594,1</b>	<b>313,8</b>	<b>521,7</b>	<b>21,2</b>	<b>0</b>	<b>8.232</b>	<b>8.254</b>
<b>2. Structural actions after capping</b>													
Structural Fund	26,8	811,1	174,1	944,9	4.403,5	120,7	419,3	292,7	535,4	30,1	20	7.778	10.783
Cohesion Fund	10,9	190,2	62,8	226,1	849,0	38,3	125,6	113,4	115,9	4,4	0	1.737	5.128
Unification of Cyprus	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0	0	78
<b>Total Heading 2</b>	<b>37,7</b>	<b>1.001,3</b>	<b>236,9</b>	<b>1.171,0</b>	<b>5.252,4</b>	<b>159,1</b>	<b>544,9</b>	<b>406,1</b>	<b>651,3</b>	<b>34,6</b>	<b>20</b>	<b>9.515</b>	<b>15.988</b>
<b>3. Internal Policies</b>													
Existing policies	26,3	222,0	26,1	211,5	779,2	61,1	53,6	48,7	97,1	11,2	0	1.537	1.621
Nuclear safety	0,0	0,0	0,0	0,0	0,0	0,0	167,4	0,0	60,0	0,0	0	227	224
Institution building	1,7	24,9	9,1	31,9	131,5	7,0	17,2	13,5	16,3	0,6	0	254	259
Schengen	0,0	0,0	68,7	147,8	172,2	106,9	135,7	71,1	47,8	0,0	0	750	
<b>Total Heading 3</b>	<b>27,9</b>	<b>246,9</b>	<b>104,0</b>	<b>391,2</b>	<b>1.083,0</b>	<b>175,0</b>	<b>374,0</b>	<b>193,9</b>	<b>221,9</b>	<b>11,8</b>	<b>0,0</b>	<b>2.768,5</b>	<b>2.104</b>
<b>5. Administration</b>												1.673,2	
<b>Total Appropriations for Payments (Heading 1, 2 and 3)</b>	<b>160,6</b>	<b>2.223,3</b>	<b>554,6</b>	<b>2.884,2</b>	<b>10.184,6</b>	<b>660,3</b>	<b>1.513,0</b>	<b>853,2</b>	<b>1.394,3</b>	<b>67,6</b>	<b>20</b>	<b>22.189</b>	<b>26.346</b>

**NET BUDGETARY POSITIONS AFTER  
ENLARGEMENT OF THE N-10**

**1999  
prices**

ACCESSION ON 1  
MAY 2004

NEGOTIATION  
PACKAGE  
10 December

	2003	2004
deflator: own resources + other expenditure:	1,0866	1,1073
deflator: agriculture + structural funds:	1,0824	1,1040
		8

CY CZ EE HU PL SI LT LV SK MT TOTAL

	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	TOTAL
<b>2003</b>											
pre-accession aid	16	170	55	197	844	45	115	84	123	11	1.661
<b>2004</b>											
pre-accession aid	11	181	67	235	970	51	127	99	120	7	1.869
agriculture	12	100	29	125	421	43	73	42	57	3	906
structural actions	6	179	39	209	969	27	94	66	118	7	1.714
internal actions	5	44	5	42	154	12	11	10	19	2	305
additional expenditure	0	7	25	58	95	38	84	28	21	0	356
cashflow lump-sums	28	175	16	155	443	52	35	19	63	12	998
<b>total allocated expenditure</b>	<b>62</b>	<b>687</b>	<b>181</b>	<b>824</b>	<b>3.051</b>	<b>224</b>	<b>423</b>	<b>264</b>	<b>398</b>	<b>32</b>	<b>6.148</b>
trad. own resources	-27	-66	-8	-97	-123	-18	-22	-7	-33	-14	-415
VAT resource	-10	-74	-6	-61	-194	-22	-14	-8	-26	-4	-420
GNP resource	-59	-425	-37	-349	-1.111	-129	-78	-48	-147	-23	-2.406
UK rebate	-8	-56	-5	-46	-148	-17	-10	-6	-20	-3	-320
<b>total own resources</b>	<b>-104</b>	<b>-622</b>	<b>-56</b>	<b>-553</b>	<b>-1.576</b>	<b>-187</b>	<b>-124</b>	<b>-69</b>	<b>-225</b>	<b>-43</b>	<b>-3.560</b>
<b>Net balance before budgetary compensation</b>	<b>-42</b>	<b>65</b>	<b>125</b>	<b>271</b>	<b>1.475</b>	<b>37</b>	<b>299</b>	<b>195</b>	<b>173</b>	<b>-11</b>	<b>2.588</b>
<b>Budgetary compensation</b>	<b>69</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>262</b>
<b>Net balance after budgetary compensation</b>	<b>27</b>	<b>190</b>	<b>125</b>	<b>271</b>	<b>1.475</b>	<b>67</b>	<b>299</b>	<b>195</b>	<b>173</b>	<b>26</b>	<b>2.849</b>

<b>2005</b>											
pre-accession aid	6	153	57	199	823	43	110	86	102	2	1.581
agriculture	37	392	82	544	1.505	125	228	116	205	8	3.241
structural actions	14	375	88	438	1.970	59	203	151	244	13	3.556
internal actions	9	76	9	72	266	21	18	17	33	4	524
additional expenditure	1	9	26	61	105	38	109	29	52	0	430
<b>total allocated expenditure</b>	<b>66</b>	<b>1.005</b>	<b>263</b>	<b>1.314</b>	<b>4.669</b>	<b>286</b>	<b>668</b>	<b>398</b>	<b>636</b>	<b>27</b>	<b>9.332</b>
trad. own resources	-40	-105	-12	-150	-213	-29	-33	-11	-54	-21	-667
VAT resource	-16	-117	-10	-96	-306	-35	-22	-13	-41	-6	-662
GNP resource	-90	-644	-56	-528	-1.682	-195	-118	-73	-223	-34	-3.642
UK rebate	-12	-87	-8	-71	-228	-26	-16	-10	-30	-5	-493
<b>total own resources</b>	<b>-159</b>	<b>-953</b>	<b>-86</b>	<b>-845</b>	<b>-2.429</b>	<b>-285</b>	<b>-189</b>	<b>-106</b>	<b>-347</b>	<b>-66</b>	<b>-5.464</b>
<b>Net balance before budgetary compensation</b>	<b>-92</b>	<b>52</b>	<b>177</b>	<b>470</b>	<b>2.240</b>	<b>0</b>	<b>479</b>	<b>292</b>	<b>289</b>	<b>-39</b>	<b>3.868</b>
<b>Budgetary compensation</b>	<b>119</b>	<b>178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>429</b>
<b>Net balance after budgetary compensation</b>	<b>27</b>	<b>230</b>	<b>177</b>	<b>470</b>	<b>2.240</b>	<b>66</b>	<b>479</b>	<b>292</b>	<b>289</b>	<b>26</b>	<b>4.297</b>

<b>2006</b>											
pre-accession aid	1	98	35	124	509	27	66	52	64	0	976
agriculture	46	483	102	653	1.924	158	294	156	260	10	4.085
structural actions	18	447	110	524	2.313	73	248	189	289	15	4.225
internal actions	12	102	12	97	359	28	25	22	45	5	708
additional expenditure	1	9	26	61	104	38	127	28	52	0	445
<b>total allocated expenditure</b>	<b>77</b>	<b>1.138</b>	<b>286</b>	<b>1.459</b>	<b>5.209</b>	<b>324</b>	<b>759</b>	<b>447</b>	<b>709</b>	<b>31</b>	<b>10.439</b>
trad. own resources	-40	-105	-12	-150	-213	-29	-33	-11	-54	-21	-667
VAT resource	-17	-121	-11	-99	-317	-37	-22	-14	-42	-6	-687
GNP resource	-92	-661	-57	-542	-1.727	-200	-122	-75	-229	-35	-3.740
UK rebate	-13	-91	-8	-74	-238	-28	-17	-10	-31	-5	-514
<b>total own resources</b>	<b>-162</b>	<b>-978</b>	<b>-88</b>	<b>-866</b>	<b>-2.495</b>	<b>-293</b>	<b>-194</b>	<b>-109</b>	<b>-356</b>	<b>-67</b>	<b>-5.608</b>
<b>Net balance before budgetary compensation</b>	<b>-85</b>	<b>160</b>	<b>198</b>	<b>594</b>	<b>2.713</b>	<b>31</b>	<b>565</b>	<b>338</b>	<b>353</b>	<b>-36</b>	<b>4.831</b>
<b>Budgetary compensation</b>	<b>112</b>	<b>85</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>296</b>
<b>Net balance after budgetary compensation</b>	<b>27</b>	<b>245</b>	<b>198</b>	<b>594</b>	<b>2.713</b>	<b>67</b>	<b>565</b>	<b>338</b>	<b>353</b>	<b>26</b>	<b>5.127</b>

Note: in case of political settlement for Cyprus an additional amount of 127 million € in payments should be foreseen for the three years 2004/2005/2006

# NEGOTIATION PACKAGE WITH ACCESSION ON 1 MAY 2004

## MARGIN AVAILABLE UNDER THE BERLIN CEILINGS FOR PAYMENTS (Version 10 December)

SCENARIO	Berlin ceiling	Commission Information Note 30 January 2002	Brussels European Council 24-25 October 2002	Negotiation package Accession 1 May 2004 (Version 10 Dec)
<b>TOTAL PAYMENTS (all Headings) BEFORE RESIDUAL COMPENSATORY MEASURES</b>				
2004	8.890	5.686	4.920	4.786
2005	11.440	10.493	7.016	8.317
2006	14.220	11.840	9.649	10.084
<b>MARGIN UNDER THE BERLIN CEILING FOR PAYMENTS BEFORE RESIDUAL COMPENSATORY MEASURES</b>				
2004		3.204	3.970	4.104
2005		947	4.424	3.123
2006		2.380	4.571	4.136
<b>RESIDUAL COMPENSATORY MEASURES</b>				
2004		855	976	262
2005		141	453	429
2006		123	223	296
<b>MARGIN UNDER THE BERLIN CEILING FOR PAYMENTS AFTER RESIDUAL COMPENSATORY MEASURES</b>				
2004		2.349	2.994	3.842
2005		806	3.971	2.694
2006		2.257	4.348	3.840
<b>TOTAL MARGIN 2004-2006 UNDER BERLIN CEILING FOR PAYMENTS</b>				
		<b>5.412</b>	<b>11.313</b>	<b>10.376</b>

Note: in case of a political settlement for Cyprus an additional amount of € 127 million in payments should be foreseen for the three years 2004/2005/2006

# NEGOTIATION PACKAGE WITH ACCESSION ON 1 MAY 2004

MARGIN AVAILABLE UNDER THE BERLIN CEILINGS FOR COMMITMENTS  
(Version 10 December)

SCENARIO	Berlin ceiling	Commission Information Note 30 January 2002	Brussels European Council 24-25 October 2002	Negotiation package Accession 1 May 2004 (version 10 Dec)
<b>TOTAL COMMITMENTS (all Headings) BEFORE RESIDUAL COMPENSATORY MEASURES</b>				
2004	11.610	10.794	10.080	11.149
2005	14.200	13.400	12.601	12.949
2006	16.780	15.966	14.964	15.337
<b>MARGIN UNDER THE BERLIN CEILING FOR COMMITMENTS BEFORE RESIDUAL COMPENSATORY MEASURES</b>				
2004		816	1.530	461
2005		800	1.599	1.251
2006		814	1.816	1.443
<b>RESIDUAL COMPENSATORY MEASURES</b>				
2004		855	976	262
2005		141	453	429
2006		123	223	296
<b>MARGIN UNDER THE BERLIN CEILING FOR COMMITMENTS AFTER RESIDUAL COMPENSATORY MEASURES</b>				
2004		-39	554	199
2005		659	1.146	822
2006		691	1.593	1.147
<b>TOTAL MARGIN 2004-2006 UNDER BERLIN CEILING FOR COMMITMENTS</b>				
		1.311	3.293	2.168

Note: in case of a political settlement for Cyprus an additional amount of € 273 million in commitments should be foreseen for the three years 2004/2005/2006

## Article

On the eligibility of the new Member States (*list...*) for expenditure under the first three Headings of the EU budget as defined in the Interinstitutional Agreement of 6 May 1999

- Save as otherwise provided for in this Treaty, no financial commitments shall be made under the following pre-accession funds (Phare, Phare CBC, instruments dedicated to Cyprus and Malta, ISPA, Sapard) in favour of the new Member States after December, 31<sup>st</sup>, 2003. The new Member States shall receive the same treatment as the present Member States as regards expenditure under the first three Headings of the EU budget, as defined in the Interinstitutional Agreement of May 6<sup>th</sup>, 1999, as from January 1<sup>st</sup>, 2004, subject to the individual specifications and exceptions below. However, no financial commitment under the 2004 budget for any programme or agency concerned may be made before the accession of the relevant new Member State has taken place.
- Paragraph 1 of this Article shall not apply to expenditure under EAGGF Guarantee section according to Articles 2 (1), 2(2), and 3(3) of Council Regulation (EC) No 1258/1999 on the financing of the common agricultural policy, which will become eligible for Community funding only from the date of accession, in accordance with Article 2 of this Treaty.

However, Paragraph 1 of this Article shall apply to expenditure under EAGGF Guarantee-funded rural development, according to Article 47a of Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF), subject to the conditions set out in the amendment of this Regulation in the Annex to Title I of Part IV of this Treaty.

- Article 52 § 4 of Council Regulation (EC) No 1260/99 of 21 June 1999 laying down general provisions on the Structural Funds is amended as follows:

“Notwithstanding the date specified in Article 30(2), expenditure actually paid, in respect of which the Commission has received an application for assistance from a new Member State before the date of accession and which fulfils all the conditions laid down in said Regulation, may be regarded as eligible for a contribution from the Funds as of January 1<sup>st</sup>, 2004.”

- The following paragraph 3bis is added to article 11 of the Cohesion Fund Regulation (EC) No 1164/94 of 16 May 1994::

“Expenditure within the meaning of Article 7 (1) shall be deemed eligible for assistance from the Fund only if incurred by the new beneficiary Member State after January 1<sup>st</sup>, 2004 and provided that all requirements of the Regulation have been fulfilled.”

- As of January 1st 2004, the new Member States will participate in Community programmes and agencies according to the same terms and conditions as the present Member States with funding from the General Budget of the EU. Therefore, the terms and conditions laid down in Association Council Decisions, Agreements and Memoranda of Understanding between the European Communities and candidate countries regarding their participation in Community programmes and agencies are superseded by the provisions governing the relevant programmes and agencies as of January 1<sup>st</sup> 2004.
- Should any candidate country party to this Treaty not accede to the Community during 2004, any application made by or from the country concerned for funding by expenditure under the first three Headings of the EU budget for 2004 shall be null and void, unless it is covered by a relevant Association Council Decision, Agreement or Memorandum of Understanding. In this case the latter shall continue to apply in respect of that country throughout the entire year 2004.
- If any measures are necessary to facilitate the transition from the existing régime to that resulting from the application of this article, the Commission shall adopt the required measures.

## Disbursement of funds to new Member States in 2004

- Background

The new Member States have expressed concern as regards receiving funds (disbursed) in the first year of accession. They fear that the delay of accession will mean that no or only very small actual disbursements will be made in 2004. This note aims to explore, how much and under what conditions can be disbursed in 2004.

- The deferred date of accession makes it legally impossible to commit or pay any funds under the first three headings of the EU budget before 1<sup>st</sup> May, 2004. However, the Commission has proposed that the new Member States will become fully eligible for such funds as of 1<sup>st</sup> January, 2004. This means, in effect, that all preparations (calls for proposals, processing of applications, preparing of Commission Decisions) for Community funding under the 2004 budget can go ahead as if they were members fully as of 1<sup>st</sup> January. Expenditure related to the Structural and Cohesion Funds incurred between January and May is eligible for funding retroactively, providing it fulfils all the criteria of the relevant Regulations and is subsequently approved by the Commission.

- Structural Funds

Annex 1 to the conclusions of the Brussels Council of 24/25 October foresees a payment on account in the first year of 16% of the total contribution of the Structural Funds over the period of 2004-2006. Furthermore, 3% average annual payment appropriations are foreseen. In the course of the negotiations the parameters have been changed to 10% payment on account in the first year, followed by 6% in the second, with an annual average of 2% payment appropriations.

The pre-condition for disbursement of a payment on account is the adoption of the relevant programme by the Commission and fulfilment of the conditions of Article 5 of Regulation 438, relating to management systems in place in the Member State. A great deal of the preparatory work in this respect is being done in the framework of the pre-accession strategy. Furthermore, the Commission has established a road map for the preparation of Structural and Cohesion Funds; this foresees the presentation and negotiation of the Single Programming Documents and the Community Support Framework in the course of 2003. Final programming documents are expected to be available early in 2004. Interservice Consultation can be processed before accession, as a result of the new Member States' eligibility for Community funds as of 1<sup>st</sup> January, 2004, and new Member States can, in principle start implementing projects, though without any legal guarantees regarding approval by the Commission. However, consultation of the committees foreseen by the Regulation and formal Decision by the Commission cannot take place before accession. The plan is to have the process finalised by end June 2004, thus paving the way for the **disbursement of the payment on account by July or August**, provided all conditions are fulfilled. A declaration to this effect could be made.

Real payments for structural and cohesion funds will prove to be very difficulty in 2004.

- Rural development funds

The EU attaches great importance to the mobilisation of funds from the temporary guarantee rural development instrument at the earliest opportunity. To this end:

candidates will be able to submit their plans for Commission approval from 1 January 2004. This will be provided for in the act of accession:

- candidates will be able to start making commitments to beneficiaries from the date at which they submit their plan.
- expenditure (i.e. payments to beneficiaries) from 1 January 2004 onwards will be eligible for funding by the EU after accession on condition that it meets the criteria in the *approved* plan. This will be provided for in the act of accession
- an advance of 12.5% of the funds available under the temporary guarantee rural development instrument will be made to the new member states upon approval of their rural development plans according to article 48 of Regulation (EC)445/2002.

The above timetable notwithstanding, the candidates are invited to submit their draft rural development plans to the Commission as soon as possible. This will allow informal discussion of their contents in advance of 1 January 2004, with the aim of approving the plans officially as soon as possible after accession.

**Subject: SCHENGEN/EXTERNAL BORDERS TEMPORARY FUND**

- **Introduction**

This note outlines possible modalities for the creation of a temporary fund for Schengen acquis and external border control in the period 2004-2006.

- **Purpose**

The aim of the Fund is to help beneficiary Member States to finance actions at the new EU external borders for Schengen acquis and external border control

The new Member States will not be quite ready to join Schengen immediately upon accession, but they have been working for many years and have made significant progress towards this goal. Basic physical infrastructure is expected to be largely in place by accession, though scope for upgrading remains. Further preparatory work is required before internal borders can be lifted. The most costly remaining investments concern both hard and software to ensure interconnectivity with the Schengen Information System (SIS 2), as well as operating equipment (eg. laboratory equipment, infrared scanners, forged document detectors, possibly also high speed boats, surveillance helicopters, vehicles). Measures for staff training will be required to operate actual border controls, but also in related fields such as combat of trafficking of human beings and drugs, organised crime, visas and migration, etc. as well as the judiciary and internal security in the wider sense.

The eligibility criteria can be outlined as follows:

- investment in construction, renovation or upgrading of border crossing infrastructure and related buildings;
- investments in any kind of operating equipment (eg. laboratory equipment, detection tools, Schengen Information System-SIS 2 hardware and software, transport means);
- training of border guards;
- support to costs for logistics and operations.

### **3. Funding and allocations**

It is proposed to allocate a total of € 750.3 million to the fund for the period 2004-2006. It will be allocated to beneficiary new Member States according to table 1 in the form of a lump sum grant payment.

### **4. Implementation modalities**

Those new Member States, which will benefit from this fund, will be responsible for selecting and implementing individual operations in compliance with the financing decision. They will also be responsible for co-ordinating use of the fund with assistance from other Community instruments, ensuring compatibility with Community policies and measures and compliance with the Financial Regulation of the Communities.

The grant must be used within three years and any unused funds will be recovered by the Commission. The beneficiary new Member States will have to submit, no later than 6 months after expiry of the three-year deadline, a comprehensive report on the financial execution of the grant with a statement justifying the expenditure.

### **5. Role of the Commission**

The Commission retains the right of verification, through the Anti-Fraud Office (OLAF), and to carry out on-the-spot checks by Commission services and the Court of Auditors, in accordance with the appropriate procedures.

Table 1

	Total 2004-2006
Slovenia	106,9
Slovakia	47,8
Hungary	147,8
Poland	172,2
Lithuania	135,7
Latvia	71,1
Estonia	68,7
Czech Rep	0,0
Malta	0,0
Cyprus	0,0
<b>Total</b>	<b>750,3</b>

**Subject: Final package – institutions**

- **The issue**

The attached proposal on Chapter 30 covers the following elements related to institutions:

- Transitional measures for 2004 on (a) the number of seats in the present election term of the European Parliament, (b) the Council voting system, and (c) the organisation of the Commission
- European Parliament: number of seats in the 2004–2009 election term
- Council: new weighting of votes and qualified majority threshold
- Council Presidency: rotation system
- Commission: term of office of the new Commission

- **Text to be added to the EU Common Position for the 10 Laeken countries on Chapter 30:**

- **European Parliament**

The EU notes that the number of seats in the European Parliament for the new member states from the date of accession will be those set out in Annex I.

*2004-2009 term of the Parliament*

The EU notes that as from the start of the 2004-2009 term of the European Parliament, each Member State shall be allocated a number of seats as contained in Annex II.

- **Council**

*Period between 1 May 2004 and 31 October 2004*

The EU notes that for the period between 1 May 2004 and 31 October 2004, where the Council is required to act by a qualified majority, the votes of its members shall be weighted as set out in the table appearing at Annex III.

Acts of the Council shall require for their adoption at least 88 votes in favour where the Treaty requires them to be adopted on a proposal from the Commission. In other cases, for their adoption, acts of the Council shall require at least 88 votes in favour, cast by at least two-thirds of the members.

In the event of fewer than ten new Member States acceding to the European Union under the forthcoming Treaty of Accession, the threshold for the qualified majority shall be fixed by Council decision so as to correspond as closely as possible to 71,26% of the total number of votes.

### ***Weighting of votes and qualified majority threshold after 1 November 2004***

The EU notes that where the Council is required to act by a qualified majority, the votes of its members shall, as from 1 November 2004, be weighted as set out in the table appearing in Annex IV. As of the same date, acts of the Council shall require for their adoption at least 232 votes in favour, cast by a majority of the members, where the Treaty requires them to be adopted on a proposal from the Commission. In other cases, for their adoption, acts of the Council shall require at least 232 votes in favour, cast by at least two-thirds of the members. When a decision is to be adopted by the Council by a qualified majority, a member of the Council may request verification that the Member States constituting the qualified majority represent at least 62% of the total population of the Union. If that condition is shown not to have been met, the decision in question shall not be adopted.

In the event of fewer than ten new Member States acceding to the European Union under the forthcoming Treaty of Accession, the threshold for the qualified majority shall be fixed by Council decision by applying a strictly linear, arithmetical interpolation, rounded up or down to the nearest vote, between 71% for a Council with 300 votes and the level foreseen above for an EU of 25 Member States (72,27%).”

### ***Council Presidencies – rotation order***

The EU notes that the EC Treaty provides for the office of President to be held in turn by each Member State in the Council. In order to give new Member States the time to prepare for their Presidency, the European Council confirms that the present rotation order will continue until the end of 2006. The Council will decide on the question of the order of Presidencies for 2007 and onwards as soon as possible and at the latest one year after accession of the first new Member States.

- **Organisation of the Commission**

#### ***Period between 1 May 2004 and 31 October 2004***

The EU recalls that as from accession the new Member States shall be entitled to have one of its nationals as member of the Commission. For the period between 1 May 2004 and 31 October 2004, the new Members should be appointed by the Council, acting by qualified majority, in analogy to Article 215 EC Treaty, and by common accord with the President of the Commission. The term of office of the present and the additional Members of the Commission shall expire on 31 October 2004.

#### ***Period between 1 November 2004 and 31 October 2009***

The EU notes that a new Commission composed of one national of each Member State shall take up its duties on 1 November 2004 for a period of five years until 30 October 2009. This will substitute for the date of 1 January 2005 in Article 4(1) of the Protocol on enlargement of the European Union annexed to the Treaties.

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Following consultations with the European Parliament the EU will confirm a final position by the end of January 2003 with regard to the arrangements that affect the prerogatives of the European Parliament, in particular in relation to the nomination and term of office of the Commission.

**ALLOCATION OF SEATS IN THE EUROPEAN PARLIAMENT FOR THE  
NEW MEMBER STATES**

<b>MEMBER STATES</b>	<b>SEATS</b>
<i>Poland</i>	54
<i>Czech Republic</i>	24
<i>Hungary</i>	24
<i>Slovakia</i>	14
<i>Lithuania</i>	13
<i>Latvia</i>	9
<i>Slovenia</i>	7
<i>Estonia</i>	6
<i>Cyprus</i>	6
<i>Malta</i>	5

**ALLOCATION OF SEATS IN THE EUROPEAN PARLIAMENT FOR THE  
2004-2009 ELECTION TERM**

<b>MEMBER STATES</b>	<b>SEATS</b>
Germany	99
United Kingdom	78
France	78
Italy	78
Spain	54
Poland	54
Netherlands	27
Greece	24
Czech Republic	24
Belgium	24
Hungary	24
Portugal	24
Sweden	19
Austria	18
Slovakia	14
Denmark	14
Finland	14
Ireland	13
Lithuania	13
Latvia	9
Slovenia	7
Estonia	6
Cyprus	6
Luxembourg	6
Malta	5
<b>TOTAL EU</b>	<b>732</b>

**THE WEIGHTING OF VOTES IN THE COUNCIL FOR THE PERIOD BETWEEN 1 MAY 2004 AND 31 OCTOBER 2004**

<b>MEMBER STATES</b>	<b>VOTES</b>
Germany	10
United Kingdom	10
France	10
Italy	10
Spain	8
Poland	8
Netherlands	5
Greece	5
Czech Republic	5
Belgium	5
Hungary	5
Portugal	5
Sweden	4
Austria	4
Slovakia	3
Denmark	3
Finland	3
Ireland	3
Lithuania	3
Latvia	3
Slovenia	3
Estonia	3
Cyprus	2
Luxembourg	2
Malta	2
<b>TOTAL</b>	<b>124</b>

**THE WEIGHTING OF VOTES IN THE COUNCIL  
AS FROM 1 NOVEMBER 2004**

<b>MEMBER STATES</b>	<b>VOTES</b>
Germany	29
United Kingdom	29
France	29
Italy	29
Spain	27
Poland	27
Netherlands	13
Greece	12
Czech Republic	12
Belgium	12
Hungary	12
Portugal	12
Sweden	10
Austria	10
Slovakia	7
Denmark	7
Finland	7
Ireland	7
Lithuania	7
Latvia	4
Slovenia	4
Estonia	4
Cyprus	4
Luxembourg	4
Malta	3
<b>TOTAL</b>	<b>321</b>

**Declaration by the European Commission  
on the general safeguard clause,  
the internal market safeguard clause and  
the justice and home affairs safeguard clause**

Before deciding on whether to apply the internal market and justice and home affairs safeguard clauses, the European Commission will hear the view(s) and positions of the Member State(s) which will be directly affected by such measures and will duly take into account these views and positions.

The general economic safeguard clause also covers agriculture. It may be triggered when in specific agricultural sectors difficulties arise, which are serious and liable to persist, or which could bring about serious deterioration in the economic situation of a given area.

