



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 02.08.2001
COM(2001) 453 final

Proposal for a

COUNCIL DECISION

**concerning the Community position within the Association Council on the
participation of Estonia in the Community programme Fiscalis**

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Introduction

In line with Article 7 of the European Parliament and Council Decision 888/98/EC¹, the existing Fiscalis programme may be opened to the candidate countries of Central and Eastern Europe (CEECs) and Cyprus. No mention is made of Malta and Turkey in this provision.

Previously, the European Council, at its meeting in Luxembourg (December 1997), stressed the importance of the participation of candidate countries in Community programmes in the context of the pre-accession strategy, as a means to familiarise them with Community working methods and procedures. The Helsinki European Council of December 1999 confirmed the enlargement process launched in Luxembourg. The enhanced Pre-Accession Strategy defined in 1997 has been reiterated, which includes the participation of the 13 candidate States in Community programmes as an important part of such strategy.

As regards the ten candidate countries of Central and Eastern Europe (CEECs), participation in Community programmes is provided in their respective Europe Agreements. Pursuant to the Europe Agreements, the conditions and modalities of these countries' participation are defined by the respective Association Councils.

In addition to those Community programmes in which candidate countries already participate, it is now proposed to decide terms and conditions for the participation of **Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia** in the Community programme **Fiscalis** for the duration of its remaining lifetime, i.e. till 31 December 2002.

The general objectives of the Fiscalis programme are:

- to enable officials to achieve a high common standard of understanding of Community law, in particular in the field of indirect taxation and of its implementation in Member States;
- to secure efficient, effective and extensive co-operation among Member States and between them and the Commission;
- to ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxpayers through the development and dissemination of good administrative practices.

The objective of opening it to the candidate countries will further contribute to their preparations for accession as a key feature of the pre-accession strategy. It will also enable these countries to familiarise themselves with the procedures and methods used in this Community programme.

¹ OJ L 126 of 28.04.98, p. 1

2. Candidate countries of Central and Eastern Europe (CEECs)

The Europe Agreements with these countries entered into force on various dates and provide for their participation in Community programmes dealing with a wide range of areas. They provide the possibility that other fields of Community activities may be added, if considered to be of mutual interest, so that activities in the field of internal market can be included too.

The decision-making process for this participation requires a decision by the Association Council of each of these Europe Agreements, which sets up the terms and conditions for such participation.

According to the provisions of the Europe Agreements or their additional protocols concerning these countries' participation in Community programmes, they will meet the costs resulting from their participation.

In this connection, the Luxembourg European Council indicated that candidate countries should steadily increase their own financial contribution, but agreed that Phare, if necessary, would continue to part-finance these countries' financial contributions; such support should, however, "*remain at around 10% of the Phare appropriation, not including participation in the research and development framework programme*". The European Council also stated that "*The applicant States should be allowed to take part, as observers and for the points which concern them, in the management committees responsible for monitoring the programmes to which they contribute financially, under specific arrangements adapted to the case in question*".

The ten CEECs, namely **Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovakia and Slovenia**, confirmed to the Commission in writing their willingness to participate in the **Fiscalis** programme as from 2001, under the terms and conditions of the annexed draft Association Council Decisions, and to make available the necessary budgetary appropriations, as calculated by the Commission services.

The main issues addressed in these draft Decisions between the EC and, respectively, the above-mentioned 10 countries adopting the terms and conditions for their participation in the **Fiscalis** programme are the following:

- conditions for submission, assessment and selection of applications will be as far as possible in conformity with those prevailing for the Member States of the Union
- CEECs will contribute financially to the Community budget of the programme. The financial contributions have been calculated with a view to approximating CEEC conditions as far as possible to those applied to Member States. The annual contribution from each CEEC may be financed partly from its own budget and partly from its national Phare allocation, which should not exceed the above-mentioned 10% limit
- they will be invited as observers and for the points which concern them to the meetings of the programme committee

- these countries will be associated to the monitoring of their participation in the programme
- the Decisions shall apply for the remaining lifetime of the programme. Nevertheless, should the Community decide to extend the lifetime without any substantial change within the programme, the Decisions may also be extended correspondingly and automatically if no Party denounces them.

3. Conclusions

The adoption of the Association Council Decisions for the ten CEECs, allowing these candidate countries to participate in the Community's **Fiscalis** programme as from 2001, will offer them the opportunity to actively integrate in the Community's policies in this area, as part of the pre-accession strategy. It will also contribute to reinforce their institutional and administrative capacity ("Institution Building"). It is, therefore, of considerable political importance.

In order to allow the participation of **Bulgaria**, the **Czech Republic**, **Estonia**, **Hungary**, **Latvia**, **Lithuania**, **Poland**, **Romania**, **Slovakia** and **Slovenia** in the Community **Fiscalis** programme as from 2001, the Council is invited to take the respective Community position within the corresponding Association Council as set up in the ten annexed draft Council Decisions.

Proposal for a

COUNCIL DECISION

concerning the Community position within the Association Council on the participation of Estonia in the Community programme Fiscalis

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 in connection with Article 300(2), second indent thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) The Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Estonia, of the other part, entered into force on 1 February 1998²;
- (2) According to Article 108 of the Europe Agreement, Estonia may participate in framework programmes, specific programmes, projects or other actions of the Community in the fields laid down in Annex X and, according to this Annex, the Association Council may agree to add other fields of Community activities to those listed in the annex;
- (3) According to the above-mentioned Article 108, the terms and conditions for the participation of Estonia in these activities shall be decided by the Association Council;
- (4) Decision No 888/98/EC of the European Parliament and of the Council of 30 March 1998³ establishing a programme of Community action to ameliorate the indirect taxation systems of the internal market (Fiscalis programme) provides in Article 7 that this programme shall be open to the participation of the candidate countries of Central and Eastern Europe (CEECs), in accordance with the terms laid down in the Europe Agreements and the Additional Protocols relating to their participation in Community programmes and insofar as Community law on indirect taxation so permits,

² OJ L 68 of 09.03.98, p. 3
³ OJ L 126 of 28.04.98, p. 1

HAS DECIDED AS FOLLOWS:

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and Estonia, of the other part, concerning the participation of Estonia in the Community Programme Fiscalis, is that set out in the attached draft decision of the Association Council.

Done at Brussels,

*For the Council
The President*

Draft

**Decision n°/2001 of the Association Council between the European
Communities and their Member States, of the one part,
and Estonia, of the other part,**

of2001

**adopting the terms and conditions for the participation of Estonia in the
Community programme Fiscalis**

THE ASSOCIATION COUNCIL,

Having regard to the Europe Agreement between the European Communities and their Member States, of the one part, and Estonia, of the other part⁴, and in particular Article 108 thereof;

Whereas:

- (1) According to Article 108 of the Europe Agreement, Estonia may participate in framework programmes, specific programmes, projects or other actions of the Community in the fields laid down in Annex X;
- (2) According to this Annex, the Association Council may agree to add other fields of Community activities to those listed in the Annex;
- (3) According to the above-mentioned Article 108, the terms and conditions for the participation of Estonia in these activities shall be decided by the Association Council,

HAS DECIDED AS FOLLOWS:

Article 1

Estonia shall participate in the European Community programme Fiscalis according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the remaining lifetime of the Programme. Nevertheless, should the Community decide to extend the duration without any

⁴ OJ L 68 of 09.03.98, p. 3

substantial change within the Programme, this Decision would also be extended correspondingly and automatically if no Party denounces it.

Article 3

This Decision shall enter into force on the day of its adoption by the Association Council.

Done at Brussels,

*For the Association Council
The President*

ANNEX I

TERMS AND CONDITIONS FOR THE PARTICIPATION OF ESTONIA IN THE FISCALIS PROGRAMME.

1. As stated in Article 7 of Decision No 888/98/EC⁵ of the European Parliament and of the Council of 30 March 1998 establishing a programme of Community action to ameliorate the indirect taxation systems of the internal market - the Fiscalis programme (hereinafter called "the Programme") - Estonia's participation in the Programme shall be in accordance with the conditions laid down in the Europe Agreement, and insofar as Community law on indirect taxation so permits. Accordingly, Estonia's participation in the Programme's activities shall be under the following conditions:
 - Activities foreseen in Article 4 (communication and information-exchange systems, manuals and guides) will be allowed insofar as Community indirect taxation provisions make it possible;
 - Activities foreseen in Article 5 (1) (exchanges of officials) and (2) (seminars) as well as those foreseen in Article 6 (common training initiative) will be allowed under the conditions laid down in these articles;
 - Activities foreseen in Article 5 (3) (multilateral controls) would not be allowed as the Community legal framework⁶ for co-operation in this domain is only applicable to countries which are Member States of the EU.
2. The terms and conditions for the submission, assessment and selection of applications for seminars and exchanges related to officials of Estonia shall be the same as those applicable to officials of the 15 national administrations of the Member States of the European Community.
3. Annex II establishes the financial contribution to the general budget of the European Union that Estonia will have to pay at the beginning of every financial year to cover the costs resulting from its participation in the Programme, from 2001 to 2002. The Association Committee is entitled to adapt this contribution whenever necessary in accordance with the principles laid down in Article 113 (2) of the Europe Agreement between the European Communities and their Member States, of the one part, and Estonia, of the other part.
4. Representatives of Estonia will participate, as observers and for the points which concern them, in the Standing Committee on Administrative Co-operation in the field of Indirect Taxation foreseen in Article 11 (1) of Decision No 888/98/EC. This Committee shall meet without the presence of representatives of Estonia for the rest of the points, as well as at the time of voting.

⁵ OJ L 126 of 28.04.98, p. 1

⁶ Directive 77/799/EEC and Regulation 218/92/EEC

5. The Member States of the European Union and Estonia will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between Estonia and the EU Member States for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission of the European Communities and the Court of Auditors of the European Communities in relation to the monitoring and evaluation of the Programme pursuant to the Decision concerning Fiscalis, the participation of Estonia in the Programme will be continuously monitored on a partnership basis involving Estonia and the Commission. Estonia will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.
7. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the European Community.
8. The Community and Estonia may terminate activities under this Decision at any time upon twelve months' notice in writing. Activities in progress at the time of termination shall continue until their completion under the conditions laid down in this Decision.

ANNEX II

FINANCIAL CONTRIBUTION OF ESTONIA TO THE FISCALIS PROGRAMME

1. The financial contribution of Estonia will be added to the amount available each year in the general budget of the European Union for commitment appropriations to meet the Commission's financial obligations stemming from work to be carried out for the implementation, management and operation of the Fiscalis programme.
2. The financial contribution has been calculated considering an average daily allowance of EURO 146 and an average travel allowance of EURO 695 representing costs incurred for participation in seminars and exchanges. It is estimated for the calculation of the financial contribution that Estonia will participate in 15 seminars and 20 exchanges, as an average number of activities per year. The financial contribution may be adjusted at the beginning of each year to take into account the actual number of activities in which Estonia plans to participate during that year. The adjustment will take place by means of the required call for funds that Estonia will receive from the Commission, as referred to under item 6 below.
3. Estonia's contribution will be of EURO 94.984 for every single year of participation, unless determined otherwise within the conditions under item 2. From this sum, an amount of EURO 6.214 will cover supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from Estonia's participation.
4. Estonia will pay the annual supplementary costs of an administrative nature referred to under item 3 from its national budget.
5. Estonia will pay 50% of the annual remaining cost of its participation from its national budget for year 2001; 60% for year 2002.

Subject to Phare separate programming procedures, the remaining 50% will be paid from Estonia's annual Phare allocations – subject to the availability of the relevant budgetary appropriations – for year 2001; 40% for year 2002. The requested Phare funds will be transferred to Estonia by means of a separate Financing Memorandum. Together with the part coming from Estonia's State budget, these funds will constitute Estonia's national contribution, out of which it will make payments in response to annual calls for funds from the Commission.

6. The financial regulation applicable to the general budget of the European Union will apply, notably to the management of the contribution of Estonia.

Upon entry into force of this Decision, the Commission will send to Estonia one or more call for funds corresponding to its contribution to the costs of the activities for the current year. The contribution will be expressed in EURO and paid into an EURO bank account of the Commission.

Estonia will pay its contribution according to the call for funds:

- for the part financed from its national budget, at the latest three months after the call for funds is sent out;
- for the part financed from Phare, at the latest in a period of 30 days after the corresponding Phare funds have been sent to the country.

Any delay in the payment of the contribution shall give rise to the payment of interest by Estonia on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Central Bank, on the due date, for its operations in EURO, increased by 1,5 percentage points.

7. The daily subsistence allowances are applicable to all participants in the Programme and are determined on a country per country basis by the Commission. Estonia will receive a first budget advance from the Commission at the beginning of every year. A second advance may be paid at the middle of the year depending on the actual participation of Estonia in the Programme activities and on the expected participation for the rest of the year. The Estonian department concerned will use these advances to pay for the travel tickets and daily subsistence allowances for Estonian participants.
8. Travel costs and subsistence costs incurred by representatives and experts of Estonia for the purposes of taking part as observers in the work of the committee referred to in Annex I, point 4 shall be reimbursed by the Commission on the same basis as the Member States of the European Union.

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Opening of Community Programme Fiscais to Estonia.

2. BUDGET HEADING(S) INVOLVED

Revenue: 6091 Revenue accruing from the participation of candidate countries in Community programmes

Expenditure: B7-030 Economic aid to the associated countries of Central and Eastern Europe

3. LEGAL BASIS

Treaty establishing the European Community, and in particular Article 95, in conjunction with Article 300(2), second indent thereof.

The Europe Agreement⁷ with Estonia, entered into force on 1 February 1998, providing for the opening-up of Community programmes (Article 108 in conjunction with Annex X).

Decision No 888/98/EC⁸ of the European Parliament and of the Council of 30 March 1998 establishing a programme of Community action to ameliorate the indirect taxation systems of the internal market.

4. DESCRIPTION OF OPERATION

4.1 General objective

1. To enable officials to achieve a high common standard of understanding of Community law, in particular in the field of indirect taxation and of its implementation in Member States.
2. To secure efficient, effective and extensive co-operation among Member States and between them and the Commission.
3. To ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxpayers through the development and dissemination of good administrative practices.

⁷ OJ L 68 of 09.03.98, p. 3
⁸ OJ L 126 of 28.04.98, p. 1

4. Estonia's participation in the Community programme Fiscalis will further contribute to its preparation for accession as a key feature of a reinforced pre-accession strategy. It will also enable Estonia to familiarise itself with the procedures and methods used in this Community programme.
5. The decision-making process for this participation requires a decision by the Association Council of the Europe Agreement. This decision sets up the terms and conditions for such participation.
6. The Europe Agreement with Estonia entered into force on 1 February 1998 and provides for Estonia's participation in Community Programmes dealing with a wide range of areas. Since Annex X also provides for addition of other Community areas, activities in the field of internal market can be included too.

4.2 Period covered and arrangements for renewal

From the entry into force of this Decision until the end of this Community programme, i.e. 31.12.2002.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 Non-compulsory expenditure

5.2 Differentiated appropriations

5.3 Type of revenue involved

Since Article 108 of the Europe Agreement stipulates that Estonia itself will meet the costs of its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as the Community may supplement Estonia's contribution (through its national Phare allocation), Estonia will contribute only part of its national budget. The remaining part of this contribution will be taken from its Phare National Programme. The required Phare funds will be charged to heading B7-030 and transferred to Estonia by means of a separate Financing Memorandum. Together with the part coming from Estonia's State budget, these funds will constitute Estonia's national contribution out of which it will make payments in response to annual calls for funds from the Commission.

6. TYPE OF EXPENDITURE OR REVENUE

Expenditure comprises reimbursement of participants' travel expenses and daily subsistence allowances, organisational costs and costs incurred through seminars and exchanges.

As far as revenue is concerned, provision for Estonia's contribution to cover the cost of its participation is made under item 6091. The revenue will be allocated to the items for expenditure on the programme concerned and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (relation between individual and total cost)

The calculation is based on the following preconditions:

- Estonia's contribution to the financing of the activities referred to in Article 108 of the Europe Agreement is calculated according to the principle that the country bears the costs of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose.
- Based on the Europe Agreement with Estonia, the financial and budgetary arrangements for the programme concerned are as follows: the costs have been calculated on the basis of various assumptions related to the participation in a number of 15 seminars and 20 exchanges per year, including average costs of travel of EURO 695 from Estonia to the country of the host administration, the duration of exchanges or seminars and average daily subsistence allowance of EURO 146.

On the basis of these assumptions, the total cost of Estonia's participation will be EURO 94.984 per year.

From the above-mentioned figure, the supplementary cost of an administrative nature of EURO 6.214 per year is to be borne exclusively by Estonia.

Of the remaining sum, Estonia shall pay 50% from its national budget for year 2001; 60% for year 2002.

Subject to the Phare programming procedures, the remaining 50% will be paid from Estonia's Phare national allocation for year 2001; 40% for year 2002.

7.2 Itemised breakdown of costs in EURO

EXCHANGES	FINANCIAL CONTRIBUTION PER YEAR
Number of exchanges*	20
Length of exchanges (days)	14
Number of participants per exchange	1
Subsistence allowances**	40.880
Travel expenses***	13.900
TOTAL	54.780

SEMINARS	FINANCIAL CONTRIBUTION PER YEAR
Number of seminars*	15
Number of participants in each seminar	2
Length of seminar (days)	3
Subsistence allowances**	13.140
Travel expenses***	20.850
TOTAL	33.990

TOTAL SEMINARS+EXCHANGES	88.770
7% administrative costs	6.214

TOTAL PER YEAR	94.984
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* number of exchanges and seminars yearly attended by Member States with the same population as Estonia

** € 146/day (average daily subsistence allowance)

*** € 695 (average travel allowance)

7.3 Operational expenditure for studies, experts etc. included in Part B of the budget

None

7.4 Schedule of commitments and payment appropriations

TOTAL EXPENDITURE:

Item 6091	2001	2002	TOTAL
Seminars + exchanges	88.770	88.770	177.540
7% administrative costs	6.214	6.214	12.428
TOTAL	94.984	94.984	189.968

PHARE CONTRIBUTION:

	2001	2002	TOTAL
	50% of operational expenditures	40% of operational expenditures	
Item	B7-030	B7-030	
	44.385	35.508	79.893

Estonia's contribution from its national budget:

Item 6091	2001	2002	TOTAL
	50% of operational expenditures	60% of operational expenditures	
Operational expenditure	44.385	53.262	97.647
7% administrative costs	6.214	6.214	12.428
TOTAL	50.599	59.476	110.075

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.

The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of Estonia.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

The main objectives of the Programme are to contribute to the achievement of a high common standard of understanding of Community legislation in the field of indirect taxation, secure efficient co-operation among Member States and the Commission and improve administrative procedures.

The Fiscalis programme allows exchanges of officials involved in implementing Community legislation and the organisation of seminars.

The aim of opening up the Community programme Fiscalis is to bring to Estonia the same benefits as the Member States of the European Union already enjoy from the Programme. The objective for each year is to have Estonian officials participate in an average number of 20 exchanges by a placement in one of the 15 EU members and in an average number of 15 seminars.

The integration of Estonian officials in Community networks will make a definite contribution to preparing Estonia for future membership.

9.2 Monitoring and evaluation of the operation

The monitoring and evaluation procedures included in the Fiscalis programme will also cover Estonian participants.

10. ADMINISTRATIVE EXPENDITURE

Actual mobilisation of the necessary administrative resources will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional amounts authorised by the budgetary authority.

10.1 Effect on the number of posts

Type of post	Staff required to manage the operation		Source		Duration Per year
	Permanent posts	Temporary posts	Existing resources of the DG or department concerned	Additional resources	
Officials or temporary staff					
A	0,02		0,02		
B	0,02		0,02		
C	0,02		0,02		
Other resources (Technical assistance, item A-7002)					
TOTAL	0,06		0,06		

10.2 Overall financial impact of additional human resources

(in EURO)

	Total EURO	Method of calculation (total cost of the action per year)
Officials	6.480	0,06 man/year x 108.000 EURO
Temporary staff		
Other resources (Technical assistance, item A-7002)		
TOTAL	6.480	

* By using existing resources required to manage the operation (calculation based on A-1, A-2, A-4, A-5, A-7).

10.3 Increase in other administrative expenditure as a result of the operation

	2001	2002	TOTAL
A.701 (missions)*	2.448	2.448	4.896
A.7031 (compulsory committees)**	3.766	3.766	7.532
TOTAL	6.214	6.214	12.428

* Average cost for a 2-day mission of 2 officials per year in Estonia

** Participation of Estonia in SCAC meetings

The above expenditure will be met from the receipts (art. 4 § 2 third indent of the financial regulation) received from Estonia (see point 5.3 and 7.4 of the financial statement).