The financial impact of the 2004 enlargement of the European Union

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The committee adopted the own-initiative report by Reimer BÖGE (EPP-ED, D) on the financial implications of enlargement. The committee restated its belief that the benefits of accession were much more important than the Member States' budget balances with the EU. The accession negotiations must therefore take into account both the interests of the current Member States and the needs of the candidate countries in order to arrive at a long-term formula which would guarantee the stability of an enlarged Union. The report pointed out that the Interinstitutional Agreement (IIA) of 6 May 1999 laid down a procedure for adjusting the financial perspective if new Member States were admitted. However the committee stressed that the financial cost of enlargement could not be calculated until the accession negotiations were completed. The figures of the indicative financial framework for enlargement should therefore be taken as a basis for the adjustment of the financial perspective when the accessions took place in 2004; however, Heading 8 under the IIA gave only indicative ceilings for the adjustments to be made to the financial perspective following enlargement. As regards agriculture (Heading 1), the committee, while calling for a fair and sustainable agricultural policy, urged that the EU co-financing rate for rural development be increased to 80% after enlargement in order to ease the integration of the new Member States into the CAP. Direct aid should be phased in gradually, to reach 100% in 2013. The committee said that this point needed to be clarified once and for all when the next financial perspective was adopted. MEPs also emphasised the importance of economic and social cohesion by backing the Commission's plan to set up a Cohesion Fund for the new Member States, but said this should be managed and funded separately from the existing Cohesion Fund. They also welcomed the gradual approach proposed by the Commission regarding the Structural Operations (Heading 2), while stressing the need to improve the administrative capabilities of the new states as well as their ability to take up available Community funds. On Heading 4 (External action), in order to deal with the likely shift in foreign policy priorities in an enlarged EU, the committee said it would consider the financial implications in detail in the light of all the options available under the IIA. In order to find additional funding, the ceiling of Heading 4 might have to be adjusted. As regards administrative expenditure (Heading 5), the committee said that it was already clear that the ceiling would have to be raised. However, the Community institutions were urged to streamline their working procedures and make changes to their language regime. Lastly, the committee said it would be unacceptable for the new Member States to find themselves in the position of net contributors to the EU budget immediately after enlargement, even if only temporarily. It therefore proposed entering the budgetary compensation as negative revenue in the budget in order to preserve the margin for payments entered in the financial perspective.