2004 enlargement: adjustment of financial perspective for 2004-2006

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PURPOSE : to present a proposal to adapt the financial framework for enlargement. CONTENT : Point 25 of the Interinstitutional Agreement (IIA) of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure (refer to procedure reference ACI/1998/2064) provides for the Commission to present, when the Union is enlarged, a proposal to adjust the financial perspective to take account of the expenditure requirements resulting from enlargement. The Copenhagen European Council of 12 and 13 December 2002 endorsed the results of the negotiations which determined expenditure requirements resulting from the accession of ten new Member States in 2004. The proposal sets in motion the process of incorporating the 10 new Member States into the EU budget within the limits of the financial perspective for the 6 candidate countries agreed in Berlin in 1999. In addition, the proposal provides for the current categories of expenditure to be adjusted in line with the enlarged Union. The EU budget for 25 Member States will no longer distinguish between old and new Member States. Under the proposal, the forthcoming 2004 budget will total 1.12% of GNP (gross national product), or EUR 115 billion, in commitments and 1.08%, or EUR 111 billion, in payments. The proposal involves no change in the ceilings set for payments in Berlin, while the ceilings for commitments are even slightly lower than in 1999. In concrete terms, the ceilings for agriculture and the Structural Funds, internal policies and administration are to be increased by the amounts agreed by the Council in Copenhagen. For agriculture and the Structural Funds there is provision for a gradual increase. As regards internal policies, the programmes are to be fully extended to the new Member States. This heading will also include new special facilities, such as the "Schengen" facility for better controls at external borders, and others for nuclear safety and for building up administrative and institutional structures. The current ceiling on pre-accession aid is to remain unchanged. The Commission is proposing a step-by-step increase in funding for Bulgaria and Romania of up to 40% a year between 2004 and 2006. The target is to make EUR 1228 million available for the two countries in 2004, reaching EUR 1432 million by 2006. From 2004 the support programme for Turkey will also be financed under this heading. Funds for Turkey are set to double at least by 2006. If a political solution to the Cyprus question is found, the Commission has worked out a separate scenario involving a further increase in the ceilings (from a total of EUR 67 million in 2004 to EUR 138 million in 2006). The proposal includes creating a new heading for compensatory payments to be made to the acceding countries in the form of a temporary flat-rate cash-flow facility (EUR 1410 million in 2004, shrinking to EUR 1041 million in 2006). This is intended to ensure that the new Member States are no worse off than before accession, in other words that they remain net beneficiaries. Before it can come into force, the amended financial perspective has to be approved by the Council and Parliament.