The financial impact of the 2004 enlargement of the European Union

2002/2045(INI) - 30/01/2002 - Document attached to the procedure

In this document, the European Commission proposes a fair and solid approach for financing the enlargement of the European Union until 2006, which fully respects the expenditure ceilings imposed by the budgetary rules while offering the benefits of EU solidarity to ten possible new Member States. For the Commission, this offer is not to be seen as a starting point leaving a wide room for bargaining : this represents what can realistically be achieved given the current, well-known constraints and possibilities. The "information note" adopted will allow the Council of Ministers to hold an overall discussion on the financial issues of enlargement and will serve as the basis for the Commission's detailed negotiation positions on agriculture, structural policies and budget. As regards respecting the budgetary ceilings, the European Commission, in its information note, sets out the global approach it intends to take in the future draft common positions in the fields of agriculture, structural policies and the budget. These negotiation chapters will be addressed during the Spanish Presidency with the objective of defining EU common positions in view of reaching agreement with the candidate countries on all three chapters. The overall budgetary framework adopted by the fifteen Member States at their Berlin Summit in 1999 envisaged annual amounts for 2002 to 2006 increasing from EUR 6,450 million -to EUR 16,780 million in commitment appropriations, based on a scenario for an enlargement of six new Member States in 2002. The corresponding payment appropriations would increase from EUR 4,140 million in 2002 to EUR 14,220 million in 2006. Since enlargement will not take place until 2004 and could include up to ten new Member States, this Berlin scenario has to be adjusted. The necessary resources to finance ten instead of six new Member States can be found by not taking as a point of departure, for structural policies, the amounts available for 2004 to 2006, but rather amounts closer to the levels originally foreseen for the first three years of accession (i.e. 2002, 2003 and 2003). In this way, it is possible to finance, under the Berlin ceilings, an enlargement of up to ten instead of six new Member States while catering for specific issues that have appeared in the accession process, in particular agricultural policy, structural policies, nuclear safety, administrative capacity, Cyprus (northern part) and possible budgetary compensation payments. 1) Agriculture : for agriculture, the following adjustments are needed : for the CAP market policy, the corresponding adjusted amounts are equal to EUR 516 million in 2004, EUR 749 million in 2005 and EUR 734 million in 2006. Concerning direct payments, the Commission proposes an approach in two steps leading to the full application of EU law in the area of direct payments: in a first step, direct payments would be introduced in the new Member States equivalent to a level of 25% in 2004, 30% in 2005 and 35% in 2006 of the present system. The amounts are EUR 1173 million for 2005 and EUR 1418 million for 2006. In order to facilitate implementation, new Member States would have the option to use a simplified, area-based scheme for a limited period. They would also be allowed to top up payments themselves in order to ensure that total support levels would notdecrease upon accession. In a second step after 2006, direct payments would be phased in through percentage steps in such a way as to ensure that the new Member States reach in 2013 the support level then applicable. This transitional system would not prejudge any changes in the nature of the regime. Furthermore, for the programming period 2004 to 2006, the Commission proposes to better adapt the transition to the European Union rural development policy to the needs of the new Member States. This would result in adjusted amounts for rural development policies of EUR1532 million in 2004, EUR 1674 million in 2005 and EUR 1781 million in 2006. 2) Structural actions :a balanced approach would be to propose envelopes for structural actions based on a share of one third for the Cohesion Fund, compared to 18% for the current four beneficiary Member States. 3) Internal policies : The Commission considers necessary to foresee, at this stage, adjustments for nuclear safety and for the continuation, during the period 2004-2006, of certain institution building actions aimed at reinforcing administrative capacity. - Nuclear Safety : the Commission proposes to allocate specific amounts for decommissioning of the Bohunice nuclear power plant in Slovakia (EUR 20 million for each of the years 2004, 2005 and 2006) and the Ignalina NPP in Lithuania (EUR 105 million in 2004 and EUR

70 million for each of the years 2005 and 2006); - Transition facility for institution building : the Commission proposes to establish a transition facility, worth EUR200 million in 2004, EUR120 million in 2005 and EUR60 million in 2006. 4) Cyprus (northern part) : the European Union is actively encouraging the parties involved to resolve the Cyprus problem and to come to a political settlement. As the Berlin financial framework did not fully take into account the northern part of Cyprus, the Commission proposes to adjust the framework in the context of a political settlement. In addition, despite being one of the poorest regions within the Candidate Countries, the northern part is not a beneficiary of the pre-accession funds. The total amounts foreseen in commitments for the northern part of Cyprus are EUR 39 million in 2004, EUR 67 million in 2005 and EUR 100 million in 2006. 5) Transitional arrangements for budgetary compensation :on the basis of the framework proposed in the information note, new Member States could expect payments increasing from EUR 5,686 million in 2004 to EUR 11,840 million in 2006. At the same time, they will have to contribute fully to the EU budget upon accession, representing about EUR 5 billion per year; 6) Bulgaria and Romania : the present framework proposed for 2004-2006 does not take account of Bulgaria and Romania, which do not plan to join the Union before 2007. In line with the European Council conclusions in Laeken, the Commission will however propose in its 2002 Enlargement Srategy Paper an updated road map and, if necessary, a revised pre-accession strategy, for those candidates which will not form part of the first accessions.