


Procedure file

Basic information		
INI - Own-initiative procedure	2002/2045(INI)	Procedure completed
The financial impact of the 2004 enlargement of the European Union		
Subject 8.20.40 Enlargement's financial point of view		

Key players			
European Parliament	Committee responsible		Rapporteur
	BUDG Budgets		Appointed 27/02/2001
			PPE-DE BÖGE Reimer
	Committee for opinion		Rapporteur for opinion
	AFET Foreign Affairs, Human Rights, Common Security, Defense		Appointed 24/01/2002
			PSE KATIFORIS Giorgos
	AGRI Agriculture and Rural Development		19/02/2002
			V/ALE GRAEFE ZU BARINGDORF Friedrich-Wilhelm
	RETT Regional Policy, Transport and Tourism		21/03/2002
		UEN POLI BORTONE Adriana	

Key events			
11/04/2002	Committee referral announced in Parliament		
22/05/2002	Vote in committee		Summary
22/05/2002	Committee report tabled for plenary	A5-0178/2002	
12/06/2002	Debate in Parliament		
13/06/2002	Decision by Parliament	T5-0318/2002	Summary
13/06/2002	End of procedure in Parliament		
30/10/2003	Final act published in Official Journal		

Technical information	
Procedure reference	2002/2045(INI)
Procedure type	INI - Own-initiative procedure

Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/5/16052

Documentation gateway

Document attached to the procedure		SEC(2002)0102	30/01/2002	EC	Summary
Committee of the Regions: opinion		CDR0071/2002 OJ C 278 14.11.2002, p. 0040	16/05/2002	CofR	
Committee report tabled for plenary, single reading		A5-0178/2002	22/05/2002	EP	
Text adopted by Parliament, single reading		T5-0318/2002 OJ C 261 30.10.2003, p. 0388-0552 E	13/06/2002	EP	Summary

The financial impact of the 2004 enlargement of the European Union

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 not decrease 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 prejudice 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 EUR 1532 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 EUR 200 million in 2004, EUR 120 million in 2005 and EUR 60 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 Strategy 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.?

The financial impact of the 2004 enlargement of the European Union

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. ?

The financial impact of the 2004 enlargement of the European Union

The European Parliament adopted an own-initiative resolution by Reimer BOGE (EPP-ED, Germany) on the financial impact of enlargement. (Please refer to the document dated 22/05/02.) Parliament insisted that the current Member States should not endanger the enlargement process by adhering to national positions but work together to find an agreement on the financial aspects of enlargement. On agriculture, the Commission is required, within the framework of the necessary reforms, to submit proposals to make direct income payments part of rural development policy after 2006. The phasing-in of structural operations is welcomed, but Parliament questioned the absorption capacity of the new Member States. On pre-accession instruments, it was pointed out that the take-up rate for SAPARD at the end of 2001 amounted to only 6.48%, leaving the total amount of unused appropriations as of 15 April 2002 at EUR 6.611 billion. The Commission needs to remedy this. Finally, Parliament pointed out that, amongst the general benefits associated with enlargement, there may be some undesirable effects in certain vulnerable regions or sectors and the EU or Member States may need to take special remedial action.?