Commission press release on the financing of EU enlargement (Brussels, 30 January 2002)

Caption: On 30 January 2002, the European Commission issues a press release in which it outlines the various stages of the financing of the enlargement of the European Union.
Source: RAPID. The Press and Communication Service of the European Commission. [ON-LINE]. [Bruxelles]: Commission européenne, [03.05.2005]. IP/02/170. Available on http://europa.eu.int/rapid/start/welcome.htm.

URL:
http://www.cvce.eu/obj/commission_press_release_on_the_financing_of_eu_enlargement_brussels_30_january_2002-en-6875b65b-2dae-4406-b7ed-b5eee08bde50.html
Publication date: 20/10/2012

Press release: Commission offers a fair and solid approach for financing EU enlargement (Brussels, 30 January 2002)

The European Commission today proposed 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 today 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.

Commenting on the proposal, Enlargement Commissioner Günter Verheugen said : *"This offer strikes the right balance between the expectations of the candidate countries, who will become full members of the European Union, and the budgetary limits of the EU. In other words : this represents the best possible deal, and not an invitation for haggling. For the candidates, it means that they can substantially benefit from the solidarity of the EU. There will be transitional phases as agreed for a number of other issues, but no new Member State will be treated as second class member. For the current Member States, it means that they don't need to fear further financial burdens because of enlargement"*.

Budget Commissioner Michaele Schreyer said : *"The Commission's proposal clearly shows that enlargement has strong and well calculated financing. Some 0.09% to 0.14 % of the enlarged union's GNP will be spent on expenditures in the new Member States: this is great value for money for a unified Europe. I expect an intensive discussion and no unnecessary conflict, since this well-balanced financing provides a sound basis for the budget of the enlarged union."*

Respecting the budgetary ceilings

In its information note adopted today, the Commission 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 € 6,450 million -to € 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 € 4,140 million in 2002 to € 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 amounts in principle foreseen for enlargement in 2002 and 2003 are not available since they cannot be transferred to later years in view of the annuality of the financial perspective ceilings. Therefore, the Commission's starting point is to make proposals that are in line with the expenditure ceilings agreed in Berlin for each of the years 2004 to 2006 and to incorporate the necessary adjustments for the potential number of new Member States.

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.

Agriculture

Because of the complex nature of the issue, details for agriculture are covered in another specific note also adopted today (see IP/02/176).

For agriculture, the following adjustments are needed :

For the **CAP market policy,** the corresponding adjusted amounts are equal to €516 million in 2004, €749 million in 2005 and €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 €1173 million for 2005 and €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 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 €1532 million in 2004, €1674 million in 2005 and €1781 million in 2006.

Structural actions

The Berlin scenario foresees the benefits of the European Union structural actions for six new Member States over a period of five years (2002-2006). Since structural actions are only covered in the Berlin scenario until 2006, this limits the period to three years (2004-2006). For this period a middle ground needs to be found between the limits on absorption capacity and a faster profile than foreseen in Berlin for the first three years after accession. To this end, **absorption could be increased if resources are focused more on cohesion fund expenditure for the new Member States,** i.e. expenditure in the areas of environment and infrastructure, where efforts will remain very much needed after accession.

A balanced approach would therefore 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. The corresponding adjusted amounts for structural operations are given in the table in Annex.

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 :** at the insistence of the European Union on a high level of nuclear safety, a number of candidate countries have decided to decommission several nuclear power plants which were internationally considered not to be upgradable at reasonable costs. The Union is already supporting these decommissioning efforts. The Commission proposes to allocate specific amounts for decommissioning of the Bohunice nuclear power plant in Slovakia (€20 million for each of the years 2004, 2005 and 2006) and the Ignalina NPP in Lithuania (€105 million in 2004 and €70 million for each of the years 2005 and 2006).

- **Transition facility for institution building :** one important factor for accession consists of building up and strengthening adequate administrative structures to implement the “acquis”. Institution building represents currently about €1 billion per year and is financed by the pre-accession programmes (mainly Phare). However, a number of institution building actions are not eligible under the existing EU programs and, on the other hand, there is the necessity to ensure a smooth phasing-out of the Phare actions started before accession. Therefore the Commission proposes to establish a transition facility, worth €200 million in 2004, €120 million in 2005 and €60 million in 2006.

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 €39 million in 2004, €67 million in 2005 and €100 million in 2006.

Transitional arrangements for budgetary compensation

On the basis of the framework proposed in the information note, new Member States could expect payments increasing from € 5,686 million in 2004 to € 11,840 million in 2006. At the same time, they will have to contribute fully to the EU budget upon accession, representing about € 5 billion per year.

The Commission proposes to implement the contribution rules for the new Member States to the EU Budget from the beginning. The new Member States, upon accession, may, however, legitimately expect not to see their net balance vis-à-vis the Union, currently positive due to pre-accession expenditure, deteriorate. Therefore compensatory budgetary payments in the form of lump sums must be considered. The margin (in commitment appropriations) under the overall ceiling - €816 million in 2004, €800 million in 2005 and €814 million in 2006 - should therefore be available as contribution to budgetary compensation payments, the size of which is to be determined at a later stage of the negotiations. In any case, the ceiling on payment appropriations for enlargement defined in Berlin should be respected.

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.

ANNEX
Financial Framework for Enlargement 2004 – 2006 (€m, 1999 prices)

Scenario: Accession of 10 new Member States in 2004	2004	2005	2006
Commitment appropriations			
Agriculture	20048	3596	3933
Structural actions	7067	8150	10350
Internal policies	1176	1096	1071
Administration	503	558	612
Total commitment appropriations	10794	13400	15966
Total commitment appropriations (Berlin 1999 scenario)	11610	14200	16780
Payment appropriations (Enlargement)	5686	10493	11840
Payment appropriations (Berlin 1999 scenario)	8890	11440	14220

PM Budgetary compensations