

Budget contributions worry applicants for EU
By Judy Dempsey and Michael Mann in Brussels
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Concern is growing among countries hoping to join the European Union in 2004 that they will become net contributors to the EU budget during their first year of membership. This could complicate attempts by their governments to galvanise support for accession in referendums scheduled for next year.

The candidates raised their concerns after the EU's 15 member states started discussing the budget allocations for new members. Unless the EU approves proposals by its executive, the European Commission, for a system of compensation, the Czech Republic, Slovenia, Cyprus and Malta could find themselves paying more into the EU in 2004 than they get back.

"It will be hard to explain to our public why we might be worse off after joining than before," said Libor Secka, Czech ambassador to the EU. According to Commission calculations, Prague's pre-accession aid for next year will total €158m (\$154m, £99m) but its net balance on joining will be minus €185m.

The budget question is one of the last and most controversial issues to be wrapped up in the enlargement negotiations.

The net contributors, Germany, Sweden, Britain and the Netherlands, want to link agreement on the budget to some commitment to reform the common agricultural policy which, at €40bn, accounts for almost half the EU's budget. Some also fear that high compensation to the new members could push spending on enlargement over the limits agreed at the 1999 Berlin summit.

There are also suspicions that the Commission is trying to ensure not only that new members do not become net contributors, but also that they receive more EU aid in the first year of membership than in their last year outside the bloc.

The enlargement negotiations are due to be completed at the Copenhagen summit in December with 10 countries. The others are the three Baltic republics, Poland, Slovakia and Hungary.

Eastern European diplomats said the proposed budget allocations could dent support for the EU at a time when such backing has been rising slowly after Brussels pledged financial assistance for countries affected by last month's heavy floods.

Poland, wrestling with volatile public opinion, will not receive any substantial increase in EU funding in its first year of membership compared with what it receives now. Diplomats said Warsaw would ask for a phasing in of Poland's payments to the EU budget.

The Commission denied suggestions that the new member countries would be out of

pocket, pointing to its proposal to compensate any countries left as net contributors. "This document is purely technical and does not prejudice in any way the result of the negotiations," said a spokesman. "What counts is the end result."

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Commission's financial offer disappointing for candidate countries

In short:

The first official calculation of the cost of enlargement, submitted by the Commission to the Member States, comes short of the candidate countries' expectations. According to the Commission's working paper, Cyprus, Malta, Slovenia, Hungary, the Czech Republic, and even Slovakia could become net contributors to the EU budget already in the first year of their membership, in 2004.

Issues:

The working document, which is based on the Commission's Common Financial Framework 2004-2006 for the Accession Negotiations from January 2002, allocates only 8.8 billion euro net for the first three years of membership for ten future Member States.

Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia would receive 6.1 billion euro in 2004, 8 billion euro in 2005 and 10.1 billion euro in 2006 (24.2 billion euro in total). But they would have to contribute their full share to the EU budget from the start: 5 billion euro in 2004, 5.1 billion euro in 2005 and 5.3 billion euro in 2006.

Poland would be the biggest recipient of EU funds: it would receive 3.2 billion euro in 2004, 4.1 billion euro in 2005 and 5.2 billion euro in 2006. It would contribute 2.4 billion euro in 2004, 2.5 billion euro in 2005 and 2.6 billion euro in 2006. Poland would thus gain 5 billion euro.

Lithuania would gain 138 million euro, Latvia 64 million euro and Estonia 42 million euro.

All the other candidates stand to lose from the first day of their accession unless the EU agrees to correct their negative balance with a budgetary compensation.

Positions:

The Commission has made it clear that its financial offer is the best the candidate countries can get. The Commission has pledged that none of the candidates will be worse off after their accession in 2004 than they were in 2003. However, the calculation shows that many of the candidates will be worse off from the first year of accession.



A Commission spokesman said that the working paper "is purely technical and does not prejudice in any way the result of the negotiations". The Commission underlined that its proposal aims to compensate any candidate country that would become a net contributor under the current proposal. However, the proposed budgetary compensations first have to be approved by the Member States.

The candidates are not pleased with the terms of the offer because they expected significant financial improvements after accession.

Next steps:

The Commission will present its working paper to the candidate countries on 13 September.

The financial situation of the new Member States remains unclear because the EU has yet to negotiate its 2007-2013 financial perspectives.

The Member States are expected to reach a common position on the financing of enlargement by November so that they could conclude negotiations with the candidate countries at the Copenhagen Summit in December.

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- ▶ [Commission Information Note: Common Financial Framework 2004-2006 for the Accession Negotiations \[FR\] \[DE\] \(30 January 2002\)](#)
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- ▶ [Commission: Making a success of enlargement - Strategy Paper \[FR\] \[DE\] \(13 November 2001\)](#)
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