



Banque **Nationale** Bank  
DE BELGIQUE VAN BELGIË

# The new financial perspectives and convergence in an enlarged Europe

The views of a founding member of the EU

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# Some key features of acceding countries

(in 2002)

	Population (millions)	Nominal GDP (EUR billion)	Per capita GDP as a percentage of the EU average (in PPS <sup>1</sup> )
Poland	38.2	200	39
Czech Republic	10.2	74	60
Hungary	10.2	70	57
Slovakia	5.4	25	47
Lithuania	3.5	15	39
Latvia	2.4	9	35
Slovenia	2.0	23	74
Estonia	1.4	7	42
Cyprus	0.8	11	72
Malta	0.4	4	55
<b>Total</b>	<b>74.5</b>	<b>438</b>	<b>40</b>
Greece <sup>2</sup>	10.6	130	70
Portugal <sup>2</sup>	10.4	123	55
Spain <sup>2</sup>	40.0	650	73
<b>EU-15</b>	<b>378.4</b>	<b>9,170</b>	<b>100</b>

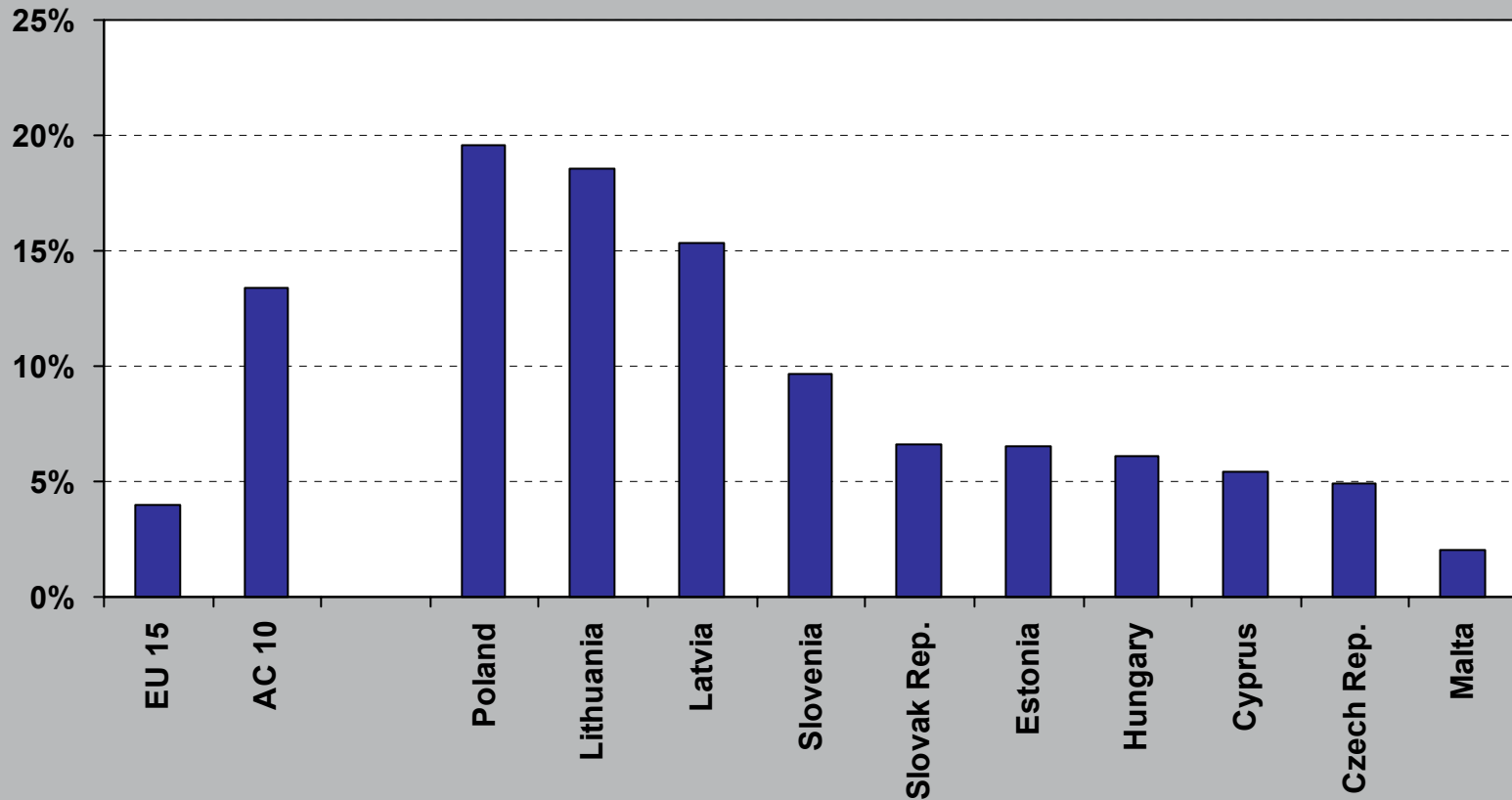
Source: ECB, European Commission, IMF World Economic Outlook.

<sup>1</sup> Purchasing Power Standards.

<sup>2</sup> The figures relating to Greece, Portugal and Spain are those for their respective year of entry into the EU, namely 1981 for Greece and 1986 for Portugal and Spain.

# Employment in Agriculture in the European Union

(as a percentage of the total labour force, 2002)



Source: New Cronos.

# Concerns in the current Member States of the Union about enlargement

- Massive flows of immigrants in search of a better standard of living
- Delocalisation of whole industries because of lower wages
- An increase in their net contribution to the Union
- The functioning of the Union

# Pre-Accession Strategy

## 1) Implementation of the Europe Agreements since 1994

aimed at progressively establishing a free-trade area between the EU and the associated countries, on the basis of reciprocity but applied in an asymmetric manner (more rapid opening up on the EU side)

----> these countries have quickly redirected their trade towards the EU

## 2) Adoption of the "acquis communautaire"

## 3) Financial assistance since 1989

- a. the **Phare** programme: institutional and investment support in areas not covered by other programmes
- b. the **ISPA** programme (environment and transport) since 2000
- c. the **Sapard** programme (agricultural and rural development) since 2000

----> EUR 3,120 million per annum since 2000 (equal to EUR 42 per capita in the acceding countries)

# Financial framework for 2004-2006 for the new Member States

## Overall financial agreement:

- Commitment of €41 billion for 2004-2006;
- The new Member States will be able to obtain EU funds for the whole of 2004;
- Reduction by a third of the contribution of the new Member States to the Commission's budget in 2004.

## Structural measures:

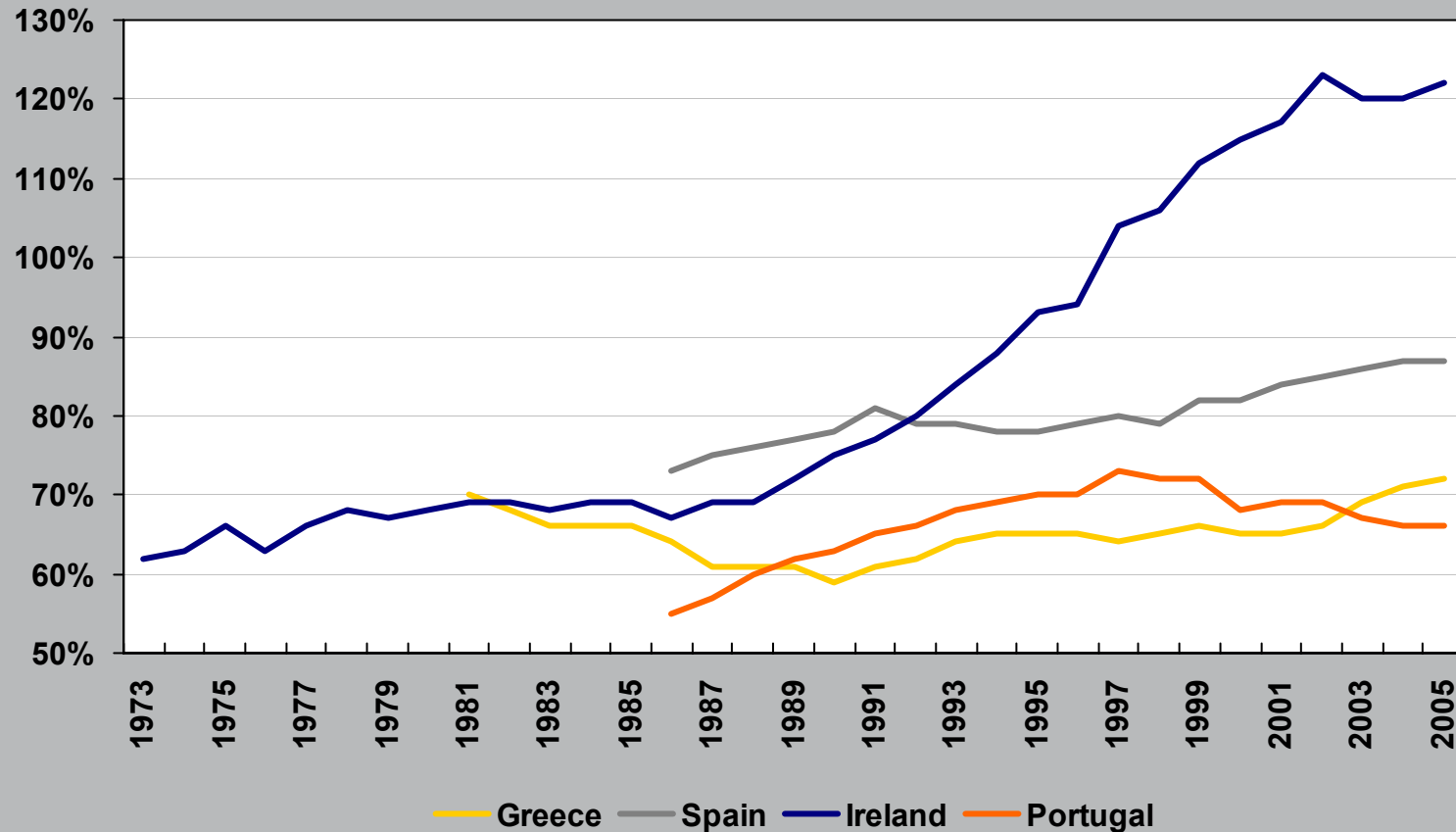
- €22 billion for 2004-2006, of which one third for the Cohesion Fund and two thirds for the Structural Funds, i.e. +/- € 300 per capita in new Member States.

## Agriculture:

- Gradual introduction of direct payments for farmers in the new Member States;
- €5 billion for rural development in 2004-2006.

Source: EC.

# GDP per capita (PPS) as a percentage of the EU-average in the cohesion countries



Source: EC.

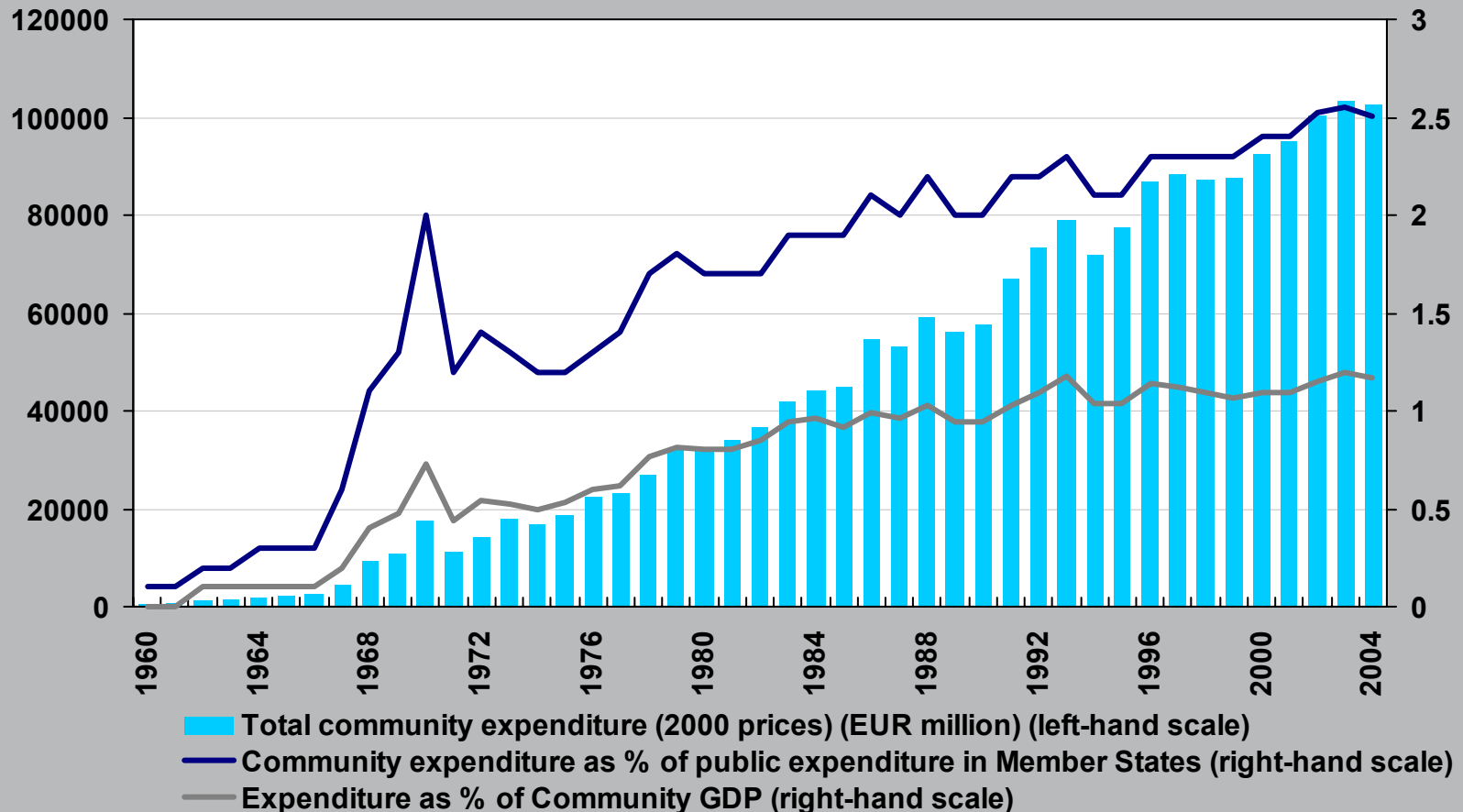


# Effects of Structural and Cohesion funding between 1994-1999 on the level of GDP and Unemployment (percentage change over baseline)

	Portugal		Ireland		Greece		Spain	
	GDP	UR	GDP	UR	GDP	UR	GDP	UR
1993	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1994	2.72	-2.21	1.61	-0.96	2.01	-1.38	1.10	-0.98
1995	2.78	-1.76	2.02	-1.07	1.94	-1.19	1.18	-0.83
1996	2.87	-1.31	2.17	-0.92	1.95	-0.97	1.25	-0.57
1997	3.30	-0.73	2.34	-0.73	1.90	-0.68	1.32	-0.19
1998	4.04	-0.16	2.76	-0.51	2.03	-0.40	1.39	0.30
1999	4.66	-0.05	2.83	-0.35	2.16	-0.31	1.39	0.60

Source: Bradley et. al. Macro-regional evaluation of the Structural Funds 1994-1999 using the Hermin modelling framework, May 2003.

# Evolution of the community budget<sup>1</sup>

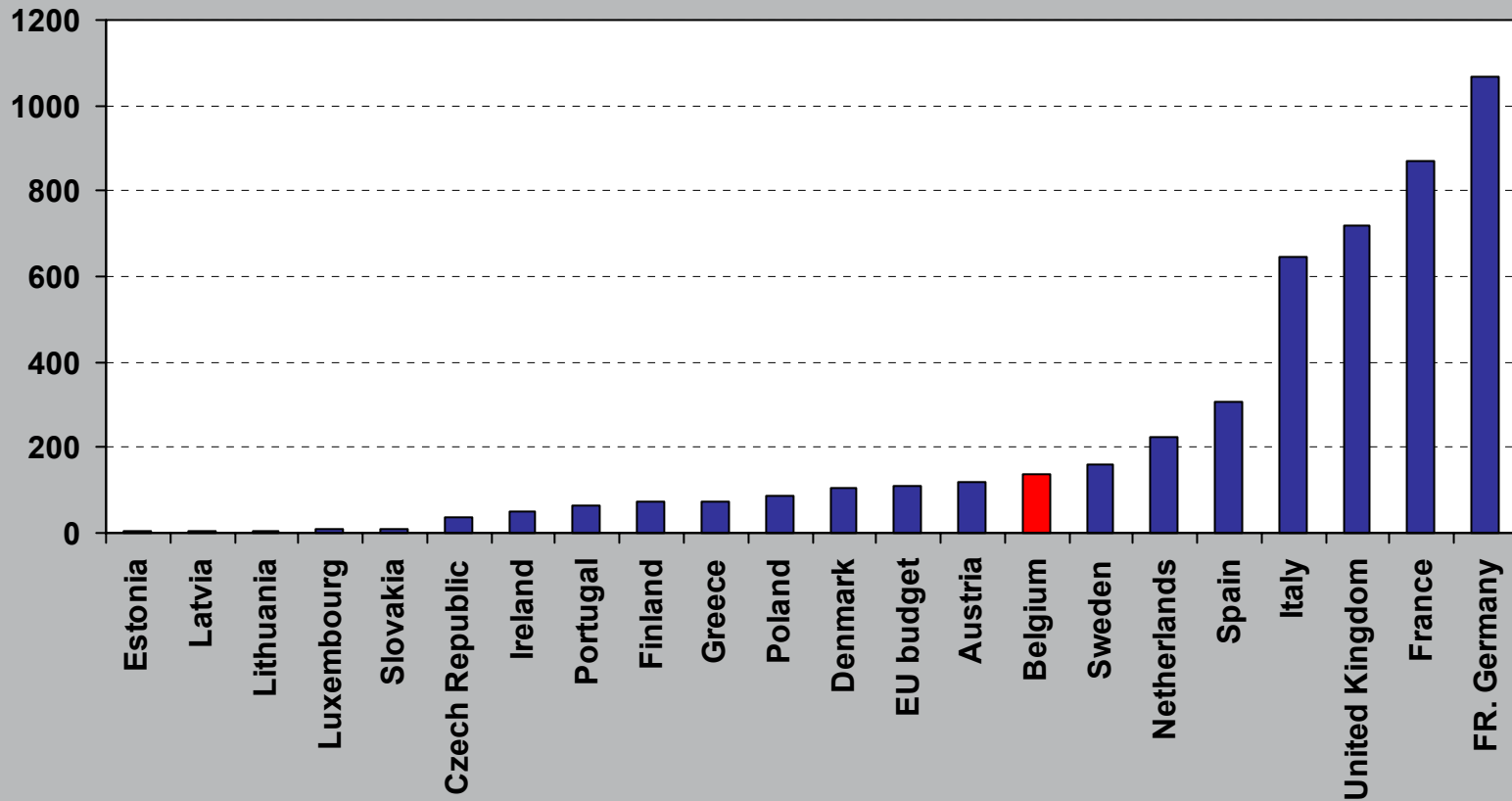


Source: EC, The Community budget: the facts in figures, 2000.

<sup>1</sup> Figures for 2001-2004 are based on the Financial Perspectives 2000-2006.

# Comparison between the EU budget and the budget of the Member States

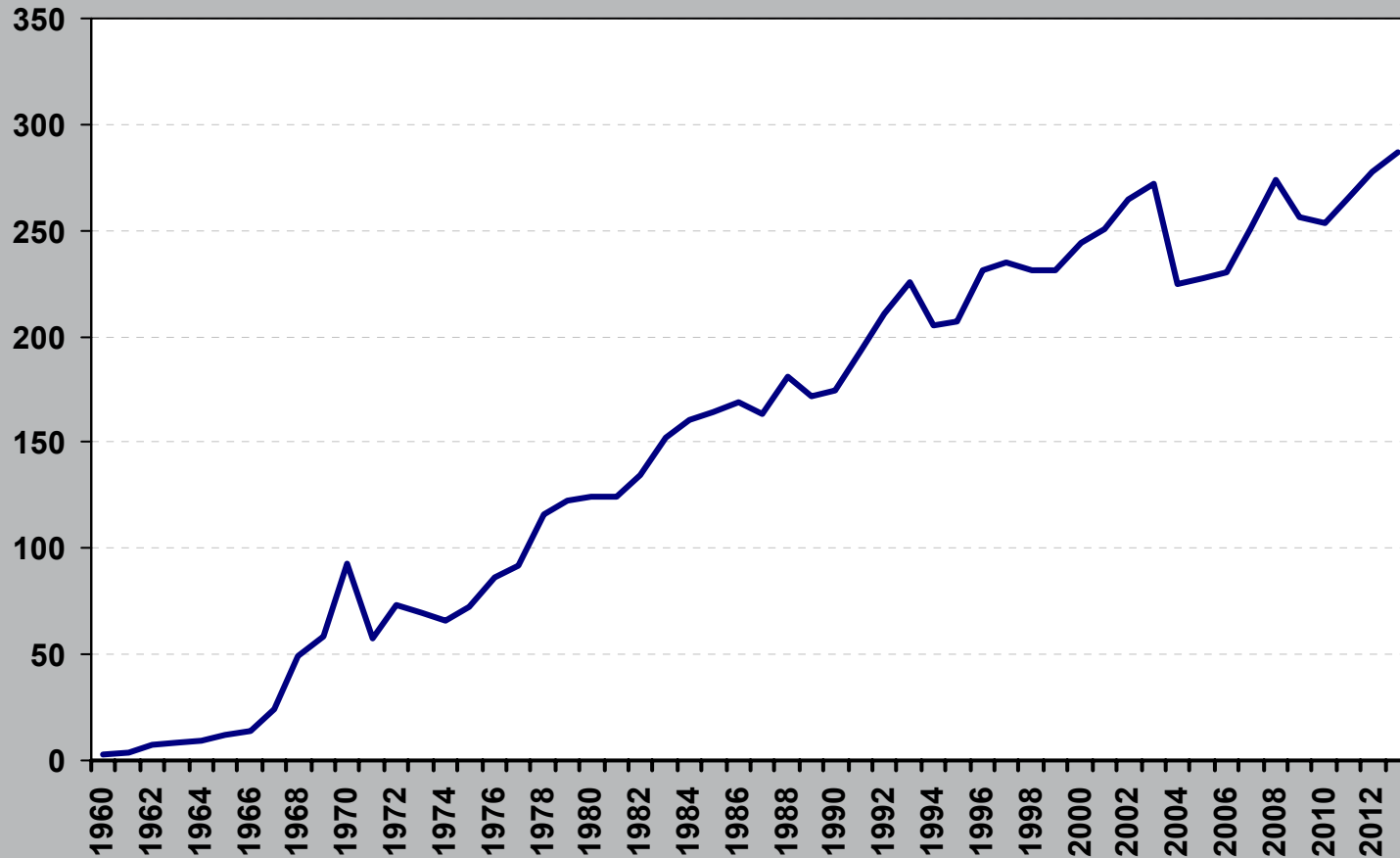
(2004, billion of euro)



Source: EC.

# Community Expenditure per capita

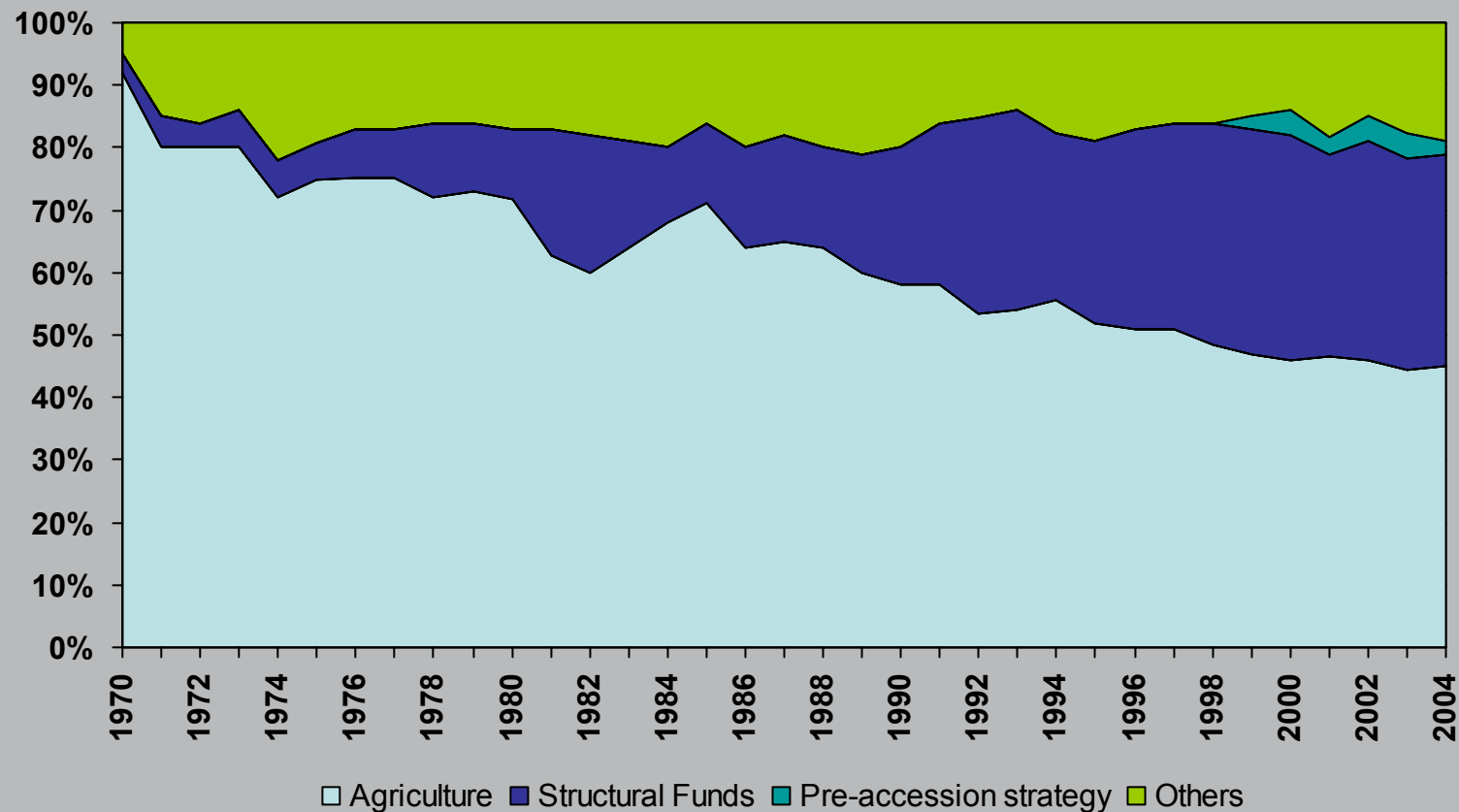
(euro, 2000 prices)



Source: EC, budgets, financial perspectives.

# Evolution of Community expenditure headings

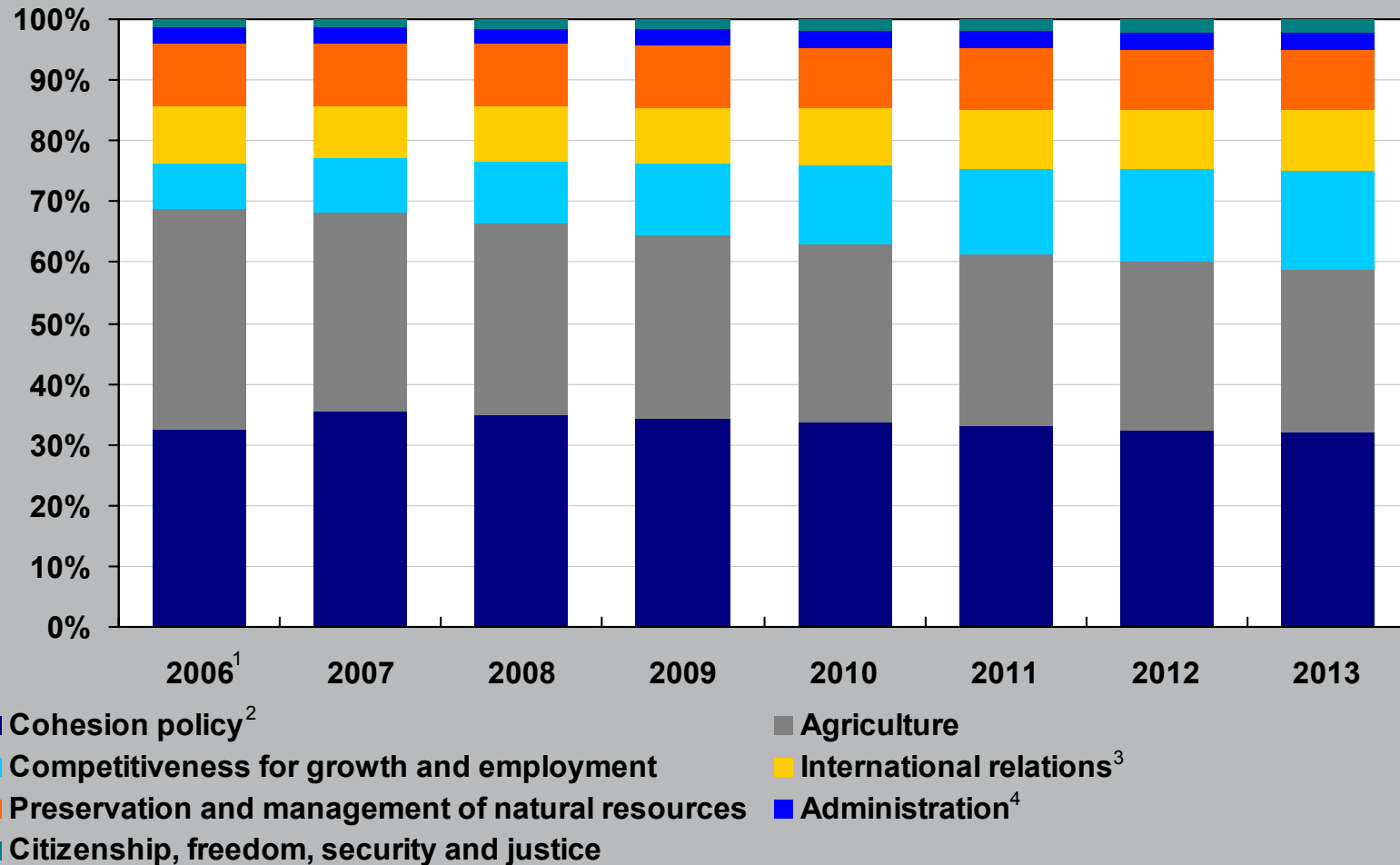
(as percent of total, excl. EDF, ECSC)



Source: EC.

# Comparison between the current community budget and the financial perspectives for 2007-2013

(main expenditures as a percentage of total)



Source: EC.

<sup>1</sup> 2006 expenditure under the current financial perspective has been broken down according to the proposed new nomenclature for reference and to facilitate comparisons.

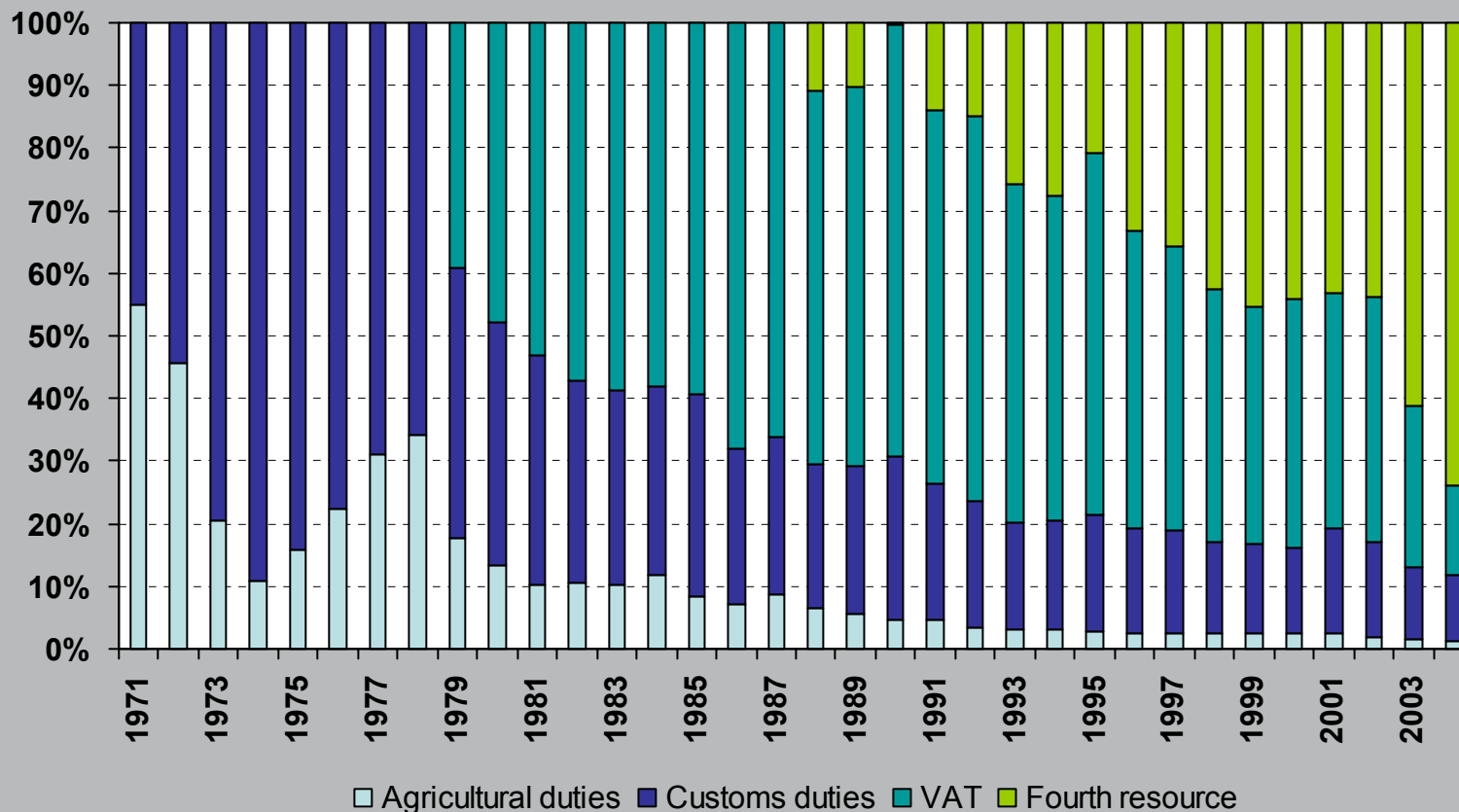
<sup>2</sup> Includes expenditure for the Solidarity Fund (€1 billion in 2004 at current prices) as from 2006. However, corresponding payments are calculated only as from 2007.

<sup>3</sup> The integration of EDF in the EU budget is assumed to take effect in 2008. Commitments for 2006 and 2007 are included only for comparison purposes. Payments on commitments before 2008 are not taken into account in the payment figures.

<sup>4</sup> Includes administrative expenditure for institutions other than the Commission, pensions and European schools. Commission administrative expenditure is integrated in the other expenditure headings.

# Revenue types of the EU budget

(as a percentage of total revenue, excluding miscellaneous and surplus from previous year)



Source: EC, The Community Budget in Facts and Figures; for the years 2001-2004 budgets.

# Impact on the "Direct tax pressure" of a 1,15% GNI ceiling instead of a 1% GNI ceiling <sup>1</sup>

	2007	2013
Expressed as a percentage of GNI		
EU 15	0,15%	0,15%
Belgium	0,20%	0,23%
Expressed as a percentage of paid taxes		
EU 15	1,14%	1,14%
Belgium	1,21%	1,38%

<sup>1</sup> Tax pressure is defined as direct taxes divided by GNI.





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