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Magdalena Tomczyńska

European Union Financial Transfers to Applicant Countries

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CASE – Center for Social and Economic Research
ul. Sienkiewicza 12, 00-944 Warsaw, Poland
tel.: (4822) 622 66 27, 828 61 33, fax (4822) 828 60 69
e-mail: case@case.com.pl

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Magdalena Tomczyńska
Junior Researcher
at the Center for Social and Economic Research - CASE Foundation

Author obtained Master of Arts in Economics at the University of Warsaw, Department of Economics in June, 1997. During the studies she participated in Columbia Program. Her main field of interest is macroeconomics with special weight given to the transformation problems.

Abstract

The overall financial framework of the EU for the years 2000–2006 provides for specific transfers in favour of the applicant countries during future eastern enlargement. The purpose of this study is to evaluate the budgetary implications for the applicants joining the Union.

Generally, the impact may depend on the following factors:

– the date on which the applicant country joins,

– developments in the EU policies, in particular the decisions on the common agricultural policy and guidelines for structural measures,

– the progress made by the applicant countries in terms of GDP growth, increased competitiveness, productivity and their ability to meet the criteria coming from *acquis communautaire,*

– transitional arrangements that will come out of the negotiations.

In the view of the above, only an overall estimate for certain budget categories was made.

1. Introduction

The overall financial framework of the EU for the years 2000–2006 provides for specific transfers in favour of the applicant countries during future eastern enlargement. At present, it is very difficult to attempt precise country-by-country evaluations of the budgetary implications for the applicants joining the Union.

Generally, the impact may depend on the following factors:

– the date on which the applicant country joins,

– developments in the EU policies, in particular the decisions on the common agricultural policy and guidelines for structural measures,

– the progress made by the applicant countries in terms of GDP growth, increased competitiveness, productivity and their ability to meet the criteria coming from *acquis communautaire,*

– transitional arrangements that will come out of the negotiations.

In the view of the above, only an overall estimate for certain budget categories can be made. The budget transfers made available for the candidate Central and Eastern European countries fall into two parts according to time and entitlement criteria. In the next two years, the annual flows may reach EUR 3.12 billion and include funding for agricultural policy and structural support. Following 2002, when the first accessions are expected, the new Members will obtain much higher sums characterised by a gradual increase from EUR 6.45 billion in 2002 to EUR 16.78 billion in 2006. Total transfers correction by the CEE's contributions to the EU budget will result in net transfers increasing from EUR billion 5.71 in 2002 to EUR billion 12.19 in 2006 (5% growth scenario). The 2% growth scenario foresees a little bit higher financial flows approaching EUR billion 13.03 in 2006. In this period, support for agriculture will more than double (from EUR 1.6 billion to EUR 3.4 billion), while resources to be distributed from the Structural Funds will grow by more than three times (from EUR 3.75 billion to EUR 12.08 billion). In turn, the amount available to non-member candidate countries will remain at a stable level of 3.12 billion. There is no change in comparison with the amount planned for 2000 and 2001. However, the resources will be distributed among fewer countries as soon as some candidate countries become full members of the EU.

It should be emphasised that Eastern enlargement and related budgetary transfers towards Central Europe cannot be considered only in the light of burdens on the budgets of the existing Member States. The growth of the Central European economies is strongly in the economic self-interest of the EU 15. Finally, Central Europe seems to be a more significant region than the regions involved in the previous North-Western (1973), Southern (1981, 1986), and Northern (1995) enlargements. This enlargement will be a step towards a safe and united Europe and will influence development in, and access to, countries in Eastern Europe and Asia.

2. The Current European Union Financial System

According to the current financing arrangements, the Community's budget amounts to 1.27% of EU GNP and is financed by the system of the own resources. The last modification of the own resource decision has made the system more equitable by bringing national contributions more in line with the shares in GNP. As a result, the budget procedures have gone full circle from reliance on:

1. National percentage contributions in the 1960s, to;
2. Own resources of duties and levies in the 1970s, to;
3. Shared VAT revenues in the 1980s, and back to;
4. National GNP related contributions in the 1990s.

Generally, there are four types of own resources: variable agricultural levies and custom duties from the common external tariff (so called "traditional own resources"), VAT resource, and GNP resource (see Table 1). Over time, the importance of traditional own resources as a source of Community funds has continued to decline. These resources are expected to represent less than 15% of total receipts in 1999. The weight of the VAT resource, whose yield is poorly correlated with contributive capacity, is also being reduced. Whereas in 1992 the VAT resources represented 61% of the total resources at the disposal of the Union, in 1996, the share declined to 50.5%, and it dropped to about 33% in 1999. These reductions in revenues were compensated by the fourth revenue source related to national GDP. In 1998 GNP contributions were introduced and they were expected to constitute the main source of budget revenues. In 1999 the GNP related contributions are to finance over 50% of the budget. However, the increase in the relative share of GNP contributions has been less rapid than anticipated. While it allowed for some improvement in the fairness of the current financing system (see Table 2), the possibility of introducing a new own resource is now being discussed.

The aim would be to increase the percentage of tax-based own resources. Current VAT and GNP contributions are perceived by Member States as national transfers and not as real own resources of the Community. However, suggestions for further resources to be allocated to the EU, such as a common corporation tax and a common energy tax, have made little progress due to an inability to agree on the common tax laws and structures, combined with the unwillingness of Member States to hand over further fiscal power to the EU. In addition, modification of the own resources decision would require unanimity among the Member States and ratification by national parliaments and that has a little chance in the present phase of the integration process. The introduction of any new resource is likely to make the system less equitable and requires the implementation of an equalisation mechanism. A real modification would be achieved only if autonomous fiscal resources would finance the whole of the Community budget. The question arises whether it would be more effective to introduce a system entirely based on the GNP contributions. On the whole, it seems that there is no strong case for a rapid modification of the present arrangements.

The major expenditure from the budget has been through the CAP's European Agricultural Guarantee and Guidance Fund (FEOGA) (mainly spending on intervention purchases, storage, and export restitution) and through the Structural Funds: the European Regional Development Fund (ERDF), the Social Fund, and the Cohesion Fund.

The CAP expenditure is estimated at about 50% of the total Community budget. However, the share is expected to fall substantially over the next few years. The Structural Funds share of total expenditure increased rapidly as the Community adopted a policy of assisting the adjustment and development of the new Member States after the Southern enlargement. It currently represents about 30% of budget expenditure. All other expenditure is funded by the remaining 20% of the budget (research and development, energy, transport, education, external policies, administration).

3. Establishment of European Union Financial Perspective for the Period 2000–2006

Part III of Agenda 2000 sets out the new financial framework of the European Community for the years 2000–2006. On March 26, 1999 the European Commission presented the final version of the medium-term view on its budget perspectives (see Table 3). This framework shows that it is possible to provide resources for the development of Community policies for the current Member States and, under certain conditions, finance the accession of a number of countries from Central and Eastern Europe and Cyprus without changing the own resources ceiling of 1.27% of GNP between now and 2006. The Commission assumed there would be a first wave of accessions in the middle of the period covered. From the point of view of this document five Central and East European countries, namely the Czech Republic, Estonia, Hungary, Poland, Slovenia, and Cyprus can join the EU on January 1, 2002.

The new financial framework satisfies the following main requirements:

1. It covers a sufficiently long period of time. A seven-year financial perspective is long enough to assess the full effect of the proposed reforms of Community policies and the impact of the first wave of enlargement.

2. It is capable of accommodating the financial implications of the common agricultural policy, cohesion, continued cooperation with third countries, economic and financial development aid and humanitarian aid.

3. It ensures the sound management of public finances. With economic growth forecast to be 2.5% a year for the period 2000–2006 for the existing Member States and 4% a year between now and 2006 for the applicant countries, if the own resources ceiling is maintained at the current level of 1.27% in terms of GNP, by the end of the period there would be potential for additional resources.

The financial framework has been drawn up at constant 1999 prices, making comparison easier with the 1999 budget. Another advantage of this price base is that it can be used during the negotiations. The financial framework is directly based on the structure of the present financial perspective. The various categories of expenditure are homogeneous and clearly identify the main areas of Community spending. It is comprised of six headings: agriculture (heading 1), structural operations (heading 2) (divided into two subheadings: the Structural Funds and the Cohesion Fund), internal policies (heading 3), external actions (heading 4), administrative expenditure (heading 5), and the reserves (heading 6).

4. Budgetary Implications for Applicants Joining European Union

The overall financial framework of the EU also provides for specific transfers in favour of the applicant countries during future Eastern enlargement. Pre-accession aid will be financed from three different headings. The new PHARE programme will still come under external action. Two new instruments would operate in the agricultural and structural sectors. Once the first wave of applicants has joined, the level of pre-accession aid will not be changed and will be concentrated on those countries not forming part of the first group. Specific programming covers expenditure in connection with the accession of new Member States for headings 1, 2, 3 and 5, which would be the common position of the fifteen-nation Community for the forthcoming negotiations.

According to the new financial perspective only an overall estimate for certain budget categories can be made. The transfers to be made available for the candidate Central and

East European countries fall into two parts: annual amounts at disposal in the years 1999 to 2001, and after 2002. In 1999, the maximum of available resources is limited to EUR 1.3 billion, which in practice means the prolongation of the PHARE programme.

4. 1. Pre-accession Transfers

Agriculture

Pre-accession aid for applicant countries for agriculture will be granted from the year 2000. This pre-accession instrument will be allocated at a constant EUR 520 million a year (1999 prices) throughout the period (see Table 3). This assistance will be coordinated within the framework of the Accession Partnerships, with measures financed by PHARE. Following the first accessions, the total amount allocated for this aid will remain the same, which means that each of the countries not due to join until later would receive more. This aid should be provided in priority areas, such as the improvement of farm structures, modernisation, channels for the processing and marketing of agricultural and fish products, veterinary, food quality control, and integrated rural development measures. It should also ensure funding for specific development projects designed to provide support for local initiatives, such as those covering local economic diversification, the supply of basic services and the improvement of local infrastructures.

Structural Operations

Pre-accession structural aid, amounting to EUR 7.28 billion, will be drawn from the EUR 247 billion total allocation for operations in the 15 EU countries. This assistance will be granted at a constant rate of EUR 1.04 billion per year (see Table 3). It will be available from the year 2000 and will initially be granted to all the applicant countries. The aid will subsequently be focused on countries due to join the Union at a later stage. It is primarily intended to help bring the applicant countries' infrastructures up to Community standards. This instrument is to part-finance projects in two sectors:

– transport infrastructure projects, in particular for the trans-European networks;

– environmental projects to bring the recipient countries into line with the Community's environmental legislation.

It should also enable the countries to become familiar with the ways in which structural operations work. This programme is an analogy to the assisting countries with a GDP level per head lower than 90% of the EU average in their real convergence process. It should aim at accelerating growth in the countries concerned.

External Action

Starting in 2000 the Community will pay special attention to the development of pre-accession aid in the framework of external action, the objective of which is to help finance the applicant countries' participation in Community programmes. After the first accessions, the total amount of this aid should remain stable at EUR 1.56 billion a year over the entire period (see Table 3) and should be concentrated exclusively on the countries due to join at a later date. In contrast with what was done for the last enlargement, there will be no increase based on the new countries' GNP, since the acceding countries receive external aid prior to accession.

4. 2. Assistance to the New Member States

Agriculture

Agricultural expenditure from the EU budget for the applicant countries will be comprised of transfers related to the accession of the new Member States to market organisation measures. Expenditure for market measures will amount to between EUR 1.1 billion and EUR 1.4 billion a year at current prices. The amount of enhanced rural development accompanying measures, including specific modernisation aid will rise at current prices from EUR 0.6 billion to EUR 2.5 billion a year. Converted to 1999 prices for the purposes of comparison, the overall amount to be provided will rise from EUR 1.6 billion in 2002 to EUR 3.4 billion in 2006. After accession to the EU, the six new Member States will receive EUR 1.6 billion in 2002, EUR 2.03 billion in 2003, EUR 2.45 billion in 2004, EUR 2.93 billion in 2005, and EUR 3.4 billion in 2006 (see Table 4).

Structural Funds

The new Member States will receive a total allocation of almost EUR 40 billion (1999 prices), to be phased in over the period 2000–2006 and rising gradually from EUR 3.75 billion in 2002 to EUR 12.08 billion in 2006. From this total allocation the pre-accession aid should be drawn. The six countries concerned will receive sources for expenditure on structural operations in the following amounts: EUR 3.75 billion in 2002, EUR 5.83 billion in 2003, EUR 7.92 billion in 2004, EUR 10 billion in 2005, and EUR 12.08 billion in 2006 (see Table 4). This programme is for cohesion purposes: for regions lagging in development, for regions suffering from structural problems, and for development of human resources. The amounts involved rapidly increase year after year, reflecting the growing importance of the need for redistribution in the new Member States, particularly in view of the 'current tendency for regional disparities to increase in each of the applicant countries'.

Internal Policies

Transfers to the six new Member States related to EU internal policies are estimated at between EUR 0.73 billion and EUR 0.85 billion per year following accession (see Table 4). An average allocation of around EUR 0.8 billion per year will be set aside, which amounts to an increase of about 10% in relation to the Community of fifteen countries. The development of internal policies will essentially mean the realisation of certain programmes in the field of trans-European networks, research, education, training, the introduction of environment-friendly technologies, and support to SMEs. In addition, the programmes that contribute to the proper functioning of the Single Market (such as statistics, standardisation, administrative cooperation and controls in agriculture and fisheries) are likely to be effected by enlargement. Prior to enlargement the PHARE programme will finance the applicant countries' participation in certain internal policies as part of the pre-accession aid, but once they have joined, this funding will have to come from the internal actions category for the new Member States. New Member States will also be entitled to participation in the Cohesion Fund. As with the pre-accession aid, this programme will be for investments (financed at 85%) in environment and transport and will aim at facilitating real economic convergence.

Administration

Accession will involve significant additional costs for the institutions, which will depend on the procedures accepted at the accession negotiations. The institutions will have to be able to work in the new languages, cope with an increased volume of tasks and accommodate nationals from the new Member States. In comparison with the previous enlargement, the Commission has assumed an average overall cost of around EUR 0.4 billion, increasing from EUR 0.37 billion at the beginning of the period to EUR 0.45 billion at the end (see Table 4).

5. New Member Countries Contributions to the Community Budget

Assuming full application of the own resources system, the new members' contributions to the Community budget should, in terms of total GNP and VAT resources, be close to the proportion of the Union's GNP they account for (e.g. in the case of Poland it would be about 1.8%). The portion of their traditional own resources will depend on the structure of their trade flows at the time of accession.

To ensure that the own resources are established, monitored and made available in line with Community regulations, the new Member States will have to harmonise their current customs system. In addition, for accurate calculation of the GNP resource considerable improvements will have to be made to national accounts. Improving the statistics will also be essential for drawing up the VAT own resources base. All this will mean bringing the new Member States' budget procedures into full harmonisation with the relative Community directives.

6. Estimation of Net Transfers

At present, it is very difficult to attempt precise country-by-country evaluations of the budgetary implications for the applicants joining the Union. The new financial perspective provides only overall amounts to be phased in for certain budget categories. Furthermore, new Member States' contributions to the common budget will be determined during forthcoming negotiations.

In the view of the above, only an estimation of net transfers can be given. Generally, the size, structure and impact of net transfers may depend on the following factors:

– the date on which the applicant country joins,

– development in EU policies, in particular the decisions on the common agricultural policy and guidelines for structural measures,

– the progress made by the applicant countries in terms of GDP growth, increased competitiveness, productivity and their ability to absorb the *acquis communautaire*,

– transitional measures that will come out of the negotiations.

To evaluate future, possible net transfers to the six accessing countries (both pre- and post-accession) a simple simulation was run. The analyses included the following assumptions:

1. All applying countries will join the EU on January 1, 2002.

2. The level of the CEE's national contributions will gradually approach the current ceiling of 1.27% of GDP in the following way: 0.25% of GDP in 2002, 0.5% in 2003, 0.75% in 2004, 1% in 2005, and 1.27% in 2006.

3. Net transfers will be distributed in relation to accessing (member) countries GDP. At this time, the European Commission has not yet defined the distribution proportions. In the future, financial transfers are expected to be distributed according to the following rules: the number of population entitled to support, the level of regional development, the severity of structural problems and unemployment and the structure of agricultural development.

4. Two scenarios of GDP growth in the accessing countries have been analysed:
– high growth scenario of 5% a year,
– low growth scenario of 2% a year.

Tables 5 and 5A describe the results of analyses as the level of net transfers is concerned. Total transfers correction by the CEE's contributions to the EU budget results in net transfers increasing from EUR 5.71 billion in 2002 to EUR 12.19 billion in 2006 (5% growth scenario). The 2% growth scenario foresees a little bit higher financial flows approaching to EUR 13.03 billion in 2006. Graph 1 presents a comparison of net transfers levels in both scenarios during the period following accession.

Net transfers, estimated according to the described methodology, are expected to constitute the following percentage of accessing countries GDP in the years 2000–2006: 1.16%, 1.10%, 1.92%, 2.39%, 2.79%, 3.13%, and 3.37%. Data for the 2% growth scenario are respectively: 1.19%, 1.17%, 2.12%, 2.75%, 3.34%, 3.94%, and 4.42%. For a detailed distribution of EUR billions of net transfers among accession countries, see Tables 6 and 6A.

7. General Assessment and Conclusions

The budget demands of Central European enlargement were one of the major issues negotiated among the EU 15 in the new financial framework for the period 2000–2006. The applicant countries are more dependent on agriculture and all are much poorer than the EU 15 in terms of average GNP per capita. Thus, future new Member States would expect to be net recipients from the Community budget.

The new financial framework is in line with these assumptions. It emphasises that the cost of Eastern enlargement can be financed without increasing the contributions of the present Member States over the current ceiling of 1.27% of GNP until the end of the financial framework in 2006.

The budget transfers made available for the candidate Central and Eastern European countries fall into two parts according to time and entitlement criteria. In the next two years, the annual flows may reach EUR 3.12 billion and include funding for agricultural policy and structural support. Following 2002, when the first accessions are expected, the new Members will obtain much higher sums characterised by a gradual increase from EUR 6.45 billion in 2002 to EUR 16.78 billion in 2006 (see Table 4). Total transfers correction by the CEE's contributions to the EU budget will result in net transfers increasing from EUR 5.71 billion in 2002 to EUR 12.19 billion in 2006 (5% growth scenario). The 2% growth scenario foresees a little bit higher financial flows approaching

EUR 13.03 billion in 2006. In this period, support to agriculture will more than double (from EUR 1.6 billion to EUR 3.4 billion), while resources to be distributed from the Structural Funds will grow by more than three times (from EUR 3.75 billion to EUR 12.08 billion). In turn, the amount available to non-member candidate countries will remain at a stable level of 3.12 billion. There is no change in comparison with the amount planned for 2000 and 2001. However, the resources will be distributed among fewer countries as soon as some candidate countries become full members of the EU.

To sum up, the Commission's agreement on the future pattern of the EU budget offers a general plan with gradual inclusion of the new member countries into the financial framework of the EU. But it must be underlined, that at present, it is rather difficult to asses the volume of financial transfers to be directed to applying countries and to the new Member States after their accession. It will depend substantially on the future of the common agriculture policy and the integration of the agricultural sectors of future members into the EU system, on the future of the Cohesion Fund following the accession of Ireland, Portugal and Spain to the European Monetary Union (EMU) (in legal terms, it will lead to the automatic cancellation of their participation in the cohesion fund), and on the absorption capacity of the national economies in candidate countries.

On the other hand, the conditions of co-financing the EU budget by the new Member States should also be considered. Present co-financing capacity of the future member countries can be evaluated as rather modest. It is related to the low level of GDP, poor share of capital accumulation in GDP, fragmentation of resources and the lack of an appropriate institutional structure. One of the key tasks of preparing for membership consists of the reshaping of institutions and accumulation of EU-related domestic resources. But special attention should be paid to the fact that any increase in the share of co-financing may negatively affect the investment-led growth and in the medium-term, even the progress of catching up to EU average levels.

To conclude, it should be emphasised that Eastern enlargement and related budgetary transfers towards Central Europe cannot be considered only in the light of burdens on the budgets of existing Member States. Growth of the Central European economies is strongly in the economic self-interest of the EU 15. A wider Single Market will contribute to gains resulting from reallocation, economies of scale for all European businesses, greater investment opportunities and competitiveness of Europe vis-a-vis other parts of the world. The economic benefits of enlargement for the fifteen present Member States may be as high as a half or even two thirds of gross budgetary costs. Finally, Central Europe seems to be a more significant region than regions involved in the previous North-Western (1973), Southern (1981, 1986), and Northern (1995) enlargements. This enlargement will be a step towards a safe and united Europe and will influence development in, and access to, countries in Eastern Europe and Asia.

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Appendix

Table 1. The Composition of EU Own Resources (in per cent of the total, accrual basis)

	1988	1989	1990	1991	1992	1993	1994	1995	1996
TOR	27.6	29.2	29.9	26.8	24.3	21.3	19.7	20.9	19.7
VAT	58.9	64.0	70.1	59.0	61.0	53.2	53.2	54.8	50.5
GNP	13.5	6.8	0.0	14.2	14.7	25.5	27.1	24.3	29.8

Note:
TOR – traditional own resources
VAT – VAT related contributions
GNP – GNP related contributions
Source: Commission services

Table 2. Percentage Share in the Financing of the Union and in Total GNP

	1992		1996		1999	
	Budget	**GNP**	**Budget**	**GNP**	**Budget**	**GNP**
Austria	--	--	2.7	2.6	2.6	2.5
Belgium	4.0	3.1	3.9	3.1	3.8	3.0
Denmark	1.8	1.9	1.9	2.0	2.0	2.0
Finland	--	--	1.4	1.4	1.4	1.4
France	18.7	18.6	17.5	18.1	17.5	17.5
Germany	30.2	28.2	29.4	27.4	27.7	26.2
Greece	1.3	1.4	1.5	1.5	1.6	1.6
Ireland	0.8	0.7	0.9	0.7	1.0	0.8
Italy	14.7	17.0	12.5	14.1	13.4	14.3
Luxembourg	0.2	0.2	0.2	0.2	0.2	0.2
Netherlands	6.3	4.6	6.2	4.6	5.9	4.6
Portugal	1.5	1.3	1.3	1.2	1.4	1.3
Spain	8.6	8.2	6.3	6.8	6.7	6.7
Sweden	--	--	2.6	2.9	2.9	2.8
United Kingdom	11.9	14.8	11.6	13.4	11.9	15.1

Source: Agenda 2000

Table 3. Financial Perspective 2000–2006

EUR million - 1999 prices Appropriations for commitments	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
1. Agriculture(*)	**45.205**	**46.050**	**46.920**	**47.820**	**48.730**	**49.670**	**50.630**	**51.610**
of which: Pre-accession aid		*520*	*520*	*520*	*520*	*520*	*520*	*520*
2. Structural Operations	**39.025**	**36.640**	**37.470**	**36.640**	**35.600**	**34.450**	**33.410**	**32.470**
Structural Funds	32.731	32.600	33.430	32.600	31.560	30.410	29.370	28.430
Cohesion Fund	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Pre-accession structural instrument		*1.040*	*1.040*	*1.040*	*1.040*	*1.040*	*1.040*	*1.040*
3. Internal Policies	**6.386**	**6.390**	**6.710**	**6.880**	**7.050**	**7.230**	**7.410**	**7.600**
4. External Action	**6.870**	**6.870**	**7.070**	**7.250**	**7.430**	**7.610**	**7.790**	**7.900**
of which: Pre-accession aid		*1.560*	*1.560*	*1.560*	*1.560*	*1.560*	*1.560*	*1.560*
5. Administration	**4.723**	**4.730**	**4.820**	**4.910**	**5.010**	**5.100**	**5.200**	**5.300**
6. Reserves	**1.192**	**850**	**850**	**600**	**350**	**350**	**350**	**350**
Monetary reserve	500	500	500	250	0	0	0	0
Emergency aid reserve	346	200	200	200	200	200	200	200
Guarantee reserve	346	150	150	150	150	150	150	150
Total Appropriations for Commitments	**103.401**	**101.530**	**103.840**	**104.100**	**104.170**	**104.410**	**104.790**	**105.230**
Total Appropriations for Payment	**96.380**	**98.800**	**101.650**	**102.930**	**103.520**	**103.810**	**104.170**	**104.560**

(*) The ceiling corresponds to the agricultural guideline

Source: Commission communication on the establishment of a new financial perspective for the period 2000–2006

Table 4. Expenditure Resulting from Accession

EUR million – 1999 prices	**2002**	**2003**	**2004**	**2005**	**2006**
Expenditure					
Heading 1 (*)	1.600	2.030	2.450	2.930	3.400
Heading 2	3.750	5.830	7.920	10.000	12.080
Heading 3	730	760	790	820	850
Heading 5	370	410	450	450	450
Total Appropriations for Commitments	**6.450**	**9.030**	**11.610**	**14.200**	**16.780**
Total Appropriations for Payment	**4.140**	**6.710**	**8.890**	**11.440**	**14.220**

(*) Expenditure estimated at 1999 prices for the purposes of comparison. Only estimates at current prices are relevant

Source: Commission communication on the establishment of a new financial perspective for the period 2000–2006

Table 5. Net Transfers to New Member States (CEE 5% growth scenario)

EUR billion	2002	2003	2004	2005	2006
Contributions from:					
Czech Republic	0.13	0.27	0.43	0.60	0.80
Hungary	0.13	0.27	0.42	0.59	0.79
Poland	0.38	0.80	1.26	1.76	2.34
Estonia	0.01	0.03	0.04	0.06	0.08
Slovenia	0.05	0.11	0.17	0.23	0.31
Cyprus	0.04	0.09	0.14	0.20	0.27
Total Contributions	**0.74**	**1.56**	**2.46**	**3.44**	**4.59**
Total Transfers	6.45	9.03	11.61	14.20	16.78
Net Transfers	***5.71***	***7.47***	***9.15***	***10.76***	***12.19***

Table 5A. Net Transfers to New Member States (CEE 2% growth scenario)

EUR billion	2002	2003	2004	2005	2006
Contributions from:					
Czech Republic	0.12	0.24	0.37	0.51	0.65
Hungary	0.12	0.24	0.36	0.49	0.64
Poland	0.35	0.71	1.09	1.48	1.91
Estonia	0.01	0.02	0.04	0.05	0.07
Slovenia	0.05	0.09	0.14	0.20	0.25
Cyprus	0.04	0.08	0.12	0.17	0.22
Total Contributions	**0.68**	**1.39**	**2.13**	**2.89**	**3.75**
Total Transfers	6.45	9.03	11.61	14.2	16.78
Net Transfers	***5.77***	***7.64***	***9.48***	***11.31***	***13.03***

Note: CEE contributions in the following years: 0.25% of GDP, 0.5%, 0.75%, 1%, 1.27%
Source: own calculations

Table 6. Distribution of Net Transfers to Accessing Countries (CEE 5% growth scenario)

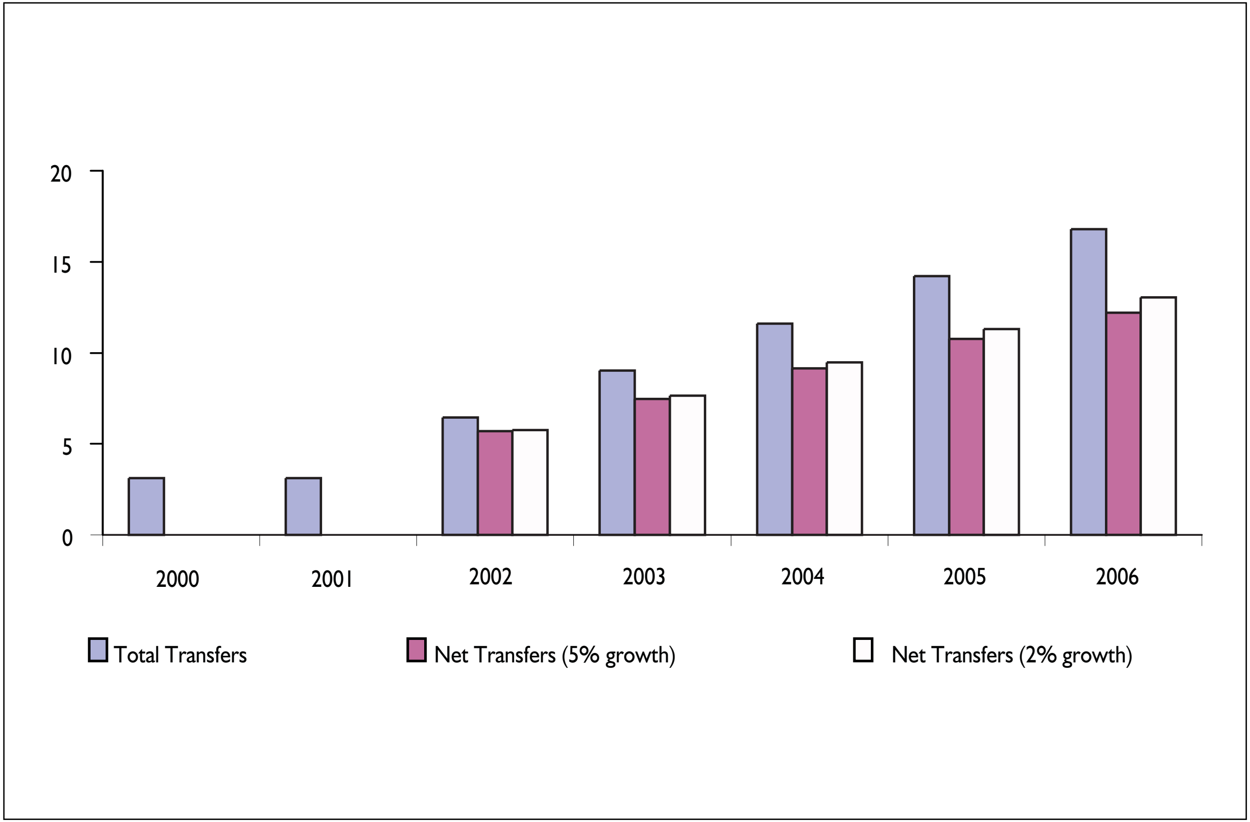
EUR billion	2000	2001	2002	2003	2004	2005	2006	*TOTAL*
Net Transfers	**3.12**	**3.12**	**5.71**	**7.47**	**9.15**	**10.76**	**12.19**	***51.51***
to:								
Czech Republic	0.55	0.55	1.00	1.31	1.60	1.88	2.13	*9.00*
Hungary	0.53	0.53	0.98	1.28	1.56	1.84	2.08	*8.81*
Poland	1.59	1.59	2.91	3.81	4.67	5.49	6.22	*26.30*
Estonia	0.05	0.05	0.10	0.13	0.16	0.19	0.21	*0.91*
Slovenia	0.21	0.21	0.39	0.51	0.62	0.73	0.83	*3.50*
Cyprus	0.18	0.18	0.33	0.44	0.53	0.63	0.71	*3.00*
Net transfers as % of CEE GDP	**1.16**	**1.10**	**1.92**	**2.39**	**2.79**	**3.13**	**3.37**	

Table 6A. Distribution of Net Transfers to Accessing Countries (CEE 2% growth scenario)

EUR billion	2000	2001	2002	2003	2004	2005	2006	*TOTAL*
Net Transfers	**3.12**	**3.12**	**5.77**	**7.64**	**9.48**	**11.31**	**13.03**	***53.47***
to:								
Czech Republic	0.55	0.55	1.01	1.34	1.66	1.98	2.28	*9.35*
Hungary	0.53	0.53	0.99	1.31	1.62	1.93	2.23	*9.14*
Poland	1.59	1.59	2.94	3.90	4.84	5.77	6.65	*27.30*
Estonia	0.05	0.05	0.10	0.13	0.17	0.20	0.23	*0.94*
Slovenia	0.21	0.21	0.39	0.52	0.64	0.77	0.88	*3.63*
Cyprus	0.18	0.18	0.34	0.45	0.55	0.66	0.76	*3.12*
Net transfers as % of CEE GDP	**1.19**	**1.17**	**2.12**	**2.75**	**3.34**	**3.91**	**4.42**	

Note: Distribution proportions: CR 17.48%, H 17.10%, P 51.05%, E 1.76%, S 6.79%, C 5.83%
Source: own calculations

Graph 1. Transfers to CEE Countries (EUR billion)



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