

FROM ESTONIA TO ROMANIA - THE BIGGEST ENLARGEMENT IN EU HISTORY

PREVIOUS ENLARGEMENT TO CENTRAL AND EASTERN EUROPE – CHRONOLOGY

1989	Fall of the "Iron Curtain"
1998	Start of accession negotiations with the Czech Republic, Cyprus, Estonia, Hungary, Poland and Slovenia
2000	Start of accession negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia
2004	Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia, Slovenia
2007	Accession of Bulgaria, Romania

In 1989 the European landscape was transformed dramatically – culminating in the symbolic fall of the Berlin Wall. This created unique momentum for a rapid spread of democracy in Eastern Europe. The EU responded with immediate support for Central and Eastern Europeans by employing the PHARE programme to help these democracies in their modernisation reform¹. In 1999, the action programme Agenda 2000, whose main objectives were to strengthen Community policies and to give the European Union a new financial framework for the period 2000-06 with a view to enlargement, was launched. It aimed at strengthening pre-accession strategy for applicant countries by setting up two financial mechanisms to complement PHARE interventions: ISPA and SAPARD (see below). In turn, this facilitated their preparation for accession, which marked the end of decades of division by the "Iron Curtain".

To become a Member State a country must satisfy the economic and political conditions known as the "Copenhagen criteria". In addition to having a stable democracy and respecting human rights, the countries must have a functioning market economy and adopt the common rules, standards and policies that make up the body of EU law (so called "acquis communautaire").

PRE-ACCESSION ASSISTANCE (1989-2006)

The main programmes of assistance were:

- **PHARE** - set up in **1989** with two main priorities: institutional and capacity-building and investment financing. In **2000**, PHARE was redirected towards preparing the candidate countries for accession (Copenhagen criteria).
- **ISPA** (Instrument for Structural Policies for Pre-Accession) - set up in **2000** and is focussing on investments in environment and transport.
- **SAPARD** (Special Accession Programme for Agriculture and Rural Development) - also set up in **2000** and targets the long-term adjustment of the agricultural sector and rural areas. The implementation helps the candidate countries to prepare for the conditions to be respected in order to receive support from the common agricultural policy

EU pre-accession payments executed 1990-2006 (in EUR billion)		
	1990-1999	2000-2006
PHARE	6.8	9.0
ISPA		2.9
SAPARD		2.0
Turkey ²		0.7
Sub-total	6.8	14.8

¹ Malta and Cyprus did not qualify for aid, as their structures were already well developed

² Specific assistance aid was paid to Turkey as of 2004, when it officially became a candidate country.

POST-ACCESSION ASSISTANCE (2004-2006)

Accompanying the progressive phasing-in of traditional EU funding (i.e. in agriculture, structural operations and internal policies, as agreed in 2002 in Copenhagen for the 10 new Member States that joined the EU in 2004), a **Transition Facility** was paid over 2004-2006. This facility assisted the new Member States to develop and strengthen their administrative capacity to implement and enforce Community legislation and to use EU funding more efficiently.

Furthermore, EU leaders agreed in Copenhagen in 2002, that so-called '**cash-flow lump sums**' (included in "Compensations" in table below) should be paid out over 2004-2006. This would ensure that their contributions to the EU budget in the first years of accession would not exceed the money they received and thus get them into cash flow difficulties.

Since 2004, the ten new member states have already contributed EUR 12,5 billion to the EU budget (and collected EUR 1.7 billion of resources on behalf of the EU, mainly customs duties).

2004-2006 <i>Post-Accession payments executed (for the ten countries which joined the EU in 2004)</i>	
Agriculture	8.6
Structural Operations	7.4
Internal Policies (e.g. research, education and training)	2.3
Administration	0.3
Compensations	3.8
Sub-total	22.4

BENEFITS OF ENLARGEMENT

Although the enlargement entails budgetary spending, the expansion of the Single Market resulted in considerable economic benefits for the EU and substantial gains in terms of security and stability which are increasing the EU's overall prosperity.

- **More growth and employment for EU-15³ :**
+2.15% of GDP
+2.75million jobs
- **More trade:**
EU-15 share in EU-10 IMPORTS has risen from 56% to 62 % (2005)
EU-10 (new Member states) share in EU-15 IMPORTS has risen from 5% to 13%
- **More Foreign Direct Investments (FDI):**
FDI in EU-10 has risen from 0% to 40% of GDP
EU-15 share of this FDI is 75%
- Studies show that investments from EU-15 to the EU-10 have had negligible negative impact on EU-15 employment levels, despite initial fears in some member states.
- EU-10 have benefited from strong dynamism of their financial systems (end of financial turbulences as seen in the early 90', cheaper loans narrowing to Euro-area levels)

As of accession, the new Member States have the same obligations and access to the same programmes (i.e. agriculture, structural actions, internal policies, research, education and training etc.) as the old Member States.

FUTURE ENLARGEMENTS

The Council regulation establishing **IPA** (Instrument for Pre-Accession Assistance) was adopted on 17 July 2006, replacing the 2000-06 pre-accession financial instruments PHARE, ISPA, SAPARD, the pre-

³ Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom

accession instrument for Turkey, and support for the Western Balkans (the CARDS programme). It brings together for the first time, into a single framework, assistance to candidate countries (currently Croatia, the Former Yugoslav Republic of Macedonia, and Turkey) and potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro, and Serbia including Kosovo) with a clear pre-accession aim for both categories of beneficiary.

IPA was set up for the period **2007-2013**. It has five components: transition assistance and institution building; cross-border cooperation; regional development; human resources development; and rural development, the last three components being reserved to candidate countries to prepare them to the EU internal policies.

<i>IPA – BUDGET 2007-2013 (commitment appropriations, in EUR billion)</i>						
2007	2008	2009	2010	2011	2012	2013
1.25	1.4	1.5	1.6	1.8	1.9	2.0