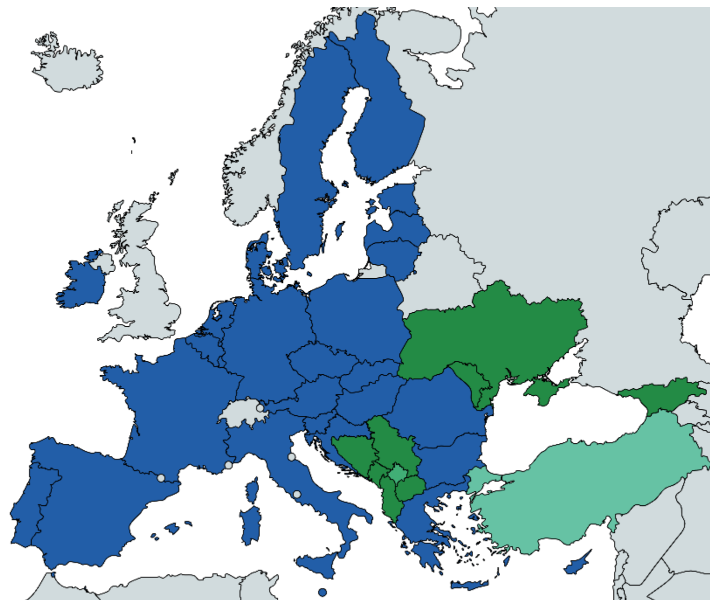
STUDY

Requested by the BUDG Committee

Adapting the EU budget to make it fit for the purpose of future enlargements



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Adapting the EU budget to make it fit for the purpose of future enlargements

Abstract

This study examines the implications of future enlargements for the next MFF. It reviews adjustments made to the EU budget during past enlargements and estimates the budgetary costs of the accession of all current candidate and potential candidate countries (excluding Türkiye) under three alternative scenarios which distinguish between the number of enlargement countries and the timing of enlargement. It then provides policy recommendations for adapting the next MFF to enlargement. The study was prepared at the request of the Committee on Budgets.

This document was requested by the European Parliament's Committee on Budgets.

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LIST OF ABBREVIATIONS

BA	Bosnia and Herzegovina
BUDG	Committee on Budgets of the European Parliament
CAP	Common Agricultural Policy
CEB	Council of Europe Development Bank
CEE	Central and Eastern Europe
CONT	Committee on Budgetary Control of the European Parliament
CP	Cohesion Policy
CSO	Civil Society Organisation
DG AGRI	Directorate-General for Agriculture and Rural Development of the European Commission
DG BUDG	Directorate-General for Budget of the European Commission
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations of the European Commission
DG REGIO	Directorate-General for Regional and Urban Policy of the European Commission
EAFRD	European Agriculture Fund for Rural Development
ECU	European Currency Unit
EFTA	European Free Trade Association
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESF/ESF+	European Social Fund / European Social Fund+
EU	European Union
EUGS	European Union Global Strategy
GDP	Gross Domestic Product
GE	Georgia
GNI	Gross National Income

GNP	Gross National Product
IFIs	Independent Fiscal Institutions
IIA	Interinstitutional Agreement
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
MD	Moldova
MFA	Macro-Financial Assistance
MFF	Multi-Annual Financial Framework
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGEU	Next Generation EU
NUTS	Nomenclature of Territorial Units for Statistics
QMV	Qualified Majority Voting
RAL	Reste à liquider
RCB	Russian Central Bank
RDNA3	Third Rapid Damage and Needs Assessment
RGFWB	Reform and Growth Facility for the Western Balkans
RRF	Recovery and Resilience Facility
RS	Serbia
TOR	Traditional Own Resources
UA	Ukraine
USD	United States Dollar
VAT	Value Added Tax
WB	Western Balkans
WBGF	Western Balkans Growth Facility
WBIF	Western Balkans Investment Framework

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EXECUTIVE SUMMARY

This study examines the EU budgetary implications of the accession of all enlargement countries except Türkiye. The focus is on the direct budgetary costs resulting from either the accession of new Member States or pre-accession support. Other potential benefits resulting from new accessions – in terms of security, greater market opportunities and reduced import dependency – are excluded from the analysis.

EU budgetary costs of enlargements

Estimating net EU budget costs of enlargements is challenging. There is a numerical formula to calculate the Cohesion Policy (CP) funding a country should receive – mainly based on GDP/GNI per capita and population – but this approach does not apply to the Common Agricultural Policy (CAP), where national allocations stem from historical decisions. The impact of enlargement on non-allocated spending is also hard to predict. There is no legal obligation to increase this expenditure in the event of enlargements. In past enlargements, the Commission proposed increases proportional to the increase of the EU's GDP/GNI but the amounts were subsequently reduced during the MFF negotiations.

Several studies have provided estimates of the budgetary costs of accessions if they were to occur today. They differ in the assumptions and methodological approach adopted. Looking only at the net EU budget cost resulting from Ukraine's accession, the estimates range from EUR 11.4 billion to EUR 19.6 billion per year. All these estimates apply current EU budget rules and do not impose any upper ceiling on the whole EU budget or specific spending programmes.

Experience from past enlargements offers some insight into the potential budgetary implications of future accessions. While the early rounds of enlargement led to an increase in the EU budget, since the 2000s, it has remained steady at roughly 1 % of the EU's GNI. The share of CAP has been steadily decreasing since the mid-1980s.

This study analyses the impact of accessions under the assumption that the CAP Pillar 1 budget remains constant in real terms. The results of our simulation and findings from previous studies reveal that:

- Future accessions will not 'blow up' the CP budget. However, the 'statistical effect' may significantly reduce the cohesion envelope of some current Member States. In our model, fifteen Member States see their CP allocation being reduced by 24% following enlargement.
- If no upper ceiling is imposed on the overall CAP budget and new Member States are granted a similar amount of CAP funds per hectare as current Member States, the total CAP budget will increase by 22-25%.
- If the total CAP Pillar 1 budget is maintained in real terms and new Member States are granted similar CAP aid intensity as the post-2004 Member States, CAP allocations for EU27 would have to be cut by 15% on average. This reduction can be mitigated by having a transitional phase-in period or by offering new Member States access to CAP funds on less advantageous terms.

Three scenarios of enlargement for the next MFF

If enlargement takes place during the next MFF, evolving trends in population and income per capita could affect eligibility for CP funding. Against this background, the study explores the implications of three alternative enlargement scenarios for the next MFF:

- a **'gradual integration' scenario**, which assumes **no accessions during the next MFF** but the maintenance of a credible EU commitment to enlargement (with commensurate support in the form of pre-accession assistance);
- a **'small bang' scenario**, which would see the **six Western Balkan (WB) countries joining** the Union by 2030 and;
- a **'big bang' scenario**, which **includes Georgia, Moldova and Ukraine**.

The results from the three scenarios suggest that:

- In the absence of new accessions, if current CP rules are applied, the share of CP in the EU budget will decrease. This is due to the asymmetric impact of caps and safety nets, which impose major cuts to CP allocations on Member States whose economic situation has improved but set a strict upward limit for those experiencing an economic decline.
- The accession of new countries will not significantly increase the overall CP budget in 2028-2034. However, both the 'small bang' and 'big bang' scenarios lead to a 'statistical effect': some current Member States would receive 16–21 % less in CP funds compared to what they would have received under the 'gradual integration' scenario.
- If enlargement countries have immediate access to CAP funds and they receive equivalent amounts per hectare than post-2004 Member States, the upper ceiling of CAP Pillar 1 can only be respected if current Member States accept cuts in their CAP allocations. Average cuts would be 2.5-3.5 % in the 'small bang' scenario and 15 % on average in the 'big bang' scenario.
- If CAP Pillar 1 is maintained in real terms in the next MFF, the cost of new accessions is manageable. Under our 'big bang' scenario, the CAP would increase by EUR 34 billion compared to a scenario without accession ('gradual integration' scenario), an amount that can be accommodated within the current Own Resources ceiling margins.
- Constraining the CAP budget in real terms contributes to maintaining the EU budget at 1 % of GDP while liberating resources. In our 'big bang' scenario, this approach liberates about EUR 350 billion in additional funds. This (or part of it) could be directed towards new EU priorities or be used to mitigate the negative distributional effects of the enlargements.
- The 2.3% GDP capping rule significantly limits the amount of cohesion funds allocated to new Member States. Without immediate access to CAP funds in the first years of accession, Ukraine risks receiving lower net transfers than before enlargement.

How to adapt the next MFF to future enlargements: policy recommendations

All seems to indicate that most candidate countries will not access the EU before 2034. Nevertheless, the next MFF will send an important message regarding the EU's commitment to enlargement.

A credible commitment requires maintaining the same levels of pre-accession support as today for Ukraine and the WB and offering similar support to Moldova and Georgia. While it is too early to judge the effectiveness of the new Facilities set up in 2024, linking EU funds to reform efforts appears a positive step. However, several aspects of the governance and functioning of the Facilities warrant improvement.

Ukraine will require special attention, regardless of its membership status. A key challenge will be defining the role of the EU budget in supporting Ukraine's reconstruction effort.

There are unsubstantiated narratives about the costs of enlargement. To counter that, the Commission should provide information about the likely budgetary impact of accessions, propose feasible adjustments and highlight the associated economic gains and security benefits.

Estimating the 'statistical effect' under CP and setting up temporary 'phasing out' assistance will be crucial for the regions and countries affected. In addition, it may be wise to lift the current 2.3 % GDP cap rule on national cohesion allocations (maybe to as much as 4 % of GDP) for the new Member States: otherwise, these countries risk receiving lower EU funds once in the Union, particularly if they are not granted immediate access to CAP funds.

On CAP, it is crucial to initiate a debate on how to adapt the policy to Ukraine's accession. Transitional phase-ins or offering CAP funds in less advantageous terms – strategies used in past enlargements – will probably be considered. However, it is worth noting that a transitional period merely postpones the cost of enlargement and past experience shows that, once in the Union, new Member States can use their negotiating power to improve the conditions agreed in accession Treaties.

More radical solutions include defining a new allocation principle to distribute CAP Pillar 1 funds across Member States, accepting a major, horizontal reduction of national CAP allocations or leaving Ukraine permanently out of the CAP regime.

When preparing the next MFF, it is important to anticipate all possible enlargement scenarios. If one or two small countries join the Union before 2034, existing margins could cover the costs. To ensure this, sufficient margins of unallocated commitments in key headings (notably CP and CAP) should be maintained. Furthermore, it is advisable not to include a clause making mandatory an amendment in the event of any enlargement.

While unlikely, geopolitical developments could prompt the accession of Ukraine, or a group of countries before 2034. If such an enlargement were foreseen by 2032, it might be worth considering a 5-year MFF. Alternatively, to deal with the cost of a bigger enlargement, a special reserve for 'accession-related costs' over and above the MFF – mobilised by qualified majority voting in the Council, and modelled after the 'Agenda 2000' agreement – could address the costs. However, the establishment of such a reserve requires clear assumptions on the timing and scope of accessions and the result of accession negotiations, making it advisable only if there is sufficient clarity on these factors.

1. INTRODUCTION

Having been stalled for several years, enlargement is back on the EU's agenda. Five candidates in the Western Balkan countries (Albania, Bosnia Herzegovina, Montenegro, North Macedonia and Serbia) have, following Russia's aggression against Ukraine, been joined by Georgia, Moldova and Ukraine. Kosovo is also keen to become a candidate, raising the number of enlargement countries to ten, although as things stand, Türkiye's candidacy is not expected to advance in the coming years

This next round of enlargement, however, faces considerable uncertainty. The ongoing war in Ukraine, complex historical legacies, political threats to democracy and the rule of law in most candidate countries as well as the ambiguity around the Union´s willingness and capacity to enlarge quickly make it difficult to anticipate a clear timeline for accession. In the case of Türkiye, moreover, resuming accession negotiations would imply a drastic change in the Turkish government's political trajectory.

Despite these uncertainties, it is important to anticipate conceivable future accessions and analyse their impact on the EU budget. Various studies have estimated the budgetary costs of future enlargements – see for instance Rant et al. (2020), Emerson (2022), Lindner et al. (2023) and Darvas et al. (2024). As explained below, significant differences exist among these estimates due to different methodological choices and assumptions. Importantly, all these estimates are 'static' - they project potential expenditures as if candidate countries were to become full Member States today. They do not factor in dynamic elements, like developments in income per capita in both enlargement countries and Member States, which will affect eligibility for and hence the distribution of EU Cohesion Policy funds (Emerson 2023, Nuñez Ferrer et al. 2024).

Another important aspect to take into account when evaluating the impact of enlargement on the next Multi-Annual Financial Framework (MFF) is that no or only a few enlargement countries are likely to join the Union before 2034. While European Council President Charles Michel has proposed 2030 as a target date by which the EU should be ready for new accessions, the adoption of a merit-based approach, the low readiness of candidate countries, and the ongoing war in Ukraine make this scenario increasingly uncertain. Consequently, the key challenge of the next MFF may not be a big enlargement but how to sustain the accession efforts of enlargement countries and support their socio-economic alignment with the Union. For Ukraine, until the war ends and the country's market access is restored, this will likely require additional macroeconomic financial assistance, alongside financial and technical aid to coordinate reconstruction efforts.

A key issue warranting consideration is the redesign of the EU's pre-accession assistance instruments. Since the adoption of the 'Instrument for Pre-Accession Assistance' (IPA III) for the 2021–2027 period, three new countries—Moldova, Georgia, and Ukraine—have been granted candidate status. In 2024, the EU introduced two new instruments: the Ukraine Facility and the Reform and Growth Facility for the Western Balkans (RGFWB), providing supplementary support to certain enlargement countries. These Facilities differ from classic IPA III grants in various ways. They align more closely with a logic of gradual integration linking the disbursement of EU funds to the implementation of national reform plans. By incorporating grants, loans, and guarantees, the new Facilities introduce additional costs and contingent liabilities to the EU budget, which require careful oversight, management, transparency and control by the budgetary authority.

Enlargement is however far from being the sole factor influencing debates on the future Multi-Annual Financial Framework (MFF). There are significant pressures to increase common spending in new areas such as security and defence, migration and support for strategic projects that can enhance the Union´s external competitiveness. The MFF must also address the servicing and repayment of the NextGenerationEU (NGEU) debt. Cross-cutting discussions are underway in the Commission on how to render the EU budget more agile and flexible, simplify access to EU funds, apply more effective reform conditionality and attract more private investment through financial instruments and guarantees. Any reflection on the implications of enlargement for the next MFF should take these broader debates on the post-2027 EU budget into account.

1.1. Objectives of the study

The goal of this study is to assess the budgetary implications of future enlargements for the preparation of the next MFF. In particular, the study:

- Analyses the interaction between accession negotiations and MFF negotiations by drawing lessons from the past;
- Estimates the impact of future enlargements on the next MFF under three scenarios: a 'small bang' scenario – all six Western Balkan potential members acceding the Union by 2030 – , a 'big bang' scenario – all of them except Türkiye[1] acceding the Union by 2030 and a 'gradual integration' scenario - no accessions before 2034 but the prospect of accessing the Union remaining alive;
- Formulates policy recommendations on how to adapt the next MFF for the next round of enlargements.

1.2. Scope and methodology

The primary focus of the study is on the budgetary costs of enlargement for the Union. The quantitative analysis estimates the 'direct budgetary costs', understood as additional EU commitment appropriations resulting from the accession of new Member States. The study also estimates the cost of pre-accession support if all or some enlargement countries do not join the Union during the next MFF. This includes allocations over and above the MFF ceilings, such as reserves (e.g. EUR 17 billion Ukraine reserve).

Pre-accession support can also generate 'indirect budgetary costs' for the Union. Notably, the provision of loans to candidate countries and the use of guarantees to support their economies create new contingent liabilities for the EU budget. Some of them are provisioned within the EU budget, while others are backed by the headroom between the Own Resource ceiling and the MFF ceiling. Chapters 5 and 6 discuss the potential risks and costs related to these contingent liabilities.

The study does not consider other potential non-budgetary costs and benefits of enlargement, such as challenges in governing a Union of up to 36 Member States or the benefits of an enlarged Union in terms of security and political stability, greater market opportunities or reduced import dependency in critical sectors.

The analysis combines qualitative and quantitative data. Chapters 2, 5 and 6 and sections 3.1 and 3.3 rely on desk research from academic and 'grey' literature about past and future enlargements, as well as current debates on the next MFF. Inputs from the literature are complemented with insights gathered from twelve interviews with key stakeholders, including 6 interviews with officials from the European Commission (DG BUDG, DG NEAR, DG REGIO, DG AGRI), 3 interviews with representatives from the Council and national governments and 3 interviews with policy experts. Chapter 4 and Section 3.2 present quantitative estimations of the impact of enlargement on the EU budget under different scenarios. The estimates draw on actual EU budget data and projections for GDP, population and agricultural land (see Annex I for a detailed description of the data and assumptions used in these calculations).

[1] Türkiye has been excluded from the scope of this study, as accession negotiations are at a standstill due to its persistent failure to meet EU standards, particularly in areas related to democracy and the rule of law. The Turkish government has shown no credible interest in resuming the accession process.

2. THE INTERACTION BETWEEN THE EU ACCESSION PROCESS AND MFF NEGOTIATIONS

KEY FINDINGS

The impact of enlargements on the EU budget is uncertain until the conclusion of the accession negotiations. While the Commission usually initiates preparations to adapt the EU budget well before this moment, precise cost estimates are challenging because the exact year of accession is unknown and the possibility that accession Treaties may contain specific budgetary clauses or transitional arrangements such as phased access to EU funds. The formal proposal to amend the EU budget is usually presented after the Accession Treaty is signed. However, it remains pending with the two EU budgetary authorities, until the Accession Treaty is ratified by all parties.

Accessions pose different challenges if they conclude at the start, in the middle or the end of MFFs. If the Accession Treaty is ratified well before the start of a new MFF (e.g. Bulgaria and Romania in 2007), extra expenditures can be incorporated in preparation of the MFF. If ratified in the middle of an MFF (as in 1995 and 2004), the MFF will have to be adjusted to incorporate additional commitment appropriations. If the accession occurs during the last year of a MFFs (e.g. Croatia) extra expenditures may be managed through margins, unless a legal requirement mandates amending the MFF in the event of enlargement.

Accession of poorer countries, typically with larger agricultural sectors, create pressures to increase CAP and Cohesion Policy (CP) spending. The impact on the size and composition of the MFF will depend on the extent to which additional CAP and CP transfers to new Member States are offset by reductions in CAP and CP allocations to existing Member States or by cuts in other EU expenditure categories. As the Union's GNI also increases with the accession of new Member States, an increase in absolute terms does not necessarily result in an increase in the EU budget relative to the EU's GNI.

While the early rounds of enlargement led to an increase of the EU budget, since the 2000s, it has remained steady at approximately 1% of the EU's GDP. The Iberian enlargement significantly expanded the CP budget but the 2004 enlargement did not increase its relative size, which remained at 0.45% of the EU's GNP, as established by the 1999 Berlin European Council. Meanwhile, the share of the CAP has been steadily decreasing since the mid-1980s.

The accession process is based on bilateral accession negotiations between the Union and each of the candidates (see Table 1). Formal negotiations begin once all Member States approve the Commission's negotiating framework (step 4) and conclude when all 35 'negotiating chapters' are closed (step 7). The process formally ends when the Council and Parliament adopt the Commission's Opinion on the readiness of the country to join (step 8), but membership is only effective after the Accession Treaty is signed and ratified by all Member States and the candidate country (step 9).

The impact of future accessions on the EU budget remains highly uncertain until the formal conclusion of negotiations. The Commission usually initiates preparations to adapt the EU budget well before this moment, but it is difficult to make precise cost estimates as the year of accession is unknown and the accession Treaties may contain specific budgetary clauses[2] or transitional arrangements[3] that gradually phase-in access to EU funds.

[2] For instance the 1994 Accession Treaties with Austria, Sweden and Finland included a commitment to create a new category of 'low density' regions covering some regions located in the north of Sweden and Finland.

[3] For instance, both the accession treaties with Spain and Portugal and the treaties with the Central and Eastern European (CEE) countries joining the Union in 2004 included transitional periods to phase-in access to CAP payments gradually for the new Member States.

Table 1: Main steps to EU accession

Step 1	The country submits a membership application to the Council
Step 2	The Commission submits an Opinion on the application
Step 3	The EU Member States decide unanimously to grant the country candidate status
Step 4	After the conditions have been met, Member States (unanimously) agree to open the accession negotiations
Step 5	The Commission proposes a draft negotiating framework as a basis for talks. Accession negotiations formally start once Member States (unanimously) agree on the negotiating framework
Step 6	During the negotiations, which are structured according to clusters and chapters, the country prepares to implement EU laws and standards
Step 7	Once negotiations on all chapters are finalised, the Commission gives its Opinion on the readiness of the country to become a Member State
Step 8	Based on this opinion, EU Member States decide unanimously to close the negotiation process. The European Parliament must also give its consent.
Step 9	All EU Member States and the candidate country sign and ratify an accession treaty, which enables the country to become an EU Member State.

Source: European Commission, The EU accession process step-by-step, November 2023

An example of early preparatory work is the Commission´s Agenda 2000 communication. Published in July 1997, well before the signature of the accession Treaties with the Central and Eastern European countries (CEE) countries, this Communication presented estimates for future 'accession-related expenditures´ across different budget headings. These estimates were incorporated in the preparation of the financial framework for 2000-2006 (Box 1).

Box 1: Agenda 2000 and the preparation of the Central and Eastern European (CEE) enlargement

At the Copenhagen European Council of June 1993, the EU agreed to invite the Central and Eastern European (CEE) countries to submit applications for EU membership. Negotiations started and, in parallel, the Commission began preparatory work.

In December 1995, the European Council took note of preparatory work but requested the Commission 'to take its evaluation of the effects of enlargement on Community policies further, particularly with regard to agricultural and structural policies'. In response, in July 1997, the Commission presented its Agenda 2000 communication - a comprehensive document addressing reforms across several Union policies in preparation for enlargement and estimating the budgetary impact of enlargement.

Agenda 2000 included estimates for future 'accession-related expenditures' under the assumption that six countries would join the Union in 2002 and that they would not benefit from CAP pillar 1 payments. On the basis of these estimates, the Commission concluded that expected accession-related costs could be managed through some reductions in spending for existing Member States and the use of margins within the then Own Resource ceiling of 1.27% of EU GNP.

At the March 1999 European Council in Berlin, an agreement was reached on the financial framework for 2000-2007. The framework had two parts: Annex I outlined allocations for the EU-15, while Annex II included a reserve of 'accession-related expenditure' based on Agenda 2000's estimates (under a new 'heading 8'). Point 25 of the Inter-Institutional Agreement stipulated that, upon enlargement, the financial framework for the EU-15 (Annex I) would be adjusted to include accession-related expenditure (Annex II) through an agreement between the Council (by qualified majority) and the European Parliament (by majority of members and three-fifths of votes cast).

In December 2002, the Union signed bilateral treaties with ten candidate countries, paving the way for their accession in 2004. Following the procedure outlined in the Inter-Institutional Agreement, the Council and the European Parliament agreed in May 2003 to adjust the financial framework for 2000-2006. This adjustment primarily involved integrating into the financial framework the additional funds that had been set aside to cover the accession costs of six new Member States originally planned for 2002. Although ten countries ultimately joined instead of six, the two-year delay provided additional budgetary flexibility to accommodate the costs of these extra countries. While Annex II did not include provisions for CAP payments, the additional CAP costs were minimized by having a ten-year transition period and could be covered within existing margins.

Source: Agenda 2000: for a stronger and wider Union, COM(97) 2000, 15 of July 1997; Berlin European Council, 24-25 March 1999, Presidency conclusions and European Commission (European Union Public Finance 5th Edition, 2014.

The formal proposal to amend the EU budget is normally presented after the Accession Treaty is signed. This proposal will then remain pending with the two EU budgetary authorities, who will have to wait for the Accession Treaty to be ratified by all parties before amending the MFF.

Accessions pose different challenges if they take place at the start, in the middle or at the end of MFFs. If the Treaty is ratified well before the start of a new MFF (i.e. Bulgaria and Romania acceding in 2007) extra spending needs can be incorporated in the MFF preparation. If ratified in the middle of an MFF (as in 1995 and 2004), the MFF will have to be amended to incorporate the extra expenditure needed. If there is the accession of a small country during the last year of an MFF, budget margins may suffice to cover extra expenses for the last year. However, this option will not be available if a legal requirement

mandates amending the MFF in the event of any enlargement. This is what happened with Croatia´s accession, which took place at the very end of the 2007-2013 MFF (the accession Treaty was ratified in July 2013). As the II inter-institutional agreement for 2007-2013 included the obligation to amend the MFF in the event of enlargements, the Commission had to propose an amendment to the MFF to accommodate Croatia´s extra expenditure needs.

2.1. The impact on the size and composition of the MFF

Accession of poorer countries to the Union creates pressures to increase EU spending. Candidates receive EU pre-accession assistance before joining, but as members, they access more EU funds through cohesion and agricultural policies. Though they contribute to the EU budget, they become net beneficiaries of EU funding.

As explained in Chapter 4, estimating the transfers to the new Member States is not easy, as allocation rules are not always clear. Besides, bilateral accession Treaties may impose transitional periods limiting the access of new Member States to certain EU funds.

The overall impact on the size and composition of the MFF will depend on the extent to which these transfers to new Member States are offset by reductions in CAP and CP allocations to existing Member States or by cuts in other EU expenditure categories. As the Union's GNI also increases with the accession of new Member States, an increase in absolute terms does not necessarily result in an increase in the EU budget relative to the EU's GNI.

The current MFF regulation[4] includes a legal obligation (article 16) to revise the MFF in the event of enlargement 'to take account of the expenditure requirements resulting therefrom'. The interpretation of this clause (or a similar clause if included in the next MFF regulation) is not fully clear. An interesting precedent is given by Croatia's accession in 2013. Both the Commission and the European Parliament called for an increase in the overall level of commitments to adapt the MFF to the entry of Croatia, arguing that this was in line with point 9 of the 2007-2013 Interinstitutional Agreement (IIA)[5]. The Council rejected this interpretation and called for redeployments between ceilings to cover the additional expenditure requirements from the accession. In the end, the compromise was to keep the overall ceiling for commitments untouched but to amend the MFF to increase the annual payment ceilings for 2013[6].

2.2. Second-order effects: enlargements as catalysts of reforms

Enlargement can be a driver of reforms in key EU spending policies. Prior to enlargement, Member States may introduce targeted changes in eligibility rules to mitigate expected disruptions or honour commitments taken in the accession Treaties[7]. Enlargements can also motivate large-scale reforms in key spending areas. The prospect of the 2004 enlargements led to important reforms in the CAP, proposed in the Commission´s Agenda 2000 communication.

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[4] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

[5] Point 29 of the 2007-2013 IIA stipulated that "If new Member States accede to the European Union during the period covered by the financial framework, the European Parliament and the Council, acting on a proposal from the Commission and in accordance with Point 3, will jointly adjust the financial framework to take account of the expenditure requirements resulting from the outcome of the accession negotiations".

[6] European Commission (2014) EU public finance, 5th edition, Luxembourg: Publications Office of the European Union, pp. 93-94

[7] For instance the introduction of a new category of 'sparsely populated regions' eligible to EU cohesion funds, which was agreed in the accession Treaties with Sweden and Finland.

After the enlargement, the participation of new Member States in EU budget negotiations may change the Union´s spending preferences. The accession of Spain and Portugal in 1986 resulted in a more heterogeneous Union, boosting demands for more regional redistribution (Lindner 2006). This paved the way to a major reform of the EU´s Cohesion Policy in 1988, which was also deemed necessary to support the implementation of the Delors' internal market programme.

2.3. Looking at the past: how the EU budget adapted to previous enlargements

Previous enlargements have influenced the shape and size of the EU budget and resulted in lasting reforms. The experience from previous enlargements can be instructive from three perspectives: how budgetary negotiations interacted with those on enlargement; which budgetary clauses and transitional arrangements were included in the Accession Treaties and what was the impact of enlargement on the EU budget, leading to outcomes that have endured. Several facets of the successive enlargements can be distinguished in assessing their impact:

- Size of the budget, with increases as a proportion of GDP or (subsequently) GNI, before reaching something of a plateau after the Iberian enlargement;
- Composition of expenditure, most obviously the relative increase in the share of the EU budget devoted to what, after 1988, became Cohesion Policy (previously, regional and social policy);
- Shifts in the net contributions or net receipts of particular Member States and a rebalancing in the proportion of net contributors;
- Depending on the eligibility of the enlargement countries for major EU programmes, a net increase or decrease in the budgetary resources (ceteris paribus) allocated to existing Member States: 1973 and 1995 increased net contributions, lowering demands on then-current Member States, whereas 1981, 1986, 2004, 2007 and 2013 had the opposite effect (as did Brexit which meant the loss of a net contributor);
- Evolution in the sources of revenue, with the increasing dominance of national contributions as opposed to 'genuine' own resources (favoured by net contributors, including those acceding in 1995, because they make the national payment more visible);
- Some administrative effects can also arise as a result of bringing in distinctive national experiences and practices, although these are more likely to stem from rethinking the adoption of new approaches rather than enlargement as such – for example, the shift towards performance budgeting.

2.3.1 Interaction of MFF and accession negotiations

Although the primary motivation for moving to multi-annual budgeting, starting with the 'Delors Pacckage I' agreed in 1988, was to overcome the inter-institutional conflicts of the preceding years (described in Commission, 2015, as 'The Crisis in the Community's Finances'), the Iberian enlargement also had an influence. The seven-year Financial Perspective for 1993-99 (the previous term for the MFF) was agreed, in advance of the more intense negotiations on the 1995 enlargement, at the 1992 Edinburgh European Council, but it took nearly a further year to conclude a new Inter-Institutional Agreement. It was notable for extending the term of the MFF from five to seven years and for the creation of a new Cohesion Fund benefitting Member States with GNI per capita below 90% of the EU average, as well as moderate changes on the revenue side. There are few indications that the new multi-annual deal was much influenced by the forthcoming enlargement. An interesting observation

from Granell (1995: 121) is that in some chapters of the negotiations, finding common ground among the (then) EU12 'caused more difficulties than the negotiations between the Twelve and the candidate countries'.

Similarly, agreement on a new MFF (for 2000-06) was reached at the Berlin European Council in March 1999, well before even the most optimistic date for enlargement. Initially, a smaller number of acceding countries (six) than the ten which did join in 2004 were regarded as a first wave, expected sooner (2002) than the eventual date. The Financial Framework explicitly provided for these presumed six new members from 2002, with commitments for the main headings of expenditure separated from those for Member States (a new Heading '8'), in addition to having a separate (ring-fenced) line for pre-accession support. It is also important to note that Agenda 2000 was prepared under the assumption that new Member States would not benefit from CAP's compensatory support to farmers.

The Commission's Agenda 2000 proposals (Commission, 1997) were reined back in various ways. Further technical adjustments to own resources were made (reducing the VAT take-up rate, an increased 'collection fee' for customs duties), but the overall mix remained very largely national contributions and no new own resources were added. The own resources ceiling was maintained at 1.27% of GNP, its 1999 level, subsequently recalibrated as a share of gross national income (GNI) as 1.24%. Indeed, 1.24% of GNI was also the ceiling for the 2007-13 MFF, edging down to 1.23% for 2014-20.

More importantly, pressure from net contributors resulted in a downward trend in the ceilings for payments in successive MFF agreements. For the 2000-06 MFF, projected 'appropriations for payments' (the term for actual disbursements from the EU budget) were between 1.06% and 1.12% of GNI. For 2007-13 and 2014-20, these projected payments fell to around 1% of GNI (Commission 2014).

2.3.2 Budgetary provisions and transitional periods

In the run-up to the 1995 enlargement, the candidates (they included Norway, as well as the three that eventually acceded: Austria, Finland and Sweden) were especially concerned about the size of expected national contributions and the implications for their agricultural and fisheries sectors. The latter had levels of subsidy higher than those of the CAP and, in the end, proved to be one of the prominent reasons for the 'no' in the Norwegian referendum on accession. For Austria, Finland and Norway (Sweden had agricultural prices lower than the EU), a complicated compensation scheme was proposed to enable a transition to the CAP regime. Subsequently, Austria and Sweden were accorded corrections of their gross contributions which continue to the present. Nevertheless, the net impact of the fourth enlargement was to ease revenue raising.

The use of transitional periods for CAP is a constant in past enlargements. The Iberian enlargement in 1986 occurred while CAP payments were still linked to market prices. The Accession Treaties included a seven-year period to incorporate Spain and Portugal into the price compensatory regime, extended to 10 years for some sensitive products (e.g. olive oil, fruits and vegetables). However, once inside the Union, both countries successfully negotiated shorter transition periods for olive oil, wine, and fruits and vegetables than those outlined in the accession treaty (Matthews 2024). A working assumption in Agenda 2000 was that Central and Eastern European countries would not benefit from CAP's compensatory support to farmers. During the accession negotiations, however, they obtained access to the direct payment system. To smooth the budgetary impact, access to CAP direct payments was subjected to a 10-year phasing-in period. New Member States were granted the option to supplement these payments with national top-ups funded by their Pillar 2 CAP allocations.

For Cohesion Policy, Agenda 2000 proposed a total of ECU 45 billion (compared with 210 billion for EU15) of 'structural funds' for acceding countries. Concerns about their absorption capacity led to the

establishment of a rule capping total cohesion transfers to current or future Member States at 4% of its GDP. Having established principles during the 2004 enlargement, for the accession of Bulgaria and Romania in 2007, 'the negotiations on the budgetary package went quite smoothly and the final agreement was almost identical to the Commission proposal (which was in line with the outcome of the accession of the 10)' (Commission, 2014: p. 72).

As the new Member States contribute to the EU budget from the year of accession while receiving some transfers in the following years, Accession Treaties sometimes include budgetary compensations to reduce the risk of any country seeing its net position worsen in the first years. Greece, Portugal and Spain benefited from transitional measures in relation to the own resources. They were obliged to pay these own resources in full from the first day of accession but were immediately refunded by the percentages agreed in the relevant articles of the Accession Treaties (Commission 2014: p. 32). The CEE countries received lump-sum cash flows based on the principle that no new Member State should find itself in a net budgetary position worse than the year before enlargement (Commission 2014: p 70).

2.3.3 Outcomes

What is striking about EU expenditure from the launch of the first multi-annual financial perspective in 1988 (coinciding with the relaunch of EU funding for regional and social policies under the newly named 'Cohesion Policy') was that over the entire period from 1988 to the end of the 2014-20 MFF, around 75% of the spending was on agriculture (including rural development) and Cohesion Policy. In the 1980s, the biggest share went to agriculture, but while remaining substantial, it was subsequently overtaken by Cohesion Policy.

According to the Luxembourg Centre for Contemporary and Digital History, 'It was clear that the actual cost of enlargement in the period between 2004 and 2006 would amount to no more than EUR 11 to 13 billion, this out of a total annual Union budget of some EUR 100 billion. This was, in part, because pre-accession outlays would be replaced by entitlements to EU programmes under standard budget headings. The financial contribution required was therefore quite modest (representing 3 to 4 % of the budget each year) and could be paid from existing funds, without additional resources having to be created.

Despite the scale of the 2004 enlargement, the 2000-06 MFF did not see a significant change in the budget. A Commission finding highlighted by Seguiti (2003) was that all but two of the 53 regions in the ten acceding countries of Central and Eastern Europe had GDP per head below 75% of the EU average, the threshold for the highest level of support from Cohesion Policy. But with the size of the Cohesion Policy budget set (and subsequently retained) at 0.45% of EU GNP by the 1999 Berlin European Council, spending more in the new Member States would have required reduced spending in the existing Member States, despite no change in their level of prosperity.

In addition, what became known as the 'statistical effect' would have raised the *relative* prosperity of many EU-15 regions. Spain was prominent in pushing for this effect to be compensated and even threatened to derail other EU businesses in pursuit of its objectives (Seguiti, 2003). This trilemma: a cap on the budget, 'new' demands and continuing to meet 'old' demands, was largely solved by phasing in support to new members. Much the same happened with direct payments. On the own resources side, Germany argued that because its own unification had lowered its GDP per head, it could not be expected to remain the *Zahlmeister* (paymaster) of the EU and its concerns were backed by other net contributors (Denton, 2001). The result was that the deal on the MFF saw expenditure commitments markedly lower (at 1.07% of GNP) than had been proposed by the Commission in Agenda 2000 (1.22%).

Nevertheless, by having a heading for new members, the new MFF did pave the way for accession. However, Denton (2001) points out an intriguing similarity between the new members and the existing

members: there was one larger country (Spain and Poland, with populations around 40 million) and two in each group with populations around 10 million (Greece and Portugal; the Czech Republic and Hungary). The Celtic Tiger growth of the 1990s had also meant that Ireland could no longer be regarded as one of the 'Cohesion 4' of the post-1988 period – and was prepared to accept some reduction on its receipts, although remaining a net recipient. Although GDP per capita in the three CEE countries cited by Denton was around half that of Greece, Portugal and Spain (in aggregate), the amounts agreed for transfers to the former were around EUR 150 per head, just 30% of the EUR 500 per head for the latter. An overview of the longer-term outcomes for the EU budget of successive enlargements is provided in Box 2.

Box 2: Overview of outcomes for the EU budget deriving from previous enlargements

1973: accession of Denmark, Ireland and the UK

Creation of the ERDF

UK joining Germany as a substantial net contributor, leading to a protracted dispute resolved in 1984 with the agreement on the abatement of the UK contribution

Prior consolidation of the CAP

1986: Portugal and Spain

Increase in the size of the EU budget and need for additional own resources, resulting in the creation of the GNI resource

Culmination of disputes over the annual budget and the move to multi-annual framework

Major reform of structural policies (the ERDF and the ESF) to become Cohesion Policy, leading over time to an increase in the share of spending on structural operations and a relative decline in the share of the CAP

Push for a separate Cohesion Fund motivated by maintaining levels of public investment while converging towards criteria for euro membership

1995: Austria, Finland and Sweden

Three relatively richer Member States, raising GDP per capita and becoming net contributors to the budget.

Creation of a new category of regions (initially called Objective 6, but subsequently referred to as remote peripheral regions).

Two of these acceding countries (Austria and Sweden) have been accorded 'corrections' to their contributions to the budget. The same two became part of the 'frugal four' group of net contributors, along with Denmark and the Netherlands, all subsequently accorded 'corrections in the 2021-27 MFF

2004, 2007 and 2013: eight, plus two plus one from Central and Eastern Europe and the two islands of Cyprus and Malta

All relatively poorer, lowering the EU's average GDP per head

Pronounced 'statistical effect' mitigated by the introduction of 'phasing out' assistance for certain regions

Relative growth of Cohesion Policy funding envelope relative to CAP direct payments, but renewed support for CAP from countries with larger agricultural sectors

Gross contributions to own resources are marginally higher than average as a percentage of GNI because corrections accorded to several richer MS lower their gross contribution. All new members were, nevertheless, net recipients, at least in the earlier years.

Formation of 'Friends of Cohesion Policy' grouping

Budgetary cost of Cohesion Policy in cash terms low for new members with lower price levels

Source: own elaboration

3. THE NEXT ROUND OF ENLARGEMENTS: STATE OF PLAY, INCLUDING PRE-ACCESSION ASSISTANCE

KEY FINDINGS

Excluding Türkiye (with whom accession negotiations have been at a standstill since June 2018), the EU now has a total number of nine candidate and potential candidate countries. Seven countries - Albania, Moldova, Montenegro, North Macedonia, Serbia, Türkiye, and Ukraine - have formally initiated accession negotiations. Two countries - Bosnia and Herzegovina and Georgia - hold candidate status but have not yet started negotiations. With Georgia, due to the latest democratic backsliding of the country, the accession process has been de-facto halted. Kosovo has applied for membership but has not yet been granted candidate status.

The insistence by all EU institutions on the need to follow a credible 'merit-based' approach, the emphasis given to the respect of the rule of law and democratic principles and alignment with the EU´s foreign policy, along with additional specific requirements for certain candidates - such as the normalisation of relations between Kosovo and Serbia - seem to indicate that most candidate countries are unlikely to be ready to enter the Union before the end of the next MFF, except for one or two Balkan countries.

A major source of uncertainty is the situation in Ukraine after the war. It cannot totally be excluded that a drastic turn in events creates a sense of geopolitical urgency which convinces the Member States to speed up the process of accession. The outcome of the war in Ukraine can also alter the basic parameters of Ukraine when acceding the Union - in terms of its GDP, population and agricultural land area.

The relaunch of the EU enlargement agenda has also resulted in changes in the EU´s approach to support pre-accession. The classic support provided through the "Instrument for Pre-Accession Assistance" (IPA III) has been complemented with assistance provided by two new 'Facilities' adopted in 2024 and targeting Ukraine and the Western Balkans (WB). The adoption of these two Facilities has significantly increased EU pre-accession support for the WB and Ukraine. It has also rendered more difficult to predict the annual amounts of pre-accession support as disbursements are conditioned to progress in reforms.

Regardless of Ukraine's accession timeline, financial support for Ukraine will remain a major EU priority in the next MFF. Assuming that a sustainable peace agreement is reached by 2028, the focus will shift from short-term macroeconomic aid to long-term support for post-war reconstruction.

3.1. The candidate's pace of reforms

At present, seven countries -Albania, Moldova, Montenegro, North Macedonia, Serbia, Türkiye, and Ukraine- have formally initiated accession negotiations, though none have concluded them. Two countries -Bosnia and Herzegovina and Georgia- hold candidate status but have not yet started negotiations. With Georgia, due to the latest democratic backsliding of the country, the accession

process has been de-facto halted.[8] Kosovo has applied for membership but has not yet been granted candidate status.

There is no clear timeline for the next accessions. In August 2023 European Council President Charles Michel proposed 2030 as an indicative target date for enlargement but this date has not been included in the Council's 2024-2029 strategic agenda nor has it been endorsed by Commission President Von der Leyen in her political guidelines for the next Commission.

The accession process implies negotiating 35 chapters of the *acquis communautaire*, grouped in thematic clusters. It requires candidate countries to respect and commit to the rule of law and achieve a stable democratic system, to meet high standards through the adoption of the *acquis*[9], including a readiness to enter the EU single market.

In line with the 2020 revised enlargement methodology and concerns about the risks of admitting countries with illiberal democratic features or lacking sufficient rule of law reforms, the EU placed greater emphasis on progress within the 'Fundamentals' cluster, particularly chapters 23 (Judiciary and fundamental rights) and 24 (Justice, freedom and security). These are areas where many candidate countries face significant and persistent systemic challenges, making a rapid accession process unlikely. In addition, under the revised methodology, the Union can decide to halt or even reverse the process in case of serious or prolonged stagnation or backsliding of a candidate country with regard to the 'Fundamentals'.

The insistence by all EU institutions on a credible 'merit-based' approach[10], the emphasis given to the respect of the rule of law and democratic principles and alignment with the EU´s foreign policy, along with additional specific requirements for certain candidates - such as the normalisation of relations between Kosovo and Serbia - suggest that most candidate countries are unlikely to be ready to enter the Union before the end of the next MFF. Among the nine potential new members, only Montenegro has relatively plausible expectations to join the Union in the coming years[11]. While Serbia is advanced in technical negotiations, it lacks alignment with the EU's Common Foreign and Security Policies (CFSP) and the political will in the country for its European integration is often questioned. Some other candidate countries, such as Albania and North Macedonia, may make significant progress in the coming years, but it remains difficult to estimate if they will be ready to join the Union before 2034. Ukraine's accession process very much depends on the developments of the ongoing war in the country. Moldova's, accession process has been moving ahead fast, but further progress depends on the persistence of the political will for its European integration as well as the speed of ambitious reforms that the country is committed to undertake despite Russian interference. Georgia is currently in deep political crisis with its accession process de-facto halted, which raises many doubts about its accession prospects.

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[8] European Council meeting (17 October 2024) – Conclusions: https://www.consilium.europa.eu/media/2pebccz2/20241017-euco-conclusions-en.pdf.

[9] In the early 2000s, when Western Balkan countries were recognised as potential candidates for EU membership, the *acquis communautaire* was already estimated at "about 80 000 pages". See Codification of the Acquis Communautaire, Commission of the European Communities, Communication from the Commission to the European Parliament and the Council, COM(2001) 645 final, Brussels, 21 November 2001.

[10] See the European Parliament resolution of 29 February 2024 on deepening EU integration in view of future enlargement, the Council´s strategic agenda 2024-2029 and Ursula Von der Leyen´s key political guidelines for the next European Commission.

[11] Since 2023, a new pro-EU government in Montenegro has shown a strong political commitment to make progress towards accession. In a short period of time it has adopted various important reforms and has given itself the objective to become the EU's 28th member state by 2028 (Nic et al 2024).

3.2. The Union´s readiness to enlarge

Another important criterion applies to the EU itself: in order to enlarge, the Union must have the capacity to integrate (or absorb) new members. This concept was vaguely defined until the European Commission's 2006 Communication[12] which clarified that enlargement must not jeopardise 'the political and policy objectives established by the Treaties' – essentially, the EU's capacity to act and to function effectively, especially within its budgetary limits.

This criterion may therefore drive the need for institutional reform within the EU to ensure it is prepared to accommodate new Member States. These issues do not all necessarily require a Treaty change, given that the '*passerelle*' clause in the Lisbon Treaty could be used to switch from unanimity to qualified majority voting. However, even this reform would face serious difficulties; while several Member States including France and Germany have been at the forefront of promoting greater recourse to qualified majority voting in the Council, numerous smaller Member States are concerned about losing their veto power.

If Treaty change becomes necessary, such a delay could be even longer due to the complexity of negotiations and procedural challenges. Negative referenda, such as those that derailed the Treaty establishing a Constitution for Europe in 2005, could also pose a significant threat to the EU's readiness to welcome new members. Moreover, some countries, like France, have specific domestic legal requirements that complicate any accession process[13].

The features of the accession process give Member States the opportunity to block progress at multiple stages. Numerous steps require unanimity in the Council – such as granting candidate country status, opening negotiations, approving the Commission's negotiating framework, closing negotiating chapters - allowing Member States to exercise their veto right over a candidate's progress. While this should ensure that high standards are upheld – particularly regarding the rule of law - it has increasingly led to the imposition of unrelated bilateral demands, effectively hijacking the process for some would-be members.

Initially dismissed during the accession process, bilateral disputes have been increasingly employed by neighbouring Member States to exert pressure on candidates. For example, North Macedonia, which officially applied to join the EU in 2004 — three years after experiencing an internal armed conflict — and was granted candidate status the following year, is a landmark example of such challenges. The constitutional amendment required by Greece (up until 2019) to change its name, the ongoing amendment necessary to address Bulgaria's veto regarding its national community and the 2019 French veto on the opening of negotiations were additional obstacles beyond standard criteria, exacerbating uncertainty around EU membership.

All these considerations create much uncertainty around the Union´s readiness to enlarge. As noted by Farfał, et al. (2024) there are different possible long-term futures for the Union, each one having different costs and implications. One possibility is that the Member States fully endorse a 'gradual accession' approach and offer gradual access to EU funds and other benefits to candidates in exchange for reforms, but in the absence of institutional reform, they block the decision to complete accession to full membership. A more pessimistic scenario is what the authors call the 'fortress Europe' scenario.

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[12] European Commission (2006) "Enlargement Strategy and Main Challenges 2006 – 2007". Including annexed special report on the EU's capacity to integrate new members", COM(2006) 649 final, 8.11.2006.

[13] Since 2005, Article 88-5 of the French Constitution mandates a national referendum for all future EU enlargements, unless both Houses of Parliament adopt a motion in identical terms by a three-fifths majority, enabling a parliamentary vote instead. The latter option nevertheless appears unlikely given the current French political context. (Constitutional law No. 2005-204 of 1 March 2005 amending Title XV of the Constitution of the Fifth Republic).

In this scenario, complications with the Ukrainian war situation, lack of commitment to adopt rule of law reforms in Western Balkans and more isolationist governments in Member States leave the Union with little appetite for new enlargements. This is validated by a Council declaration stressing the existing political borders of the European Union. This scenario may entail important non-budgetary costs for the Union (see Box 3).

Box 3: The non-budgetary costs of a 'fortress Europe' scenario

A scenario in which the EU loses commitment to enlargement may have important non-budgetary costs for the Union. In 2016, the EU Global Strategy (EUGS) emphasised that a 'credible enlargement policy represents a strategic investment in Europe's security and prosperity and has already contributed greatly to peace in formerly war-torn areas' (Juncos, 2018).

In particular, the lack of EU commitment may lead to reform backsliding in candidate countries. The rise of populism, corruption, and weak governance would significantly erode the positive effects of EU funding over the past decades to its neighbours. The EU´s disengagement from the regions would also increase vulnerability to the influence of other geopolitical actors, such as Russia and China (see Panagiotou, 2021). Growing Chinese and Russian influence in the region would further threaten and destabilize their European integration and democratic reforms.

Source: Own elaboration

3.3. The geopolitical context

The EU institutions' commitment to follow a 'merit-based' approach seems to indicate that there will not be a 'big bang' enlargement scenario such as the one in 2004 but rather a 'regatta-type' situation, where enlargement countries will join individually over time. However, it cannot be excluded that a drastic turn in events creates a sense of geopolitical urgency which convinces the Member States to favour a quick and grouped accession of some candidates. Farfał et al. (2024) imagine a 'geostrategic Union' scenario, in which Moldova, Montenegro, North Macedonia and ultimately also Ukraine enter the Union by 2030 and are subjected to strong post-accession conditionality – similar to that applied to Bulgaria and Romania in 2007 - to correct democratic and rule of law shortcomings.

The outcome of the war in Ukraine can also alter the basic parameters of Ukraine when acceding to the Union, as its GDP, population and agricultural land area could all be altered. In this study, we assume that Ukraine will end the war retaining its territorial integrity, having all its current agricultural land demined and recovering its pre-war population. However, one cannot totally exclude different scenarios for Ukraine which would have different implications for the accession to the Union (see Box 4).

Box 4: Possible war outcomes and implications for Ukraine´s accession to the Union

The greatest uncertainty surrounding future enlargements is undoubtedly the outcome of Russia's invasion of Ukraine in 2022. A sustainable peace agreement in line with Ukraine´s demands would ensure the country's smoothest path to the European Union - even though this path would involve large-scale post-war reconstruction of Ukraine. However, a peace agreement negotiated favouring Russia's terms could force Ukraine to make substantial territorial concessions to Russia, losing both territory and population. A third outcome with profound consequences for the EU would be an outright Russian victory with the collapse of the present European orientation of the Ukrainian government.

These various outcomes would have different implications for Ukraine's accession to the EU. An outright Russian victory and the establishment of a pro-Russian government would effectively block Ukraine's entry into the Union (Karjalainen, 2023). A sustainable peace agreement may involve different

parameters concerning GDP, population and agricultural land. A recent study (Darvas et al., 2024) outlines two scenarios: a 'baseline scenario,' where Ukraine regains its territorial integrity, restores polluted and mined agricultural land for production, and the war does not lead to a permanent decline in Ukraine's GDP, allowing the economy and population to follow 2020 projections; and an 'alternative scenario,' where 20% of Ukraine's agricultural land is lost (due to ongoing Russian control or failure to clean up polluted and mined areas), resulting in a permanent 20% decline in both GDP and population. According to the study, under the first scenario, the net cost to the EU budget would be roughly 20% higher.

Source: Own elaboration

3.4. Pre-accession assistance

The relaunch of the EU enlargement agenda has also resulted in changes in the EU´s approach in the support to pre-accession. Since the year 2020, the Commission has adopted a 'gradual integration' approach to accompany the efforts of enlargement countries in the path towards membership. Through a 'gradual integration' approach, the Commission provides to candidate countries and potential candidates enhanced avenues for gradual integration of into selected EU policies, prior to accession, by frontloading certain benefits and obligations of EU membership[14]. When applied to EU funds, the 'gradual integration' approach calls for a clear link between access to pre-accession financial assistance and progress in implementing key reforms. This principle can be operationalized in various ways.

In the current EU pre-accession instrument—Instrument for Pre-Accession III (IPA III)— the principle is operationalised in very vague terms. According to the IPA III regulation, assistance to beneficiaries should be linked to their performance, particularly in the area of rule of law reforms. However, according to the mid-term evaluation of the programme[15], there is no evidence on a systematic application of the performance-based approach for the disbursement of IPA III funds. The main beneficiary of IPA III remains Türkiye, despite the country's backsliding on the democratic reforms and the subsequent stalemate in its accession negotiations.

One reason for this is that attention to reform performance needs to be balanced with the principle of 'fair share', which stipulates that 'no IPA III beneficiary committed to the objectives of the instrument should receive a disproportionally low level of assistance compared to other beneficiaries' (Commission 2024, p. 14). As the principle of 'fair share' is vaguely defined, this results in a tendency to preserve the same IPA amounts from one year to another. In fact, as noted by the mid-term evaluation, 'compared to IPA II, there are no significant variations of yearly allocations for bilateral annual action plans among IPA III beneficiaries'.

Another way of operationalising this principle is the proposal of 'staged accession' approach by CEPS and EPC Belgrade researchers (Emerson et al 2021). This approach is based on the definition of four stages in the path towards accession corresponding to different levels of reform achievement and preparedness. Candidate countries would receive proportionally higher volumes of pre-accession support (40%, 60% and 100%) as they move from one stage to another.

The new Facilities adopted in 2024 - the Ukraine Facility and the Reform and Growth Facility for the Western Balkans (RGFWB) – represent a third way of operationalising this link. Compared to the current

[14] European Commission (2024), "Communication on pre-enlargement reforms and policy reviews", COM(2024) 146 final, 20.3.2024, p.3.

[15] European Commission (2024), Commission staff working document accompanying the report from the Commission on the evaluation of the European Union´s External Financing Instruments for the 2014-2020 and 2021-2027 Multiannual Financial Frameworks, SWD(2024) 133 final, 15.5.2024.

IPA III grants, the Facilities introduce stronger conditionality, including ex-ante conditionality and reversibility mechanisms, for EU funds by clearly linking payments to the fulfilment of conditions to be set in national Reform Agendas. However, contrary to the 'staged accession' model, EU payments do not increase over time as candidates move closer to membership. There are some differences between the two facilities (Box 5) but are both conceived as performance-based instruments, linking EU payments to the achievement of specific milestones and targets included in national reform plans agreed between the candidate and the Union.

Box 5: Ukraine Facility and the Reform and Growth Facility for the Western Balkans ('Western Balkans Facility')

The Ukraine Facility was introduced to support Ukraine's recovery and reconstruction with an indicative amount of EUR 50 billion, two-thirds in loans (EUR 33 billion) and one-third in non-repayable support (EUR 17 billion), replacing existing EU bilateral support under NDICI, and comes on top of the EU's support under MFA and MFA+ packages. The Reform and Growth Facility for the Western Balkans aims to support the region's socio-economic development and economic convergence with the EU. It provides EUR 2 billion as non-repayable support and EUR 4 billion in the form of concessional loans. Unlike the Ukraine Facility, the Western Balkans Facility does not replace the existing EU support to the Western Balkans, instead, it comes on top of the IPA III funds.

Although the two Facilities are similar, the also differ in the following ways.

First, loans under the two Facilities are raised by the EU through its diversified funding strategy established in 2022 and guaranteed by the EU budget. However, whereas the loans to the Western Balkans are backed with a provision set at 9% (which represents the standard provisioning rate applied to EU loans to third countries to protect the EU budget against potential losses), loans to Ukraine are guaranteed by the EU budget's 'headroom', meaning that the risk of Ukraine defaulting on these loans would be directly borne by future EU budgets.

Second, there are some differences in the conditions applied to the loans. Ukrainian loans have a 35-year maturity whereas loans to Western Balkans have a 40-year maturity period. In both cases, repayment should not start before 2034. The Ukraine Facility can also cover the borrowing costs for Ukraine during 2024-2027 (cost of funding and cost of liquidity management), whereas the Western Balkans Facility does not cover these costs.

Third, the non-repayable support allocated through the Facilities is financed differently. The EUR 2 billion of non-repayable support for the Western Balkans Facility comes from Heading 6 of the MFF, 'Neighbourhood and the World'. For the Ukraine Facility, the EUR 17 billion of non-repayable support is covered by a special instrument, the 'Ukraine Reserve'. This is a new instrument which is part of the EU budget but established 'over and above' the MFF ceilings. Setting up this special instrument above the ceilings gives more flexibility to the Union to adjust the amounts required to support Ukraine, which are subject to high uncertainty given the war context.

Fourth, both Facilities aim to catalyse further public and private investment for the beneficiary countries by establishing cooperations with International Financial Institutions (IFIs), but they do it in a different way. The Western Balkans Facility regulation stipulates that half of the funds from the Facility (and all the non-repayable support) shall be disbursed through the Western Balkans Investment Framework (WBIF), a platform launched in 2009 that coordinates action by the EU, International Financial Institutions (IFIs), bilateral donors and the governments of the Western Balkan countries. The WBIF has the Joint Grant Facility that pools resources from the EU (under the IPA), the IFIs, and grant contributions from bilateral donors. The Ukraine Facility, instead, finances a specific guarantee of EUR 8 billion to de-risk operations from IFIs in Ukraine. This guarantee is included in Pillar 2 of the Facility.

Fifth, both Facilities condition the disbursement of EU funds to the adoption and implementation of national reform plans. The Ukraine plan foresees the disbursement of the payments with a quarterly schedule but flexibility provisions allow exceptional financing to be disbursed under duly justified exceptional circumstances, if Ukraine is not able to fulfil conditions due to the war. For the Western Balkans Reform Agendas, the payments are foreseen to be biannual. Another difference is that only amounts under Pillar 1 of the Ukraine Facility (direct budget support to the Ukraine central government) are conditioned to the implementation of reforms. Support for the Ukraine Facility's Pillar 2 is provided directly to IFIs via dedicated guarantee agreements and thus not conditioned to progress made by the Ukrainian government. In contrast, all funding from the Western Balkans Facility is released gradually according to the countries' progress with the Reform Agenda (including the amounts channelled through the WBIF).

Last, the Western Balkan Facility establishes two specific pre-conditions for receiving the EU's support: all countries should uphold and respect effective democratic mechanisms and the EU fundamental values and Serbia and Kosovo should engage constructively with measurable progress and tangible results in the normalisation of their relations. It also includes a mechanism of reversibility: if a country does not fulfil the conditions established in its reform agenda on time, the Commission does not release the funds. However, after 12 months of the initial negative assessment (or within 24 months during the first year of implementation), the Commission can reduce the support corresponding to the fulfilment of these conditions and redistribute the funding to the other beneficiary countries. Failure to fulfil the two preconditions can also result in a suspension or withholding of payments and potential payment redistribution to other beneficiary countries.

The Commission has also proposed a new 'Reform and Growth Facility' for Moldova which, at the time of completing this study, has not yet been adopted. The proposed Facility is closely modelled on the Western Balkans' Facility. It envisages the provision of EUR 1.5 billion in the form of concessional loans and EUR 0.4 billion of non-repayable support (EUR 285 billion in form of grants and EUR 135 billion set aside to provision the loans). 25% of the loans and all non-repayable support will have to be disbursed through the Neighbourhood Investment Platform (NIP), a platform that pools resources from the EU, the Member States, International Financial Institutions (IFIs) and Neighbourhood partner countries. As with the Western Balkans facility, all funding (including funding channelled through the NIP) will be conditioned to the implementation of a Reform Agenda by the central government.

Source: own elaboration

The adoption of these two Facilities has significantly increased EU pre-accession support for the Western Balkans and Ukraine. With the Facility, the Western Balkan countries are set to receive an estimated EUR 18.2 billion of support during 2021-2027 combining grants and loans (see Box 8). This marks a 40% increase in EU budget support to the region[16]. According to the European Commission (2023), this support provides a similar aid intensity per inhabitant to that received by EU Member States, on average. However, the Commission compares the total amount of repayable and non-repayable funds received by the Western Balkans with Cohesion Policy grants.

The EU average is skewed by the large populations of highly developed countries like Germany, which receive low per capita cohesion funding (Todorovic and Milinkovic, 2024). If we focus on the amount of non-repayable support, the Western Balkans receive EUR 14.2 billion in total – which is EUR 2.2 billion

[16] European Court of Auditors (2024), Opinion 01/2024 concerning the proposal for a Regulation of the European Parliament and of the Council on establishing the Reform and Growth Facility for the Western Balkans, 7 February 2024.

per year on average (Box 6). Section 3.3 shows that, if they were Member States today, they would receive EUR 3.3 billion per year in CP funding.

For Ukraine, the Facility provides EUR 17 billion in non-repayable support, averaging EUR 4.25 billion per year over 4 years. Our simulation in Section 4.3 indicates that, if Ukraine were an EU Member State today, it would receive a marginally lower amount of CP funding—around EUR 4 billion. The likely adoption of a Facility for Moldova will have a similar effect in supporting the country's economy.

It is important to recall that the increase corresponds to planned commitments, not real disbursements. Given that disbursements under the two Facilities are conditioned to progress in reforms, it is very difficult to predict what will be the amounts disbursed, both on an annual basis and in total.

Box 6: How much support do candidate countries receive from the current MFF?

EU pre-accession financial support mostly comes from the 'Instrument for Pre-Accession Assistance' (IPA). The 2021-2027 IPA programme ('IPA III') has an overall budget of EUR 14.2 billion for the whole 2021-2027 period but only provides funds to those countries that were candidates when the programme was – that is, the six Western Balkans countries and Türkiye.

IPA III does not have pre-defined financial envelopes for each beneficiary; however, based on the average allocation of the previous years, Todorovic and Milinkovic (2024) estimate that the Western Balkans will benefit from approximately EUR 12.2 billion from IPA. On top of that, the Western Balkans Facility (WBGF) adopted in 2023 provides an additional EUR 6 billion, of which EUR 2 billion in grants and EUR 4 billion in loans. Overall, one can estimate EUR 14.2 billion in grants and EUR 4 billion in loans the amount of support provided by the Union to the Western Balkans during 2021-2027.

Ukraine, Moldova, and Georgia have only recently been granted candidate status and thus do not receive IPA III funds. Instead, they receive support from the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe). NDICI-Global Europe allocations per country, so far, are only set for 2021-2024: there is EUR 640 million allocated for Ukraine[17], EUR 340 million for Georgia[18] and EUR 260 million for Moldova[19], a modest total of EUR 1.24 billion. From 2024 on, Ukraine will not receive more funds from NDICI as future support will come from the Ukraine Facility. The Commission's proposed 'Reform and Growth Facility' for Moldova[20], if adopted, will be financed from the EUR 420 million of NDICI allocations foreseen for 2025-2027.

Apart from sums coming from IPA and NDICI, some candidate countries experiencing balance-of-payment difficulties receive Macro-Economic Financial Assistance (MFA) support from the EU. This support often takes the form of loans guaranteed by the EU budget but in exceptional cases, it can include a grant component. In 2020, following the COVID-19 crisis, Moldova and Georgia benefited from MFA support in the form of loans.

Since Russia's invasion, the EU has provided a succession of MFA packages for Ukraine: emergency MFA worth EUR 1.2 billion, exceptional MFA worth EUR 9 billion, and MFA+ worth of EUR 18 billion, all MFA providing support in the form of long-term, highly concessional loans. Most recently the EU has adopted another exceptional MFA for Ukraine worth EUR 35 billion, backed by Russian assets. In 2023, after Russia´s invasion of Ukraine, MFA loans to Moldova were increased to EUR 295 million and a grant component of EUR 75 million was included. In Georgia, a MFA programme of EUR 150 million loans was

[17] https://neighbourhood-enlargement.ec.europa.eu/document/download/db7bef93-b99a-4f3e-a80c-2975ebc8d1d2_en

[18] https://neighbourhood-enlargement.ec.europa.eu/document/download/0dffecee-bcf3-48aa-ac25-bda4fac0c706_en

[19] https://neighbourhood-enlargement.ec.europa.eu/document/download/ecfd53f7-c434-4b78-9d22-fce05e28b793_en

[20] https://neighbourhood-enlargement.ec.europa.eu/document/download/029c4a4c-1586-46e8-b94e-38a4a1f6ae07_en?filename=Growth%20Plan%20for%20Moldova%20-%20Regulation.pdf

agreed in 2020. The first instalment was disbursed in November 2020 but the second instalment was cancelled by the Commission following the decision of Georgia to refrain from requesting it and in view of the non-fulfilment of its commitment related to the rule of law and democratic reforms.

Considering that Ukraine will no longer benefit from the NDICI, Moldova will switch to the newly proposed facility given that it is adopted, and assuming that for the years 2025-2027 Georgia will at most receive the same amounts as allocated for 2021-2024, we estimate that the total non-repayable support from the EU budget for Ukraine, Moldova and Georgia will be EUR 18.2 billion (EUR 17 billion under the Ukraine Facility, EUR 420 million for Moldova under the new proposed Growth Plan for Moldova and around 700 million for Georgia under NDICI). In addition, the EU budget will guarantee loans to Ukraine (EUR 33 billion under the Ukraine Facility and EUR 28.2 billion of MFA+ loans) and to Moldova (EUR 1.5 billion under the new Facility and EUR 0.3 of MFA loans).

Finally, it is worth mentioning that candidate and potential candidate countries also have access to other EU programmes that are not earmarked for countries. Annex 2 presents a list of the EU programmes (an important example is the Horizon research programme) in which enlargement countries participate.

Sources: own elaboration

3.5. Ukraine´s reconstruction needs

Regardless of Ukraine's accession status, the EU will need to increase its support for post-war reconstruction in the coming years. According to the Third Rapid Damage and Needs Assessment (World Bank et al 2024), by the end of 2023, the estimated reconstruction and recovery needs of Ukraine amounted to EUR 453 billion. The longer the war continues, the greater the damage will be, making Ukraine’s reconstruction a colossal task that could last for a decade or more.

So far, the EU, through its Ukraine Facility, has been the largest provider of funds for Ukraine’s reconstruction. Support to Ukraine outside the EU mainly comes from the US, but these funds have been spent on the country’s immediate budgetary needs, leaving a significant gap in long-term funding for reconstruction and recovery.

Since 2022, the European Commission has coordinated the efforts of G7 countries and international financial institutions through the ‘Multi-Donor Coordination Platform for Ukraine’. The Platform is governed by a Steering Committee, which functions on a consensus-based approach and is co-chaired by high-ranking officials from the US, the EU, and Ukraine. It is supported by a Secretariat, which is jointly hosted by the European Commission in Brussels and the Government of Ukraine in Kyiv.

To play a critical role, the platform needs to gain more members and more international support. Attracting private capital is also critical, as public money alone will not suffice to cover the needs for Ukraine’s reconstruction. According to various estimates, between one-sixth and one-third of Ukraine’s reconstruction needs could be financed by the private sector. Currently, in some EU countries, an export credit insurance provides insurance and guarantees for exporters against commercial and political risks, allowing businesses to continue trading despite the ongoing war. However, attracting new private capital requires systematic war insurance. Several international organizations, such as the World Bank and EBRD, are working on providing insurance for war-related risks, but it is unclear when and with what capacity such insurance schemes will be implemented, making it uncertain when large-scale private capital could flow into the country.

A potential source of financing support to Ukraine involves using the Russian Central Bank’s (RCB) frozen international reserves in the G7 countries and the EU, estimated to be approximately USD 300 billion (around EUR 280.5 billion). Confiscating RCB assets raises numerous legal and political questions

and requires a new international framework, which will take time and effort. Meanwhile, some steps have been taken towards utilising the windfall profits from holding RCB assets. In 2024, the EU adopted a plan to use the interest generated from holding RCB assets to support Ukraine, and the G7 countries also agreed to use the profits accrued on the frozen assets as collateral to secure loans for Ukraine, totalling around USD 50 billion (around EUR 45 billion).

To facilitate the issuance of these loans, in September 2024, the European Commission proposed to establish a Ukraine Loan Cooperation Mechanism, which was swiftly adopted by the Council and the Parliament.[21] The mechanism will channel the exceptional revenues generated by the RCB assets, alongside contributions from EU Member States and third countries. It is intended to provide Ukraine with financial assistance to meet its urgent budgetary needs, which have considerably increased due to the continued Russian aggression.[22] However, using these proceeds to finance post-war reconstruction remains challenging, as it is contingent on the continuation of EU sanctions on Russia.

There is consensus that the EU should play a leading role in steering Ukraine's reconstruction process, although it would plainly be unrealistic for the EU budget to cover more than a minor share of these costs. Taking on a steering role implies providing direct funds, mobilizing international support, promoting private capital inflow by assisting Ukraine with necessary reforms, and advancing war insurance schemes. It is equally important to ensure that Ukraine's recovery aligns with its European integration path. It is unclear whether the EU's future financial support for the reconstruction is best provided through the MFF, off-budget instruments linked to the EU budget (like the MFA+ loans) or an entirely off-budget mechanism based on an intergovernmental agreement (similar to the European Peace Facility or the European Stability Mechanism).

[21] Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine.

[22] In particular, the proceeds from the mechanism will be used to repay the Union's exceptional MFA loan and eligible bilateral loans from lenders under the G7's "Extraordinary Revenue Acceleration Loans for Ukraine" (ERA) initiative, with a total value of up to EUR 45 billion.

4. ESTIMATING THE BUDGETARY COSTS OF ENLARGEMENTS

KEY FINDINGS

Estimating the net EU budget costs of enlargements is challenging. There is a numerical formula to calculate amount a country should receive through Cohesion Policy, but this approach does not apply to the Common Agricultural Policy, where national allocations are established in the regulation and stem from historical decisions. The impact of enlargement on non-allocated spending is also hard to predict.

Several studies have been published providing estimates of the costs of accessions if they were occurring today. They differ in the assumptions and methodological approach adopted. Looking only at the net EU budget cost resulting from Ukraine's accession, the estimates range from EUR 11.4 billion to EUR 19.6 billion per year (Darvas et al 2024). None of these studies imposes an upper ceiling on the CAP budget.

Experience with past enlargements can inspire different hypotheses for estimates. In this study we simulate the costs of enlargements by keeping the overall ceiling for the CAP Pillar 1 budget constant in real terms. The results of our simulation, together with those from previous studies, provide insights into the potential budgetary implications of future accessions:

- First, accession of nine poorer countries will not 'blow up' the EU cohesion budget but may significantly reduce the cohesion envelope of some countries through the so-called 'statistical effect'. In our model, fifteen Member States see their Cohesion Policy allocation being reduced by 24% following enlargement.
- Second, if no upper ceiling is set on the overall CAP budget and new Member States receive comparable CAP funding per hectare as existing Member States, the total CAP budget could increase by 22–25%.
- Third, if a decision is taken to maintain CAP pillar 1 budget in real terms and acceding countries are granted the same aid intensity per hectare of determined area than post-2004 Member States (as assumed in our model) all current Member States would have to accept a reduction in their CAP allocation by 15% on average. This reduction can be mitigated by having a transitional phase-in period or by offering new Member States access to CAP funds on less advantageous terms.
- The low GDP levels of the nine candidate countries significantly constrain the CP allocations they can receive under the 2.3% GDP cap. Because of this GDP cap rule and their much lower level of nominal GDP, all the potential new members would receive per capita payments for CP well below those of the 13 Member States that joined the Union between 2004 and 2013.

4.1. The methodological challenges to estimating the cost of enlargements

Estimating the net EU budget impact of accessions is challenging. As discussed earlier, once they become Member States, candidate countries start receiving EU funds – particularly CAP and CP funds. However, not all the rules for distributing funds across Member States are fixed. Furthermore, the impact of accessions on the revenue side is also hard to estimate.

4.1.1 The impact on the expenditure side

In the case of Cohesion Policy (CP), there is a numerical formula – known as 'the Berlin formula' - to calculate the amount of CP funding a Member State should receive. This formula, which has remained largely unchanged since the 2000s, is mainly based on regional GDP/per capita, national GNI per capita and population. The allocation formula for 2021-2027 is included in the Annex of the Common Provisions Regulation (Annex XXVI)[23]. It can be applied to candidate countries to estimate how much they would receive if they were Member States today.

A key aspect of the 'Berlin formula' that warrants consideration is the upper limit imposed on Cohesion Policy funding for Member States. This cap is set at 2.3% of national GDP for the poorest countries[24]. Since new Member States typically have low GDP levels, it significantly limits the total amount of CP funds they can receive (see Box 7).

Box 7: The low GDP of the nine potential new members

Using data from the latest IMF World Economic Outlook gives a sense of the scale of the economies of the candidate and potential candidate countries, relative to EU Member States. The latest estimates for GDP at current prices show Malta to be USD 22.8 billion, higher than Montenegro (8.0 billion), North Macedonia (15.9 billion) and Moldova (18.4 billion), and also higher than Kosovo (11.3 billion). Albania (25.5 billion), Bosnia Herzegovina (29.1 billion) and Georgia (32.9 billion) are somewhat above Malta, while Serbia (81.9 billion) is below Bulgaria (107.9 billion). Ukraine's GDP is estimated by the IMF to be USD 189 billion, barely more than half that of Romania (370 billion). Aggregating these nine countries yields a collective GDP of some USD 412 billion, around 10% above the GDP of Romania.

Source: own elaboration

Another important factor is that the allocation of CP funds to regions and Member States is determined by their relative standing compared to the EU average—measured by GDP per capita for regions and GNI per capita for Member States.[25] The accession of poorer countries and regions lowers the average EU GNI/GDP per capita, which can result in some regions and Member States receiving less CP funds – the so-called 'statistical effect'.

For the CAP, Pillar 1 and Pillar 2 allocations to Member States are fixed in current prices in annexes of Regulation (EU) 2021/2115[26]. Pillar 1 CAP allocations are loosely correlated with the amount of agricultural land but the per-hectare funding each country receives is not determined by a formula based on objective criteria, such as the type of agricultural production, productivity levels, or disparities in farmers' living standards. Instead, these allocations stem from historical political decisions, resulting in significant differences between countries. Given that, at the moment of acceding to the Union, CEE countries were granted lower per-hectare payments compared to Western European countries, there are important differences in CAP aid intensity between Member States.

[23] A summary of the 'Berlin formula' can be found in the European Court of Auditors (2019), Allocation of Cohesion policy funding to Member States for 2021-2027, Rapid Case Review, March 2019

[24] This cap was set out by the European Council in July 2020 and is currently enacted in Annex XXVI, Article 10a of the Common Provisions Regulation.

[25] Regions are classified into three categories for funding eligibility—less developed, transition, and more developed—based on their GDP per capita relative to the EU average. The amount of funding they receive varies according to their classification. Only Member States with a Gross National Income (GNI) per capita below 90% of the EU average qualify for the EU Cohesion Fund.

[26] Annex V (Pillar 1) and Annex XI (Pillar 2) of Regulation (EU) 2021/2115 of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans).

Since 2013, these differences have been progressively reduced with the application of the so-called 'external convergence' principle, but they will not be fully eliminated by the end of the current MFF[27]. Pillar 2 CAP allocations appear to follow a cohesion-type of rationale— higher-income countries with more developed agricultural sectors receive a smaller proportion of CAP Pillar 2 funds in relation to their agricultural land area—but there is no clear formula guiding the distribution of funds[28]. Given the lack of clear allocation rules, there is no clear principle to determine how much CAP funding per unit of agricultural land the acceding countries would receive.

The impact of accessions on non-allocated spending is also hard to predict. There is no legal obligation to increase this expenditure in case of enlargements. In past enlargements (notably the 2004 and 2007 enlargements and Croatia's 2013 accession), the Commission proposed an increase of this spending proportional to the increase of the size of the Union's GDP but the amounts were subsequently reduced during the MFF negotiations.

Although pre-accession support ends in principle upon accession, the overall budget for pre-accession is fixed at the beginning of the programming period and does not increase or decrease according to the number of candidate countries – as illustrated by the fact that the budget for the 'Instrument for pre-accession' (IPA III) for 2021-2027 has not been increased even though three new countries have become candidates since 2020.

4.1.2 The impact on the revenue side

The EU budget is expenditure-driven. The EU co-legislators decide on the size and composition of the EU´s expenditures, and the amount of revenue to cover these outlays follows. Own resources are the revenue assigned to the EU budget and are usually split into two categories: Traditional Own Resources or TOR (that is, customs duties on imports to the EU, typically accounting for around 10-15% of EU revenue) and national contributions. Within the latter, there is a VAT-based resource calibrated on a fixed percentage of the proceeds of national VAT, but with adjustments that link it closely to GNI. The much bigger element of national contributions is the GNI resource which, as its name implies, links quite closely to national GNI. The plastics levy introduced for the current period is linked to the use of non-recyclable plastics, but (as for the VAT resource) is adjusted to reflect relative GNI levels. Other revenue comes from fines and certain other sources allocated to the EU. An important property of the GNI resource is that it fluctuates from year to year to ensure that the aggregate proceeds of own resources are in balance with EU expenditure (as required by the Art. 310 TFEU).

The main impact of enlargement is on the expenditure side. The accession of new Member States will lead to pressures to increase certain EU spending areas - notably cohesion and CAP. If these demands are satisfied (which is, as discussed earlier, a political decision) it may require an increase in own resources which, by default, would come from higher GNI contributions. However, the new members would also be obliged to contribute to own resources and (also by default), their contributions would be closely linked to their national GNI. In practice, the amount raised from any Member State as a proportion of its GNI (*before* corrections) will be quite close to the headline total of the EU budget as a proportion of the aggregate GNI of the Union.

[27] The external convergence principle was established in 2013 and maintained for the period 2021-2027. On the basis of this principle, Member States receiving amounts per hectare below 90% of the EU average should see their national envelopes progressively increased until closing half of the existing gap to 90%. The Member States' allocations for direct payments in the Regulation 2021/2115 are calculated on this basis.

[28] It is worth noting that in both the 2014–2020 and 2021–2027 MFF negotiations, CAP Pillar 2 national allocations were finalised at the last minute by the European Council and functioned as an "adjustment variable" to secure agreement on the overall MFF (Matthews 2018).

Enlargement may also have an impact on the amounts collected from TOR, by both current and acceding Member States. When a candidate becomes a Member State this automatically reduces the TOR collected by current Member States from goods imported from this country. At the same time, the new Member State will start collecting TOR from its extra-EU imports. The overall net effect will depend on various factors, such as the intensity of trade relations between the EU and the candidate country, the level of trade integration (if there is a free-trade agreement with the Union abolishing some tariffs on goods) and the volume of extra-EU imports received by the candidate country.

Any new own resources can be expected to have an uneven incidence on different Member States or acceding countries. The proposed use of ETS revenues would, ceteris paribus, fall more heavily on countries emitting proportionally more carbon. However, the Commission proposal recognises this and proposes corrections to mitigate the impact. Predicting how much new own resources would raise for acceding members is also tricky because they would face incentives to alter their usage of the base for the new resource (such as one linked to carbon). For this study, therefore, the most reasonable assumption is to take the share of GNI in nominal terms as the most likely amount of revenue to be expected.

4.2. Different estimations of budgetary costs of enlargement

Several studies have been published estimating the budgetary costs of integrating all or some of the current candidate and potential candidate countries into the EU today. They differ in the coverage as well as the assumptions and methodological approach adopted[29]. Looking only at the extra spending resulting from Ukraine's accession, the estimates range from EUR 11.4 billion to EUR 19.6 billion per year (see Table 2), In addition, an unpublished study by the Council secretariat cited in a Financial Times article[30] estimates the cost of Ukraine's accession at EUR 26 billion per year.

All these studies assume that current EU budget rules[31] apply with the sole exception of the overall ceilings. The lack of ceilings is not problematic in the case of CP given that, as discussed earlier, its rules include an automatic capping mechanism. However, without an upper ceiling on CAP, the models project a significant expansion in the CAP budget.

Experience from past enlargements offers some insights into the potential budgetary implications of future accessions. Whereas the first rounds of enlargement led to EU budget increases, since the early 2000s the EU budget has remained close to 1% of EU GDP (see section 2.6). Notably, the share of CAP as a percentage of EU spending has declined since the 1980s despite different rounds of enlargement. It is also worth noting that the accession of the CEE countries in the 2000s did not increase the CAP Pillar 1 budget in real terms (Box 8).

[29] Emerson (2022), Lindner et al (2023), Darvas et al (2024).

[30] Financial Times, 'EU estimates Ukraine entitled to €186 billion after accession', 4 October 2023.

[31] Even if there may be different interpretations of what "current EU budget rules" mean, Matthews (2024) interprets 'current CAP rules' as implying that full external convergence is achieved and applies to both current and new Member States.

Box 8: The decision to maintain the CAP Pillar 1 ceiling in 2002

When the Financial Perspectives for 2000-2006 were adopted in 1999, the ceiling for CAP pillar 1 was established under the assumption that new Member States would not be entitled to the direct payments under this pillar. During the accession negotiations, the candidates obtained the right to receive CAP Pillar 1 payments following a 10-year phase-in period (2004-2013). The European Council of October 2002 endorsed this decision but did not increase the CAP Pillar 1 ceiling agreed in 1999. Instead, the extra-amounts needed for 2004 to 2007 were to be covered through the existing margins. Moreover, it was agreed that the phasing-in in subsequent years would not increase the CAP Pillar 1 budget in real terms: the annual CAP Pillar 1 in 2007-2013 had to maintain the amount in real terms of the 2006 CAP Pillar 1, with increases in nominal terms being kept below 1% per year.

Source: European Council meeting conclusions, Brussels, 26th of November 2002

Table 2: Different estimates of budgetary costs of Ukraine´s accession (if accession occurs for the 2021-2027 MFF), annual EUR bn

	Annual net EU budget costs[1]	Cohesion and CAP transfers to Ukraine	Main assumptions and methodological choices
Emerson (2022)	18.9	Cohesion: 9bn CAP:10.4bn	Cohesion: Allocations to current EU27 Member States remain unchanged, Ukraine obtains an allocation equivalent (in funds per capita) to the average between the receipts of Poland and Romania CAP: Allocations to the current EU27 Member States remain unchanged, Ukraine obtains an allocation equivalent (in funds per hectare) to the average between Poland and Romania. Other spending: Ukraine receives the equivalent in aid per capita to the average between the receipts of Poland and Romania
Lindler et al (2023)	11.4	Cohesion: 4bn CAP: 7.6bn	Cohesion: Application of the 'Berlin formula' (set in regulation 2021/1060 Annex XXVI) to current and new Member States CAP Pillar 1: Allocations to the current 27 EU Member States remain unchanged, new Member States obtain an allocation based on a regression of CAP Pillar 1 allocations per hectare on GDP per capita equivalent in funds per hectare to the average of EU27 plus an equivalent in funds per hectare to the average of market measures support of EU 27 CAP Pillar 2: Allocations to the current 27 EU Member States remain unchanged, new Member States obtain an allocation based on a regression of CAP Pillar 2 allocations per hectare on GDP per capita of EU27 equivalent (in funds per GDP/capita) to the average EU27 Other spending: New Member States receive the equivalent in funds per capita of the average EU27 (except for Heading 1, for which they receive an allocation based on a regression of Heading 1 allocations per capita on GDP per capita of EU27)
Darvas, et al (2024)	19.6 (baseline scenario) 15.7 (alternative scenario)[2]	Baseline scenario: Cohesion: 4.6bn CAP: 12.1bn Alternative scenario: Cohesion: 3.9 CAP: 9.7bn	Cohesion: Application of the 'Berlin formula' (set in regulation 2021/1060 Annex XXVI) to current and new Member States CAP: Allocations to the current 27 EU Member States remain unchanged, new Member States obtain an allocation equivalent (in funds per hectare) to the post-2004 Member States Administrative expenditure: increase in proportion to EU´s population and GDP increase Other expenditure: candidates receive the equivalent of what the 13 countries that joined the EU after 2004 receive (as average of funds per capita and funds per GDP)
Matthews (2024)	---	CAP: 13.4bn	CAP Pillar 1: CAP Pillar 1 ceiling increases by an amount equivalent to eligible agricultural area in Ukraine times the average support per hectare in EU 27. All Member States (including Ukraine) receive the same amount of funds per hectare. CAP Pillar 2: Allocations to the current 27 EU Member States unchanged, Ukraine receives the same funds per hectare as Poland

Sources: Emerson (2022) Lindner et al. (2023) Darvas et al. (2024) Matthews (2024)

Notes:

[1] In Emerson (2022) and Lindler et al (2023), the 'net cost' is the total transfers to Ukraine minus contributions of Ukraine to the EU budget. In Darvas et al (2024), the 'net cost' is the total transfers to Ukraine minus contributions of Ukraine to the EU budget and minus the reduction of cohesion transfers to EU27 due to the 'statistical effect'. Matthews (2024) does not calculate the total annual net EU budget costs resulting from the accession of Ukraine.

[2] Darvas et al (2024) estimate the costs of Ukraine's accession under two scenarios. Baseline scenario: Ukraine maintains its territorial integrity and recovers pre-war GDP and population. Alternative scenario: 20% reduction of agricultural land, GDP and population.

4.3. Our simulation: A hypothetical MFF at 36 with CAP Pillar 1 maintained in real terms

To illustrate how different parameters and assumptions can lead to very different budget outcomes, we opt for a different approach to analyse the budgetary implications of future accessions. Specifically, we estimate the implications for the whole MFF and current Member States' allocations if new Member States joined the Union while keeping the ceiling for the CAP Pillar 1 budget constant in real terms, as happened in previous enlargements. Our model assumes that current differences in CAP Pillar 1 aid intensity between Member States would be maintained and that new Member States would be granted a CAP Pillar 1 allocation equivalent (in funds per hectare) to what the 13 countries that joined the EU after 2004 receive. For CAP Pillar 2, we assume that current Member States would maintain their allocations whereas new Member States receive allocations equivalent in aid intensity to what was received by new Member States during the three first years after the 2004 accession. For Cohesion Policy funds, we apply the 'Berlin formula' to both current and new Member States. As regards the non-allocated expenditure, we scale up all expenditures proportionally to increases in the Union's GDP or population. A more detailed explanation of assumptions and methodological choices is included in Annex 1.

Applying these policy assumptions and methodological approaches yields a hypothetical MFF 2021-2027 at EU36 that would amount to EUR 1258 billion, an increase of 2% compared to the current MFF (Table 3). As the EU´s GDP also increases by roughly 2% with the accession of the nine candidate countries, the MFF remains at 1% of EU GDP.

In this hypothetical MFF for 36 Member States, Heading 2 (cohesion and values) increases by EUR 8 billion. New Member States receive EUR 59.5 billion of cohesion funds while the current Member States lose EUR 51.8 billion compared to the current MFF. There are some re-allocations as a result of the statistical effect (See Figure 1 and Table 11 in Annex 3). Fifteen Member States – including Poland, Italy and Spain – obtain 24% less from CP funding, due to some regions being downgraded to a less generous eligibility category[32]. Ukraine receives EUR 4 billion per year, becoming the fifth largest beneficiary from CP. Serbia receives EUR 1.7 billion per year, more than Bulgaria or the Czech Republic (Table 3).

[32] Six 'old' Member States - Bulgaria, Croatia, Romania, Hungary, Greece and Slovakia – obtain higher allocations than today. However, this is not due to the statistical effect, but to the different baseline data used in the estimates for this study and for the actual cohesion funds allocations in 2021-2027.

Table 3: Comparison between current MFF 2021-2027 and hypothetical MFF 2021-2027 at EU36 (current prices, EUR billion)

	MFF 2021-2027[1] (A)	MFF at EU36 (B)	*Of which pre-allocated to EU27*	*Of which pre-allocated to candidate countries*	Difference (B-A)	As % ((B-A)/A)
Heading 2. Cohesion, resilience and values	429	437	377	59.5	8	2%
Heading 3. Agriculture and environment	400	420	334	86	20	5%
Of which: Market related expenditure and direct payments[2]	276	276	215	61	0	0%
Heading 6. Neighbourhood and the world + Ukraine reserve	130	111	-	-	-19	-15%
Other spending	276	290	-	-	14	5%
TOTAL MFF (commitments)+ Ukraine reserve	1235	1258	-	-	23	2%
As % of EU GDP	1%[3]	1%	-	-	-	-

[1] Adjusted to the 2024 mid-term review and including the EUR 17 biilion of the Ukraine reserve.

[2] Before the transfers between the two Pillars of CAP introduced in 2021-2023.

[3] Equivalent to 1.01% of EU GNI (the figure presented in the MFF technical adjustment).

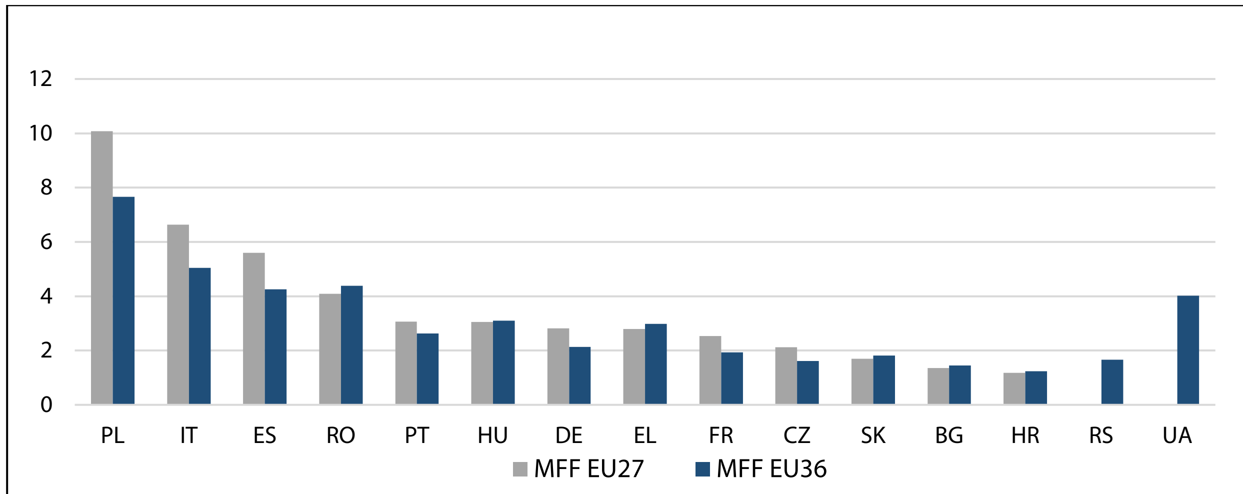
Source: own elaboration based on data from the annex to the technical adjustment of the multiannual financial framework for 2024 (COM(2024) 110 final) and from our simulation.

Heading 3 (agriculture and environment) increases by EUR 20 billion. New Member States receive EUR 86 billion, of which EUR 83.3 billion of CAP transfers. EU27 Member States receive EUR 9.5 billion less under 'Heading 3' as a result of reductions in their CAP envelopes (see Figure 2 below and Table 11 in Annex 3). In particular, all EU27 Member States suffer a reduction of their CAP allocations by 15% on average. Countries which currently receive a higher percentage of Pillar 1 funds relative to total CAP funds, such as France or Spain, experience the largest cuts of their overall CAP envelope (-18%). Ukraine becomes the largest beneficiary of CAP, overtaking France. Commitments for Heading 6, 'Neighbourhood and the World', fall by EUR 19 billion. This corresponds to the estimated amount of IPA III and NDICI grants supporting the candidates today as well as the EUR 17 billion of the 'Ukraine reserve' placed outside the MFF ceilings[33].

Overall, the nine enlargement countries receive EUR 20.3 billion per year (EUR 11.8 billion in CAP funds and EUR 8.5 billion in CP funds). They contribute EUR 5.6 billion to the EU budget, resulting in EUR 14.7 billion in net transfers. However, this net transfer drops significantly to EUR 2.8 billion if candidates are not granted access to CAP funds.

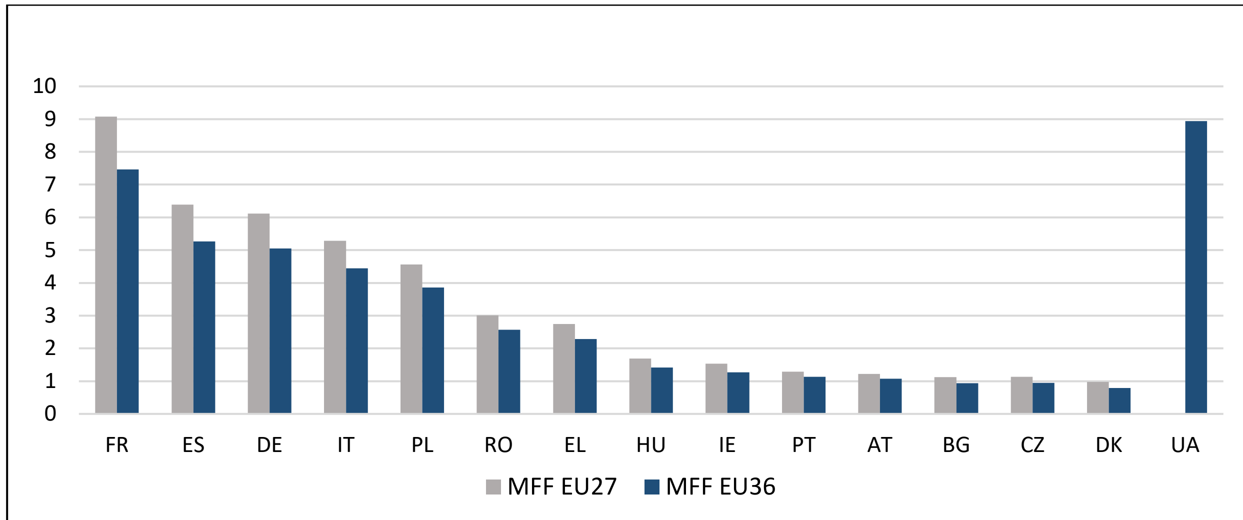
[33] Our hypothetical MFF assumes a reduction of IPA and NDICI budget proportional to the estimated amounts of IPA and NDICI allocated to the nine potential acceding countries today and does not include the additional amounts (EUR 19 billion) included in the last MFF mid-term revision to finance the Ukraine Facility and the Western Balkans Facility.

Figure 1: Annual CP allocations, current MFF 2021-2027 vs. hypothetical EU36 MFF 2021-2027, first 15 beneficiaries (current prices, EUR billion)



Source: own elaboration.
Note: See Annex 3 for all 36 countries details

Figure 2: Annual CAP allocations, current MFF 2021-2027 vs. hypothetical MFF 2021-2027 at EU36, first 15 beneficiaries (current prices, EUR billion)



Source: own elaboration
Note: See Annex 3 for all 36 countries details

Table 4: Average annual EU allocations for new Member States, hypothetical MFF 2021-2027 at EU36 (current prices, EUR billion)

	CAP funds (in bn EUR) (A)	CAP aid intensity (EUR/ hect agricultural area)	Cohesion funds (in bn EUR) (B)	Cohesion funds/ capita (in EUR/ capita)	Annual contribution to the EU budget (in bn EUR) (C)	Net transfer (A+B-C)1	Net transfer without CAP (B-C)
Albania	0.3	221	0.4	150	0.3	0.4	0.1
Bosnia and Herz.	0.5	218	0.6	180	0.4	0.7	0.2
Georgia	0.5	218	0.7	179	0.4	0.8	0.3
Moldova	0.5	214	0.4	160	0.2	0.7	0.2
Montenegro	0.1	221	0.1	229	0.3	-0.1	-0.2
North Macedonia	0.3	214	0.3	185	0.1	0.5	0.2
Kosovo	0.1	214	0.2	135	0.2	0.1	0.0
Serbia	0.7	214	1.7	250	1.1	1.3	0.6
Ukraine	8.9	216	4.0	111	2.7	10.2	1.3
TOTAL (new MS)	11.8		8.5		5.6	14.7	2.8
Average EU 27		271		96			
Average EU 13		246		279			
Average new Member States		216		142			

[1] Operational net balances calculated by following the Commission´s method (without custom revenues and administration spending).
Source: own elaboration based on data from our calculation

4.4. General insights from the simulation

The results from our simulation, together with the findings of other studies, provide useful insights to understand the potential implications of future enlargements for the EU budget.

First, future accessions will not ‘blow up’ the CP budget because of the rule that limits receipts to a maximum of 2.3% GDP for the poorest Member States. However, they may reduce the cohesion envelope of some countries through the ‘statistical effect’.

Second, due to the nine potential acceding countries' low GDP, the 2.3% GDP cap rule substantially limits their cohesion funding per capita. As shown in Table 3, despite being much poorer, none of the nine new Member States would receive more CP per capita than the richer, ‘less developed’ Member States (EU13). This is consistent with the findings from Nuñez Ferrer et al. (2024), which also find that various enlargement countries would receive lower cohesion funds per capita than richer ‘less developed’ Member States following accession. However, if their nominal GDP per head were to rise (whether because of real growth or relatively higher inflation), the 2.3% cap would result in higher transfers in current price euros.

Third, if no upper ceiling is imposed on the overall CAP budget and new Member States are granted a similar amount of CAP funds per hectare as current Member States, the overall budget of CAP will

increase by 22% (Darvas et al 2024) or 25% (Matthews 2024). This increase can be contained by maintaining the CAP Pillar 1 budget in real terms– as we do in our simulation.

There may be different ways of keeping the CAP pillar 1 expenditure under the ceiling. An obvious approach –discussed in chapter 6 – is to introduce a transitional phase-in period and offer new Member States access to CAP funds on less advantageous terms. This is the strategy that was adopted in past enlargements. However, due to the relatively generous amounts of pre-accession support provided today to enlargement countries (particularly Ukraine and the Western Balkans), if the candidates are not granted full access to CAP funds immediately after accession, they may end up being in a worse net budgetary position than before being Member States. Another approach to contain overall CAP pillar 1 expenditure is to reduce current Member States´ CAP pillar 1 allocations. Our simulation shows that if the new Member States receive similar CAP Pillar 1 allocations to the post-2004 Member States, the Member States' CAP allocations (including pillar 1 and pillar 2) will have to be reduced by 15% on average.

5. ENLARGEMENT AND THE NEXT MFF: THREE SCENARIOS

KEY FINDINGS

This chapter explores the implications of three alternative scenarios of enlargement for the next MFF: A 'gradual integration' scenario, in which no candidate accedes before 2034; a 'small bang' scenario, which would see the six Western Balkan countries joining the Union in 2030 and a 'big bang' scenario, which would see all nine candidate and potential candidate countries under study joining the Union in 2030

The analysis of the three scenarios suggests the following conclusions.

First, in the absence of new accessions and if current CP rules are maintained, different Member State growth paths will result in important changes in CP allocations across EU27.

Second, accessions of poorer countries will not significantly increase the overall CP budget. However, both the 'small bang' and 'big bang' scenarios lead to a 'statistical effect' causing a 15%-21% reduction in national CP allocations for some current Member States compared to the CP allocation they would receive in the 'gradual integration' scenario.

Third, the impact of new accessions on the EU budget can be contained by keeping the CAP Pillar 1 budget in real terms. In this case, assuming that acceding countries have immediate access to CAP pillar 1 funds and that they receive amounts per hectare equivalent to those received by post-2004 Member States (as assumed in our model), the upper ceiling of the CAP pillar 1 can only be respected if current Member States accept important cuts in their national CAP allocations. Average cuts after 2030 would be 2.5-3.5% in the 'small bang' scenario and 15% on average in the 'big bang' scenario.

Fourth, if CAP Pillar 1 is maintained in real terms, the net EU budget costs of new accessions are largely manageable. Our 'big bang' scenario results in an increase of EUR 34 billion for the 2028-2034 MFF compared to a scenario without accession (our 'gradual integration' scenario), an amount that can be easily covered within the margins of the Own Resource ceiling.

Fifth, constraining the CAP budget ex ante would create room to finance new spending needs while keeping the EU budget at 1% of GDP. Under our 'big bang' scenario, this approach would free up EUR 355 billion in additional funds. This additional spending could also be used to mitigate the negative effects of accessions, by providing support to Member States impacted by the 'statistical effect' or cushioning the reduction of national CAP allocations.

Sixth, the 2.3% GDP capping rule significantly limits the amount of CP funding allocated to the new Member States. Without immediate access to CAP funds in the first years of accession, some countries - particularly Ukraine - risk receiving fewer net transfers than before enlargement.

Chapter 4 examined various estimates of the budgetary costs associated with EU enlargement, assuming the enlargement countries were to join immediately. However, if enlargement takes place during the next MFF, these costs may vary. This is due to evolving trends in population and income per capita in both enlargement countries and current Member States, which will could affect eligibility for CP funding.

We also acknowledge that the likelihood of a major enlargement in the next MFF is low. As explained in Chapter 3, only a couple of Western Balkan countries have relatively plausible expectations to join the Union before 2034. These accessions would have minor consequences for the EU budget. According to our estimates, for instance, the accession of Montenegro would result in a net annual EU

budget cost of EUR 0.17 billion approximately[34] - an amount that could be easily covered with margins or re-deployments and would not necessitate an MFF amendment - unless legally required (see Chapter 2 for a discussion of this point). Thus, the most likely challenge for the next MFF will not be how to finance a major enlargement but how to sustain the accession efforts of candidate and potential candidate countries in their path towards membership.

Against this background, this chapter explores the implications of three alternative scenarios of enlargement for the next MFF:

- A 'gradual integration' scenario assumes no **accessions** taking place during the next MFF but the maintenance of a credible EU commitment to enlargement (with commensurate support in the form of pre-accession assistance).
- A 'small bang' scenario assumes that all six Western Balkans will join the Union by 2030.
- A 'big bang' scenario assumes that all nine potential new members considered in this study enter the Union by 2030.

The three scenarios rely on IMF and Eurostat 2028-2034 projections of population and GDP at national and regional levels (see the methodological Annex for more details). While projections inherently carry uncertainty, this is particularly true for Ukraine, where a swift end of the war followed by reconstruction could boost GDP dramatically, but an intensification of the conflict could lead to a large fall in population and GDP. Both developments would have budgetary impacts. However, given the lack of a sound basis for assuming one or the other, or anything in between, and to maintain comparability across the three main enlargement scenarios, we make two key assumptions. First, we assume that Ukraine will maintain its pre-war population and territory, with the exception of the illegally annexed Autonomous Republic of Crimea and the City of Sevastopol (which are excluded from the GDP and population projections). Second, we assume a continuation of the 'status quo' in GDP, i.e. the GDP growth rates are projected to continue the trend of pre-conflict years.

In both enlargement scenarios, the additional budgetary costs arising from new accessions are calculated using the same methodology as in our simulation in Chapter 4. Cohesion allocations are determined based on the application of current eligibility rules (detailed in Annex XXVI of the Common Provisions Regulations for 2021-2027) while CAP national allocations are calculated under the assumption that the budget for CAP Pillar 1 in the next MFF remains constant in real terms compared to the current MFF. This approach, to some extent, mirrors the decision made in 2002 to maintain the CAP Pillar 1 budget for the 2007–2013 period at the 2006 level in real terms, despite the progressive expansion of CAP direct payments to CEE countries.

The gradual integration scenario assumes an increase in pre-accession support compared to the current MFF. Specifically, in this scenario, Ukraine and the Western Balkans receive the same annual amounts of pre-accession support as today (after the adoption of the Facilities), Georgia and Moldova will be offered per capita pre-accession support equivalent to the levels provided to the Western Balkans and Ukraine (on average) whereas Türkiye receives the same pre-accession support as today. We adopt the same assumptions to calculate the amounts of pre-accession support under the two enlargement scenarios – that is, support for enlargement countries that do not accede to the Union in the 'small bang' scenario and support to enlargement countries during the years prior to accession (2028–2030). Admittedly, this is an optimistic assumption that can result in an overestimation of pre-accession costs. It presumes that Georgia - whose accession process is currently frozen - will be offered

[34] This estimate comes from our 'small bang' scenario, which assumes the accession of all six Balkan countries by 2030. The costs may be rather smaller if only Montenegro joins the Union.

generous pre-accession package support in the 2028-2034 period. More importantly, taking these commitments as budgetary costs implies assuming that all potential new members will achieve satisfactory progress in implementing all the reforms included in their national reform plans, and therefore that all commitments for the Facilities will be disbursed. Given the political threats to democracy and the rule of law in many of these countries, this is unlikely to happen. Even if the Union adopts Facilities for all nine countries for an amount equivalent to today's Facilities, it is very possible that not all funds from the Facilities will end up being disbursed.

As explained in Chapter 2, since the early 2000s the EU budget has been kept at 1% of EU GDP. All scenarios assume that the EU budget will remain at 1% of GDP. The application of CAP and CP rules will lead to a fall in the share of the EU budget for these two heading for EU27. Therefore, for each scenario, we calculate the amount of additional funds available to reinforce current programmes, support new spending priorities or mitigate the negative impact of accessions on some Member States.

5.1. 'Gradual integration' scenario

In our 'gradual integration' scenario', there are no accessions before 2034. Current Member States receive the same CAP allocations as today, updated in current prices using the 2% price deflator. Cohesion allocations are determined by the same 'Berlin formula' but on the basis of projected 2028-34 GDP/GNI and population data. The Union provides Ukraine and the Western Balkans with the same annual amounts of support as in 2024-2027 (following the adoption of the Facilities) and it offers Georgia and Moldova the same level of support (in per capita terms) as given, on average, to the Western Balkan and Ukraine. The overall size of the EU budget is kept at 1% of EU GDP, affording scope for more spending on other policies.

In this scenario, the MFF 2028-2034 would amount to EUR 1739 billion, or 248.4 billion per year (Table 5). A sizeable amount of funds (EUR 348 billion) would be available to cover new spending needs.

Table 5: Comparison between MFF 2021-2027 and MFF 2028-2034 under a 'gradual integration´ scenario (current prices, EUR billion)

	Current MFF 2021-2027 (A)1	As % of total MFF	MFF 2028-2034 in a 'gradual integration´ scenario (B)	As % of total MFF	Difference (B-A)	Difference as % ((B-A)/A)
Heading 2. Cohesion, resilience and values	429	35%	434	25%	5	1%
Heading 3. Agriculture and environment	400	32%	454	26%	54	14%
Of which: Market related expenditure and direct payments	276	22%	317	18%	41	15%
Heading 6. Neighbourhood and the world (+ where applicable Ukraine reserve)	130	11%	194	11%	64	49%
Other spending	276	22%	309	18%	33	12%
Available additional spending			348	20%	348	100%
TOTAL MFF (commitments)	1235	100%	1739	100%	504	41%
As % of EU GDP	1%		1%			

[1] Adjusted following the 2024 mid-term review and including the €17 billion of the Ukraine reserve.

Source: own elaboration based on data from our calculation and data from the technical adjustment of the multiannual financial framework for 2024 (COM(2024) 110 final)

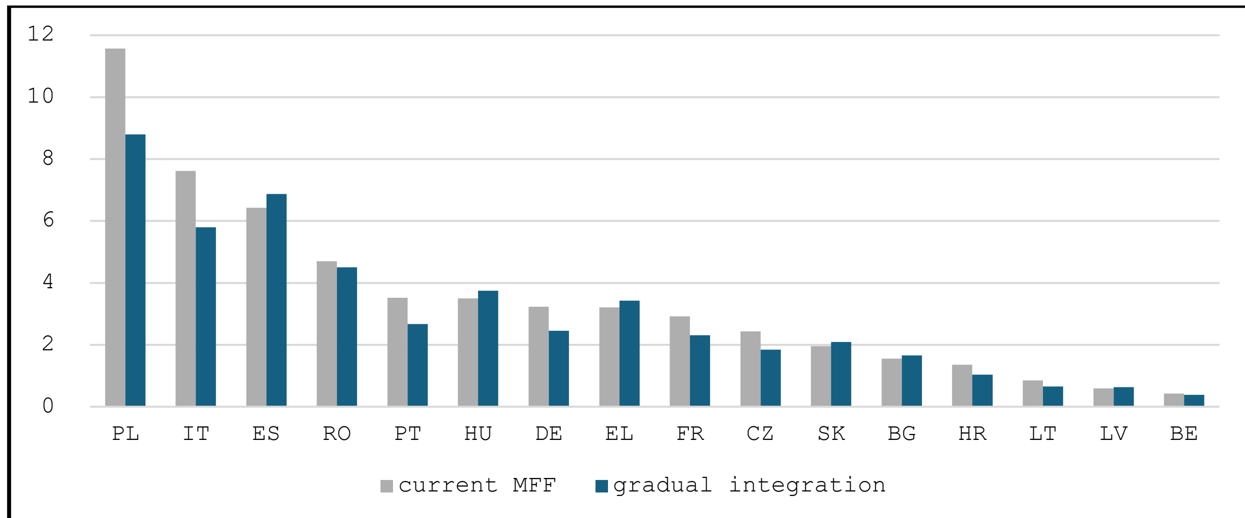
Heading 3 (Agriculture and Environment) would increase by roughly 14% in current prices, driven by the application of the fixed 2% price deflator. In contrast, heading 2 (EU cohesion spending) would only increase by 1% in current prices (or EUR 5 billion) and would shrink in constant prices. As explained by Nuñez Ferrer et al. (2024), the reason for such a decline is that current EU cohesion rules apply a system of caps and safety nets that imposes a strict upward limit to national allocations (Member States can only receive a maximum 8% increase in allocations compared to allocations from the previous programming period) but allows for more significant cuts (a country can see its national allocation decrease by 24%).

The application of these minima and maxima rules, combined with different trends in regional and national economic growth, results in important changes in national cohesion envelopes in the next MFF even if enlargement does not occur. If we compare national cohesion allocations in constant prices, we observe that 12 Member States (including Poland, Italy, Portugal and Germany) see their Cohesion Policy allocation decrease by 24% according to our estimates (the rule of maximum percentage cut in funds). Conversely, countries like Spain, Hungary, Greece, Slovakia and Bulgaria receive 8% more of CP support (figure 3). It needs to be stressed that these relative shifts derive from strict application of the rules and should not be interpreted as firm projections. Negotiations in the Council could well see tweaking of the rules to alter net effects on Member States.

The budget for Heading 6 would grow as a result of an increase in EU pre-accession support if, as assumed in the model, the Union maintains the current level of pre-accession support to Ukraine and the Western Balkans and provides Georgia and Moldova with a similar amount of support per capita.

On this basis, the total commitments for pre-accession assistance to the nine countries covered in this study during 2028-2034 would be EUR 68 billion, more than double the current planned pre-accession support (EUR 33 billion).

Figure 3: Cohesion allocations: 2021-2027 allocations vs. 2028-2034 allocations under a 'gradual integration' scenario, first 15 beneficiaries (annual average, EUR billion)



Source: own elaboration- Note: 2021-2027 cohesion allocations are in 2028-20234 prices

The following conclusions emerge from the gradual integration scenario

First, in the absence of new accessions and if current eligibility rules are maintained, the CP budget will decrease in real terms. This is due to the combination of caps and safety nets which have an asymmetric impact: they result in major cuts for Member States improving their economic situation from one period to another but set a strict upward limit to the CP allocations for Member States experiencing an economic decline.

Second, different economic dynamics between Member States and regions and the application of these caps and safety nets will also result in important redistributive effects in national CP envelopes.

Third, if the Union maintains the current EU cohesion eligibility rules and keeps CAP spending in real terms, there would be a sizeable amount of available additional expenditure (EUR 348 bn) to cover new spending needs while maintaining the MFF at 1% of EU GDP.

Fourth, if the Union maintains the current level of annual pre-accession support to Ukraine and Western Balkans after the adoption of the Facilities and offers an equivalent level of support to Georgia and Moldova, the budget for pre-accession assistance will be substantially increased. However, as disbursements are conditioned to the implementation of reforms, an increase in commitment appropriations will not necessarily result in all pre-accession funds being disbursed.

5.2. Scenario 2030 – 'Small bang'

In our 'small bang' scenario, the six Western Balkan countries join the EU in 2030. This is an unrealistic scenario given the different levels of EU commitment and technical preparation among the six Western Balkan countries but allows us to explore the total budgetary costs of integrating the whole region into the Union.

Under this scenario, the overall size of the MFF would be EUR 1754 billion, an annual average of EUR 250.6 billion (Table 6). This represents only EUR 15 billion more than in a scenario with no accessions

(our ‘gradual integration’ scenario). There would be a modest increase in the Cohesion Policy budget and a very small increase in CAP funds, which would be partly offset by reductions in Heading 6 following a reduction of pre-accession support to the Western Balkans. Assuming an EU budget at 1% of EU GDP, there would be EUR 351 billion available to smooth the negative impact of enlargements or finance new spending needs.

The accession of the six Western Balkan countries in 2030 would result in an increase of EUR 20 billion in the CP budget compared to today’s MFF and of EUR 15 billion compared to a scenario 2028-2034 without accession - our ‘gradual integration’ scenario. This represents a modest 5% increase in current prices compared to today’s MFF. These findings align with those of Nuñez Ferrer et al. (2024), who also conclude that the overall budget for EU Cohesion Policy would experience a moderate nominal increase and a real-terms decline in the case of a grouped accession of the six Western Balkans by 2030.

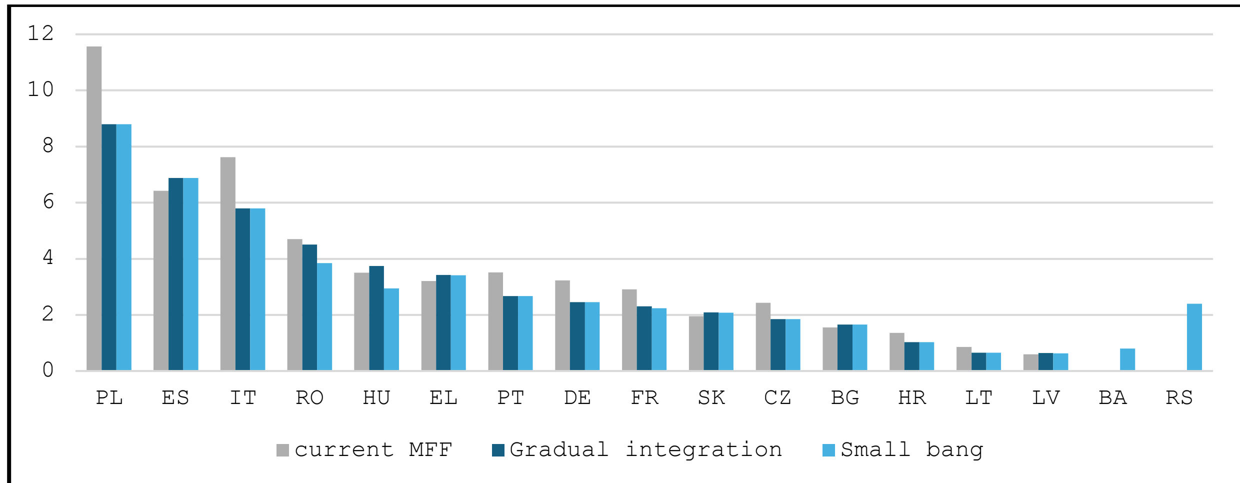
The six new Member States would receive EUR 24 billion in Cohesion Policy transfers between 2030-2034 and current Member States would receive EUR 9 billion less in Cohesion Policy transfers than in the ‘gradual integration’ scenario, due to the so-called ‘statistical effect’. Specifically, the accession of the six Western Balkan countries would lower the EU’s GDP per capita by 2.75%, causing some regions to be reclassified into higher categories and, consequently, to receive reduced cohesion funding. While the overall impact would be modest at the EU level, it would be significant for certain countries. In particular, Romania and Hungary´s CP funds would be reduced by 15% and 21% compared to the allocations they would receive under the ‘gradual integration’ scenario (Figure 4). Among the new Member States, Serbia would emerge as the largest recipient, receiving EUR 2.4 billion annually, making it the ninth-largest beneficiary in the EU.

Table 6: MFF 2028-2034 under a ‘small bang’ scenario (current prices, EUR billion)

	MFF 2028-2034 in a ‘small bang´´ scenario	As % of total EU spending	Difference with the ‘gradual integration’ scenario (in EUR billion)
Heading 2. Cohesion, resilience and values	449	26%	15
Heading 3. Agriculture and environment	458	26%	4
Of which: Market related expenditure and direct payments	317	18%	0
Heading 6. Neighbourhood and the world (+ where applicable Ukraine reserve)	181	10%	-13
Other spending	315	18%	6
Available additional spending	351	20%	3
TOTAL MFF (commitments)	1754	100%	15
As % of EU GDP	1%		0

Source: own elaboration

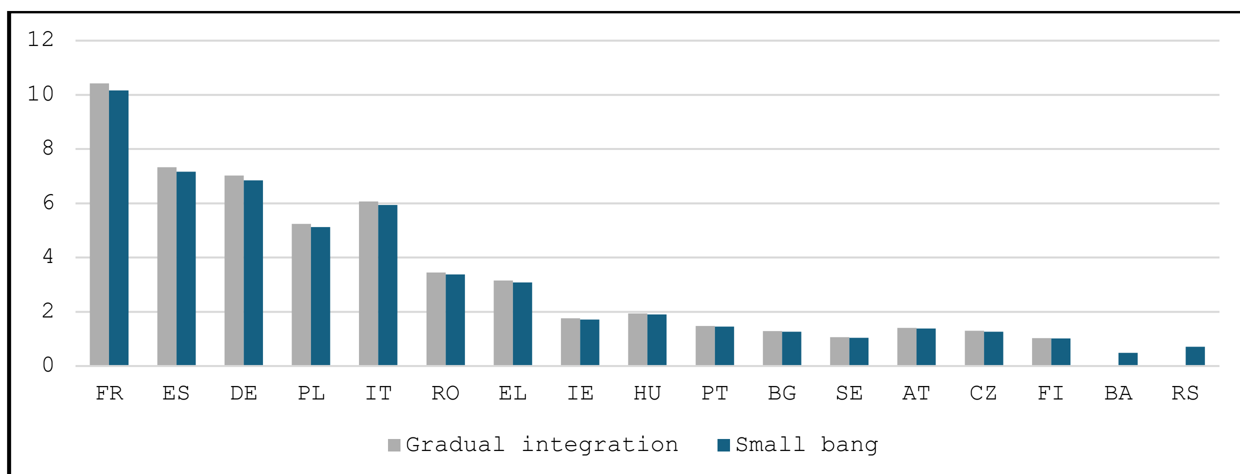
Figure 4: Cohesion allocations: 2021-2027 allocations vs. 2028-2034 allocations under a 'gradual integration' and 'small bang' scenario, first 15 EU27 beneficiaries plus Bosnia-Herzegovina and Serbia (annual average, EUR billion)



Source: own elaboration. Note: 2021-2027 cohesion allocations are in 2028-20234 prices. 2028-2034 allocations for current Member States are annual averages of the 2028-2034 cohesion envelope, allocations for BA and RS are annual averages of the 2030-2034 envelope.

The CAP budget would only increase by EUR 4 billion with the accession of the six Western Balkans if, as assumed in our model, the ceiling for CAP Pillar 1 is maintained in real terms. The six new Member States would receive EUR 12.5 billion in CAP transfers (Table 5) whereas CAP transfers to current Member States would decrease by EUR 8.5 billion compared to a situation of no accessions - our 'gradual integration' scenario. In particular, all current Member States would suffer a decline in their annual CAP allocations after 2030, driven by reductions in their Pillar 1 payments. The reduction would be more pronounced for countries such as France (-3.5%) or Spain (-3.4%), which receive a higher percentage of Pillar 1 funds with respect to the total CAP allocation, than for countries receiving a higher share of Pillar 2 funds, such as Portugal (-2.5%) or Croatia (-2.6%). Reductions would be slightly lower (between 2.5%-1.5%) if we look at average annual allocations in 2028-2034 instead of at allocations after 2030 – see Figure 5.

Figure 5: CAP allocations under a 'gradual integration' and 'small bang' scenario, first 15 EU27 beneficiaries plus Bosnia-Herzegovina and Serbia (annual average, EUR billion)



Source: own elaboration. Note: allocations for current Member States are annual averages of the 2028-2034 cohesion envelope, allocations for BA and RS are annual averages of the 2030-2034 envelope

Overall, as shown in Table 7, the six Western Balkan countries would receive EUR 7.3 billion per year of CAP and CP (EUR 2.5 billion of CAP funds and 4.8 billion for CP). The net transfers (after deducting their contribution to the EU budget) would be EUR 5.1 billion per year. This would decrease to EUR 2.8 billion if the new Member States are not granted access to CAP funds immediately after accession (see Table 5). It is also worth noting that the application of the 'Berlin formula' would result in four new Member States (Albania, Bosnia and Herzegovina, North Macedonia and Kosovo) receiving lower amounts in euros per capita than the 13 Member States having joined the Union after 2004.

Table 7: 'Small bang' scenario: Allocations to new Member States (annual allocations, current prices)

	CAP allocation (in bn EUR)	CAP aid intensity (in EUR/ hectare agri-cultural area)	Cohesion allocation (in bn EUR)	Cohesion allocation /capita (in EUR/ capita)	Net transfers (in bn EUR)1	Net transfers without CAP
Albania	0.3	298	0.6	217	0.6	0.3
Bosnia and Herz. HerHerzegovina	0.7	306	0.8	238	1.2	0.5
Montenegro	0.02	306	0.2	346	-0.04	-0.1
North Macedonia	0.4	299	0.5	278	0.7	0.3
Kosovo	0.1	323	0.3	179	0	0.1
Serbia	1.0	304	2.4	372	2.6	1.6
TOTAL	2.5		4.8		5.1	2.8
Average EU27		373		109		
Average new Member States		307		288		

[1] Total CAP and cohesion allocations minus annual contribution to the EU budget.
Note: EU13 includes: all Member States having joined the Union after 2004.
Source: own elaboration

The 'small bang' scenario suggests the following conclusions.

First, assuming that the current CP allocation rules are maintained, the accession of the six Western Balkan countries during the next MFF would have a modest effect on the overall EU Cohesion Policy budget (+EUR 15 billion). However, it would have important negative effects on a few EU Member States (Hungary and Romania), which would be likely to cause a backlash and may require either a rethinking of the allocation formula or some form of transitional compensation (as happened with the 2004 enlargement).

Second, assuming that the CAP Pillar 1 budget is maintained in real terms and that the new Member States are granted immediate access to CAP funds (albeit with lower amounts per hectare than current Member States), the accession of the six Western Balkan countries would necessarily require reductions in CAP allocations for current Member States. These reductions would range between 2.5% and 3.5% after 2030, with countries receiving large Pillar 1 allocations - such as France - experiencing the most significant declines.

Third, if the EU budget is kept at 1% of EU GDP, there would be EUR 351 billion available (roughly EUR 50 billion per year) to be used either to smooth the negative impact of enlargements or to finance new spending needs.

5.3. Scenario 2030 – 'Big bang'

In our 'big bang' scenario, we assume that all nine potential new members join the EU in 2030. This is also an unrealistic scenario, but it allows us to explore the additional impact of Ukraine´s accession to the Union.

A 'big bang' enlargement would result in an MFF amounting to EUR 1773 billion (an annual average of 253.3 billion). This would be EUR 34 billion higher than in the 'gradual integration' scenario and EUR 19 billion more than in the 'small bang' scenario (see Table 8). There would be increases in CP and CAP spending but also a significant reduction in Heading 6 following a reduction of pre-accession support to the nine enlargement countries (- EUR 48 billion). EUR 355 billion will be available for additional spending.

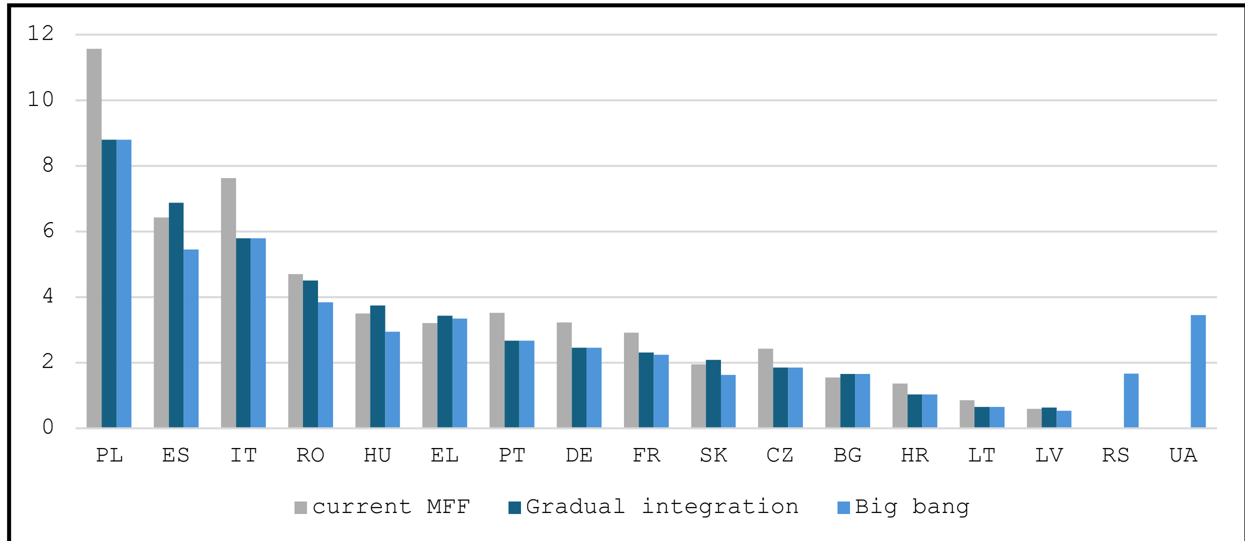
Under this scenario, the CP budget would increase by EUR 40 billion in nominal terms compared to the current MFF and EUR 35 billion compared to the 'gradual integration' scenario. The nine new Member States would receive EUR 55.5 billion in CP transfers and current Member States would receive EUR 20.5 billion less than in the 'gradual integration' scenario as a result of the 'statistical effect'. This effect would be more pronounced than in the 'small bang' scenario, as the accession of the nine new Member States would lower the EU's GDP per capita by roughly 10%. The largest declines would occur in Spain, Romania, Hungary, Slovakia and Latvia, which would suffer reductions of between 15%-22% of their national cohesion allocations compared to the 'gradual integration' scenario (see Figure 6).

Table 8: MFF 2028-2034 under a 'big bang' scenario (current prices, EUR billion)

	MFF 2028-2034 in a 'big bang' scenario	As % of total EU spending	Difference with 'small bang' scenario (in EUR billion)	Difference with the 'gradual integration' scenario (in EUR billion)
Heading 2. Cohesion, resilience and values	469	26%	20	35
Heading 3. Agriculture and environment	476	27%	18	22
Of which: Market related expenditure and direct payments	317	18%	0	0
Heading 6. Neighbourhood and the world (+ where applicable Ukraine reserve)	146	8%	-26	-48
Other spending	327	18%	12	18
Available additional spending	355	20%	4	7
TOTAL MFF (commitments)	1773	100%	19	34
As % of EU GDP	1%		0	0

Source: own elaboration

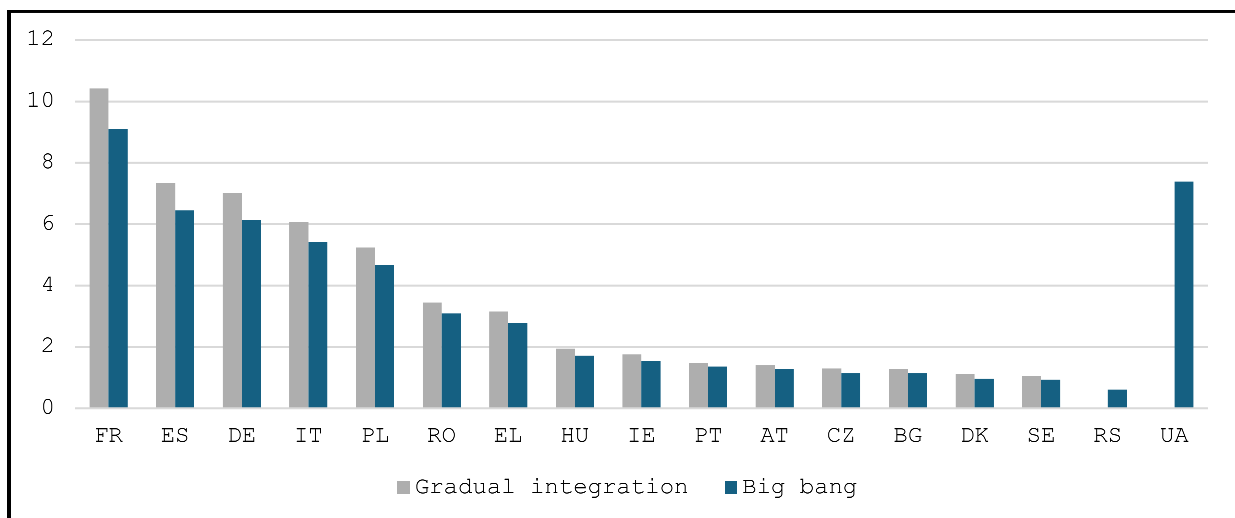
Figure 6: Cohesion allocations: 2021-2027 allocations vs 2028-2034 allocations under a 'gradual integration' and 'big bang' scenario, first 15 EU27 beneficiaries plus Serbia and Ukraine (annual average, EUR billion)



Source: own elaboration - Note: allocations for current Member States are annual averages of the 2028-2034 cohesion envelope, allocations for RS and UA are annual averages of the 2030-2034 envelope

Under a 'big bang' scenario, the CAP budget would increase by EUR 22 billion in nominal terms compared to the 'gradual integration' scenario. The nine new Member States would receive EUR 68 billion in CAP transfers (under Pillar 1 and Pillar 2). The assumption in our model - that the ceiling for CAP Pillar 1 would be maintained in real terms and that new acceding countries would have immediate access to CAP funds - means that CAP allocations for current Member States would have to be reduced by 15% on average after 2030, amounting to an absolute reduction of EUR 46 billion of CAP allocations to EU27. The reductions would be more pronounced for countries such as France, or Spain (-18%), which receive a higher percentage of Pillar 1 funds with respect to the total CAP allocation. Reductions would be a bit lower (11% on average) if we take the average annual allocations in 2028-2034 instead of looking at allocations after 2030– see Figure 7.

Figure 7: CAP allocations: 2028-2034 allocations under a 'gradual integration' and 'big bang' scenario, first 15 EU27 beneficiaries plus Serbia and Ukraine(EUR billion)



Source: own elaboration

In the 'big bang' scenario, the nine new Member States would receive 31.4 billion of CAP and CP allocations per year (EUR 11.1 billion of cohesion transfers and EUR 20.3 billion of CAP transfers). All candidates would receive lower CAP payments per hectare than the current EU27 Member States. Ukraine, Kosovo and Bosnia and Herzegovina would receive cohesion allocations per capita lower than those of the 13 Member States having joined the Union after 2004.

The nine new Member States' net receipts (after deducting the contributions to the EU budget) would be 20.3 billion, but this would decrease to 6.8 billion if the new Member States do not have immediate access to CAP funds. The reduction is particularly marked for Ukraine: if not given access to CAP funds after enlargement, the country would receive 3.1 billion of net EU budget transfers per year instead of 13.4 billion per year. It should be noted that this amount is lower than the EUR 4.25 billion of non-reimbursable support provided to Ukraine today through the Ukraine Facility.

Table 9: Big bang' scenario: Allocations to new Member States (annual, current prices)

	CAP funds (in bn EUR)	CAP aid intensity (in EUR/hectare agricultural area)[2]	Cohesion allocation (in bn EUR)	Cohesion allocation/ capita (in EUR/ capita)[2]	Net transfers (in bn EUR)[1]	Net transfers without CAP
Albania	0.3	276	0.6	217	0.6	0.3
Bosnia and Herz.	0.6	264	0.8	238	1.1	0.5
Georgia	0.6	266	1	262	1.2	0.6
Moldova	0.5	256	0.6	283	0.9	0.4
Montenegro	0.02	364	0.2	317	0.0	-0.1
North Macedonia	0.3	258	0.4	265	0.5	0.2
Kosovo	0.1	281	0.3	179	0.2	0.1
Serbia	0.9	263	2.3	363	2.4	1.5
Ukraine	10.3	257	4.8	135	13.4	3.1
TOTAL (new MS)	13.6		11.1		20.3	6.8
Average EU27		338		104		
Average EU13		296		239		
Average new Member States		259		190		

Source: Authors' elaboration

Note: EU13 includes: all Member States having joined the Union between 2004 and 2013.

[1]Operational net balances without custom revenue and administration spending. [2]Annual numbers of aid intensity for new Member States refer to the period 2030-2034.

Our 'big bang' scenario suggests the following conclusions.

First, assuming that current CP allocation rules are maintained, the accession of the nine countries object of our study would increase the EU CP budget by EUR 40 billion compared to a scenario 2028-2034 without accession. The accession of new poorer Member States would have important negative

effects for some EU Member States, which would suffer reductions of between 15%-22% of their national cohesion allocations compared to the 'gradual integration' scenario.

Second, the accession of the nine countries would increase the CAP budget by EUR 22 billion, driven by the extension of CAP Pillar 2 payments to Ukraine (which, unlike Pillar 1, are uncapped in our model). If the CAP Pillar 1 ceiling is maintained in real terms, new Member States are granted immediate access to CAP funds (even if receiving slightly lower amounts per hectare than current Member States), current Member States would suffer reductions in their CAP allocations of 15% on average.

Third, if the EU budget remains at 1% of EU GDP, there would be EUR 355 billion available to either smooth the negative impact of enlargements or finance new spending needs.

Fourth, the 2.3% GDP capping rule significantly limits the amount of cohesion funds allocated to the new Member States. Without immediate access to CAP funds in the first years of accession, some countries - particularly Ukraine - may receive a lower amount of net receipts than before enlargement.

5.4. Key insights from the three scenarios

Our three scenarios confirm some of the findings from Chapter 4.

First, accessions will not significantly increase the CP budget if we apply the current eligibility rules. However, both the 'small bang' and the 'big bang' scenario create an important 'statistical effect', which needs to be addressed. In both scenarios, some current Member States would see their national cohesion allocations being reduced by 15%.-21% compared to the CP allocation they would receive in the 'gradual integration' scenario.

Second, the potential impact of new accessions on CAP can be contained by applying a ceiling to the CAP Pillar 1 budget. In this case, however, assuming that enlargement countries have immediate access to CAP funds and that they receive amounts per hectare comparable to current Member States (even if slightly lower, as assumed in our model), the upper ceiling of the CAP Pillar 1 can only be respected if current Member States accept cuts in their national CAP allocations. In the 'small bang' scenario, cuts are 2.5-3.5% on average; in the 'big bang' scenario they are more pronounced, at 15% on average.

Third, the 2.3% GDP capping rule significantly limits the amount of CP funding allocated to the new Member States. Without immediate access to CAP funds, some of them may receive lower net receipts than before enlargement in the first years after accession.

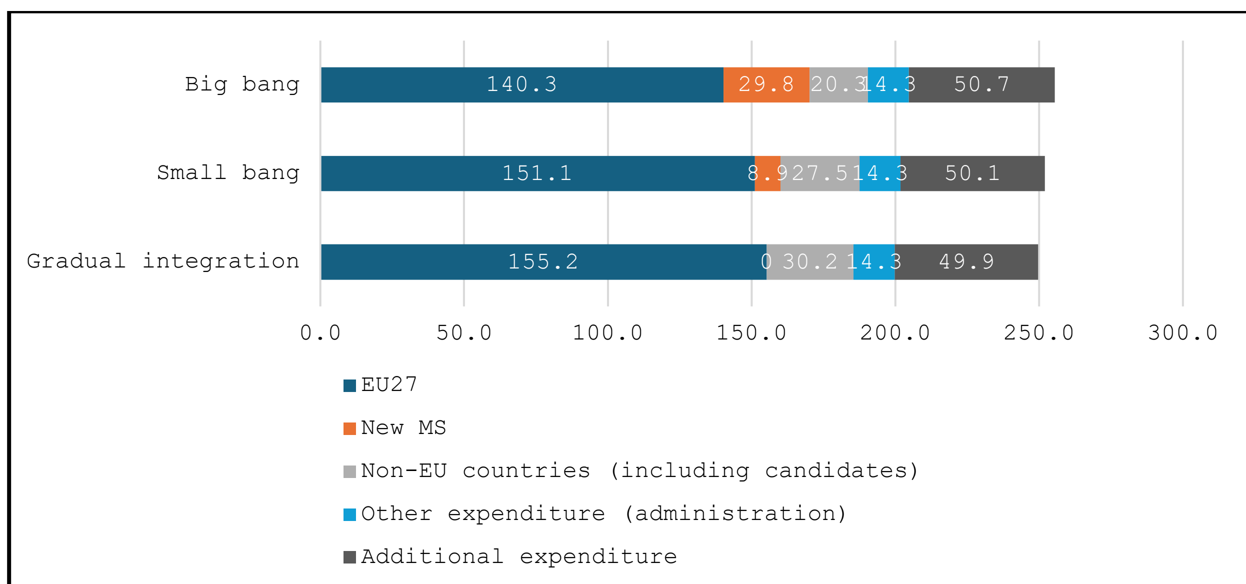
Looking in particular at the 'big bang' scenario, we can conclude that the budgetary costs of new accessions can be manageable if Member States decide to constrain ex ante the expansion of the CAP budget. The accession of the nine countries in 2030 would result in a 2028-2034 MFF that would be EUR 34 billion higher than in the 'gradual integration' scenario. This could easily be covered within the Own Resource ceiling if it remains at 1.4% of GNI, depending on how the provision for the repayment of NGEU borrowing is managed.

A decision to constrain ex ante the CAP budget would provide scope for financing other policy priorities while maintaining the EU budget at 1% of the EU GDP. In our 'big bang' scenario, EUR 355 billion of additional funds would be available. In any reappraisal of funding of EU public goods, demands can be expected to arise for, among other policies, new programmes related to security and defence, support for strategic industrial sectors or increased EU action on border controls. Some of the leeway in the budget could, in addition, be used to address the negative implications of accessions,

such as providing support to Member States affected by the 'statistical effect' or by mitigating the reduction of CAP national allocations.

Looking at the three scenarios together also reveals that the budgetary costs of a 'gradual integration' scenario are not significantly lower than the costs of enlargement. If we look at the size of the EU annual budget after 2030 under the three scenarios explored, the difference is EUR 5.8 billion per year between the 'gradual integration' and the 'big bang' scenario. Rather than a major difference in the size of the EU budget, what changes is who will benefit from EU spending. EU27 Member States obtain EUR 15 billion less per year in the 'big bang' scenario than in the 'gradual integration' scenario. New Member States are set to receive EUR 29.8 billion per year but commitments to non-EU countries (including candidates) are EUR 9.9 billion lower (see **Error! Reference source not found.**).

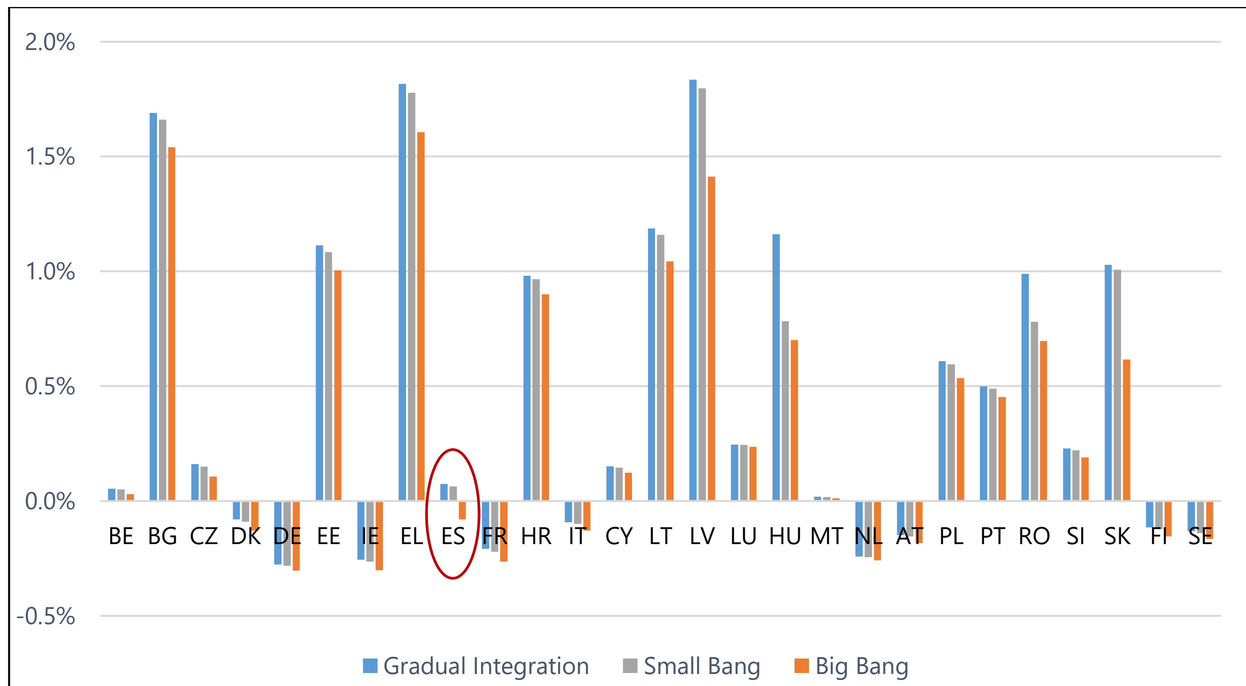
Figure 8: Total annual commitments after 2030 in the three scenarios (current prices, EUR billion)



Source: own elaboration

As the new Member States' contributions to the EU budget amount to EUR 4.4 billion per year, in our 'big bang' scenario the net annual cost of full enlargement for EU27 is EUR 15.6 billion (EUR 15 billion, plus EUR 5 billion of additional EU spending, minus EUR 4.4 billion). The amount is small but it is associated with important internal redistribution effects. The latter are visible in the changes in the net balance of several of the current Member States (see Figure 9). Notably, according to our estimates, in the 'big bang' enlargement scenario Spain will shift from being a net recipient to a net contributor after 2030 and experience the largest relative reduction. During the period 2030 -2034, Spain would receive nearly EUR 10 billion less in Cohesion Policy funding and around EUR 8 billion less in CAP funding.

Figure 9: Current Member States' net balances[35] after 2030 across the three scenarios (as % of national GDP)



Note: Annual net balance as % of national GDP, without custom duty revenue, administration spending and the 'available additional spending. GNI contributions do not include the amount required to cover the 'available additional spending'.
Source: Own elaboration

[35] The EU institutions have long argued the net accounting balances are only one of many ways of calibrating the net benefits of EU membership. Equally, the notion of *juste retour* – measuring the 'fairness' of net budgetary flows to or from a Member State often dominates national negotiating positions.

6. HOW TO ADAPT THE NEXT MFF TO FUTURE ENLARGEMENTS: POLICY RECOMMENDATIONS

KEY FINDINGS

The next MFF will send an important message regarding the EU's commitment to enlargement. If the levels of pre-accession support are contested or pre-accession funds are not effective in promoting reforms, the enlargement countries can lose motivation to prepare for membership and support in domestic public opinion for EU accession could decline.

A credible commitment requires maintaining the same levels of pre-accession support as at present today for Ukraine and the Western Balkans and offering similar support to Moldova and Georgia. EU payments should be conditioned to reform achievements, as it is done with the new Facilities, but some issues warrant improvement in the governance and functioning of the Facilities. Some support to enlargement countries – such as support for Civil Society Organisations (SCO) - should not be conditioned to central governments' reform efforts.

Ukraine will require special attention, irrespective of its membership status. A key question for the next MFF will be to clarify the role of the EU budget in support for post-war reconstruction.

Whereas most accessions will not occur soon, misinformation is spreading about the supposed exorbitant costs of enlargement. To counter this, the Commission should have a communication strategy to explain the true budgetary cost of enlargement as well as economic returns from these costs.

On CP, the main issue will be the need to provide temporary "phasing out" assistance to regions affected by the 'statistical effect'. In addition, it may be wise to lift the current 2.3% GDP cap rule on national cohesion allocations to 4% GDP for the acceding countries (although absorption capacity would need to be assessed and, if need be, supported. Otherwise, these countries risk receiving lower EU funding once inside the Union than before accession- particularly if they are not granted immediate access to CAP funds.

On CAP, it is crucial to initiate a debate on how to adapt the policy to the new realities of accession, especially for Ukraine with its large agricultural sector. Different options include: imposing a transitional phase-in period, offering CAP access to new Member States on less advantageous terms, revise the criteria for the distribution of CAP payments among different categories of farmers or define a new allocation principle to distribute CAP pillar 1 funds across Member States. More radical options would be accepting a major, horizontal reduction of national CAP allocations or leaving Ukraine permanently out of the CAP regime.

The next MFF should be prepared by anticipating all possible enlargement scenarios. It is advisable to avoid a mandatory enlargement revision clause in the MFF regulation to be able to accommodate the accession of small countries. If the accession of larger countries becomes likely, a 5-year MFF or specific 'accession-related' reserves outside the MFF could help manage accession costs.

The negotiations over the next MFF are poised to be among the most challenging in decades. The EU faces an array of new policy challenges - a pronounced slowdown in economic productivity, threats to the Union´s economic and military security- requiring more joint financing. Compounding these challenges is the lack of clarity on repayment mechanisms for the debt incurred under the NGEU recovery plan. Progress in adopting new EU own resources, intended to reduce the calls on national

contributions has been slow, and some Member States have already signalled opposition to increasing the overall size of the EU budget, raising the risk of vetoes.

In this context, enlargement is unlikely to dominate the negotiations. This is further reinforced by the fact that most enlargement countries are not expected to access the EU during the next MFF period unless geopolitical shifts or urgent political considerations accelerate accession processes.

Against this background, the following premises inspire our recommendations on how to adapt the next MFF to future enlargements.

The first is that the next MFF will send an important message regarding the EU's commitment to enlargement. As mentioned above, it is very likely that most if not all countries examined in this study will not accede the Union by 2034. If pre-accession support to these countries is contested or reduced, their commitment and capacity to prepare for membership could slow. Some of these countries are at a delicate political juncture; a new MFF signalling a reduction in the Union´s commitment to enlargement could further move them out of the European sphere of influence. At the same time, if EU funds are not effective in catalysing the required reforms in enlargement countries, the whole accession process will lose credibility in the eyes of European public opinion.

The second is that the likely budgetary costs of enlargement, along with potential mitigation strategies, must be clearly communicated and thoroughly discussed well in advance of accessions. The Commission has committed to carry out in-depth pre-enlargement policy reviews in early 2025 and to take account of these reviews in the preparation of the MFF. However, given that the prospect of enlargement looks remote and MFF negotiations are over-charged with other issues, there is a risk that these reviews remain overly vague and fail to lay the groundwork for a transparent and well-informed debate on how to adapt key policies – notably cohesion and CAP policy - to the accession of new members. Such an oversight would be a mistake. Misinformation is already spreading about the supposed exorbitant costs of enlargement, yet in reality they will be quite low. To counter this, the Commission should communicate early and proactively about the likely budgetary cost of enlargement and launch a discussion on viable options to mitigate this cost.

The third is that Ukraine will require special attention, regardless of its membership status. Whether there is a frozen conflict or a sustainable peace agreement by 2028, the Union will continue to provide significant economic and/or military support. In this study, we assume an optimistic scenario. We expect the war to be over by 2028 and Ukraine to be in the process of post-war reconstruction. In these circumstances, a key question will be to clarify the role of the EU budget in support of post-war reconstruction.

From a procedural point of view, it is also important to anticipate ways to accommodate the next MFF to all possible enlargement scenarios. This implies adopting the necessary provisions to increase commitments and payments if a couple of smaller countries (Ukraine excluded) join the Union during the next seven years period, but also identify options for the less likely case of Ukraine (a big country) or several other countries acceding before 2034.

The following sections build on these various premises and the findings from the previous chapters to offer policy recommendations on pre-accession assistance, support for post-war reconstruction in Ukraine, ways to adapt the main EU spending policies to new accessions and procedural changes to ensure that the next MFF is fit to all possible enlargement scenarios.

6.1. Pre-accession support: the credibility challenge

As explained in Chapter 3, the EU's approach to pre-accession support has evolved considerably in recent years. The classic support provided through the Pre-Accession Instrument (IPA III) has been complemented by assistance from two new 'Facilities' targeting Ukraine and the Western Balkans, with a further one for Moldova likely to be adopted soon. Compared to IPA III, the Facilities introduce stronger conditionality for EU funds by clearly linking payments to the fulfilment of conditions to be set in national Reform Agendas. Another difference with the IPA III support is that there is more reliance on lending (two thirds of the Facilities´ support is provided in the form of 'soft' loans).

The establishment of the two Facilities has significantly increased EU pre-accession support for the WB and Ukraine. A credible commitment to enlargement requires maintaining the same levels of support that today to the Western Balkans and Ukraine and offering similar levels of support to Moldova (already envisaged) and Georgia.

While it is still early to assess the effectiveness of the Facilities, establishing a clear link between EU funds and reform efforts is a positive step. This approach motivates countries that are genuinely committed to their EU membership aspirations, rather than rewarding those with higher administrative and technical capacities, which has often been the case with IPA III support (Mihajlović and Macek, 2024). However, there are issues that warrant improvement in the governance and functioning of the current Facilities.

First, the credibility of reform conditionality depends on the ambition of reform agendas. As pointed out by the ECA opinion on the WBGF (2024), given that agendas are drafted by the beneficiary countries there is a risk that the disbursement conditions might not be ambitious enough in advancing fundamental rule-of-law reforms. As suggested by the ECA report, the Commission should define in advance clear strategic targets on the rule of law measures for each enlargement country and request the introduction of detailed outputs and results, as well as possible impacts alongside milestones targets.

Second, even with clear and detailed milestones and targets, there will be a margin for interpretation for the Commission. In this respect, there is a risk that geopolitical considerations or other factors influence the decisions to suspend or cancel the disbursement of EU funds. There are various complementary ways of mitigating this risk. As requested by the ECA in its opinion on the WBGF (2024), the Commission should develop a clear methodology to guide decisions on partial payments within the Facilities, as has been done for RRF payments.

Another way of reducing risks of politicisation is by ensuring more involvement and/or greater scrutiny of the European Parliament over decisions on disbursements. Some proposals have been made in this direction in various resolutions and reports from the European Parliament[36]. In addition, Mihajlović and Macek (2024) request more transparency in the monitoring of the reform agendas to enable external scrutiny by social partners, civil society organizations and parliaments in the beneficiary countries.

Third, there are legitimate concerns about the capacity of enlargement countries to prevent the misuse of EU funds. Adopting a 'hands-off' approach to control as adopted in the case of RRF plans – where Member States are those primarily responsible for controlling the use of EU funds and the Commission

[36] See in particular the Parliament´s resolution of 29 February 2024 on deepening EU integration in view of future enlargement (2023/2114(INI), the opinion by the BUDG committee on the proposal for a regulation establishing the RGFWB (https://www.europarl.europa.eu/doceo/document/A-9-2024-0085_EN.html#_section5) and the Parliament´s resolution of 18 October 2023 on the draft annual budget for the financial year 2024 (11565/2023 – C9- 0336/2023 – 2023/0264(BUD), which proposes the introduction of a more granular budgetary nomenclature on amounts committed and paid under the Ukraine reserve in order to safeguard the role of the Parliament as decision-maker and budgetary control authority (recital 15 of the resolution).

mainly relies on the internal control systems of the beneficiary countries to protect the EU's financial interests – seems risky. The financial agreements with the candidates should include reinforced provisions giving EU institutions large capacity to control the use of EU funds in candidate countries.

Fourth, it is questionable whether all the support provided through the Facilities should be subject to the same conditionality. For example, in the case of the WBGF, resources channelled through the Western Balkans Investment Framework are tied to progress in implementing national reform agendas. These funds are implemented by pillar-assessed entities such as the EIB or EBRD that apply rigorous criteria for the inception, selection, and monitoring of projects. It does not seem logical to strictly condition the disbursement of these funds—crucial for supporting socio-economic development—on the reform efforts of central governments. In fact, in a more competitive geopolitical landscape, imposing reform conditionality on these types of projects can backfire as it could render EU funds less attractive compared to those from countries like China, which come with few strings attached (Steinbach 2024).

Also, the EU´s support for potential new members should not be limited to support channelled through the Facilities and conditional on reforms. The next MFF should reinforce support to civil society organisations (SCO), which play a key role in ensuring government accountability and respect to rule of law principles. A recent ECA report concludes that EU financial support to CSO in the Western Balkans has been insufficient and mostly based on short-term projects (ECA:2022).

Some final considerations must be raised on the provision of pre-accession assistance in the next MFF. Our 'gradual integration' scenario estimates at EUR 68.1 billion the total amount of pre-accession support required in 2028-2034 if the Union maintains the level of support provided today to Ukraine and the Western Balkans and offers an equivalent amount of support to Moldova and Georgia. This is a significant amount (EUR 9.7 billion per year, more than the annual cohesion allocation for Poland). However, it is unlikely to be fully disbursed if the Commission is strict in conditioning this support to reform progress and suspending or reducing the amount of funds in case of democratic backsliding. At the same time, the adoption of strict conditionality will make it more difficult to anticipate the amount of annual commitments for pre-accession support. Absorption capacity is also a likely worry.

Another aspect to take into account is that the use of Facilities may lead to more use of loans to provide support to candidate countries. Strong pressures to reduce gross contributions to the EU budget may also result in a preference for greater resort to loans rather than grants in the future. These loans are provided under highly concessional terms. This will introduce additional contingent liabilities to the EU budget, which require careful oversight, management and democratic control.

6.2. Ukraine's reconstruction: the role of the EU budget

Irrespective of its status as a candidate, Ukraine will continue to require substantial support in the next programming period. Given the Treaty´s prohibition on financing military expenditure through the EU budget, further military support - if needed - will continue to be provided outside of EU budget (through the European Peace Facility or a new off-budget instrument).

With respect to economic support, provided the war is over by 2028, Ukraine will require less short-term economic support and more support for post-war reconstruction. Since 2022, the European Commission has co-led the 'Multi-Donor Coordination Platform for Ukraine,' aligning efforts among the EU, Member States, and G7 countries. Looking forward, it is important that the Union continues to guarantee effective coordination of all donor contributions in alignment with Ukraine's EU pre-accession requirements. However, it will be challenging to secure this role without a proportional EU financial commitment.

Different options, not necessarily mutually exclusive, can be considered to provide this support.

One option is to maintain the Ukraine Facility but channel most of the support to post-war reconstruction. Currently, the Facility is organised around three pillars but most of the financial support comes from Pillar 1, which provides short-term macro-economic assistance to the Ukrainian government. In the post-2027 period, it would be wise to consolidate Pillar 1 and Pillar 3 into a single pillar providing support to public authorities conditioned to reforms, while keeping Pillar 2 for de-risking private investment. To provide commensurate European support to post-war reconstruction, the new Facility could become the centrepiece of a 'Teams Europe' effort, pooling EU resources, national resources and resources from the main European public financial institutions (EIB, EBRD and national public investment banks).

Another option is to set up an off-budget EU instrument directly financed or guaranteed by Member States and disconnected from the EU budget. It could consist of a vehicle similar to the European Peace Facility (providing grant support) or the European Stability Mechanism (providing loans on favourable terms). An advantage of this option is that it would enable a group of Member States to pool resources for Ukraine without needing unanimous approval in the Council. A disadvantage is that it would further complicate the 'EU budget galaxy' and raise accountability challenges.

6.3. Cohesion Policy and CAP: How to deal with the impacts of enlargements

As pointed out in this study, it is very challenging to estimate the budgetary costs of future accessions. Different estimates have been made by various authors, with figures differing depending on the policy assumptions and methodological choices adopted. Misinformation is already spreading about the supposed exorbitant costs of enlargement. To counter this, the Commission should communicate early and proactively about the true (and limited) budgetary cost of enlargement and launch a discussion on viable options to mitigate this cost. In addition, it would be advisable to accompany estimates of potential costs with estimates of the economic returns from these extra costs. For instance, a 2011 study commissioned by the Polish Ministry of Economic Development (Institute for Structural Research 2011)[37] estimated that during 2007-2015, the EUR 120 billion of EU cohesion funds spent in the 4 Visegrad countries induced new exports for EU-15 for an equivalent amount of EUR 76.9 billion. Moreover, EU15 companies had been involved as contractors or suppliers in 15% of the total cohesion allocations spent in V4. According to the study, this generated EUR 19.7 billion of direct export and capital benefits for EU15 economies.

6.3.1 Cohesion policy

One of the conclusions from Chapter 5 is that future enlargements will not have a major impact on the overall cohesion budget. However, the accession of poorer countries will reduce the EU average per capita GDP and lead to some regions being shifted to less generous eligibility categories, resulting in reductions in some Members' CP allocations. In our scenarios, both a 'small bang' and a 'big bang' enlargement are likely to cause a 15%-21% reduction in national cohesion allocations for some of the current Member States compared to what they would receive in a 'gradual integration' scenario.

It should be noted that this statistical effect is calculated by applying the current EU cohesion eligibility rules. There is a possibility that these rules will be reviewed in the next MFF. In particular, there are calls to reduce the dominance of the GDP per capita levels and give more weight to other indicators such

[37] https://www.ewaluacja.gov.pl/media/32979/EU-15_report_final_EN.pdf

as demographics, climate or the economic 'dynamism' of regions[38]. However, a look at the past reveals that major changes in eligibility criteria are difficult to adopt given that they inevitably entail losses for some countries which logically block the change (Molica and Moreno 2022). Thus, if some changes are introduced in the allocation formula, they will be probably marginal and will not greatly affect the 'statistical effect' simulated in our models.

The implication is that, as after the 2004 enlargement, the Union will have to mitigate the negative consequences of the 'statistical effect'. Specifically, it is advisable to estimate the impact of any round of new accessions on current Member States´ cohesion allocations and set up a temporary "phasing out" assistance for the most affected regions and countries. In addition, as suggested by the report of the High-level Experts´ on the future of Cohesion policy (European Commission 2024c) part of EU cohesion funds could be earmarked to smooth other possible negative impacts that enlargement may have for specific regions, such as regions bordering acceding countries or those most severely affected by disruptions in value chains resulting from accession.

Another finding from our scenarios is that, because the nine potential new members have very low nominal GDP in absolute terms, applying the 2.3% GDP cap rule results in relatively low cohesion funding per capita. If candidates are not granted full access to CAP Pillar 1 payments from the beginning (as happened in past enlargements), and providing they pay their contribution to the EU budget from the first year, some countries may find themselves in a worse budgetary position than before accession.

If this occurs, it may be worth discussing the possibility of including temporary budgetary compensations in the Accession Treaties, as was done in the Iberian and Eastern enlargements. For instance, new Member States could be exempted from paying their contribution to the EU budget during the first years. An alternative option would be to increase the current 2.3% GDP cap in cohesion allocations. For instance, one could temporarily apply a 4% GDP cap (which was used during the 2000-2006 period) to the new Member States, although monitoring of absorption capacity would be vital. This last option would deviate from our working assumption and result in higher budgetary expenditure than our estimates predict. If an increase to 4% GDP to all new Member States is deemed inappropriate, given the risk of budget mismanagement, it could be applied only to Ukraine which needs massive investments. Any lift of the capping rule would have to be accompanied by reinforced administrative support for the new Member States.

Plainly, Ukraine´s accession will require a thorough discussion on coherence between the various sources of EU funding in support of Ukraine´s reconstruction. It will be important to avoid risks of double funding or substitution effects visible in the parallel implementation of RRF and Cohesion Policy funds (European Commission 2024d).

6.3.2. Common Agricultural Policy (CAP)

Ukraine's accession will pose significant challenges for CAP. As seen in Chapter 4, if no upper ceiling is set on the overall CAP budget and new Member States (including Ukraine) receive CAP funding per hectare comparable to existing Member States, the total CAP budget may increase by 22–25%. If, on the contrary, a decision is taken to maintain the CAP pillar 1 budget in real terms and new Member States are granted comparable CAP funds per hectare (even if slightly lower than current States, as assumed in our model) all current Member States would have to accept a reduction in their CAP 1 pillar allocation by about 15%.

[38] See for instance the report of the High-level Experts´ on the future of Cohesion policy (European Commission 2024c).

These estimates may intensify opposition to EU enlargement. The prospect of expanding the overall CAP budget could deter some net contributor Member States from supporting the accession of new members. Concurrently, the current agricultural climate—marked by widespread farmer protests over tightening environmental regulations, low food prices, and disruptions caused by the war in Ukraine and new trade agreements—renders any proposal for cuts in national CAP allocations politically awkward. Therefore, initiating a debate on how to adapt the CAP to accommodate Ukraine's accession is crucial.

A first option is to maintain the national CAP allocations of current Member States and mitigate the impact of Ukraine´s accession on the CAP budget by imposing a transitionary phase-in period. The introduction of phase-in periods was done in the Iberian and Eastern enlargements and has various advantages. It gives the Union some time to accommodate but also the candidate countries sufficient time to align with the EU agricultural acquis and build the necessary administrative capacity to manage payments to farmers. However, transitional periods do not avoid the cost of enlargement; they simply push them into the future.

A second option- which can be applied in complement to the first- is to offer new Member States access to CAP on less advantageous terms. This approach was also applied in the 2004-13 enlargements: Direct CAP payments to the CEE countries were calculated by using parameters of land areas and reference food production that resulted in much lower payments per hectare. However, as noted by various scholars (Régnier and Catallo 2024 and Matthews 2024) this is not a sustainable solution. Past experiences show that, once in the Union, the new Member States use their negotiating power to improve the conditions agreed in accession Treaties in view of progressively obtaining the same treatment as 'old' Member States.

A dubious solution would be to revise the criteria for the distribution of CAP payments across farmers in order to target CAP payments to those farmers who need them most. This is in essence, what is proposed in the "Strategic Dialogue on the Future of EU Agriculture" report (European Commission 2024d). The report proposes adjusting various rules governing the system of CAP direct payments, including capping, degressivity (meaning progressively reducing payments to large beneficiaries) and incentives for green practices or ecosystem-based schemes. Changing these rules would help ensure that CAP funds in Ukraine benefit small farmers and sustainable agriculture practices rather than favour large agro-holdings (Albaladejo Román, 2024). However, it will not alter the overall distribution of CAP funds across countries, which is determined by the extension of agricultural land and not by the structure of farms or type of agricultural production.

A more permanent solution would be to define a new allocation principle to distribute CAP pillar 1 funds across Member States. Matthews (2024), for instance, argues that Pillar 1 funds could be distributed across Member States not on the basis of their total eligible agricultural land area but based on the amount of agricultural land managed by farms below a defined size threshold. This would reduce the amount of CAP funding for Ukraine. However, as noted by Matthews, it would also have a disproportionately negative effect on current Member States having substantial amounts of land managed by large agro-holdings. It may also create a perverse incentive structure for Member States, as they would be tempted to artificially break up large holdings (on paper, not in reality) to attract additional CAP resources.

More radical options would include accepting a major, horizontal reduction of national CAP allocations, obliging Member States to co-finance CAP payments – the practice for Cohesion Policy – or leaving Ukraine permanently out of the CAP regime. While freeing up some EU spending, an opt-out option would, however, risk leading to an uneven playing field within the Union - a point that the European

Parliament has stressed in a recent resolution where it rejected a further differentiation (European Parliament 2024b, point 33).

6.4. Procedural aspects: prepare for all enlargement scenarios

From a procedural point of view, it is wise to prepare the next MFF by taking into account different possible enlargement scenarios. If a couple of countries (Ukraine excluded) access the Union before 2034, the necessary funds could be covered within existing margins without reopening the MFF. To accommodate this relatively straightforwardly, there should be sufficient margins of unallocated commitments in key headings (e.g. cohesion, CAP).

Drawing from Croatia´s accession experience (see Chapter 2), it is also advisable to avoid a mandatory revision clause for all enlargements in the MFF regulation. In the case of Croatia, this obliged the Council and the Parliament to re-open the MFF in the last year even though margins could have easily covered the extra funds required. Rather than such a clause, one could imagine a provision clause requesting an amendment to the MFF if the accession is expected to incur costs above a given percentage threshold.

While unlikely, one cannot exclude that geopolitical developments prompt the accession of one large country, or a group of countries, before 2034. If such an enlargement were foreseen by 2032, it might be worth exploring the possibility of a 5-year MFF. However, as indicated by Begg et al. (2023) there is little appetite among stakeholders for reverting to a five-year MFF.

An alternative approach to deal with the cost of a bigger enlargement could be to establish a special reserve for 'accession-related costs' over and above the MFF, to be mobilised through qualified majority voting in the Council, modelled on the 'Agenda 2000' agreement (box 1). However, the establishment of reserves requires clear assumptions on the timing, scope of accessions and the result of accession negotiations. Therefore, a reserve may only be advisable if there is clarity about the timing and scope of new accessions.

6.5. Overall considerations

To isolate the impact of enlargements on key budget headings, this study assumes that current CAP rules are maintained and that the formulae determining CP allocations do not change. These assumptions constitute a reasonable starting point for discussions on the next MFF.

Maintaining the Berlin formula will, due to strong convergence in national GDP per capita (expected to continue over the next decade), result in a steady decline of Cohesion Policy spending in the EU27. Fewer Member States will meet the criteria for the 2.3% of GDP support level. Coupled with stable EU spending in real terms, notably CAP, and nominal growth rates exceeding 2%, the share of the combination of CAP and CP should fall further beyond the 2021-27 MFF. However, politically, the headline figure for the next MFF is expected to remain around 1% of EU GNI, the level since 2000.

Assuming this approach serves as the starting point for the next MFF negotiations, more than EUR 300 billion (the actual amount will depend on Member States' future growth rates) "yet-to-be allocated" could be available. Deciding how to allocate these funds will likely become a central focus of negotiations.

Given the distributional challenges identified across the three scenarios, it is reasonable to expect that a portion of these funds will be used to mitigate the negative impact of accessions. This may include providing support to those countries impacted by the "statistical effect" of enlargement, preserve the

current CAP envelopes in all Member States or mitigate the significant decline projected under the "big bang" scenario, with Ukraine's accession.

Given that current Cohesion Policy rules, tied to nominal GDP, mean relatively small amounts for the enlargement countries (all of which have low nominal GDP compared with EU27), a lifting of the 2.3% cap for them — similar to adjustments made in the past— could be considered to enable higher public investment aimed at stimulating economic convergence.

More broadly, as no enlargement remains the most probable scenario for the next MFF (Scenario 1), funds freed up from CAP and CP could be redirected toward other political priorities, including security, defence, competitiveness, and provisions for repaying NGEU commitments.

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ANNEX 1: DATA AND ASSUMPTIONS UNDERLYING THE CALCULATIONS

Our calculations are based on a series of policy assumptions and methodological choices. Both the 'static simulation' (section 4.3) and the scenarios (chapter 5) do not consider the impact of any transitional arrangements included in bilateral accession treaties. In the scenarios, we assume that the rules determining the distribution of funds in the current MFF are unchanged in the next MFF.

Calculations only cover expenditure under the MFF ceilings. Commitments for 'special instruments' over and above the MFF ceilings are not included with the exception of commitments for the Ukraine reserve. Calculations are based on real or estimated commitment appropriations. Actual payments can deviate due to various reasons, notably absorption difficulties.

A.1. Data

All calculations are based on commitment appropriations for the MFF 2021-2027. In areas in which no cross-country breakdown of commitment appropriations is available, the payments to the Member States are used as ´proxy' of commitments. The respective amounts of payments are adjusted, so that their sum corresponds to the total commitment appropriations.

Data is presented in current prices, a fixed 2 percent price deflator is applied.

The data and projections are derived from the following sources:

2021-2023 data:
regional population, national population, regional GDP, national GDP (all Eurostat)
national population (IMF) if not covered by Eurostat
agricultural area (FAO)
Kosovo agricultural area (Kosovo Department of Economic Analysis and Agricultural Statistics)
determined area (European Commission)
2024-34 projections:
national population (IMF)
regional population (Eurostat)
GDP growth rate (IMF) applied to the 2023 real GDP data
regional growth rate (Capello and Caragliu, 2021 – upon request) applied to the to the Eurostat 2019 regional GDP data
agricultural area (FAO) extrapolated
Kosovo agricultural area (Kosovo Department of Economic Analysis and Agricultural Statistics) extrapolated
determined area (European Commission) extrapolated

The data set reflects the territorial coverage of these sources. In the case of Ukraine, data does not cover the illegally annexed Autonomous Republic of Crimea and the City of Sevastopol.

A.2. Spending - Cohesion policy

The cross-country distribution for EU Cohesion Policy funds (ERDF, ESF+ and Cohesion Fund) is based on a numerical formula set in Annex XXVI of Regulation (EU) 2021/1060. ERDF and ESF+ funds are distributed across NUTS-2 regions. All EU regions are entitled to these funds but they receive different amounts depending on whether they are a less developed, transition, or more developed region. The classification of regions is determined by their GDP per capita in relation to the EU average. The formula to allocate ERDF and ESF+ funds across regions is mostly based on GDP per capita and population parameters but also include some 'premiums' related to the labour market, education, demographics, climate or migration. The application of these 'premiums' accounts for 19% of total allocations.

Cohesion Fund (CF) allocations are distributed at the national level. Only countries whose national GNI per capita is below 90% of EU GNI receive CF funds. Funds are mostly allocated according to population.

In our estimations we take the following assumptions and methodological choices:

- We assume that the current formula (defined in annex XXVI) will remain unchanged in the next MFF.
- We do not assume any upper ceiling to the overall cohesion budget in the next MFF.
- Additional premiums that rely on employment, education, climate, and migration criteria are approximated with a 19% flat rate at the Member State level, following the approach taken by Nuñez Ferrer et al (2024).
- All caps and safety nets that impact the national allocations are applied, while within-country transfers between funds and regions are not considered.
- Joining countries are treated as one region each.
- Allocations to the European territorial cooperation goal (Interreg) and to outermost regions are not taken into account, given their overall small budgetary weight.
- Due to data availability concerns, GDP is used instead of GNI.

A.3. Spending – Common Agricultural Policy (CAP)

The CAP is organised in two pillars. The first pillar finances direct payments to farmers and market-related expenditures, and the second pillar finances rural development measures. There is no numerical formula for the cross-country allocation of CAP funds. Pillar 1 allocations are based on the relative share of agriculture DA (determined area) in the country multiplied by a determined payment per eligible hectare. There are important differences in the payments per eligible hectare per country, which are explained by historical decisions. Since 2013, these differences have been progressively reduced with the application of the so-called 'external convergence' principle but they will not be fully eliminated at the end of the current MFF 2021-2027. As regards Pillar 2 CAP allocations, they are largely path dependent from the past and there are no transparent criteria explaining differences in amounts per country.

In our estimations we take various assumptions and methodological choices:

- We assume that the CAP Pillar 1 budget in the current MFF remains the same despite enlargement, and remains constant in real terms in the next MFF.
- We assume that the difference in CAP Pillar 1 aid intensity between Western and Eastern European Member States is maintained and that new Member States are granted the same aid intensity per hectare of determined area than post-2004 Member States.
- We use the weighted average ratio of determined area to agricultural land of post-2004 member states to estimate the determined area for candidate countries.
- As Pillar I is assumed as constant, all national envelopes are reduced proportionally.
- For CAP Pillar 2, we assume that candidate countries will receive amounts equivalent in aid intensity (funds per hectare of determined area) to the amounts received by post-2004 Member States during the first three years after accession (2007-2009).
- As regards the European Maritime Fisheries and Aquaculture Fund, current Member States maintain the 2021-2027 allocations and new Member States being eligible to this fund (maritime and landlocked countries) receive allocations equivalent in aid intensity to the average per capita payments 2021/2022 for all maritime and landlocked member states. For 'non-EU' and 'other' groups, the respective average of 2021/2022 payments is applied.

A.4. Spending – Other headings

Our models assume that all non-allocated expenditure will be increased to accommodate the entry of new Member States and that the amounts of pre-accession support provided to candidates will be deducted if they join the Union.

- For expenditure under Heading 1 (Single Market, Innovation, and Digital) we estimate the increase calculating the hypothetical national allocations for joining countries, based on a conditional relationship (linear regression) between the payments per capita 2021/2022 and the GDP per capita of current member states. For all other headings not otherwise specified, the average per capita payment in 2021/2022 is used to estimate the hypothetical national allocations for joining countries. For these estimates we have adopted a conservative approach, excluding major upward outliers such as Luxembourg for Heading 7 (Administration).
- We add the hypothetical allocation for joining countries to the planned expenditures in the current MFF at EU27. As this expenditure is not pre-allocated, we use the average of 2021/2022 payments to estimate national allocations. This also applies to the 'other' and 'non-EU' groups, except for Heading 6 (Neighbourhood).
- In our 'static estimate' and 'big bang' scenarios, all EU budget support to candidates is deducted from the MFF. We only consider commitments (included in the MFF or outside the MFF ceilings), not contingent liabilities related to the provision of loans or guarantees. This includes all non-repayable support to Western Balkans (estimated amount of IPA III grants, including the additional IPA funds for the WB Facility), re-payable support provided to Georgia, Moldova, and Ukraine through the NDICI as well as the amounts included in the 'Ukraine reserve'.
- In the 'small bang' scenario, the support to Western Balkans is deducted but the MFF includes the amounts from the 'Ukraine Reserve'. We also assume that Georgia and Moldova will benefit from the same aid intensity per capita as allocated through Facilities and IPA to the Western Balkans.

A.5. Revenue

Customs duties, value-added tax (VAT)-based own resource, plastics own resource, and GNI-based contributions are calculated separately.

- Customs duties: The respective contribution based on customs duties is calculated for joining countries based on a conditional relationship (linear regression) between the payments per capita in 2021/2022 and the GDP per capita of current member states. For current member states and the 'non-EU' group, the respective average of 2021/2022 contributions is applied.
- VAT: The respective VAT-based contribution is calculated for all joining states by applying the uniform call rate of 0,3% to a capped 50% of their respective GDPs. For current member states, a ratio of VAT and GDP is calculated for 2021. This ratio is applied to projected 2021-2027 and 2028-2034 GDP values in order to obtain the respective VAT bases. The national contribution is then calculated by applying the uniform call rate of 0,3% to the projected VAT base.
- Own resource based on non-recycled plastic: The average of per capita contributions in 2021/2022 for post-2004 member states is used to estimate these revenues for joining states. For current member states, the respective average of 2021/2022 contributions is applied.
- Other revenues, including administrative and financial revenue and revenue related to Union policies and other institutions: the respective average of 2021/2022 revenues is applied.
- GNI-based contributions: calculated so that all spending is covered. Due to data availability concerns, the shares are computed based on GDP projections. While the 2021-2027 country rebates are applied, further balances and adjustments to the national contributions are not considered.

ANNEX 2: PARTICIPATION OF ENLARGEMENT COUNTRIES TO EU PROGRAMMES

Table 10: Participation of enlargement countries in EU programmes

	Albania	Bosnia	Montenegro	Macedonia	Serbia	Georgia	Moldova	Ukraine
Horizon Europe	P	P	P	P	P	P	P	P
Euratom Research and Training	-	-	-	-	-	-	-	P
Connecting Europe Facility	-	-	-	-	-	-	P	P
Digital Europe	N	N	P	P	P	-	N	P
Single Market	P	P	P	P	P	C	P	P
The Union Anti-Fraud	P	P	P	P	P	P	P	P
Cooperation in the field of taxation	P	P	P	P	P	P	P	P
Cooperation in the field of customs	E	E	E	E	E	E	E	E
Protection of the Euro Against Counterfeiting	P	P	P	P	P	P	P	P
Union Civil Protection Mechanism	P	P	P	P	P	-	P	P
EU4Health	-	-	P	-	-	-	P	P
European Social Fund +	C	C	P	-	P	-	C	-
Erasmus+	P	P	P	P	P	P	P	P
European Solidarity Corps	P	P	P	P	P	P	P	P
Justice	C	C	-	C	C	-	E	C
Citizens, Equality, Rights and Values	C	P	C	E	P	-	E	C
Creative Europe	P	P	P	P	P	P	-	P
Environment and Climate Action	N	-	-	N	-	-	N	P

Legend:

Participating	Started negotiations	Confirmed Interest	Expressed Interest

ANNEX 3: ADDITIONAL TABLES

Table 11: Average annual cohesion envelopes, current MFF 2021-2027 vs. hypothetical EU36 MFF 2021-2027 (current prices, EUR billion)

	EU27 (EUR bn)	EU36 (EUR bn)	Change (EUR bn)
PL	10.07	7.66	-2.41
IT	6.64	5.04	-1.60
ES	5.59	4.25	-1.34
DE	2.81	2.14	-0.67
FR	2.54	1.93	-0.61
CZ	2.12	1.61	-0.51
PT	3.06	2.63	-0.43
LT	0.74	0.56	-0.18
BE	0.37	0.28	-0.09
SI	0.37	0.28	-0.09
EE	0.35	0.27	-0.08
FI	0.24	0.18	-0.06
SE	0.25	0.19	-0.06
IE	0.15	0.11	-0.04
LV	0.52	0.49	-0.03
MT	0.1	0.07	-0.03
CY	0.11	0.08	-0.03
NL	0.15	0.12	-0.03
AT	0.15	0.12	-0.03
DK	0.04	0.03	-0.01
LU	0.005	0.004	0.00
HU	3.05	3.1	0.05
HR	1.18	1.24	0.06
BG	1.35	1.45	0.10
SK	1.7	1.82	0.12
EL	2.79	2.99	0.20
RO	4.09	4.38	0.29
AL		0.42	
BA		0.61	
GE		0.66	
XK		0.24	
MD		0.39	
ME		0.14	
MK		0.34	
RS		1.67	
UA		4.01	
TOTAL MFF (commitments)	50.55	51.5	1.9

Table 12: Average annual CAP envelopes, current MFF 2021-2027 vs. hypothetical EU36 MFF 2021-2027 (current prices, EUR billion)

	EU27	EU36	change
FR	9.42	7.46	-1.96
ES	6.62	5.27	-1.35
DE	6.12	5.05	-1.07
IT	5.46	4.45	-1.01
PL	4.53	3.85	-0.68
EL	2.77	2.29	-0.48
RO	3.02	2.57	-0.45
HU	1.71	1.41	-0.30
PT	1.39	1.13	-0.26
IE	1.53	1.27	-0.26
BG	1.14	0.94	-0.20
CZ	1.13	0.94	-0.19
DK	0.97	0.79	-0.18
LT	0.8	0.64	-0.16
AT	1.23	1.07	-0.16
SE	0.92	0.77	-0.15
NL	0.81	0.67	-0.14
FI	0.9	0.79	-0.11
BE	0.59	0.49	-0.10
SK	0.68	0.59	-0.09
HR	0.71	0.62	-0.09
EE	0.3	0.26	-0.04
SI	0.25	0.22	-0.03
LV	0.47	0.44	-0.03
LU	0.05	0.04	-0.01
CY	0.08	0.07	-0.01
MT	0.03	0.03	0.00
AL		0.25	
BA		0.49	
GE		0.52	
XK		0.09	
MD		0.49	
ME		0.06	
MK		0.27	
RS		0.66	
UA		8.94	
TOTAL MFF (commitments)	53.62	55.89	

This study examines the implications of future enlargements for the next MFF. It reviews adjustments made to the EU budget during past enlargements and estimates the budgetary costs of the accession of all current candidate and potential candidate countries (excluding Türkiye) under three alternative scenarios which distinguish between the number of enlargement countries and the timing of enlargement. It then provides policy recommendations for adapting the next MFF to enlargement. The study was prepared at the request of the Committee on Budgets.

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