



‘The race to the bottom’: who loses out from the revised negotiating box on Cohesion Policy?

1. Introduction and background

The Finnish proposal for a revised negotiating box issued on 5 December was known to have been met with fierce criticism by Member States, both from those in the camp of the ‘friends of Cohesion’ and those advocating a lower EU budget overall.

The European Council will hold an exchange of views on 12-13 December on the 2021-2027 Multiannual Financial Framework. At the time of writing, the considerable differences of views between Member States both over the overall size of the EU budget (ranging from Member States contribution from 1% to 1.3% GNI) and over the allocation of resources within the MFF budget lines means that it is unlikely that any meaningful progress will be achieved at the EU summit meeting.

2. Purpose of this note

This note follows on from [the CPMR’s initial analysis on the 5 December MFF negotiating box](#) which looked at the main changes from the European Commission proposal issued on 2 May 2018.

Running the CPMR in-house statistical model with the information and data from the revised version of the MFF negotiating box enables us to go further and explore two important aspects:

- The scale of the proposed cuts relating to Cohesion Policy allocations **at Member State level** compared to the 2014 – 2020 period
- The changes introduced in the December version of the negotiating box **to limit or reduce Member States’ allocations for Cohesion Policy** for 2021-2027. These are explored in great detail in [Annex 2 \(comparison with EC May 2018 proposal\)](#) and [Annex 3 \(comparison with 2014 – 2020 methodology\)](#).

This note argues that the only way forward to reach the EU's many ambitions – such as the European Green Deal as published today - is **to equip the European Union with an ambitious EU budget including a significant investment arm, with a strong Cohesion Policy at its heart.**

This is why **the overall level of the EU budget for 2021-2027 needs to be increased to at least Member States contribution fixed at 1.3% GNI and new own resources**, as supported by the European Parliament, the Committee of the Regions and the CPMR.

3. Which Member States lose out compared to the 2014 – 2020 period?

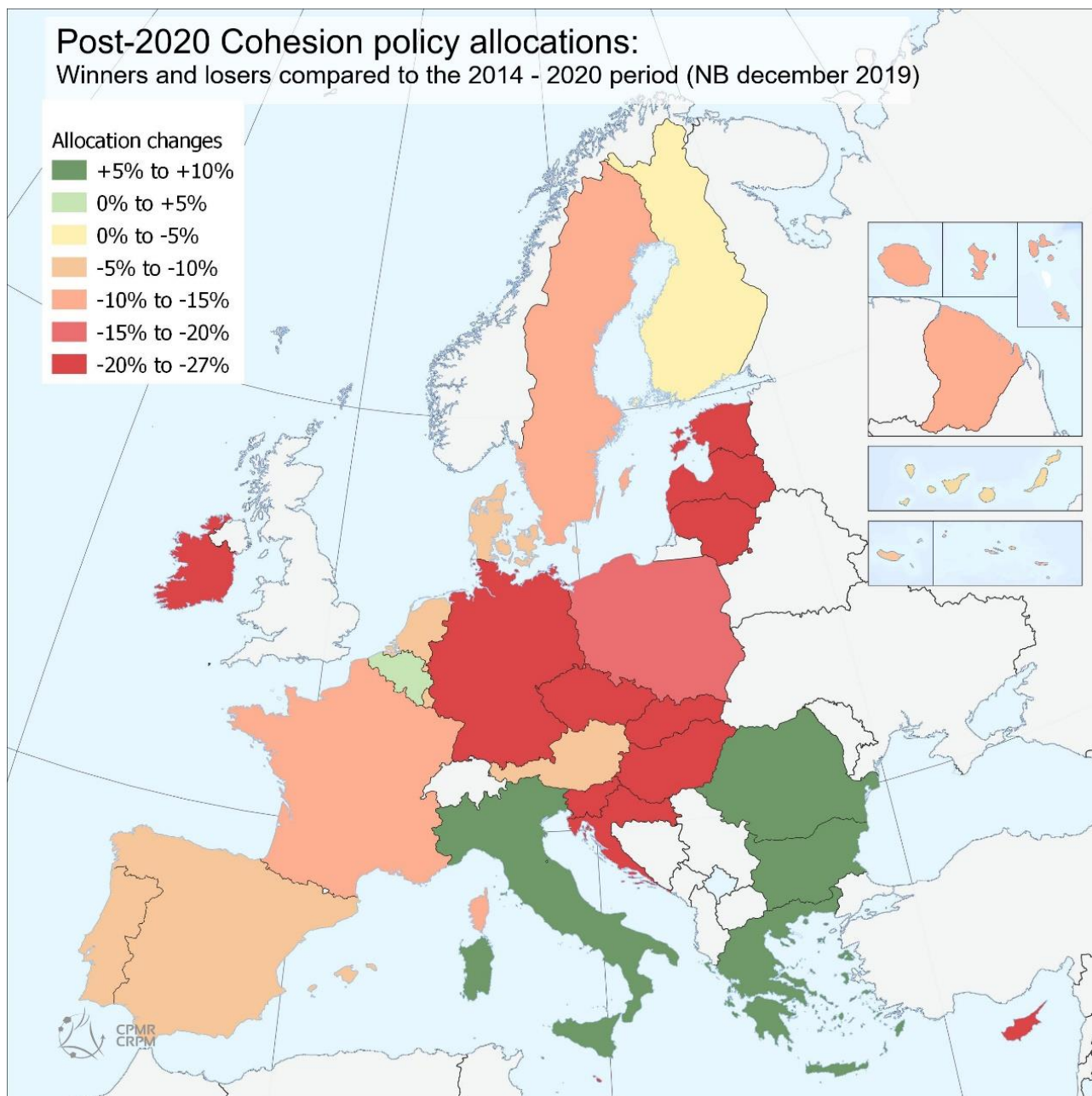
Since the publication of the MFF revision of the negotiating box last week, much of the attention has focused on the comparison of budget lines compared to the European Commission proposal issued in May 2018. The CPMR calculated that [the Finnish proposal would lead to an overall reduction of just under 3% for Cohesion Policy](#) compared to the May Commission proposal.

However, the meaningful figure to look at is the scale of the reduction compared to the 2014 – 2020 period, which is estimated at **12% (44 billion euros)**, as mentioned in the [Committee of the Regions President letter to Charles Michel on behalf of the Cohesion Alliance](#).

Let's take a look at how such a 12% cut is applied at Member State level.

The map on the next page compares (in % terms) the 2014 – 2020 Cohesion policy allocations at Member State level with the 2021 – 2027 Member States allocations as per the December Finnish Presidency proposal, based on the in-house CPMR statistical model (in 2018 prices).

Ranges have been provided to account for the margin for error within the CPMR statistical model.



4. Takeaways and recommendations

Overall impressions:

- **There is no apparent logic guiding the various cuts introduced in the revised version of the MFF negotiating box.** Unlike the negotiations over the 2014 – 2020 EU budget which led to significant cuts for more developed regions, the transition region and the European Territorial Cooperation (ETC) envelope, **changes to the allocation methodology for ESI funds seem to have been guided by an overall attempt to reduce the overall budget for Cohesion Policy.** As a result, most net contributors and net beneficiaries of the EU budget lose out, so does the aid intensity for less, more developed and transition regions. The only budget line to emerge relatively unscathed is the ETC.

- This largely explains why only a single Member State delegation is said to have been satisfied with the Finnish proposal so far (Belgium), and why **radical changes are needed for Member States to reach a consensus on the overall MFF**.

Compared to the 2014 – 2020 allocations for Cohesion Policy:

- **All Member States (except IT, EL, BE, RO, BG) would suffer a reduction** in terms of their respective Cohesion Policy envelopes
- **Eight Member States (CZ, EE, IE, CY, LT, HU, MT, SI) would see a reduction of 27%** compared to their 2014 – 2020 envelope
- The allocations for IT and EL would still benefit from a small increase owing to many NUTS 2 regions dropping down a category of region (e.g from transition to less developed regions status) for the 2021 – 2027 period in both countries (IT and EL would lose out based on the Finnish Presidency December negotiating box proposal, however).

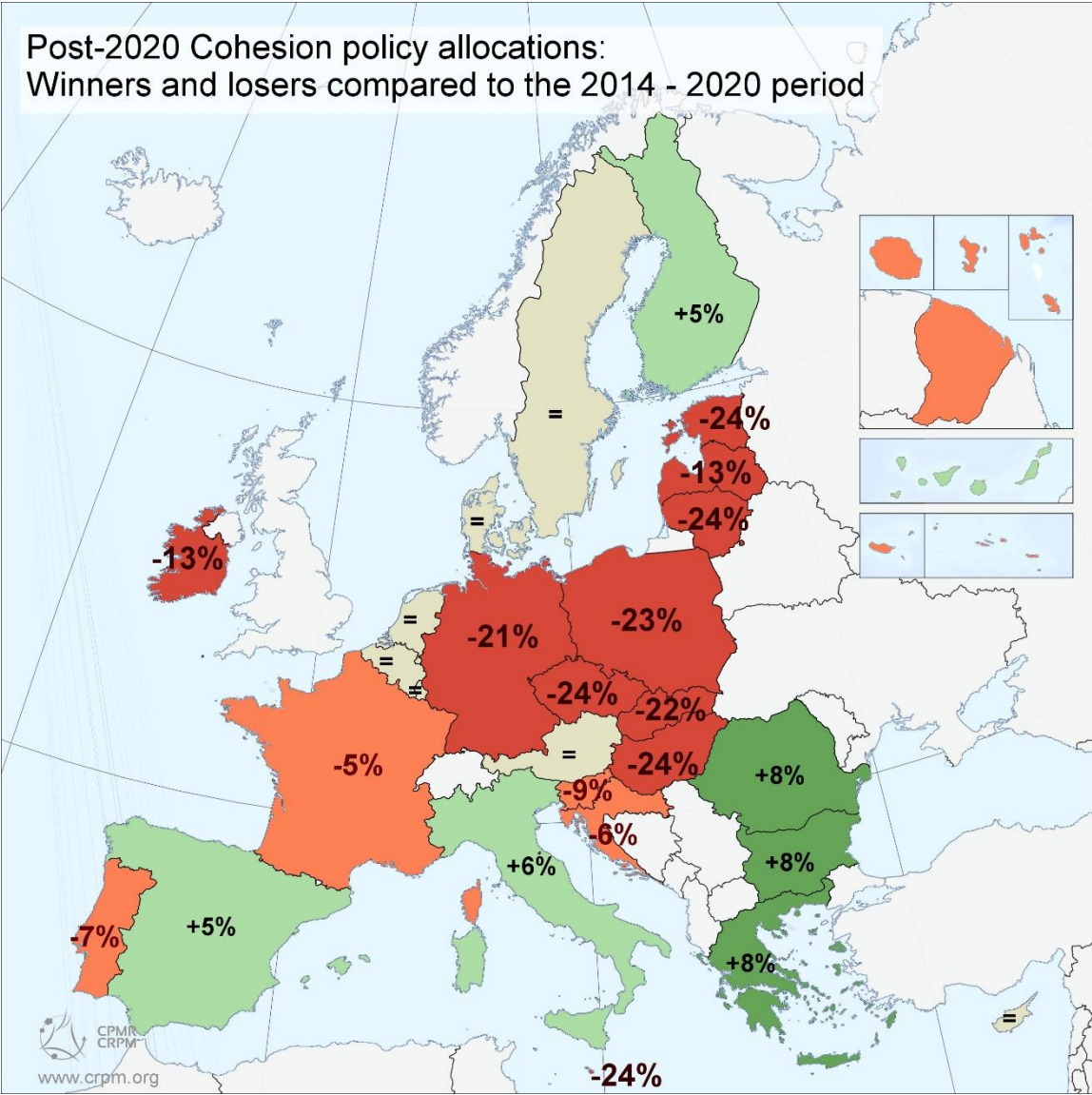
Compared to the EC proposal issued in May 2018:

- **All Member States lose out (except 3 – BE, DE, PL according to our calculations)** compared to the EC proposal issued in May 2018. [See Annex 1 for a comparison of national allocation for Cohesion Policy between 2014-2020 period and EC May 2018 proposal.](#)
- **CY, FI, SE, DK, NL, AT, ES** would join the list of Member States suffering cuts compared to the current programming period
- **ES would suffer the biggest cut in real terms, CY would suffer from the biggest proportional cut overall**
- **NL, DK, SE, LU and AT would be affected by an additional ‘capping provision’** introduced under the December negotiating box resulting in a 8% reduction for these Member States compared to the EC proposal issued in May 2018

Recommendations for the future

- **The CPMR strongly believes the only way is up.** Increasing the overall level of the budget to 1.3% GNI with new own resources (as per the proposal of the European Parliament) is the only way forward to guarantee an ambitious Cohesion Policy for 2021 – 2027 to deliver on EU priorities.
- Maintaining the Cohesion Policy to at least its current levels will also alleviate **the impact of the forthcoming ‘technical update’ on the EU budget** which will lead to significant changes in terms of the Cohesion Policy allocations at Member States level ([see CPMR Technical Note on EU budget negotiations published in October 2019](#))
- A longer-term consideration relates to the increasingly tenuous link between the objectives of Cohesion Policy and the methodology used to calculate allocations for Cohesion Policy. **According to our model, only six Member States (BE, ES, FR, IT, PT, FI) are not subject to safety net or capping provisions.** Better linking the level of support from Cohesion Policy at national and regional level to a wide range of territorial statistics may be an avenue for future Cohesion Policy reform for the post-2027 period

ANNEX 1 – Comparison of Cohesion Policy allocations (2018 prices): 2014 – 2020 period vs EC May 2018 proposal



ANNEX 2 - Comparison of methodology parameters on the allocation of global resources per Member State between EC proposal 2018, June 2019 Negotiating box, and December 2019 Negotiating box

Reference to the individual points within the MFF negotiating box is mentioned into brackets.

- **Allocation method for Less developed regions (LDR)**

The application percentage to the initial absolute amount based on 3 different levels of GNI per capita of EU average has changed.

LDR (43, b, i,ii,iii)	GNI per capita of the EU average		
EC proposal	Below 82%	Between 82% and 99%	Over 99%
	2.8%	1.3%	0.9%
Nego June 2019	2.8%	1.3%	0.9%
Nego Dec 2019	2.8%	1.2%	0.7%

The allocations of premiums per unemployed person and young unemployed persons have increased by 70€ per person and per year. The allocation of premiums of 250€ concerning persons with low level of education remain the same.

LDR (43, c, d, e)	Premium per unemployed person per year	Premium per young unemployed person	Low education rate
EC proposal	500€	500€	250€
Nego June 2019	500€	500€	250€
Nego Dec 2019	570€	570€	250€

The allocations of ‘top-ups’ reflecting socio-economic, environmental and demographic challenges are the same for Greenhouse gas emissions and have increased concerning the aid intensity based on net migration from 400€ to 405€ per person and per year.

LDR (43, f, g)	Greenhouse gas emissions	Net migration
EC proposal	1€	400€
Nego June 2019	1€	400€
Nego Dec 2019	1€	405€

- **Allocation method for Transition regions**

The determination of the minimum and maximum theoretical aid intensity for transition regions has strongly decreased: at minimum level following the level of support for the MDR (more developed regions) regions and even if the share (60%) of amount resulting of theoretical LDR methodology is still the same, this amount is directly impacted by the previous changes of LDR methodology where the initial percentages have decreased except for regions with a GNI below of 82% of the EU average.

Transition (44, a,)	Minimum level of support (per head and per year)	Maximum in percent by applying LDR method.
EC proposal	18€	60%
Nego June 2019	18€	60%
Nego Dec 2019	16.7€	60%

The allocations of premiums per unemployed person and young unemployed person have increased by 60€ per person and per year, so 10€ less than the LDR methodology. The allocation of 250€ premiums concerning persons with low level of education is still the same.

Transition (44, c, d, e)	Premium per unemployed person per year	Premium per young unemployed person	Low education rate
EC proposal	500€	500€	250€
Nego June 2019	500€	500€	250€
Nego Dec 2019	560€	560€	250€

As for the LDR methodology, the allocations regarding ‘top-ups’ reflecting socio-economic, environmental and demographic challenges are still the same for Greenhouse gas emissions and have increased concerning the aid intensity based on net migration from 400€ to 405€ per person and per year.

Transition (44, f, g)	Greenhouse gas emissions	Net migration
EC proposal	1€	400€
Nego June 2019	1€	400€
Nego Dec 2019	1€	405€

- **Allocation method for More Developed Regions (MDR)**

The aid intensity per head and year of the initial theoretical financial envelope has decreased from 18€ to 16.7€ (-8%).

MDR (44, a,)	Aid intensity MDR (per head and per year)
EC proposal	18€
Nego June 2019	18€
Nego Dec 2019	16.7€

The intensities of the seven weighted criteria for the MDR methodology is still the same.

MDR (44, a,)	Regional Population	Unemployed people	Employment ages 20 to 64	Tertiary educ. ages 30 to 34	Early leavers education ages 18 to 24	GDP difference	NUTS3 population density
EC proposal	20%	15%	20%	20%	15%	7.5%	2.5%
Nego June 2019	20%	15%	20%	20%	15%	7.5%	2.5%
Nego Dec 2019	20%	15%	20%	20%	15%	7.5%	2.5%

As for the LDR methodology, the allocations for ‘top-ups’ reflecting socio-economic, environmental and demographic challenges are still the same for Greenhouse gas emissions and have increase concerning the aid intensity based on net migration from 400€ to 405€ per person and per year.

MDR (47, 48)	Greenhouse gas emissions	Net migration
CE proposal	1€	400€
Nego June 2019	1€	400€
Nego Dec 2019	1€	405€

- **Allocation method for the Member States eligible for the Cohesion Fund**

The share of GNI average is still the same but the reference years have been updated from (2014 to 2016) to (2015 to 2017). The aid intensity per head and per year of the financial envelope remain the same.

CF (49)	Aid intensity
CE proposal	62.9€
Nego June 2019	62.9€
Nego Dec 2019	62.9€

- **Allocation method for the European territorial cooperation goal**

The maritime population indicators have disappeared from the negotiating box of June and the share were merged with the border population indicators.

ETC (50, a, b, c, d)	Pop. NUTS3 border regions	Pop. within 25km of the border	Population of MS	Pop. NUTS3 coastline regions	Pop. Maritime border area	Population of OMs regions
CE proposal	36%	24%	20%	9.8%	6.5%	3.7%
Nego June 2019	45.8%	30.5%	20%			3.7%
Nego dec.2019	45.8%	30.5%	20%			3.7%

- **Allocation method for the additional funding for the outermost regions and northern sparsely populated areas**

The aid intensity still the same.

OMRs and NSPAs (51)	Aid intensity per inhabitant per year
CE proposal	30€
Nego June 2019	30€
Nego Dec 2019	30€

- **Capping and Safety net, minimum and maximum levels of transfers from the funds**

Capping (52, a ,b ,c)	Maximum level of transfer determined as a % of the GDP of the MS			
	a/ GNI<60&	b/ GNI 60% to 65%	c/ GNI < 65%	
CE proposal	2.3%	1.85%	1.55%	
Nego June 2019	2.3%	1.85%	1.55%	
			c/ GNI 65% to 70%	d/ GNI >70%
Nego Dec 2019	2.3%	2%	1.55%	1.5%

- **Capping and safety net based on 2014-2020 programming period allocation**

Threshold of minimum and maximum transfer corresponding to 2014-2020 allocation have changed in to decrease the resulting allocation in both cases. The share of maximum allocations for MS with the highest GNI (>120% of EU27 average) based on 2014-2020 allocation was introduced in the December negotiating box. This new capping measure could potentially affect the AT, DK, DE, IE, LU, NL and SE which could be only affected by the 107% measure.

Capping 53, 54, 55	Transfer corresponding to 2014-2020 allocation		Maximum allocation for MS having GNI > 120% of EU 27 average
	Maximum	Minimum	
CE proposal	108%	76%	<i>n.a (100%)</i>
Nego June 2019	108%	76%	<i>n.a (100%)</i>
Nego Dec 2019	107%	73%	92%

ANNEX 3 - Comparative table of Berlin method parameters (2014-2020 vs EC May 2018 proposal vs December negotiating box)

The purpose of the following table is to give an overview of the evolution of comparable parameters of the Berlin method used for the 2014/2020 period, the EC proposal for 2021-2027 issued in May 2018 and the Negotiating Box for 2021/2027 issued by the Finnish Presidency in December 2019.

Less Developed Regions	2014-2020	2021-2027 CE proposal	2021-2027 NB December 2019
Eligibility (GDP)	< 75%	< 75%	< 75%
(i) GNI threshold	>82%	>82%	>82%
(i) Coefficient	3.15%	2.8%	2.8%
(ii) GNI threshold	82% to 99%	82% to 99%	82% to 99%
(ii) Coefficient	2.7%	1.3%	1.2%
(iii) GNI threshold	<99%	<99%	<99%
(iii) Coefficient	1.65%	0.9%	0.7%
Unemployment bonus	1300	500	570
Youth unemployment		500	570
Low educational level		250	250
GHG non ETS per tonne of CO2		1	1
Migration		400	405

Transition	2014-2020	2021-2027 CE proposal	2021-2027 NB December 2019
Eligibility	75% to 90%	75% to 100%	75% to 100%
Maximum level aid intensity (MDR)	40%	60%	60%
Unemployment bonus	1100	500	560
Youth unemployment		500	560
Low educational level		250	250
GHG non ETS per tonne of CO2		1	1
Migration		400	405

MDR	2014-2020	2021-2027 CE proposal	2021-2027 NB December 2019
Eligibility	>90%	>100%	>100%
Aid intensity (€)	19.8	18	16.7
Population	25%	20%	20%
Unemployment	20%	15%	15%
Employment	20%	20%	20%
Tertiary education	12.5%	20%	20%
Early School Leaving	12.5%	15%	15%
GDP	7.5%	7.5%	7.5%
Pop low density	2.5%	2.5%	2.5%
GHG non ETS per tonne of CO2		1	1
Migration		400	405

Cohesion Fund	2014-2020	2021-2027 CE proposal	2021-2027 NB December 2019
Aid intensity	48	62.9	62.9

Others	2014-2020	2021-2027 CE proposal	2021-2027 NB December 2019
Outermost regions and NSPAs	30	30	30

Minimum and Maximum levels of transfers	2014-2020	2021-2027 CE proposal	2021-2027 NB December 2019
(i) Capping GNI threshold	2.35% (2.59% for lower GDP)	<60%	<60%
(i) Capping GNI Coefficient		2.3%	2.3%
(ii) Capping GNI threshold		60% > <65%	60% > <65%
(ii) Capping GNI Coefficient		1.85%	1.85%
(iii) Capping GNI threshold		65% <	65% > <70%
(iii) Capping GNI Coefficient		1.55%	1.55%
(iv) Capping GNI threshold			70% <
(iv) Capping GNI Coefficient			1.50%
Capping based on previous period	110%	108%	107%
Safety Net based on previous period	55%	76%	73%
GNI per head threshold above which the increase is limited to 0%		120%	120%



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The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.

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