



Which future EU budget to fit with EU priorities?

IN A NUTSHELL

Discussions on the future of the European Union (EU) budget are gaining momentum. This Paper analyses the milestones in terms of policy development since the CPMR last looked at the issues related to the future EU budget in [February 2017](#).

The paper first looks at the **evolving role of the EU budget** as envisaged in the European Commission reflection paper on the future of EU Finances:

- the **reinforcement of traditional principles** (subsidiarity, EU added value, simplification) and **the emergences of new ones** (the use EU funding as incentive, the possible 'stabilisation' function of the EU budget)
- the **impact of Brexit** and how it affects the timing of the Commission proposal on the future EU budget.

It then looks at the **likely areas of focus of the next EU budget** by analysing:

- the **new priorities** which are likely to receive support from the next EU budget
- which **existing EU policies are expected to be reinforced**
- the **state of play regarding CPMR priority areas** (Cohesion Policy, Maritime, Transport and Accessibility)

The note concludes by proposing that the **CPMR adopts a vision on the post-2020 EU budget early next year**, with some options for debate.

1. Introduction

Seven months from the publication of this note, the European Commission is expected to have published a legislative package on the future of the European Union budget running from 2020 onwards.

As the CPMR continues to develop proposals on its key priority areas (Cohesion Policy, Maritime issues, Accessibility and Transport) for the post-2020 period, the time is right to take stock of recent developments linked to the future of the EU budget and present options for a future CPMR position. This is what this note aims to achieve.

Section 2 and **Section 3** analyse the main issues linked to EU budget reform, and are based on information from the following:

- [the European Commission Reflection paper on the future of EU finances](#) (June 2017)
- [the European Commission Communication on Smart Specialisation Strategies](#) (July 2017)
- [the Report of the independent High Level Group on maximising the impact of EU Research and Innovation Programmes](#) (July 2017)
- Commission President Jean-Claude Juncker [State of the Union speech](#) (September 2017)
- Member States' position papers on the future of Cohesion policy
- evidence from high level EU representatives at meetings with the CPMR

Section 4 offers a way forward for the CPMR to develop a vision on the EU budget for the post-2020 period.

2. What will the future EU Budget look like?

2.1 A changing role for the EU budget

Before looking at considerations on the size of the future EU budget and choices on policy priorities, the debate is already driven by a change of narrative when it comes to defining its very role and functions.

In follow up to its White Paper on the future of Europe published in March 2017, the European Commission published the last of its five reflection papers in June 2017 focusing on the future of EU finances. The CPMR secretariat produced [a short analysis](#) in July 2017 to detail what the paper means to Cohesion Policy.

2.1.1 Reinforcement of traditional principles

- *EU added value versus 'juste retour'*

As was already the case for reforms leading on to the 2014 - 2020 Multiannual financial framework (MFF), the **concept of 'EU added value'** will be **a central thread for post-2020 EU budget reform**.

'EU added value' is an elusive and multi-layered concept and [there is no universally agreed definition](#) for it. The concept helps fight the '*juste retour*' approach, which has seen EU budgetary discussions dominated by Member States' own budgetary balances and interests in the various EU policies and programmes for previous MFF negotiations.

The European Commission's Reflection paper introduces a novelty to cement this concept in the EU budget: **the higher the EU value added a policy or a programme has, the higher the EU co-financing**

rate should be. This would also apply to policies which had no co-financing mechanisms in the past, like the first pillar of the Common Agricultural Policy.

- **Subsidiarity**

Linked to the concept of EU added value, the concept of subsidiarity features heavily the future of EU finances Reflection paper. This was further reinforced by President Juncker during his **State of the Union speech** last September, when he called for the creation of a **Subsidiarity and Proportionality Task Force** 'to look at all policy areas to make sure we are only acting where the EU adds value'.

- **Simplification**

The Reflection paper introduces two new ideas to improve the simplification of the delivery of the EU budget of relevance to the CPMR:

- a '**single rule book**' for EU funding programmes
- a '**single investment fund**' which would merge all five European Structural and Investment (ESI) funds.

What it means for the CPMR

The concepts of subsidiarity and EU added value are laudable but are a double-edged sword: the assumption that there should only be action at EU level if it is more effective than action at national or regional level - or provides European added value - could also be used against policies supporting projects at regional level, such as Cohesion Policy.

The CPMR already supports the idea of a single set of rules for ESI funds. It is yet to take a view on the pros and cons of a single investment fund.

2.1.2 New principles come to the fore

The Reflection paper suggests several bold options regarding the functions of the EU budget.

- **A 'carrot' to ensure EU Member states uphold European value**

There is an explicit mention of the role that could be fulfilled by the EU Budget to support common European values¹ in a more direct way in the future.

Such a possibility closely mirrors a proposal made by the German government in May this year **to link eligibility for EU funding to compliance with the rule of law**. This would be an additional weapon in the Commission's armory to put pressure on countries like Poland or Hungary to comply with European values or to take in migrants and refugees.

- **An incentive for Member States to implement structural reforms**

Another novelty is the possibility expressed in the Paper **to use the EU budget as an incentive to enforce the European Semester process more effectively** - a yearly process of macroeconomic structural reforms addressed by the Commission to each Member State.

This could take place in two ways:

¹ They are described in the EU finances paper as: democracy, freedom, the rule of law, fundamental rights, equality, solidarity, sustainability and peace

- More generous EU co-financing rate for Cohesion Policy programmes if Member State can show positive progress with regards to the implementation of country specific recommendations (CSRs).
- A dedicated funding pot (outside Cohesion Policy) to financially reward Member States with a good track record on the enforcement of CSRs.

- **A 'stabilisation' function**

The paper also suggests a stabilisation function for the EU budget to **avert the effects of potential future crisis and economic and social shocks**. This could take the form of a crisis reserve, reinforcing the existing EU instruments such as the European Solidarity fund and the European Globalisation Adjustment Fund, or a new facility altogether.

Such plans could also be linked to the Eurozone budget – but the paper falls short of details as to what form such a facility would take.

What it means for the CPMR

These are three new and largely untested roles for the EU budget. The idea of using ESI funds as a carrot for Member States to implement structural reforms can potentially go against the very foundations of Cohesion Policy as an investment and solidarity policy, particularly if the said structural reforms are not linked to Cohesion Policy priorities.

2.2 Brexit means uncertainty

The departure of the United-Kingdom (UK) from the European Union will have profound repercussions on the size of the MFF for the post-2020 period. The nature of the future relationship between the UK and the EU, and the complexity of the EU budget revenue mechanism are two factors which make it difficult to put an exact figure on the loss of the UK as a EU member for the post-2020 period.

There is no consensus amongst experts as to the impact of Brexit on the EU budget². Regardless, the negotiation outcome of Brexit - and the timing of UK exit in particular - creates considerable uncertainty when it comes to EU budget planning.

Will we definitely get a smaller EU budget?

The S&D Group in the European Parliament was prompt to react to the [Commission Reflection paper on the Future of the EU finances](#) to ask for a 'higher multiannual financial framework' for post-2020. However, there is little appetite so far in the Member States to compensate for the UK's current contribution to the EU budget after 2020, for instance by raising the ceiling of national contributions to the EU budget (fixed at 1,23% of the EU GNI for 2014-2020).

The [Atlantic Arc Commission 'Brexit Declaration'](#) and the CPMR Cardiff declaration (due for adoption at the CPMR 2017 General Assembly) both call for budgetary instruments to mitigate the impact of Brexit on regions.

² Some experts ([Notre Europe](#)) estimate the cost of the departure of the UK at 10 billion euros a year, whilst others ([CEPS](#)) have minimised the negative impact of the loss of UK membership to the EU owing to the contribution the UK would need to make to access the EU Single Market (should it choose the 'Norway' option), or by way of trade tariffs otherwise.

2.3 Timing is everything

Brexit also creates a considerable challenge regarding the legislative process of the post-2020 EU budget proposal. **EU Budget Commissioner Oettinger plans to issue a legislative package by May 2018**, which would leave just 11 months for negotiations with the Council and the European Parliament to be completed before the end of the current term of the Parliament³.

This is a considerable challenge:

- for the co-legislators, bearing in mind that the previous MFF took 2.5 years of negotiations before an agreement could be reached.
- for programmes under shared management, which already face criticisms for the slow take up of funding precisely due to a very late agreement for the 2014 – 2020 MFF (December 2013).

Towards a 5 year EU budget?

One option suggested in the Reflection paper to enhance the flexibility of the EU budget is to reduce the length of the MFF from 7 years to a “5+5” years MFF, with an obligatory mid-term revision.

What it means for the CPMR

The CPMR has yet to take a view on a possible 5 years EU budget. A 5 year programming period could be counterproductive given that many EU policies such as Cohesion Policy pursue long-term objectives. Shortening the timeframe of the MFF seems also inadequate given the usual length of MFF negotiations.

What is missing in the Reflection paper on the future of EU finances – CPMR perspective

- Whilst the EU finances Reflection paper goes some way in defending the achievements of Cohesion Policy in the first part of the document, it contradicts itself by **suggesting a minor role for Cohesion in all but one of the five scenarios for EU budget reform**.
- The Reflection paper also **falls short of addressing the role of regions in terms of European integration and communicating Europe to citizens**.
- It **does not address the crucial issue of the level of the EU budget** and is **relatively weak on solutions** which may be found in the way of adding new own resources.
- The Reflection paper is **unclear as to how the Europe 2020 strategy will be followed up**.

3. What will the EU budget support after 2020?

Having established the challenging context for the EU budget reform, this section looks more specifically at the options on the table with regards to selecting priorities for the EU budget for the post-2020 period, focusing specifically on CPMR priority areas.

³ The last plenary session of the European Parliament is scheduled in April 2019.

Much of the debate over the coming months will focus on the following issues:

- Achieving a delicate balance between **new priorities** and **historical EU policies** (the CAP and Cohesion Policy mainly) supported by the EU budget.
- The extent to which **current policies and programmes** seen as successful will supersede historical EU policies.
- The extent to which **priority areas for the CPMR** will need to evolve after 2020.

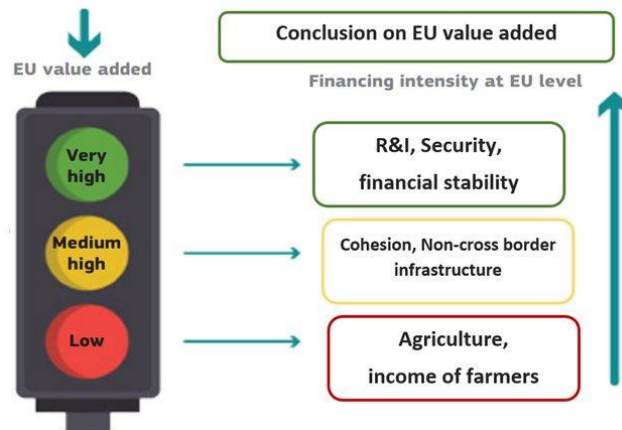


Figure 1: Added value of EU Budget by policy area⁴

3.1 New priorities calling for EU budget support

The Reflection paper on the future of the EU finances confirms a trend highlighted in the CPMR's last [Technical Note on the Future of the EU budget](#) (February 2017), namely emerging priorities at European level shaking up the place (and role) of established EU policies and programmes.

"In the future, migration management, internal and external security, external border control, the fight against terrorism and defence will need to be budgeted within a longer-term perspective"⁵

Many of these emerging priorities are alluded to in the Reflection paper and President Juncker's 2017 State of the Union speech.

- **Defence.** Plans for a European Defence Union by 2025 would be partly supported by a EU budget contribution of 1.5 billion euros per year. This would amount to a budget of 10.5 billion euros over a seven-year period. By way of comparison, total funding for European Territorial Cooperation programmes equates to 9.2 billion euros for 2014-2020. EU budget Commissioner Günther Oettinger strongly supports this transfer of EU resources for a EU Research and political programmes in the field of defence, which he recalled during the [Conference on the Future of EU Finances](#) in September 2017.

⁴ Graph presented by Daniel Gros, Centre for European Policy Studies, at the [Conference on the Future of EU Finances](#), September 2017.

⁵ Extract from President Juncker State of the Union speech

- **Migration.** There is an underlying assumption that migration and control of external borders will enjoy a higher share of the EU budget than the current MFF⁶.
- **A budget for the Eurozone.** Plans for a budgetary facility for countries in the Eurozone are slowly taking shape. There is no consensus as to whether a Eurozone budget would be confined to preventing shocks in the euro area or whether its role should be broader to help reduce unemployment and support fiscal convergence and investment, [as supported by French President Macron](#).

Commission President Jean-Claude Juncker did confirm in his State of the Union speech that the post-2020 EU budget would include a budget line for the Eurozone⁷.

What it means for the CPMR

With new and emerging priorities at European level, the temptation to reduce the scope of existing EU policies to make way for new ones has never been greater.

A Eurozone budget line within the EU budget raises questions on the role of such a budget vis à vis other investment policies, such as Cohesion Policy.

3.2 A larger Horizon 2020, a stronger CEF and a bigger EFSI

In addition to the above-mentioned priorities which are set to receive preferential treatment in the next EU budget, there are strong signals pointing to the strengthening of a select number of existing EU policies.

- **Towards a doubling of the budget for Horizon 2020?**

A high-profile [report from the independent High Level Group on maximising the impact of EU Research & Innovation programmes](#) (Lamy report), published last July, set out recommendations supporting a reinforcement of Horizon 2020 for the next MFF.

These include increasing the budget for the next new Framework Programme (FP9) to at least 120 billion euros for post-2020, in light of the success of the current programme and the issue of underfunding of quality projects.

The report also calls for the FP9 to act as a true investment programme which would ‘*set the agenda for research and investment within structural funds*’.

- **A reinforced Connecting Europe Facility (CEF) for post-2020?**

The [Connecting Europe Days](#) in Tallinn on 21/22 September 2017 offered strong clues as to what might be the role and place of the CEF in the post-2020 period.

⁶ President Juncker stated the following: ‘*There are a number of new challenges [such as] the management of irregular migration and refugees, including integration and the control of external borders in which the EU budget will need to do more than today*’

⁷ “*We do not need a budget for the Euro area but a strong Euro area budget line within the EU budget.*”

The strong project pipeline, the high absorption rate (92% as of September 2017) of the CEF and the near unanimous support from the Parliament and Member States on its efficiency as an instrument makes it likely for the CEF to remain as a permanent fixture in the EU budget for post-2020.

Similarly to Horizon 2020, there are calls from both transport organisations⁸ and Members of the European Parliament (MEP) to increase the CEF budget for post-2020, with MEP Dominique Riquet (Vice-Chair of TRAN Committee) going as far as proposing a budget of 70 billion euros (compared to a budget of 30.4 billion euros in the current period).

A combination of CEF and European Fund for Strategic Investments (EFSI) is also supported quite unanimously, provided that an increased amount of EFSI is dedicated to transport infrastructure (only 9 % so far) and the kind of project to be supported by grants, loans, or a combination of both is clarified.

- ***A bigger EFSI***

Plans for a continuation and expansion for the EU investment plan for Europe beyond 2020 have been underway for quite some time. The so-called 'EFSI 2.0' is expected to mobilise at least 500 billion euros of investment in the post-2020 period.

3.3 What does that mean for CPMR priority areas?

Having examined developments regarding the role of the EU budget and its likely key focus for post-2020, this sub-section briefly looks at possible consequences for CPMR priority areas, namely Cohesion Policy, Maritime affairs, and Transport and Accessibility.

- ***Cohesion Policy***

Despite some positive messages regarding the contribution of Cohesion Policy to Europe's investment effort in the EU Finances Reflection paper, it goes without saying that the policy is under considerable pressure.

Recent developments suggest using **Cohesion Policy funds as an incentive to encourage Member States to enforce structural reforms** or for Cohesion Policy to be a **mere subordinate to the Horizon 2020 programme**, as suggested in the Lamy report, put into question the 'raison d'être' of the policy.

Such issues are addressed more specifically in the CPMR's technical note on 'A future for Cohesion Policy? Avenues for reform' of October 2017.

- ***Maritime affairs***

Regrettably, policies and funds supporting maritime issues are not treated directly in the EU finances Reflection paper. However, some of the points of criticism voiced against the Common Agricultural Policy and Cohesion Policy in this paper can easily be transposed to the Common Fisheries Policy and the European Maritime and Fisheries Fund (EMFF).

Notably, the late adoption of the ESI funds regulation and the subsequent slow start of operational programmes is used by Cohesion policy critics as a pretext to conclude that ESI funds are inefficient, and that they should be reduced in scope. This is particularly true for the EMFF regulation which was adopted in May 2014, five months after the start of the programming period.

⁸ 20 Transport organisations signed a manifesto entitled "more EU budget for transport, the best Investment Plan for Europe"

In addition, the idea of a single investment fund proposed in the EU finances Reflection paper to merge all five ESI funds is not without its risks, particularly regarding support towards the Common Fisheries Policy and the Integrated Maritime Policy which might not be guaranteed in such a scenario.

The CPMR holds the view that the EMFF is fundamental to support the Common Fisheries Policy.

Any significant budgetary reduction would equate to the EU reducing its long-term ambition for sustainable management of living marine resources and to ensure a fair standard of living for fishing communities. It would also reduce the capacity of the EU to develop a long-term ambition for sustainable blue growth via the Integrated Maritime Policy.

- **Transport and accessibility**

As mentioned above, there is a real interest from various parties to renew - and potentially strengthen – the CEF for the post-2020 period. Such support is not necessarily all good news for the CPMR and its regions, however:

- there is **no talk of EU policies and funding mechanisms supporting transport taking into account ‘accessibility’ as a priority** – a long lasting policy demand for CPMR. The European Commission (DG MOVE) seems more interested in enhancing ‘connectivity’ when it comes to the delivery of the CEF, an entirely different priority altogether.
- as mentioned in previous CPMR papers, the question of **how Europe’s transport infrastructure needs will be financed hangs in the balance**. Since 2014, 95% of the CEF allocation has been allocated to projects on 9 priority corridors crossing Europe (mainly in the North-South direction), and only 5% to projects located on the comprehensive network. The same goes for the Motorways of the Sea - the “maritime strand of the TEN-T” - which also lets aside peripheral and island ports⁹.
- **there is a strong push for financial instruments** (via the EFSI or through the CEF itself) **to be used more prominently in the future** – which poses problems for some CPMR regions at the very periphery of Europe.
- linked to the above point (and not addressed in the EU Reflection paper) lies the question of rationalising support for transport projects from the EU budget. **The question of whether a part of the ERDF, a part of the EFSI and the CEF itself will remain dedicated to supporting transport will need to be addressed**, with the real possibility that these programmes and instruments be merged and rationalised in the future.
- **unlike Cohesion Policy which is based on the principles of partnership and multi-level governance, the CEF is centrally managed and is based on calls for proposals**. The future CEF should be developed to include provisions for meaningful partnership with regional authorities.

4. Developing a CPMR vision for the future of the EU budget

The CPMR secretariat suggests building on policy positions adopted on the CPMR priority areas since its 2016 General Assembly to **develop an overall vision for the EU Budget for the post-2020 period responding to the demands and needs of peripheral and maritime regions**, and in the spirit of

⁹ See 3 recent CPMR papers arguing for this: one of [CEF principles post-2020](#), one asking for [improvement of the 9 corridors’ alignments](#), and one proposing a [renewed policy for MoS](#).

realising social, economic, and territorial cohesion. This vision will be **central to the second phase of the CPMR reflection** on the future of Europe.

The vision will be put for adoption by Members at the meeting of the CPMR political bureau in March 2018.

It suggests that the vision should be built by addressing the following key questions:

- **Should the EU budget be rationalised so that new priorities can be supported** without putting existing policies supporting regional development in jeopardy (Cohesion Policy in particular)?

The CPMR is working on scenarios and concepts to modernise Cohesion Policy (see CPMR Technical Note on Cohesion Policy, October 2017)

- **Should the CPMR take a view on adding new 'own resources' for the EU budget?**
Such is the view of the Committee of the Regions in a [recent report calling for a reform of own resources](#) by Isabelle Boudineau, Vice-President of Nouvelle Aquitaine Region, PES Group.
- **Should the CPMR ask for a higher EU budget** for the next programming period, bearing in mind the higher number of priorities set to be financed by the MFF?
- **How should infrastructure projects** (transport projects in particular) **be supported** in the next programming period?
- **How should maritime issues be financed in the post-2020 period and what future for the EMFF?**



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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.

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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