



2021-2027 EU budget negotiations: a state of play

IN A NUTSHELL

The Multiannual Financial Framework 2021-2027 (MFF) negotiations will take a new dimension in the coming weeks: the Finnish Presidency of the Council will produce a widely anticipated proposal for discussion with the EU27 Member States with financial amounts for each of the EU budget line for the 2021-2027 period at the end of October, with a view to reaching an agreement in December.

Meanwhile, the European Parliament appointed its negotiating team of MEPs in September to defend its position and reach an agreement with the Council next year.

The purpose of this paper is to give an overview on the latest state of play of negotiations regarding the EU Budget for the 2021 – 2027 period and relevant issues for the CPMR members related to the MFF.

This note looks at the following aspects:

- **Section 1** highlights the institutional context that are expected to shape the negotiations in months to come;
- **Section 2** reviews the key issues at stake for CPMR members when it comes to MFF negotiations on CPMR core policies, with a large focus on Cohesion Policy to echo the attention put on ESI funds as part of the MFF negotiations;
- **Section 3** provides an insight into the technical update of the MFF and possible political repercussions on negotiations in the Council;
- **Section 4** reviews past and future actions from the CPMR on the EU budget.

1. What is the context for EU budget negotiations?

1.1 Why do MFF negotiations matter for CPMR Member Regions?

Negotiations over the MFF 2021-2027 are of critical interest for the CPMR as the spending structure agreed will pave the way for EU policies implementation in the years to come, including CPMR core areas of interest. **It is worth recalling that MFF negotiations are not only about money:** politically sensitive issues linked to EU spending programmes are also addressed at the Council ad hoc MFF working group and will be agreed as part of the EU budget negotiations.

A key aspect of MFF negotiations in the Council is the so-called 'MFF negotiating box'. The MFF negotiating box is a living document used by Member States to track progress of the negotiations at Council level.

1.2 How much progress in the Council?

Reaching a deal for the next MFF has not been a priority for EU Member States since the European Commission issued its proposal for a 2021-2027 MFF back in May 2018, prompting barely concealed [irritation from the side of the EU Budget Commissioner Gunther Oettinger last month](#).

The October European Council summit (17-18 October) is expected to be a turning point on the MFF negotiations. For the first time, European Heads of State and Government will be discussing on the MFF figures and allocations. The Finnish Presidency has been working on the preparation of a Presidency Paper to prepare meaningful discussions at the European Council, while trying to accommodate all Member States positions.

After the EU Council, the Finnish Presidency will release a **revised negotiation box setting the amount and structure of EU spending for the 2021-2027**. It is worth to highlight that for the first time the Presidency MFF negotiating box will include figures for each of the EU budget lines as a basis for discussion with Member States. The ad-hoc MFF working group and the General Affairs Council will continue with the negotiations to work towards a final agreement.

1.3 What about the European Parliament?

The European Parliament adopted its [position on the MFF 2021-2027](#) as early as November 2018, which included financial proposals for the very first time.

The new European Parliament plans to adopt a **short resolution in October to recall the EP position on the MFF** with the support of the major political groups (EPP, S&D, Greens-EFA, Renew Europe). This resolution is also likely to stress new elements such as ensuring that beneficiaries of EU funds are not affected by a possible 'hard Brexit', which would lead to a significant gap in the 2014-2020 EU Budget.

MEP Jan Olbrycht (EPP, PL) - who was already a co-rapporteur on the file during the previous EP mandate - together with MEP Margarida Marques (S&D, PT) will lead the negotiations. As established in the treaties, the European Parliament must approve the agreement reached in the Council by a majority vote.

1.4 What does the calendar look like?

The divergence of views from Member States on the overall size of the EU budget, on the financial envelopes of EU policies supported by the MFF, and on the mechanisms to finance the EU budget (own resources), it **seems unlikely that an agreement will be reached before the end of the year** contrasting with the timetable set by the June European Council, in which an agreement was called for the European Council in December.

The existence of various ‘groupings’ of Member States (the so-called ‘frugal four’¹), internal alliances among them – e.g. net payers vs net beneficiaries – and controversial mechanisms to agree on such as the conditionality on the respect of the rule of law are factors which will weigh in on the negotiations. Besides, the extreme level of uncertainty in relation to how the United Kingdom will leave the European Union (if it does at all, and if so, at what point) is worth pointing out.

1.5 Will the new European Commission weigh in on the negotiations?

A new European Commission led by the President Ursula Von der Leyen will be in office from the 1st of November with new priorities and political impetus. President Von der Leyen’s priorities were presented in July as co-legislators are already negotiating the future MFF framework based on the Juncker Commission proposal. It will be the **role of President Von der Leyen in the next months to somehow steer Member States and the Parliament to shape and align the MFF to deliver the new European Commission ambitions.**

At this early stage, it is worth pointing out President Von der Leyen’s positive words on Cohesion policy and words towards energy and climate, which mirror closely priorities for the CPMR and its Member Regions. There are question marks, however, regarding new elements such as the “Just Transition Fund” to support people and regions most affected by the energy transition. At the time of writing, no further details on the Just Transition Fund have been released. The CPMR will be keen to monitor where that fund fits in the overall framework in relation to other EU policies, and crucially, whether it will lead to an increase in the overall EU budget.

1.6 When will the EU budget proposal be updated with new statistical data?

The European Commission is expected to publish a technical update of the multiannual financial framework proposal for the 2021 – 2027 period. The revised proposal will take into account the latest set of EUROSTAT statistics upon which the EU budget proposal is based, encompassing more up to date regional gross domestic product, employment and social data and revised national economic growth projections.

Updating the statistical baseline makes sense given the length of the interinstitutional negotiations on the MFF² and matters especially for policies supported by the EU budget considered under ‘shared-management’, such as Cohesion Policy and funds like the EAFRD and EMFF.

The political repercussions of such an update are explored in further details in Section 3 of this note.

2. A glimpse into the MFF negotiating box

This section takes a closer look at the items within the MFF negotiating box of relevance to the CPMR.

Overall size of the next MFF and headings spending lines. There are yet no figures on the overall level of financing for the 2021-2027 MFF within the negotiating box. Little seems to have changed in terms of dynamics within the Council:

- **“Net-contributors” are standing for an EU budget close to the 1% EU Gross National Income (GNI).** [Germany confirmed its intention not to increase its contribution beyond 1% of its GNI](#) at the last General Affairs Council meeting on 16 September, for instance. A stance lower than the European

¹ Netherlands, Denmark, Austria and Sweden

² Reaching an agreement for the 2014 – 2020 EU Budget proposal took about two years (the EC proposal was issued in June 2011 and the co-legislators reach an agreement in June 2013). Agreements on sectoral legislation took significantly longer in some cases (the EMFF regulation was officially adopted in May 2014).

Commission proposal of an overall budget corresponding to the 1.11% EU 27 GNI and far less than the 1.3% of the European Parliament.

- **Cohesion policy and CAP beneficiaries are strongly defending their positions** to preserve the policies existing envelopes.
- **Member States are very divided on the implementation of new EU resources** (e.g. carbon tax or taxation on plastic packaging), being France and Italy the most ambitious on the matter.

Cohesion policy. Cohesion Policy is under significant scrutiny as part of the MFF negotiations. The negotiating box fully reflects that and includes the overall allocation methodology for ESI funds and policy issues considered as politically sensitive. In line with adopted positions at the CPMR, the main issues under discussion include the following:

- Figures have not been presented yet but it is widely anticipated that the Finnish Presidency will propose a reduction for the **Cohesion policy budget line**
- On the **transfer of cohesion funds to direct or indirect programmes**: the current negotiating box foresees that a 5% of the allocations could be transferred. On this point, the CPMR is against any further outsourcing of Cohesion Policy funds seeing the cuts that the policy could suffer.
- Many Member States stand for significantly lower **pre-financing and co-financing rates** than the ones proposed by the European Commission.
- **Macroeconomic conditionality**, which the CPMR rejects, and the link with the European Semester are issues under discussion as part of the negotiating box.
- The European Commission proposed **national thematic concentration for the ERDF** in May 2018. At this stage of the negotiations, the option is left open for Member States to decide between regional or national thematic concentration. The CPMR defends the establishment of thematic concentration at regional level and considers the optional choice could have a discriminatory approach as regions in the same eligibility category from different Member States could have different thematic concentration thresholds.
- On the **allocation methodology for European Territorial Cooperation**, whilst the CPMR has welcomed the fact the ETC allocation methodology reflects the reintegration of maritime cross border programmes under the cross-border cooperation strand, it rejects the Council proposal on the table in relation to the allocation criteria establishing border regions those which half of the population is 25 km of the border.

The CPMR defends a methodology which does not discriminate against maritime programmes and proposes instead of to use the current methodology for ETC for the 2014 – 2020 period whilst adapting it to integrate the additional two new components (Component 3 and Component 5).

- The **ETC Component 5 “Interregional innovation investment”** could suffer a lower overall budget as the provision on the negotiation box splits the budget proposed by the European Commission (970 million €) between the funding of the instrument under ERDF and other ETC components.

2021-2027 cohesion policy negotiations: where do we stand?

In parallel to the MFF negotiations, **interinstitutional negotiations between the Council and the new European Parliament on the Cohesion policy legislative package 2021-2027** (involving four main regulations: CPR, ERDF-CF, ESF+ and ETC) started at the end of September.

The trilogues planned during the Finnish Presidency will deal with the Common Provisions Regulation provisions on management and control, enabling conditions and programming. The Finnish Presidency and the European Parliament have agreed to start with these provisions as these are key provisions for the establishment of the operational programmes and to give greater clarity to Member States and regions as the early stages of the programming are already happening between the European Commission and Member States.

This is of relevance for the CPMR as these blocks include provisions on partnership and multilevel governance. Through the [Open letter to European Parliament and Council of the EU: 'A Cohesion Policy based on strong partnership principles with regions at its core'](#) the CPMR showed its concerns as the position of Member States stands for a much weaker view on partnership and multi-level governance. The CPMR asks for the maintenance of the core principles of Cohesion Policy, such as shared management, partnership and multilevel governance.

The technical note on the [Impact of the CPMR proposals for amendments on Cohesion Policy package](#) outlines the positions of the European Parliament and the Council on the key elements of the package.

Transport policy. The overall level of financing dedicated to the Connecting Europe Facility and its dedicated part to transport infrastructure is a key element for the CPMR in the negotiating box. The CPMR considers that a potential decrease on the dedicated resources to transport infrastructures in the EU budget is incompatible with the ambition of the EU to complete the TEN-T network. The funding of infrastructure projects connecting the peripheries to main transport hubs and to the 9 priority CEF corridors is therefore more than at risk.

The CPMR also questions the ability of the share of the budget dedicated to Transport as it stands to meet the significant investment challenge that the transition to a climate neutral Europe demands.

Maritime and fisheries policy. The CPMR will pay close attention to the European Maritime and Fisheries Fund (EMFF) budget allocation. The CPMR asks to maintain the EMFF budget at least to the same level than for the 2014-2020 programming budget in order to support the Common Fisheries Policy as well as sustainable blue growth.

Climate policy. The stronger emphasis on supporting climate is stated in the Council negotiation box with the proposal to establish a target of 25% of EU expenditure contributing to climate objectives. The CPMR welcomed the provision as the CPMR calls for greater investment at all levels to facilitate the mobilization of European funds in support to regions' strategies for climate action.

Migration policy. On aspects of the MFF related to migration, the CPMR will keep a close eye on the allocations for the financial instruments dealing with migration (NDICI, AMF, and the ESF+)³. The CPMR considers that the budget European Commission envisaged is paramount to implement actions in the areas of migration.

³ The Neighborhood, Development and International Cooperation Instrument (NDICI), the Asylum and Migration Fund (AMF) and the European Social Fund Plus (ESF+).

3. Potential impact of MFF technical update: CPMR analysis

As confirmed at the last CPMR Core Group meeting on 25 September with MFF ‘attachés’ from Member States Permanent Representations, a general update on the statistics used to calculate the overall level of the EU budget can only occur if requested by the Council. At the time of writing, we understand that such a request may be made after the 16 – 17 October EU summit and before the December EU summit.

Although the technical update is no more than a statistical and mathematical exercise, **it is likely to lead to significant political repercussions on the negotiations on the post-2020 EU budget**, particularly when it comes to national allocations from Cohesion Policy.

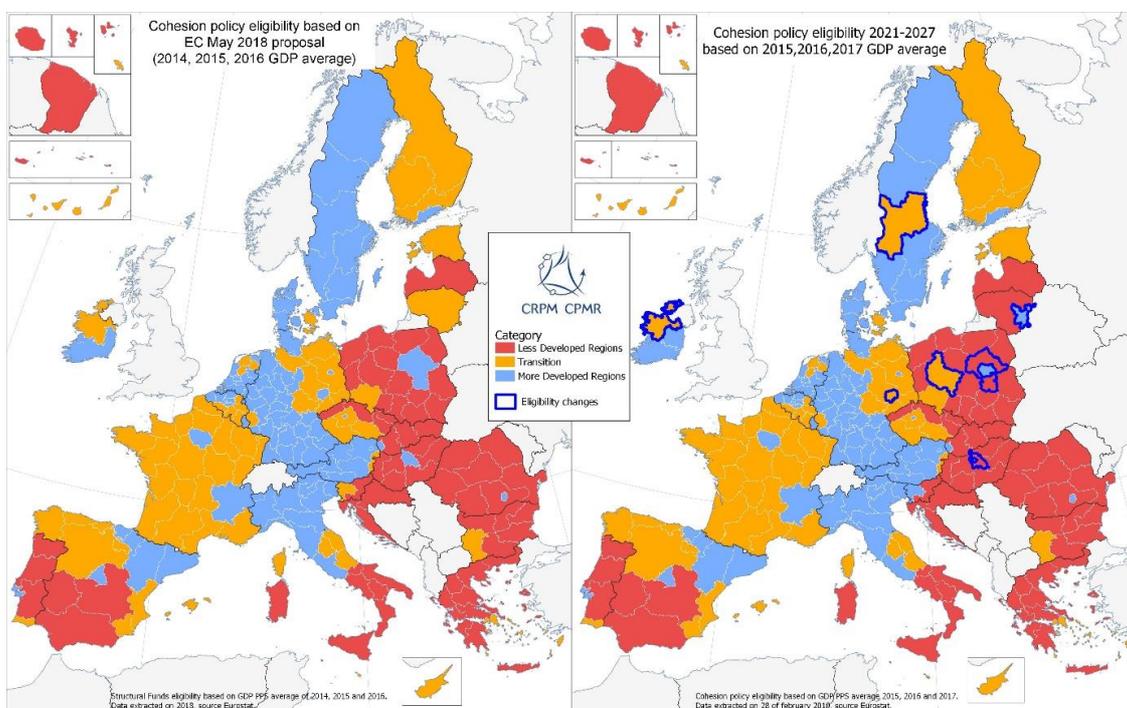
Running the CPMR in-house statistical model with the latest set of available EUROSTAT statistics⁴ enables us to draw some initial conclusions and observations on the future course of action for MFF negotiations.

This section looks at the impact of changes regarding Cohesion Policy regional eligibility first, before dwelling into consequences on Member States’ national allocations for Cohesion Policy and laying down conclusions and key findings.

3.1 Changes to regional eligibility under Cohesion Policy

One of the determining aspects of Cohesion Policy allocations at national level is the so-called regional eligibility for Cohesion Policy according to the three categories of regions (more, less developed and transition regions).

The maps below show the differences in Cohesion Policy regional eligibility between the ‘official’ baseline published by the European Commission in May 2018 (on the left) with a projection for a more up to date eligibility map taking into account 2017 regional GDP data⁵ and NUTS boundary changes in some Members States. **Please note that this is NOT an official map but merely an estimate put together by the CPMR General Secretariat.**



⁴ The CPMR General Secretariat also followed the official MFF ‘Fiches’ communicated to the co-legislators, included the revised versions issued in July

⁵ EUROSTAT published regional GDP data for all European regions for 2017 in March 2019

Should regional GDP data from the last three available years (2015, 2016 and 2017 average) be used, regions in Poland, Germany, Hungary, Ireland, Sweden, Lithuania would change eligibility compared to the proposal made by the European Commission. This is also due to changes regarding NUTS II territorial boundaries in some cases (in Poland, Ireland, Lithuania and Hungary).

3.2 Impact on Member States' national allocation for Cohesion Policy

Beyond the changes to regional eligibility under Cohesion Policy described above, a technical update on the MFF proposal taking into account the most recent data (including 2017 regional GDP as mentioned above) would have far reaching consequences on the Member States' national allocation for Cohesion Policy.

In September 2019, the CPMR General Secretariat ran a projection to calculate Member States' allocations under Cohesion Policy (as described under Annex XXII of the Common Provision Regulation) **using the most available set of statistics.** *As this is still work in progress and because of the complexity involved in interpreting the overall allocation methodology for ESI funds, the following conclusions are purely indicative. Interested CPMR Regions are invited to contact the CPMR General Secretariat for further details.*

Key findings

- **Allocations for Member States concerned by a provision known as 'capping'** (which fixes the overall level of the Cohesion Policy allocation for concerned countries on the basis of Gross Domestic Product at national level) would generally increase, compared to the European Commission proposal issued in May 2018. These countries include BG, EL, HR, LV, LT, HU, PL, RO, SK according to our projection.

This can partly be explained by the higher rate of economic growth in concerned countries compared to the EU average which would result in a mathematical increase in the Cohesion Policy allocation for concerned countries. To add complexity into the mix, the mathematical effect of these increases could be limited for countries also concerned by the other capping rule based on 2014-2020 allocation.

- **Allocations for Member States concerned by a provision preventing Member States from receiving more than 108% of their 2014- 2020 allocation** (such as BG, DK, EL, RO according to our projection) would not change

- **Allocations for Member States concerned by a safety net ensuring that no Member State can receive less than 76% of its 2014-2020 allocation** (such as CZ, DE, EE, IE, MT, SI according to our projection) would not change either.

- **There is no general pattern for allocations for Member States with a majority of transition and more developed regions.** However, there are sometimes significant changes compared to the EC proposal issued in May 2018 at theoretical regional level.

3.3 What does it mean for the future of MFF negotiations?

- If the MFF is updated in December 2019 based on the most up to date statistics (as we understand at the time of writing), there will be subsequent changes regarding national allocations for Cohesion Policy. As explained above, **these changes are substantial in some cases and are likely to impact discussions in the Council on the future of the EU Budget**
- A key question regards **the timing of such a technical update.** If produced at the same time as expected cuts to be tabled by the Finnish Presidency after the next EU summit in October, this may lead to a hardening of Member States' positions regarding the next MFF and **lead to delays in reaching an overall deal.** A late overall deal on the EU budget would impact on negotiations concerning funds

under shared management and could affect the start of the programming process for ESI funds for the 2021-2027 period

- The initial results presented above throw up wider – and more long term - considerations on the methodology used to calculate allocations for Cohesion Policy. According to our model, **only seven Member States (BE, ES, FR, IT, PT, FI and SE) 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.

What happens if nothing happens?

The European Commission had an extremely ambitious timetable in mind when publishing the MFF proposal in May 2018. The 2021 – 2027 EU Budget was supposed to be done and dusted before the European Elections in May 2019. The CPMR shared its doubts early on regarding this over-ambitious timetable.

Despite the efforts of the European Parliament, the May 2019 deadline passed and 2021 (the first year of the next programming period) is getting ever closer.

Addressing challenges as laid out in Section 3 as well as Brexit will be critical in order to reach an appropriate consensus in time for the MFF 2021-2027 to be fully operational on 1 January 2021.

The CPMR would be keen to see the European Commission develop a contingency plan and/or safety nets protecting managing authorities and beneficiaries of EU funds in the current programming to ensure continuity in case an agreement is not reached soon enough.

4. Actions from the CPMR on the future of the EU Budget

The CPMR has long defended its [messages on the MFF proposal](#) on the core policies of interest in line of the main messages outlined in its vision for a post-2020 EU budget.

The CPMR General Secretariat is monitoring with attention the discussions on the Multiannual Financial Framework 2021-2027. As part of our advocacy work, a series of meetings with key EU actors and actions have already taken place in order to promote the CPMR vision for an ambition EU budget.

- **Exchange of views between CPMR members and MFF attachés**

The CPMR's Cohesion policy working group held a meeting with EU Member State's MFF attachés on 25 September to present the CPMR messages on the MFF specific provisions linked to its policy areas of core strategic interest. The event gathered the attachés from France, Germany, Italy, Portugal, Croatia, Cyprus, Ireland, Malta together with over 60 representatives from CPMR Regions.

- **Meetings with key MEPs on budget and cohesion**

The CPMR is working towards organising political meetings between CPMR elected members and the MFF co-rapporteurs. The meetings will be the opportunity to share CPMR key messages on the relevant files in view of the upcoming negotiations between the European Parliament and the Council of the EU.

Jan Olbrycht MEP (co-rapporteur on the MFF) and Younous Omarjee (REGI Committee Chair) are taking part in the CPMR General Assembly in Palermo on 16-18 October which provides an excellent opportunity for CPMR Members for engagement on the future of the EU budget and Cohesion Policy.

The CPMR General Secretariat will continue to monitor the negotiations between the European Parliament and the Council and will report to Members on key developments of relevance.



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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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