Mapping out a EU budget for post-2020

This is a background document prepared for CPMR Members of the Political Bureau ahead of its meeting on 8 March.

Main conclusions


- The European Commission laid down a menu of options for Member States to choose from for the next MFF, rather than proposing a clear vision for post-2020 with regards to policies and programmes.

- This document is an analysis from the CPMR secretariat on the key issues for CPMR members within the Communication. It is presented as follows:

Section 1 presents budgetary scenarios put together by the CPMR secretariat to link figures provided in the European Commission Communication with the Commission’s Future of EU Finances Reflection paper scenarios for the Future of Europe

Section 2 analyses the key principles guiding the next Multiannual Financial Framework as presented in the 14 February European Commission Communication

Section 3 examines what this Communication means for individual policies of particular relevance of CPMR member regions
### CPMR mapping exercise (figures in billions of EUR)

**WHITE PAPER SCENARIOS**

Currently (2014 – 2020)

<table>
<thead>
<tr>
<th>POLICY PRIORITIES</th>
<th>1 - Carrying on</th>
<th>2 - Doing less together</th>
<th>3 - Radical redesign</th>
<th>4 - Doing much more together</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VOLUME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.084</td>
<td>1.187</td>
<td>824</td>
<td>1.050</td>
</tr>
<tr>
<td><strong>COMPETITIVENESS</strong> (Heading 1.a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Erasmus+</td>
<td>14,7</td>
<td>142</td>
<td>197</td>
<td>142</td>
</tr>
<tr>
<td>Research and Innovation H2020</td>
<td>80</td>
<td>Slightly higher share</td>
<td>Same as in scenario 1 but significantly lower amount</td>
<td>Higher share</td>
</tr>
<tr>
<td>Others under 1.a</td>
<td>47</td>
<td></td>
<td></td>
<td>Higher share</td>
</tr>
<tr>
<td><strong>ECONOMIC, SOCIAL AND TERRITORIAL COHESION</strong> (Heading 1.b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cohesion Policy</td>
<td>370</td>
<td>370</td>
<td>246</td>
<td>275</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lower share</td>
<td>Lower amount</td>
<td>Lower share</td>
</tr>
<tr>
<td><strong>AGRICULTURE</strong> (Heading 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAP</td>
<td>400</td>
<td>420</td>
<td>300</td>
<td>360</td>
</tr>
<tr>
<td>Others under 2.1</td>
<td>20</td>
<td>Lower share</td>
<td>Lower amount</td>
<td>Higher amount</td>
</tr>
<tr>
<td><strong>SECURITY, DEFENCE, MIGRATION</strong> (Heading 3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Border and Coast Guard</td>
<td>4</td>
<td>17</td>
<td>24</td>
<td>42</td>
</tr>
<tr>
<td>European defence (launched in 2017)</td>
<td>0,6</td>
<td>Higher share</td>
<td>No funding</td>
<td>Significantly higher share</td>
</tr>
<tr>
<td>Others under 3.</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXTERNAL ACTION</strong> (Heading 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>106</td>
</tr>
<tr>
<td><strong>ADMINISTRATION</strong> (Heading 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
</tbody>
</table>

---

1 Including the European Maritime and Fisheries Fund
1. Budgetary scenarios stemming from the EC Communication

This section presents four different EU budgetary scenarios for the next EU budget (see table above).

The CPMR secretariat attempted to match the various options put forward in the 14 February EC Communication with the ambition (e.g. ‘higher share’; ‘no funding’) of four of the five Future of Europe White Paper.

The purpose of this exercise is not to second guess upcoming negotiations on the future of the MFF, but to visualise the extent of the policy ‘choices’ which will have to be agreed upon by Member States and the European Parliament regarding the future of the EU budget.

The scenarios presented in the table above rest exclusively on the figures provided for in the Communication by the European Commission published last 14th of February. They only look at the expenditure side of the EU budget. Please see Annex 1 for methodological notes on the CPMR budgetary scenarios. There is a more detailed version of the above table on the CPMR website.

What do these scenarios reveal?

- Maintaining the current level of ambition for Cohesion Policy and the Common Agricultural Policy, increasing budget lines for programmes such as ERASMUS or H2020, and financing new priorities require substantial resources going a long way beyond the 2014 – 2020 EU budget – not to mention the need to replace the UK contribution to the EU.

- Adding up the most optimistic scenarios and budgetary increases mentioned in the Commission Communication would require €1,520 billion, a 40% increase compared to the 2014 – 2020 MFF (‘Doing much more together’ scenario).

- A scenario favouring ‘new’ priorities such as the ‘Radical Redesign’ scenario with a broadly comparable level of financing for the EU budget (€1,050 billion compared to €1,084 billion today) would imply substantial cuts to Cohesion policy (and the Common Agricultural Policy).

- The ‘Doing much more together’ scenario implies the (rather unrealistic) prospect increasing the financial allocation to all EU policies and programmes, including for Cohesion policy and the CAP. This is not foreseen in the Commission Communication (hence the ‘+’ signs in the table above).

CARRYING ON

- The ‘carrying on scenario’ shows how the EU budget would look like if the EU takes forward the current reform agenda of the Union: increase the budget in security, defence and migration, and focus more on youth and research and innovation while maintaining well-resourced ‘traditional’ policies.
- The total volume of the EU budget would increase slightly.
- Erasmus+, Horizon2020 and research and innovation (the competitiveness heading of the budget) would receive a slight thrust. Security, defence, migration and external action would receive a big boost.

---

2 The third scenario ‘Some Do More’ is purposefully left aside as it implies a rather complex system of ‘differentiated’ Member States contributions to the EU budget.
• Cohesion policy and the Common Agricultural policy (CAP) would maintain the same amounts they currently enjoy. Their share in the EU budget would be lower due to the increase of the overall budget volume and the increase of the other areas.

• It must be considered that the **EUR 25 billion suggested by the Commission for the Economic and Monetary Union could be in the future part of the Cohesion policy budget**. Whether it would be extra funding or be taken from the Cohesion policy budget remains to be seen. **This hypothesis applies to all the four scenarios.**

• **Cohesion policy would maintain around the same budget as for the 2014-2020 period. This budget would allow for the coverage of all EU regions and the pursuit of the treaty objectives.**

• This scenario would allow for a ‘modernisation’ of the EU budget: it support new priorities and preserves similar resources for ‘traditional’ EU policies without a significant increase of the overall budget. This scenario would require Member States increasing their contributions and potentially consider new own resources for the EU budget.

### DOING LESS TOGETHER

• This second scenario presents the view of an EU budget that only finances the functions needed for the single market.

• The volume of the EU budget would be, therefore, significantly lower than the current one – more than €250 billion lower.

• The amounts dedicated to Cohesion policy and the CAP would be the lowest considered by the European Commission in the Communication: a cut of around 30% to each of their respective budgets.

• The budget for Erasmus+, Horizon2020, research and innovation and the external action of the EU would remain the same as today.

• Security, migration and defence would not be supported by the EU budget.

• **Cohesion policy would no longer cover all regions.** Cohesion policy would need to focus only in Cohesion countries. Less developed regions in Spain, France and Italy would receive no support at all, not even outermost regions from these countries. For a detailed analysis of the implications of this cuts see [CPMR analysis on the Potential Budgetary cuts for Cohesion policy, December 2017](#).

• This scenario of reducing EU action in all domains is not likely to be supported by any Member State in its current form.

### RADICAL REDESIGN

• The ‘radical redesign’ scenario exhibits how the EU budget would look if it financed priorities with very high ‘EU added value’, as identified in the Communication by the Commission.

• The total volume of the EU budget would be slightly lower than the current one (EUR 34 billion lower)

• This scenario has been built by the CPMR with figures within the Communication to show a scenario in which:
  - the share of the budget for Horizon2020, research/innovation, Erasmus+, security, defence, migration and external action is significantly higher than it is nowadays, but not the highest amounts possible suggested in the Communication
  - the financial amounts for Cohesion policy and the CAP are lower than they currently are, but not the lowest possible (since the Communication recognises some added value for CAP and Cohesion policy within the Communication)
The given support for Cohesion policy would translate in a profound redesign of the policy: Cohesion policy would no longer be able to cover all Regions. More developed regions would no longer benefit from Cohesion policy.

This scenario would mean a radical redesign of the EU budget. The priorities of the EU will be significantly different too. This scenario has quite some support within certain Member States: Sweden, the Netherlands, Austria and Denmark seem to be its more vocal supporters.

DOING MUCH MORE TOGETHER

`Doing much together` would translate in a EU budget that would do much more across all policy areas.

The total volume of the EU budget would be significantly higher in almost EUR 500 billion.

Each of the “new(er) priorities” of the European Commission (research and innovation, Horizon2020, Erasmus+, security, defence, migration and external action) would have the highest amounts suggested within the Communication.

Cohesion policy and the CAP would also have the highest amounts suggested within the Communication, which would mean a status quo, maintaining the current amounts. However, their share would be significantly lower within the EU budget due to the increase of the rest of the policies.

This scenario would allow the EU budget to deliver on all of its existing priorities and properly finance ‘new’ ones.

2. Key principles guiding the next EU Budget

This section of the analysis identifies and analyses the key principles guiding the menu of policies presented in the Communication by the European Commission on the next Multiannual Financial framework (MFF).

More European added value

The document makes clear that the future MFF will only finance ‘European Added Value’ projects, policies and programmes which entails “pooling resources at European level to deliver results that spending at national level cannot.”

With the absence of a legal definition of European added value³, the concept is quite unclear and could lead to interpretation for renationalisation of some policies.

Doing more with less by increasing the use of financial instruments

The Communication proposes the creation of a ‘InvestEU Fund’⁴ to rationalise all existing EU financial instruments in order to double the investments mobilised by the MFF.

³ The draft European Parliament report ‘Preparing the European Parliament’s position on the future MFF’ asks the Commission to come up with a clear definition of the concept of European added value.

⁴ European Fund for Strategic Investments
An integrated facility merging existing EU financial instruments does have certain merits (clarity, simplification...) but leads to a number of questions: how would it fit with investment policies such as Cohesion Policy? Which role and type of accountability would the EIB have?

**A `Union reserve`**

- The Communication proposes the creation of a Union reserve of around EUR 21 to 28 billion ‘to achieve common priorities and to achieve common challenges’.

The CPMR had proposed a ‘crisis contingency fund’ in its 2012 position for the 2014-2020 Cohesion policy to address unforeseen challenges. Such an option would be preferable to the European Commission’s current tendency to divert funding from an existing budget line to achieve different objectives. This is the case with the December 2017 EMU package proposing to use the performance reserve of Cohesion Policy to support Member States implementing structural reforms.

**Reinforcing conditionalities in the EU budget**

- The Communication is clear about the fact that conditionalities within the EU budget will be reinforced after 2020, meaning that there will be more ‘strings attached’ to the disbursement of EU funds.

The section of the Communication which covers conditionalities lacks clarity on many levels: - first of all, the paper forgets to include regional authorities when affirming that all Member states and beneficiaries are required to show that the relevant EU regulations are being implemented correctly or that the necessary administrative capacity exists. They do so through **ex ante conditionalities, which only exists within Cohesion policy**. Why is this not mentioned in the Communication?

- secondly, the Communication says that any financial conditionality would require a sufficient connection between the conditions imposed and the aim of the funding. **This could be interpreted as in the future, the conditionalities of Cohesion policy will only be linked to its objectives.**

- thirdly, while the Communication is clear about the need to make sure that beneficiaries such as students through Erasmus+ should not be penalised by conditionalities, **it fails to mention regions**, which are already punished by macroeconomic conditionality for unsound fiscal and economic policies at national level.

**3. What does it mean for individual policies?**

This section of the document focuses on the potential impact of the ideas laid down in the Commission Communication regarding policies of particular interest for CPMR members.

**COHESION POLICY**
Cohesion policy has an EU added value... The idea behind the Communication is that the EU invests only where there is real added value. Cohesion Policy is shown as an example of that logic in the Communication.

...but what is it for? Cohesion policy is labelled as the “main investment policy to reduce disparities among regions and member states” and “major drive of job creation, sustainable growth and innovation in Europe diverse regions”, but is also reduced to a policy “fostering economic convergence for the least developed regions”.

These contradicting definitions in the same document suggest radically opposed visions of what Cohesion policy should do after 2020 within the Commission, and explain to some extent why Member States are left with a choice to keep support to all regions or ‘save’ funding from the EU budget by limiting eligibility to the policy to the poorest regions (see CPMR analysis on the consequences).

A hint to thematic concentration in the future? The Communication provides hints as regards future support from the policy on innovation, industrial transformation, transition to clean energy, climate action and better employment opportunities. The ERDF is also mentioned as the most important fund for digital and the paper hints at the idea of doubling funding for digital.

Higher co-financing rates? If the policy is meant to cover all regions, the Commission suggests in any case “modulating aid intensities and better targeting support”, which could result in higher co-financing rates or a change in the funding allocation to regions across Member States.

Which link with the European Monetary Union?
- The ideas laid down in the paper would entail the creation of convergence facility and a stability function which would be linked to ESI funds (see CRPM issues paper on link between EMU and Cohesion policy). How would this stability function work and which role Cohesion policy and its funds would have?
- A budget line of €25 billion to support and incentivise structural reforms is suggested so that Cohesion policy could ‘strengthen its role as a driver for the modernisation of our economies’. Which kind of incentives would that be and how would these €25 billion be disbursed?

The lack of mention of key features of Cohesion policy, such as European Territorial Cooperation and the specific territories it covers as a matter a priority, is striking.

TRANSPORT AND ACCESSIBILITY

Transport issues are not covered a great deal in the Communication but, nevertheless, it is stated that:
- “The EU budget is primarily an investment budget, with a long-term planning horizon, providing high EU added value”: transport infrastructures clearly meet these features.
- “The next MFF must build on what works today while also anticipating the challenges of tomorrow” – and CEF is commonly agreed as an instrument “which delivers”. This is testimony to current support from EU institutions on the efficiency of the Connecting Europe Facility.

What is missing in the Commission Communication regarding transport and accessibility:
- The balance and the coordination between centrally managed tools and shared management ones, and the way central tools could be made more territorial-friendly.
- Digital transformation is important but it should not be forgotten that huge needs for basic infrastructures do remain.
• Transport is the only economic activity in which emissions are continuously increasing. Modal shift from road to rail and waterborne infrastructure is crucial and should be granted a level of priority at least equal to digitalisation.

• Market failures in peripheries as regards transport services and infrastructures are greater than elsewhere. This should be borne in mind by the Commission when shaping its global toolbox and the balance between grants and loans.

• Ports treated as cross-border facilities being by nature cross-border should benefit through the CEF from the same levels of cofounding as cross border roads or railways.

MARITIME AND FISHERIES

- The European Maritime and Fisheries Fund (EMFF) is not mentioned in the Communication. Some of the points of criticism voiced against the Common Agricultural Policy can easily be transposed to the Common Fisheries Policy and the European Maritime and Fisheries Fund, as aquaculture and fisheries are covered under the same title within the EU Treaty (TFEU). As the EC Communication rightly recalls, the EU budget helps the Union to implement common policies. The EMFF is, above all, the financial instrument of the Common Fisheries Policy, which is one of the few EU’s Common policies.

MIGRATION AND EXTERNAL POLICIES

- Migration is very present within the Communication, but no particular attention is paid to the internal dimension of migration policies.

  • The Communication does not pay particular attention to integration and reception policies. Migration is dealt from an EU’s external borders and EU interests abroad perspective.

  • The Communication is neither clear about the future role of the Asylum, Migration and Integration Fund (AMIF). It is unclear which will be the main fund for the internal dimension of migration for post-2020 (Cohesion Policy or AMIF).

CLIMATE CHANGE

- “Climate mainstreaming [is] an experience to take into account”. The choice of words from the Commission might suggest that there might be conflicting voices within the Commission, with some less convinced that ‘climate action’ should be a priority, whilst other pushing strongly on this agenda.

COMMON AGRICULTURAL POLICY

- Reducing the CAP budget and especially the first pillar? The Communication hints at the very likely possibility of a budget proposal with a reduced CAP budget (-15% and -30% cuts) and considers reducing and better targeting direct payments. The Communication does not develop further on how to do this though. Options under discussion are introducing co-financing in the first pillar or further and tighter capping (placing an absolute limit on total direct payment receipts). The Communication also ponders on how to reduce differences in the levels of support between Member States.

RESEARCH AND INNOVATION

- There is a strong push to increase the budget of Horizon 2020. The European commission proposes increases in the budget of the centrally managed programme of at least to EUR 120 billion up to 160 billion. It is treated as an overarching objective of the EU budget when it is affirmed that: “They are
the only way to simultaneously and sustainably tackle low economic growth, limited job creation and global challenges such as health and security, food and oceans, climate and energy.”

- The contribution of Cohesion Policy in research and innovation is not mentioned, even though ERDF contributes €44 billion to research and innovation for 2014-2020.

Annex 1 - Methodological notes for the CPMR mapping projection on the future EU budget

- The CPMR scenarios exclusively look at the expenditure side of the EU budget. They are independent, therefore, from the consequences of Brexit on the revenue side of the EU budget.
- All figures in this document refer to current prices
- The Communication does not single out every EU policy and programme funded by the EU budget. This is why the CPMR secretariat added up programmes not mentioned in the Communication to arrive at a total for each Heading (for instance ‘other under 1.a’)
- The CPMR secretariat has published a more detailed table with a breakdown of budget lines for individual policy areas under each scenario
- For the ‘Doing much more together’ scenario, since there are no plans to increase funding for CAP or Cohesion policy, the CPMR secretariat added a ‘+’ sign near the corresponding envelopes to signal the fact that these budget lines would be increased in such a scenario
Contact person: Nicolas Brookes, CPMR Director Responsible for Regional Policy and Estela Lopez-Hermoso, CPMR Policy Analyst

Email: nicolas.brookes@crpm.org; estela.lopez-hermoso@crpm.org

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.

www.cpmr.org

CONTACT:

Rond-Point Schuman 14, 1040 Brussels
Tel: +32 (0)2 612 17 00

Email: Secretariat@crpm.org; Website: www.cpmr.org