

Making sense of the EU Budget proposal for 2021 – 2027 focus on Cohesion policy

The European Commission published its long-awaited proposal on the post-2020 EU Budget on 2 May. For a variety of reasons which are covered below, it is very difficult to make sense of the proposals and therefore take a view on what the 2021 – 2027 EU Budget means for all of us who expected clarity regarding the expected cuts to the Cohesion policy budget.

The Commission had promised earlier this year that they would be transparent and that the EU budget proposal would be published in both 2018 prices and what the Commission calls 'current' prices. This was supposed to make things easier for observers of the EU budget wishing to compare budget lines with the 2014 – 2020 Multiannual Financial Framework (MFF) and to appease some - like the Committee of the Regions and the CPMR - who may have been concerned about budgetary cuts hidden by artificially inflated figures.

Since the proposal prompted at least as many questions as answers, **we thought we would openly share the questions we have on the EU budget proposal and some points of analysis on the issues at stake.**

▶ What is the difference between current prices and '2018 prices'?

Let's get this one out of the way first: what is the difference between current prices and '2018 prices'?

'**2018 prices**' (otherwise known as 'constant prices') correspond to the price index of a reference year - the year 2018 in this instance.

'**Current prices**' are the prices provided at a given moment (a day of a month of a specific year) and refer to prices in 'real' value, which means that they are adjusted over time to take into account inflation. In the case of the EU budget, the Commission applies a fixed 'deflator' of 2% each year on the basis of 2018 prices.

▶ Should we look at the Commission proposal on the 2021-2027 MFF in current prices or in 2018 prices?

To compare the 2014-2020 and the 2021-2027 MFFs, **it is unfair to compare the two reference periods in 'current' prices as they include price variations linked to inflation.** An ideal scenario would have seen the Commission present both MFFs using the same reference year: e.g; 2018. Since this is not available, the second-best option seems to be comparing the MFF for 2014-2020 in current prices (e.g; adjusted for inflation until 2020) with figures for the post-2020 MFF in 2018 prices.

Although this means comparing the current MFF including inflation projections for 2019 and 2020 (the last two years of this current MFF) with the 2021-2027 MFF in nominal terms (and not considering the effects of inflation), doing so beats the other obvious alternative, which is to compare both MFFs in current prices.

▶ **How do we compare budget lines for individual programmes in the 2014 – 2020 period with programmes in the post-2020 MFF?**

The simple answer is: you can, but it may require getting the information on different Commission Directorate Generals websites. Although the act of publishing the EU budget proposal in both current and 2018 prices is certainly laudable, it is very difficult to compare budget lines which currently exist in the 2014 – 2020 MFF with the proposal from the Commission on the post-2020 EU Budget.

It would have been much easier if the rather excellent breakdown of the EU budget per programme on the last two pages of [the Communication](#) was available for the 2014 – 2020 MFF. And many of us at the CPMR have tried to access such a document (which may not be public anyway) on the DG BUDGET website, in vain.

▶ **Which funds are covered by Cohesion Policy after 2020? Is the ESF in Cohesion Policy?**

The 13th footnote in the [Communication](#) appears to confirm that Cohesion Policy will cover the ERDF, the Cohesion Fund and the European Social Fund (ESF), but this is called into question on page 31 of the [Annex](#) which provides financial details as to how the ERDF and the Cohesion Fund will support Cohesion Policy... with a much reduced budget and without the ESF.

The ESF+ has its own section, its own budget line, and brings in other funds such as the Youth Employment Initiative, the Fund for European Aid to the Most Deprived, the Employment and Social Innovation Programme and the Health Programme. **Crucially, there is no reference to the ESF supporting Cohesion policy in the Annex.**

Of course, presenting the ESF in a different sub-heading of the MFF may be a mere window-dressing exercise to appease DG EMPL that the ESF will have its own place in the MFF. **But current rumours about the ESF being a national instrument after 2020, devoid of a territorial dimension and directly linked to the implementation of structural reforms is cause for concern.**

This means that even if the ESF is formally included in the Cohesion Policy ‘architecture’ and overall funding, it may be a structural fund in name only and become a totally different instrument after 2020. This is very bad news for Member States with regionalised ESF programmes... and those like the CPMR who believed that reinforcing social, economic and territorial cohesion required an integrated approach.

▶ **What does the Commission proposal mean for Cohesion Policy for the post-2020 period? What is the scale of the cuts?**

The question every Cohesion policy observer wants answered is simple: by how many billions of euros (or in percentage terms, alternatively), has Cohesion policy been cut compared to the 2014-2020 period?

The Cohesion policy budget for the 2014-2020 period is about EUR 355 billion in current prices, if we believe the excellent [Cohesion Data website](#), which unfortunately does not communicate the full figure in full (we took out the EMFF and the EAFRD to come to the EUR 355 billion).

Assuming that the ESF is indeed in Cohesion policy, if one adds up the budget lines for the ‘Regional Development and Cohesion’ sub-heading 2.5 of the post-2020 MFF proposal in 2018 prices (which includes the ERDF and the Cohesion Fund) and the budget line of the European Social Fund + under sub-heading 2.7, we arrive at a grand total of EUR 331 897 billion.

Which brings us roughly to the 7% cut Commissioner Oettinger was talking about.

But let’s be provocative here:

- ⇒ If we assume that the ESF remains a structural fund in name only, the real cut to Cohesion policy would be closer to 32%
- ⇒ Let’s not forget that the MFF proposal assumes that EUR 10bn of the Cohesion Fund will contribute to the CEF – Transport (which isn’t under shared management), which brings the compounded cut to 35%
- ⇒ Funds under Cohesion policy can (should?) also support the new ‘InvestEU’ programme (which merges all financial instruments at EU level and the EFSI)
- ⇒ Not to mention the lower EU-cofinancing rates which are expected to be lower for ESI funds for the post-2020 period

▶ How to make sense of the individual cuts for each fund under shared management?

Looking at all funds under shared management, the picture is extremely mixed. Here is table comparing the scale of the cuts (we used current prices for 2014-2020, and 2018 prices for the post-2020 MFF).

<i>(FIGURES IN BN EUROS)</i>	2014-2020	2021-2027	% CUT/INCREASE
ERDF	199 044	200 622	similar
COHESION FUND	63 282	41 374	35% cut
ESF	83 962	89 688 (ESF +)	7% increase
EMFF	6 396	5 448	15% cut
EAFRD	99 343	70 037	30% cut

We can draw several conclusions from these changes

- ⇒ cutting the Cohesion Fund for the post-2020 is most probably linked to the wider ambition of the European Commission to reduce the Cohesion policy allocations for ‘new’ EU Member States and increase those for countries in the South of Europe
- ⇒ the ESF after 2020 also includes other programmes such as the Youth Employment Initiative, the Fund for European Aid to the Most Deprived, the Employment and Social Innovation Programme and the Health Programme, which may explain the increase