CPMR forecast of post-2020 Cohesion Policy eligibility

Main conclusions

- The latest set of regional GDP statistics for 2016 confirm the rise of regional disparities in Europe, both across European regions but also within Member States.

- As the debate rages on as to whether Cohesion Policy should cover all regions (and the extent to which its budget should be cut) after 2020, the 2016 regional GDP statistics largely support the growing body of evidence calling for a stronger place-based approach within all EU policies as well as a strong Cohesion Policy to address the rise of regional disparities and ‘middle-income regions’.

- The option of modifying the eligibility threshold for transition regions (from 75% to 90% of the EU average currently, to 75% to 100% after 2020) is particularly attractive both to net contributing Member States (France, Germany and Finland in particular) and to CPMR regions. Going with that option would help secure support from net contributing Member States to a Cohesion Policy covering all European regions.

On 29 May, the European Commission is expected to have published its proposals for Cohesion Policy for the post-2020 period. These proposals will naturally follow on from the package for the 2021 – 2027 multiannual financial framework due on 2 May. Both proposals will partially be influenced by regional GDP statistics for Europe for 2016 published by EUROSTAT on 28 February.

At the time of writing, the survival of Cohesion Policy as a fully-fledged investment policy covering all European regions after-2020 is on the line.

The Communication issued on 14 February to present as series of options regarding the future EU budget was no valentine gift for European regions and supporters of Cohesion Policy. In an unprecedented move in the history of European integration, the European Commission

1 See 7th Cohesion Report, the ET2050 - Territorial Scenarios and Visions for Europe ESPON project, or academic articles such as ‘The revenge of the places that don’t matter (and what to do about it)’
took the bold step of offering a menu of three possible options regarding the future of Cohesion Policy coverage, with two options clearly demoting Cohesion Policy to a charity mechanism covering the least developed regions only.

Regardless of the position the European Commission will choose to take regarding Cohesion Policy coverage in its legislative proposals in May, regional statistics matter.

Regional Gross Domestic Product is key:
- **it determines the eligibility of regions** within the existing three categories of regions (more developed, less developed, transition regions)
- **it plays a key role in terms of determining financial envelopes allocated to Member States for Cohesion policy** (particularly those with a high number of less developed regions).

Notwithstanding possible changes to the allocation methodology for ESI funds after 2020 (see section 1 below), the CPMR General Secretariat presents **three different set of forecasts** in this paper, taking into account 2016 regional GDP data:
- a projection of Cohesion Policy eligibility for post-2020 based on the current system (Section 2)
- a projection of Cohesion Policy eligibility for post-2020 - with the UK as member of the EU (Section 3)
- a projection of Cohesion Policy eligibility for post-2020 - with a modified threshold for transition regions eligibility (Section 4)

### 1. CPMR forecasts – methodology and assumptions

The CPMR General Secretariat forecasts of Cohesion Policy eligibility in this document are based on the latest regional GDP statistics. This simulation takes into account the following elements and assumptions:

- Eligibility for Cohesion Policy is calculated using regional GDP (at NUTS II level) data in purchasing power standard (PPS) as a percentage of the EU average

- An average of three years is taken to determine in which category (more developed, transition, less developed) a region will be.

- The political agreement on the Cohesion Policy package for 2014 / 2020 reached in December 2013 confirmed that the reference period for Cohesion Policy eligibility would be the 2007/2008/2009 regional GDP average

- Cohesion policy will continue to cover all European regions. It is also assumed that the three categories of regions will be maintained, in line with the three options presented in the 14 February Communication.

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2 As suggested in the 14 February Commission Communication, see page 11
Based on the above, the exercise carried out by the CPMR secretariat considered the average of regional GDP for 2014, 2015 and 2016 for this analysis. Please click here for the full breakdown of regions changing eligibility.

The CPMR secretariat is aware of the fact that the allocation methodology for ESI funds for post-2020 will evolve to take into account a broader set of indicators. This is inevitable in light of Brexit and the absence of a Europe 2030 strategy for growth and jobs, as evidenced in the CPMR Technical Note ‘A future Cohesion Policy? Options for reform’ presented at its 2017 General Assembly in October.

2. Forecast A: Cohesion Policy eligibility (without UK)

The following map shows what the eligibility of regions within Cohesion Policy would look like using the latest GDP statistics. Brexit is considered as effective.

![Cohesion Policy eligibility 2014–2020: comparison of 2007, 2008, 2009 regional GDP as % of EU average with forecast based on 2014, 2015, 2016 regional GDP as % of EU average](image)

**Figure 1** – Cohesion Policy eligibility 2014 – 2020: comparison of 2007, 2008, 2009 regional GDP as % of EU average with forecast based on 2014, 2015, 2016 regional GDP as % of EU average

**Analysis of trends**

- 40 regions would change eligibility using the most recent regional GDP data.

- Out of these 40 regions, 25 would move down a category (from more developed to transition regions or from transition to less developed), whilst 15 would move up a category.

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3 The CPMR has worked extensively on the allocation methodology for ESI funds: please click [here](#) for a briefing note on the ‘Berlin formula’.
- At the level of the Member States, the regions of southern Europe are the most affected by these declines: 21 of these regions are in Greece, Spain, Italy, Cyprus, and Portugal.

- Greece and Spain are the countries with the most amount of eligibility changes.

- Many of the trends identified by the CPMR in its analysis published last year are confirmed with the most recent figures.

- Figures generally suggest a general positive trend for regions from EU13 Member States and a downward trend for Mediterranean regions (with the exception of Malta).

- Many islands, including all Greek islands and Sardinia, would plunge down a category. The picture is more mixed regarding outermost regions, but Madeira would theoretically drop from the more developed to the less developed region category.

3. Forecast B: Cohesion Policy eligibility (with UK)

Notably, the map shows that the withdrawal of the UK from the EU has the effect of slightly reducing the European average of the GDP per capita used, but by itself does not have a major impact on the eligibility of the regions in the Cohesion policy.

If Brexit was not taken into account and according to our projections:

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- The regions of Murcia (ES) and Bretagne (FR) would plunge down a category of regions
- The regions of Brandenburg, Lüneburg (DE) and Burgenland (AT) would not change eligibility (compared to the above simulation in this document)
- 13 UK regions would change eligibility. The UK suffers from extreme regional disparities, with NUTS II areas with a regional GDP of 68% compared to the EU average (West Wales and the Valleys), contrasting with West London with a regional GDP of 608% compared to the EU average.

4. Forecast C: Cohesion Policy eligibility (transition regions include regions between 75% and 100% of EU average)

The map above translates the scenario (Cohesion policy for all regions) proposed by the Commission in its 14 February Communication on the future MFF which considers all regions between 75% and 100% of the EU average as eligible for transition regions support.

This would be a significant change compared to the current system which considers all regions between 75% and 90% of the EU average as regions in ‘transition’. Regions circled in green are those which would be affected by the change suggested in the Commission Communication.

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The above map (figure 3) is basically an update of the Commission’s own projection as presented in its 14 February Communication, as it takes into account 2016 Regional GDP data.

**Analysis of trends**

- **The effects of changing the eligibility threshold** of transition regions to 75% - 100%, taking into account 2016 data, are more substantial than the Commission’s own forecast in its 14 February Communication. According to CPMR’s forecast based on the 2014/2015/2016 average, **there would be five additional transition regions, all from net contributing Member States** (two regions from France, one from Finland, Belgium and the Netherlands)

- **France and Finland** are the two (net contributing) Member States which would stand to gain the most from a ‘broader’ transition regions category: all Finnish regions but one would fall into the transition regions category, and all but two French mainland regions would be considered in transition

- **Germany** would have additional regions as transition regions, totalling 8 regions in that category

- **Other net contributing countries** such as the Netherlands (three regions), Italy (one region), Austria (one region) and Belgium (one region) would also stand to gain from such a scenario

5. **Next steps**

Based on this initial analysis, the CPMR General Secretariat will:

- Develop scenarios based on a revamped allocation methodology for ESI funds to help understand how funds could be distributed across Member States, depending on criteria used (and their weighting in the overall methodology)
- Refine such projections together the CPMR Geographical Commissions (and in particular the CPMR Islands Commission) to inform policy work on Cohesion Policy post-2020.
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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