CPMR Study on Enlargement
Furthering cohesion in an enlarged Europe
Context and rationale

- Accession of 8 candidate countries (all less prosperous)
- First study on impact on Cohesion policy allocations
- The EU changes even without enlargement
- We need a dynamic scenario to ask the right questions
- How will regions be impacted? (focus on present members)
- How will the Cohesion Policy budget be affected?
The EU changes even without enlargement

- GDP and population projections
- Under present ‘Berlin Formula’ of allocations regions change category

Trends show impact of development traps if not reversed

Changes of regional categories until the 35-41 programming period without enlargement
How is funding allocated

• Based on so called Berlin formula
• Support is based on regional GDP prosperity in relation to EU average
• But there are many other rules which de facto affect the levels of support:
  o National prosperity coefficients
  o GDP caps as % of national GDP
  o Minimum and maximum changes in the allocation between programming periods
• This means that the actual allocations are very different than initial allocations based on the regional GDP level.
No-enlargement scenario

Total allocations in the no-enlargement scenario

Trends confirm the concerns of development traps. Increases are constrained between Programming Periods.

How growth trends will change eligibility for some regions and reduce allocations. Reductions are limited between programming periods.
Enlargement scenario – 1s Western Balkans in 2030

- **Statistical effect:** Av. EU GDP/capita - 2%
- **15 regions category**
- **Budget lower** (€351 bn vs. €357 bn) *(lower than the current allocated budget €369 billion)*
- **Changes concentrated in a relatively small number of Member States and regions losing €24 billion in funding** *(aprox. 6 bn less a year)*
Enlargement scenario - 2nd wave 2037
Ukraine, Moldova and Georgia

• Statistical effect: Av. EU GDP/capita - 5% (-7% for both waves)
• 32 regions category
• Budget higher (€345 bn vs €325 bn) (still lower than the current budget €369 bn)
• Most, but not all MS will see their allocations reduced: current EU regions will receive €42 billion less funding (approx. 10 billion a year less)
Main take aways

Countries affected by development traps have their funding stable and growing (max 7%)

The combined positive growth and statistical effects affects some MS considerably

The costs of new member states is kept under control and grows gradually due to maximum GDP caps

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Calculated national allocations by programming period, with and without enlargement
UNDER THE PRESENT SYSTEM OF FINANCIAL ALLOCATION

The Cohesion Policy budget will not increase despite enlargement under the present allocation system

BUT:

Financial allocations increasingly diverge from objectives and regional situation

Formula needs review, but not due to budgetary impact concerns