



Update on the post-2020 EU budget negotiations

IN A NUTSHELL

The purpose of this paper is to update Members on the latest state of play of negotiations regarding the EU Budget for the 2021 – 2027.

It focuses on the sticking points of negotiations between Member States and the European Parliament and the timetable ahead, whilst presenting a reminder of the position of the CPMR on the post-2020 Multiannual Financial Framework (MFF).

It does not dwell into the details of CPMR positions on individual policies supported by the EU Budget, such as Cohesion Policy, the Connecting Europe Facility, the European Maritime and Fisheries Fund, funds for migration and asylum, and climate change. The specifics of CPMR action on these areas are available in Technical Notes which will be presented at the 2018 General Assembly in Funchal, Madeira (PT).

This note looks at the following aspects:

- **Section 1** compares the key elements of the CPMR position with known positions from the European Parliament and Member States
- **Section 2** reviews the key issues at stake for the MFF negotiations
- **Section 3** looks at the timetable ahead and the state of play regarding the development of the European Parliament and Council's respective negotiating positions
- **Section 4** suggest next steps for the CPMR work on the EU Budget.

1. How does the CPMR position stand up against the European Parliament and Member States' positions?

The [analysis](#) prepared by the CPMR General Secretariat on the Commission proposal for a 2021-2027 MFF revealed that whilst there were some welcome proposals (on own resources or simplification for instance), many raised important questions (the role of the European Social Fund +, the military mobility envelope...).

At this early stage of the negotiations, it is possible to sketch out the positions of the European Parliament, some of the Member States', and compare them with key elements of the [position paper](#) adopted by the CPMR in March 2018 at its Political Bureau in Patras (EL).

The following table is based on the most recently adopted position of the European Parliament on the post-2020 EU Budget ([Resolution on Preparing the Parliament's position on the MFF post-2020](#) – Thomas/Olbrycht), [the comprehensive analysis published in July by the European Parliament Research Service](#) on the Commission proposal for a post-2020 MFF, and [the outcomes of the last meeting of the General Affairs Council](#) on 18 September.

It is purely indicative and based on information available to the CPMR General Secretariat at the time of writing.

Glossary of terms used in this document

AMIF: Asylum, Migration and Integration Fund

CAP: Common Agricultural Policy

EMFF: European Maritime and Fisheries Fund

GNI: Gross National Income

MFF: Multiannual Financial Framework

YEI: Youth Employment Initiative

CPMR position: the post-2020 EU budget should...	The European Parliament position ¹	Member States
<i>reflect the ambition of the EU and its priorities and be underpinned by a long-term strategy</i>	<p>The future EU budget should be embedded in a ‘broader’ strategy and within the narrative for the Future of Europe (point 3)</p> <p>The budget for Cohesion Policy and CAP should be at least equal to its 2014 – 2020 level.</p> <p>The EU budget should also increase funding for ‘new priorities’², the CEF, (50% more funding than 2014-2020), as well as the ERASMUS +, LIFE, COSME and the YEI</p>	<p>The interests of Member States in different parts of the MFF vary considerably. Two of the ‘groups’ emerging are:</p> <ul style="list-style-type: none"> - Member States supporting increases for ‘new priorities’, as well as innovation and climate, at the expense of resources for Cohesion Policy and CAP: Netherlands, Sweden, Austria, Denmark and Finland - Member States supporting ‘new priorities’ but NOT at the expense of Cohesion Policy and the CAP: Portugal, Lithuania, Czech Republic and Greece
<i>should therefore increase to support these additional priorities</i>	<p>There should be a significant increase of the EU Budget corresponding to 1.3% of EU-27 GNI</p>	<p>Significant disagreements at this stage. At one end of the spectrum, the ‘frugal four’ (Austria, the Netherlands, Denmark and Sweden) want a smaller MFF whereas others (Ireland, Germany and France) would lean towards a larger MFF</p>
<i>reflect on the recent social, economic and territorial trends and rising disparities of development</i>	<p>The future MFF should be based on pillars including ‘fostering economic, social and territorial cohesion’ (point 4). Nationalising the CAP, the Common Fisheries Policy and Cohesion policy would ‘widen the disparities between territories and economic sectors’ (point 8)</p>	<p>Many Member States do support a well-financed Cohesion Policy (see below)</p>
<i>remain an investment budget above all and provide regional authorities sufficient leeway</i>	<p>The MFF ‘is predominantly an investment budget that serves as an additional and complementary source of funding for actions undertaken at national, regional and local levels’ (point 19). Cohesion Policy should remain the investment policy of the EU (point 89)</p>	<p>On the function of the EU budget, some Member States (Germany and Portugal) have called for a closer link with the European Semester.</p>

¹ The points below refer to the EP [resolution on Preparing the Parliament’s position on the MFF post-2020](#)

² ‘New priorities’ usually refer to defence, internal security, border control, migration...

<i>recognise added value of programmes under shared-management</i>	Strong support for Cohesion Policy and other shared management funds (point 89) including EMFF (point 103).	There are different views at this stage: - The great majority of Member States who oppose the proposed cuts to Cohesion Policy: the so-called 'cohesion countries' ³ , as well as net contributing countries such as France - The 'frugal four', who support cuts for Cohesion Policy and the CAP to make way for 'new' priorities
<i>provide real complementarity between funds to address integrated challenges</i>	Maximum levels of complementarity should be achieved within the new EU Budget (point 53). There is particularly true for funds in the area of migration (AMIF, Cohesion funds) as 'no single tool could hope to address the magnitude and complexity of needs in this field' (point 99)	N/A
<i>recognise the limits and areas of potential use of financial instruments</i>	Financial instruments should not replace grants (point 68), they should only be used for revenue-generating projects (point 67)	N/A
<i>aspire to a level playing field for EU funds and programmes</i>	There should be a single rulebook for all EU budgetary instruments (point 11) and competition between different EU funds should be eliminated (point 53)	N/A

³ Slovenia, Croatia, Portugal, Lithuania, Latvia, Czech Republic, Romania, Italy and Spain

2. Key issues at stake

The above table already lists two of the key issues at the heart of difficult negotiations on the post-2020 MFF: the size of the EU budget and the level of funding for ‘traditional’ priorities and ‘new priorities’.

There are additional contentious matters which are not addressed in the CPMR positions on the EU budget, such as own resources or the flexibility mechanisms. Some of them are worth mentioning:

2.1 The consequences of Brexit on the EU budget

The planned withdrawal of the UK from the European Union causes an obvious and immediate budgetary challenge for the post-2020 MFF: the departure of a ‘net contributor’ to the EU Budget led the European Commission to propose both increases of Member States’ contributions (from 1.03% GNI to 1.11%) to the EU budget and new own resources as well. Such a proposal to compensate the UK leaving the EU – and [the €94 billion ‘Brexit-related hole’](#) - still divides Member States (see table above).

But Brexit also leads to other (less obvious) problems, such as the ‘rebates’ currently enjoyed by some Member States for their contribution to the EU budget.

- **What do Member States think?**

The Dutch, Austrian, Danish and Swedish governments are against the Commission proposal to phase out their respective rebates.

- **What does the European Parliament think?**

The European Parliament has been very clear about the need for rebates to be abolished, which would lead to more transparency.

2.2 The ‘rule of law’ conditionality

- **What do Member States think?**

The controversial proposal for [a new mechanism related to the respect of the rule of law](#) which could lead to the suspension of EU funding (from Cohesion policy for instance) to Member States is one that has divided Member States since the proposal came out.

Unsurprisingly perhaps, Poland and Hungary have reacted negatively to the proposal, whereas countries such as Italy, the Netherlands, Belgium, Germany, France and Sweden have expressed support for the instrument.

- **What does the European Parliament think?**

The European Parliament has called on the Commission to provide guarantees that final beneficiaries would not be affected by breaches of rules by Member States.

2.3 The Eurozone budget

- **What do Member States think?**

The Commission proposal for a European Stabilisation Investment Function (EISF) providing up to €30 billion in loans to euro area falls way short of French President Macron’s proposal for a ‘euro area budget’ in its own right. France and Germany have expressed support for a budgetary capacity for Member States in the eurozone, but there are no details at this point in time as to how this would work out in practice.

- **What does the European Parliament think?**

The euro currency requires 'a fiscal capacity to cope with macroeconomic shocks' which should include a 'specific additional budgetary capacity for the euro area'⁴.

2.4 Deadline for reaching an agreement

This is perhaps the most significant area of contention between Member States and the European Parliament for CPMR Members, as it may affect the start of programmes under shared management for the post-2020 period.

- **What does the European Parliament think?**

The European Parliament (and the European Commission) has been clear from the start of the negotiations that a deal with the Council on the MFF should be reached before the European elections on 23-26 May 2019.

Not having a deal by then will automatically – and significantly – delay negotiations, which may well lead to shared management programmes not starting on 1 January 2021, as planned. This would be a regrettable repeat of the situation at the start of the 2014 – 2020 programming period and the pressure placed on ESI funds managing authorities to develop and submit programmes in a challenging timeframe.

- **What do Member States think?**

Many Member States do not share the urgency of the European Parliament to reach a deal by the end of May 2019, for a number of reasons:

- the critical divisions between Member States about what the European Union should focus on (e.g: on migration and border control) take precedence over the negotiations on the size and priorities to be supported by the post-2020 EU Budget;
- in the extreme event of a non-agreement by the end of this programming period (31 December 2020), the current MFF would automatically be extended until an agreement is reached⁵.

There is little incentive, therefore, for some Member States to rush into an agreement which would leave them worse off than the current period. It is worth remembering that the Commission proposal envisages significant reductions for the Cohesion Policy allocations of many EU Member States⁶ for the post-2020 period (Hungary would stand to lose 24% of its envelope for instance). At the last General Affairs Council meeting on 18 September, the Polish State Secretary for European Affairs predicted difficult debates on the MFF negotiations and that **the 'quality of the compromise'⁷ should come first rather than rushing into an agreement.**

⁴ See [European Parliament resolution of 16 February 2017 on budgetary capacity for the euro area](#)

⁵ This would take place under a procedure called the 'provisional twelfths': no more than one twelfth of the budget appropriations for the previous year or of the draft budget proposed by the Commission - whichever is smaller - may be spent each month for any chapter of the budget

⁶ See page 2 of [CPMR briefing 'Initial views on Cohesion policy'](#)

⁷ <https://www.consilium.europa.eu/en/meetings/gac/2018/09/18/>

3. What happens next?

3.1 The European Parliament moves fast

Isabelle Thomas (S&D, FR), Jan Olbrycht (EPP, PL), Janusz Lewandowski (EPP, PL), and Gérard Deprez (ALDE, BE) published [an interim report](#) on 28 September to reiterate the 'red lines' of the European Parliament on all aspects of the EU Budget for the post-2020 period.

One of the significant aspects of the report is the mention of proposals for figures for programmes and EU policies (CEF, Cohesion Policy, CAP...).

3.2 Uncertainties in the Council

The last General Affairs Council (GAC) meeting of Ministers on 18 September revealed the extent of the divisions between Member States on issues as varied as the size of the EU budget, the balance between 'new' and 'old' priorities, or the possible use of the EU budget as a tool to enforce EU values.

Crucially, [the outcomes of the last GAC meeting](#) were desperately short on details on the prospective calendar of getting to a common position for the Council before it can initiate formal negotiations with the European Parliament. The 13-14 December European Council meeting is likely to be decisive in determining the next steps for the MFF negotiations (see below).

3.3 Possible scenarios

Based on information available to the CPMR General Secretariat at the time of writing, there are different potential scenarios which are worth laying out.

- **First scenario: no agreement before the European elections.**

The EU summit in December fails to lead to produce an (emerging) consensus between Member States' positions on the MFF. No deal can therefore be reached with the European Parliament before the European elections. Negotiations resume in earnest towards the end of 2019 (after the European elections and the appointment of the new European Commission), and a deal is reached under the German Presidency of the Council during the second half of 2020.

An alternative option could see the Council reach a consensus shortly after the European elections and put immediate pressure on the new European Parliament to 'take it or leave it'.

- **Second scenario: agreement before the European elections.**

The EU summit in December leads to significant progress and an emerging consensus. The Council reach an agreement on the post-2020 MFF sometime in January, and a deal is successfully negotiated with the European Parliament before the end of May 2019.

- **Third scenario: partial agreement.**

The Council could also reach some form of partial agreement on aspects of the MFF before the European elections. This idea was alluded to by some Member States delegations at the last meeting of the GAC.

To add further complexity and uncertainty into the mix, it is worth recalling that legislation for key policies and programmes for CPMR Members (Cohesion Policy, the CEF, the EMFF...) for the post-2020 period is contingent on an agreement on the MFF. This means that no interinstitutional agreement on any of the policies mentioned above can be reached before an agreement on the MFF.

4. Next steps for the CPMR

The CPMR is already very active in promoting the interests of its Members on specific areas of the EU budget: Cohesion Policy (including Territorial Cooperation), Transport Policy (the Connecting Europe Facility), and the European Maritime and Fisheries Fund, for instance.

Regarding the EU budget negotiations as such, 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.

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