



Policy brief on the MFF proposal 2021-2027

Basics about the MFF

Since 1988, the European Union agrees a multi-year, overarching budgetary framework to guarantee stable financing for long-term political priorities across the annual budgets. The current one runs from 2014 to 2020, while the new proposal covers the period 2021-2027. The MFF translates political priorities into budget headings grouping one or more EU fund or programme. For example, heading 2 of the MFF proposal, called 'Cohesion and Values', includes cohesion policy funds (ERDF, ESF+ and the Cohesion Fund), Erasmus+ and the Reform Support Programme.

While the figures might look enormous, the EU budget accounts for just around 1% of the EU GDP and 2% of public spending. At the same time, in the poorest member states, cohesion policy alone funded more than half of all public investments in the recent years.

After the Commission's proposal is discussed by the member states in the Council and by the political groups in the European Parliament, the three EU institutions enter into a tripartite dialogue, called trilogue to come to an agreement, which needs the unanimous support of member states in the Council and the consent of the European Parliament.

New budget born under special circumstances

the European Commission officially published its proposal for the next 7-year EU budget (multiannual financial framework or MFF 2021-2027) on Wednesday, 2 May 2018. It was drafted amidst unprecedented political, financial and time pressure. It had to provide a future vision that unites the EU27 and demonstrate that the EU can effectively address citizens' concerns including new challenges, such as security and migration. In parallel, it had to fill the gap hit by Brexit, the UK being the second largest net contributor.

The debates on the budget revolved around the principles of EU added value, reinforcing the single market through strengthening the link with structural reforms, increasing flexibility, transparency, stronger focus on results and less burden on beneficiaries. The link between EU funding and the rule of law was also put on the table.

How does the budget address these issues?

In terms of EU added value, research and innovation, youth, migration, defence and security were the fields where the pooling of resources at EU level are said to be more effective than spending at national level. The budget figures show a clear shift towards these policy areas.

For more transparency, the number of programmes is reduced from around 60 to 37, but mainly by grouping the numerous funds supporting the EU's action towards third countries.

Greater flexibility is proposed to reallocate funds among programmes and years and by creating larger and more accessible reserves at EU level.

What do the numbers tell us?

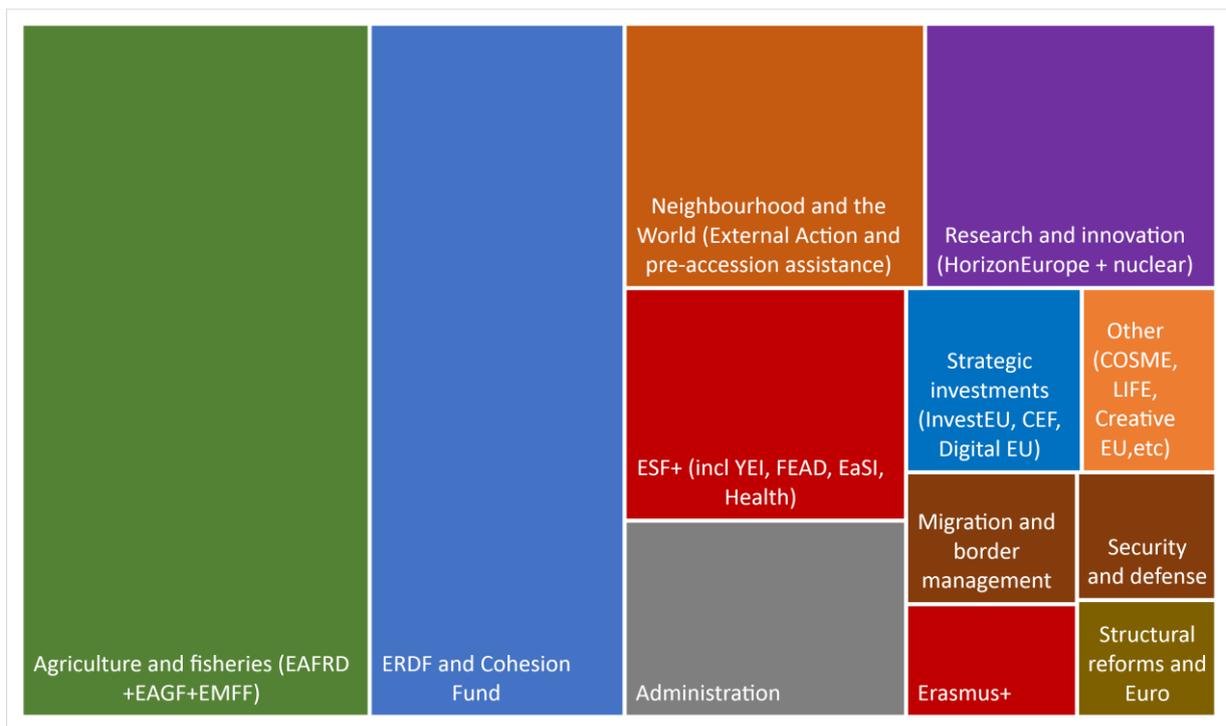
It is difficult to make a clear comparison with the current budget due to different prices and structure. In real terms, the size of the budget remains about the same, but in relative terms it is larger, as it will only cover 27 member states. The top fields of spending remain the same, but there has been a clear shift towards specific (political) priorities.

- Migration and border management as well as security and defence have almost tripled their funding to 55 billion euros, around 5% of the budget.
- Climate action: 25% (up from 20%) of the entire budget will be earmarked for climate spending in addition to a 60% increased LIFE programme (5 billion euros)
- Erasmus+ was doubled in size to around 30 billion euros (2+% of the EU budget)
- The EU's external action was strengthened by 30% to over 100 billion euros (10%)
- Research, innovation and digital transition are clear priorities, but the increase of Horizon Europe is not significant. A doubled space programme (to 14 billion) will boost the field, in addition to packaging the 50 billion-euro strategic investments funding (EFSI 2.0) including InvestEU, CEF and a new Digital Europe programme (9 billion) as such.

Headings and selection of main sub-headings/ programmes	Commitments (billion euros, 2018 prices)	Share (%)
Single Market, Innovation, Digital	166.303	14.7%
Horizon Europe (Framework Programme 9)	86.596	
InvestEU fund	13.065	
Connecting Europe Facility (CEF) Transport, Energy, Digital (+ 10 bn CF)	21.721	
Digital Europe	8.192	
Cohesion and values	391.974	34.5%
European Regional Development Fund (ERDF)	200.622	
Cohesion Fund (CF) - including 10 billion EUR to CEF	41.374	
Reform Support Programme	22.181	
ESF+ (incl YEI, EaSI, Health)	89.688	
Natural resources and environment	336.623	29.7%
European Agricultural Guarantee Fund (EAGF) - direct payments	254.247	
European Agricultural Fund for Rural Development (EAFRD)	70.037	
European Maritime and Fisheries Fund (EMFF)	5.448	
LIFE - Programme for Environment and Climate Action	4.828	
Migration and border management	30.829	2.7%
Asylum and Migration Fund	9.205	
Integrated Border Management Fund	8.237	
Decentralised Agencies	10.587	
Security and defence	24.323	2.1%
European Defence Fund	11.453	
Internal Security Fund	2.210	
Neighbourhood and the World	108.929	9.6%
Neighbourhood, Development and International Cooperation Instrument	79.216	
Humanitarian Aid	9.760	
Pre-accession Assistance	12.865	
European Public Administration	75.602	6.7%
Total	1.134.583	

To finance all this, the proposal asks for a slightly higher national contribution from member states (1.114% of GNI up from 1.03%) and proposes new, direct revenue sources for the EU (e.g. from the Emissions Trading System and based on non-recycled plastic packaging) amounting to 12% of the budget. To make further space to finance new priorities, it proposes savings on ‘traditional’ policies: cohesion policy and the common agricultural policy.

Main spending areas of the 2021-2027 EU budget proposal



What happens to cohesion policy?

The Commission communicated a 7% cut of cohesion policy and 5% of CAP. While ERDF remains around the same size, the Cohesion Fund is cut by more than a third. Some issues, however, are not fully clear.

- A somewhat larger ESF+ (now to include FEAD, YEI, EaSI and the Health programme) is under a separate sub-heading with the aim to implement the European Pillar of Social Rights and the country specific recommendations of the European Semester. How will ESF work together for an integrated approach under cohesion policy? Is it the end of multi-fund programmes?
- Regional allocations will still be based on GDP/capita at NUTS2 but will be complemented by other factors (unemployment, climate change, migration). This might bring a shift of funds from Eastern towards Southern Europe and could take better account of social challenges in prosperous regions.
- The proposal talks about the intention to increase national co-financing rates without any further detail. Depending on the national arrangements, this could cause difficulties in financing for some.

First assessment: what does the new EU budget mean for cities?

It might be a bit too early to judge the outcome for cities but there are certainly fields which present now opportunities, like the strengthened climate mainstreaming in the budget with the increased LIFE programme. The InvestEU Fund could improve cities' access to financial instruments, providing alternative ways to finance long-term investments. New priorities (e.g. defence, security, migration) might also be relevant to the challenges facing many cities.

The detailed regulations for each fund or programme, providing a more refined understanding of the changes, will be published in between 29 May and 14 June. The Council and the European Parliament will then start discussing the proposals and formulating proposals for changes.

Some net contributors are very firmly rejecting to pay more into the EU budget while new, emissions and pollution-based revenue sources might be difficult to get through the Council. We expect long discussions on reduction of agriculture and cohesion policy, the calculation of regional allocations and on the conditions on the rule of law. Considering that the adopting the MFF requires unanimity in the Council, the Commission's call to agree the MFF by May 2019 might be too ambitious.

We will follow-up with our forums and working groups and will keep members informed about developments.

For more information

[Press release](#)

[Communication from the Commission](#)

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