At the end of May 2018, the European Commission issued an explanatory memorandum which clarified some of the budgetary implications of the recent Communication on the Multiannual Financial Framework (MFF) for 2021–2027. **The MFF is a financial perspective which provides for the annual budget of the EU for at least five years**. Since the EU mostly relies on financial contributions from the Member States, and since those contributions are not divided proportionally, the MFF also implies a certain degree of redistribution among the Member States, separating them into net contributors and net recipients. In the first part of our analysis on the financial implications of the MFF, we have examined how the new rules will impact the geographic distribution of the funds, and the consequences for Social Europe. **In this article, we are going to focus on the redistributive patterns in which cohesion policy, which absorbs one-third of the budget, is going to operate across the Member States**. We will first introduce the redistributive patterns in the EU from a historical perspective, to establish a sense of direction and understanding of where the MFF proposal stands. Then we will look at how the Commission envisions the distribution of the cohesion policy's finances across the Member States, comparing it with the 2014–2020 MFF, and discussing the new rules determining it.

The southern periphery, the eastern periphery

A crucial analytical concept to understand the redistributive pattern operated by the EU budget is the core-periphery divide. When the Community regional policy was first created in the early 1970s, it was intended to promote 'harmonious development' across Europe's territories. Initially, cohesion policy catered to the needs of a group of less developed regions, mostly distributed across the southern European Member States and Ireland. **The 2004 enlargement started a new phase, with the accession of a group of low-income countries (mostly) in Eastern Europe**. This event substantially modified the rules governing the cohesion policy's redistributive pattern: southern European countries had to take a back seat while the policy focused on the development of the 'new' eastern periphery.

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This state of affairs changed in recent years. On the one hand, the access to the single market, with the assistance of cohesion policy, benefitted the eastern periphery and created economic convergence with the rest of Europe. On the other hand, the economic and social conditions of southern Europe deteriorated after the sovereign debt crisis, and, to a lesser extent, the 2015 refugee crisis. **How is the MFF 2021–2027 going to take this situation into account, given the limited amount of resources at the disposal of cohesion policy?**

The proposed ‘Berlin Method’ reform

At the heart of the Commission’s MFF 2021–2027 memorandum is the reform of the ‘Berlin Method’, the set of criteria that, since 1999, has governed cohesion policy allocations across both the Member States and the regions. While the method itself has remained stable through the years, the way it functions has changed due to the 2003 EU enlargement: the accession of poorer countries resulted in a ‘statistical effect’ that ended up moving financial resources from the southern to the eastern periphery. Back in 2006, the Council decided not to reform the Berlin Method, while catering to the needs of the ‘old’ southern recipients simply by devising enough exceptions to the rule to allow a smooth transition to the new regime. For the 2014–2020 MFF, the Berlin Method allowed for the calculation of a ‘theoretical envelope’ consisting of the financial resources devoted to a given region. All the regions are divided into three groups: less developed, transitional, and more developed regions. While the formula for the more developed regions is similar to the one employed in the current MFF, the changes for the less developed and transitional regions are significant.

In the case of the less-developed regions, the 2014–2020 formula started by comparing each region to the average EU28 NUTS II GDP. The formula then weighed the theoretical envelope with a ‘national prosperity coefficient’, to take into account the resources available to the national government for regional development (the poorer the Member State, the higher the coefficient). Finally, the calculation involved a ‘premium’ based on the unemployment situation in that region (the higher the number of unemployed exceeding the EU average, the higher the allocation). While the 2021–2027 proposal does not change the first aspect (based on the regional GDP), it modifies the other two, and the same changes also apply for the transitional regions.

A group of Member States will receive a considerable reduction in their allocations from the previous programming period. This group of 'losers' from the 2021–2027 Commission proposal is mostly composed of eastern European countries.

On the one hand, the national prosperity indexes are slightly changed by reducing the coefficient for every Member State that has less-developed regions, even if the reduction is proportionally less accentuated for the poorer Member States. Following the EoRPA consortium in-depth analysis, it is worth pointing out that, since the euro crisis lowered their national GDP, some southern European MSs are now receiving a higher coefficient (Greece, Spain, and Italy), while the Czech Republic is receiving a lower coefficient—resulting in an increase in the allocations for the southern Member States, and vice-versa.

On the other hand, the Commission proposes to introduce, along with the existing unemployed premium (which is sharply reduced from €1494 to €500 in 2018 prices, according to EoRPA), **new indicators** concerning young workers, environmental sustainability, and migration policy. As a consequence, in distributing financial resources, the relevance of social conditions in the region will eventually strengthen in comparison with the previous MFF, as shown in Table 1.

There are also ceilings to the possible increase or decrease of financial resources that a Member State can receive, which are calculated as a percentage of the 2014–2020 allocations, and define the 'gradient' in transitioning to the new programming period. **As a rule of thumb, even tiny tweaks to the Berlin criteria can prompt a massive change in the financial allocations**, which, in turn, could spur a political backlash from the states negatively affected, as DG Regio General Director Marc Lemaître has recently explained. The Member States that are going to benefit from the changes in the allocation method cannot receive more than 8% of their 2014–2020 levels. On the opposite side of the spectrum, the Member States that are disadvantaged from the change in the criteria cannot have their levels reduced more than 24%, a threshold considerably higher than the current one (45%). In this way, the changes in the redistributive patterns, and especially the potential net gains of southern member states, are curbed significantly.

Winners and losers from the Commission’s proposals

While during the previous MFF negotiations, the Commission was considerably cautious in revealing the redistributive implications of its proposals, in the case of the 2021–2027 bid, it has decided to publish in advance the financial resources available to each Member State, based on the theoretical envelope calculated with the new Berlin criteria. Figure 1 shows how the allocations are going to change in the 2021–2027 MFF when compared with the current 2014–2020 MFF (2018 prices).

A first glance immediately reveals that there are going to be substantial changes, **with a group of Member States that will receive a considerable reduction in their allocations from the previous programming period. This group of ‘losers’ from the 2021–2027 Commission proposal is mostly composed of eastern European countries**, such as the Czech Republic, Hungary, Poland, and the Baltic States. On the lower part of the figure, there are, instead, a group of ‘old’ recipients of cohesion policy (Italy, Spain, and Greece), which are going to benefit from the MFF 2021–2027. In between, there is a group of Nordic and continental member states (Denmark, the Netherlands, Austria, Sweden and Belgium) whose situation is not going to change.

Figure 2 shows how the allocations are going to change in terms of ‘aid intensity’, a measure based on the amount of financial support available annually, on average, to each citizen of each member state. **This perspective can make us better appreciate how the distribution of funds is going to change: as the figure shows, the new formula allows some of the differences in allocations to be trimmed, achieving fewer differences in aid intensity all across the board**.

The cohesion policy, in 2021–2027, will be too small a *blanket to cater to the needs of two distinct peripheries adequately. While the reform of the Berlin criteria will take into account the changing socioeconomic status of the southern periphery, the higher ceiling will prevent it from receiving a more considerable financial increase.*

When compared to the previous programming period, the Member States that have their aid intensity lowered are clustered in Eastern Europe (Estonia, Slovakia, Czech Republic, Poland, Hungary). Less accentuated increases in aid intensity, are, instead, proposed for some of the southern European Member States: in particular, Greece, Italy, and Spain, along with Romania and Bulgaria.

Conclusions

For the MFF 2021–2027, the Member States have decided not to increase the EU budget, despite the adverse consequences that the Great Recession had on many European territories. As a consequence, **cohesion policy, in 2021–2027, will be too small a blanket to cater to the needs of two distinct peripheries adequately**. While the reform of the Berlin criteria will take into account the changing socioeconomic status of the southern periphery, the higher ceiling will prevent it from receiving a more considerable financial increase. On the other hand, the eastern periphery will receive considerably fewer resources in exchange for increased political conditionality, which will add to the growing Eurosceptic sentiment. While political considerations informed the Commission’s proposal, the outcome will possibly stir further resentment.

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