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## **EASTERN EU STATES FEEL 'RIDICULED' BY COMMISSION BUDGET PLAN**

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EU Observer (30 April 2018)

As the European Commission gets ready to roll out its EU budget proposal on Wednesday (2 May), eastern member states are worried about the new way the EU executive plans to calculate cohesion allocations.

Until now, the allocation of cohesion funds have been based on GDP per capita figures across the EU, but the commission now plans to introduce social and environmental indicators, such as youth unemployment and the reception of migrants.

Eastern member states generally worry that as a result they will get less money from the cohesion funds, which are planned to be cut by at least 6 percent in the next long-term budget.

"It is about GDP per capita, and there are other relevant sectors to come, to complete the picture. Migration will play a role. Is it 'X' percent or 'Y' percent, that is still open," said a senior commission source familiar with the details of the proposal.

Some eastern EU countries think this could result in cohesion funds flowing to the south, rather than to them - a possible trend reported in the Financial Times last week.

Along with rule of law conditionality (also expected to be introduced in the 2021-27 budget plans) and the tweak in indicators, some in the EU's eastern flank suspect political objectives from the commission.

"We are worried," one diplomat told EUobserver, adding "we feel ridiculed".

"If we put too much weight on other criteria, it's a substantial change, and it's done by dropping figures, without analysis, or without consultation," the diplomat added, saying the changes were "very political" and not technical.

"It is difficult not to interpret it as revenge," said another diplomat, referring to central and eastern member states that have been reluctant to take in refugees or had rule of law issues with the commission, such as Hungary and Poland.

Diplomats also pointed out that since crisis-ridden countries' GDPs have decreased compared to the EU average, the cohesion calculations already favour them.

The commission is arguing it wants to modernise the cohesion funds to address the new realities, such as migration. It also wants to buttress the social effects of the euro crisis.

"It is an evolution, not a revolution," the senior EU source said.

"It is not about sanctions, it is about the fact that this member state is doing a lot [in terms of migration], and has to pay a lot of money, then this should play a certain role in calculating its right to get cohesion funds," the official added.

However, some EU ambassadors voiced their concern on Wednesday (25 April) at their meeting about the possibility of cohesion funds being diverted to the south after commission secretary general Martin Selmayr presented the budget plans to them.

Selmayr defended the commission by calling the Financial Times report "fake news", according to two sources familiar with the discussions.

Some eastern diplomats argued it is also legally questionable to add new indicators to cohesion policy, as its goal, economic convergence of poorer regions, is set out in the EU treaty.

"If we add criteria, it's not the cohesion policy anymore," said the first diplomat, adding that "it's a way to use cohesion for other goals".

"We understand that our southern partners face problems. But cohesion policy is there to help our region. They have structural economic problems that require a different kind of help," another diplomat added.

Fine-tuning of the commission's proposal is ongoing until the last minute and diplomats think the actual proposal is unlikely to be explosive.

Not all the eastern member states are alarmed.

"We should be open-minded. What matters is the actual proposal. In principle we are not against new indicators, we will have to see how far they will get," a fourth EU diplomat said.

However, other diplomats warn that if the commission wants a quick deal and to conclude negotiations before the May 2019 European elections, it should stay away from sensitive topics such as upsetting the cohesion allocation calculations, and introducing the rule of law conditionality.

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Kaynak/Source: