

Greater Manchester European Office Briefing

EU Multiannual Financial Framework 2021-27

What this means for BREXIT Britain and Greater Manchester?

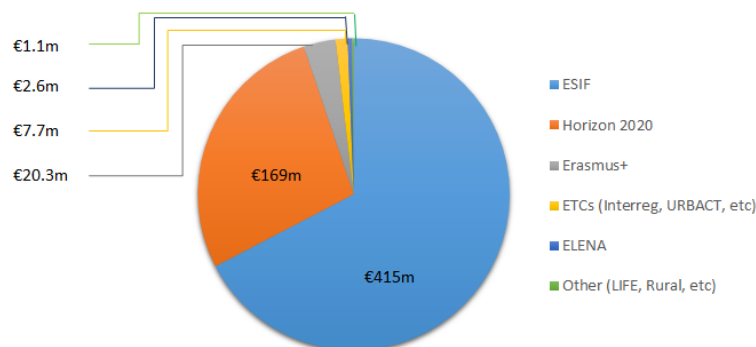
Introduction

Discussions are currently taking place on the European Commission new budget for the next Multiannual Financial Framework (MFF). Despite Brexit the EU is still UK's closest neighbour and ally so any mayor decision taken by the EU will have a direct impact in UK.

With the MMF the Commission is outlining the big EU's priorities for the next decade as well as the proposals to deliver those priorities. Each year's budget is agreed by all Members States enabling the EU to plan its funding programmes effectively for several years in advance. Collaborations with non-EU members are encouraged by some of these funding programmes **leaving the door open to countries such as UK to still remain an active participant in European collaborations under specific fields such as research, innovation or education.**

Greater Manchester has benefited from a significant amount of EU funding over the years. So far, **this current financial period (2014-2020) over €616m (£537m) of EU funding** has been invested in Greater Manchester. Around 67% of the funding have been structural funds – the European Structural Investment Fund -, the remaining **€201m funding comes from other EU programmes** supporting a variety of policy areas – research and innovation (Horizon 2020), lifelong learning and education (Erasmus+), territorial cooperation (Interreg, Urbact, etc), rural development (RDPE), environment (LIFE) and enterprise (COSME).

Greater Manchester EU Funding allocation 2014-2018¹



¹ Diagram only includes funding awarded as grants, it does not include loans from the European Investment Bank.

UK Government has committed to create a UK Shared Prosperity Fund (UKSPF) to replace ESIF from 2021. Currently there is no intention to replace any of the other EU programmes with national funding, however UK Government has indicated that is willing to financially contribute as an associate member to some of the future EU programmes.

By participating as an associate member, UK organisations will automatically be eligible for funding as any other EU organisations.

This policy briefing provides a detailed analysis of the EU's priorities for 2021-27, the proposed funding programmes for this period and the potential opportunities to Greater Manchester organisations post 2020. The briefing will focus on three new programmes:

- Horizon Europe – the next R&D and innovation programme.
- Erasmus + – the lifelong learning European programme.
- Interregional and cross-border cooperation – the future Interreg and URBACT programmes

1. Background

Budget Commissioner Günther Oettinger presented his proposal for the 2021-2027 **Multiannual Financial Framework (MFF)** on May 2 and aims to have final plans approved before the 2019 European Parliament election. The budget is approved only when the EU's member countries sign off unanimously in the European Council.

The current seven-year budget amounted to some €1 trillion, and if the Commission gets its way, the next budget will be at least as big despite Britain leaving from the EU.

Negotiations over the budget are always long and tough — and things are likely to be even tougher this time around as the UK's departure leaves a hole of roughly €12 to €13 billion per year.

An early agreement of the MFF is of great practical importance because the MFF Regulation must be agreed before the sector-specific legislation can be finalised.

Whilst the negotiations may run in parallel, it takes 12 to 18 months to agree on the sector-specific legislation for all the multi-annual programmes. In order to allow these programmes to start on time in January 2021, an agreement on the sector-specific legislation should be reached no later than one and a half years before it enters into force. Failure to do so can have serious economic impacts, particularly on the poorer Member States.

2. What does this mean for BREXIT Britain?

Many EU funding programmes are open to non-EU countries in Europe and beyond. The rules for their participation is outlined in the regulation of each programmes and are also subject to bilateral agreements between the country and the EU.

As the situation stands UK Government has already announced that will seek the participation in the future research and innovation programme, **Horizon Europe** programme, and the life learning programme, **Erasmus+**. Participation in the European **Territorial Cooperation Programmes** (Interreg, URBACT, ESPON) may also be a possibility.

As an associated country to these programmes, UK participants will be automatically eligible for funding for the whole or part of these programmes and they may count towards the minimum number of participants required for a project.

UK will, however, likely lose the right to influence the content of the programmes or the funding calls. Depending on the Agreement it may has the right to send observers to the meetings of the Committees responsible for implementing the EU programmes. UK will be obliged to pay financial contribution to the Union budget which in case of the current Horizon 2020 and Erasmus+, is usually calculated on the basis of its ratio GDP and the sum of the Member States of Union GDP.

Why is this important to Greater Manchester?

Over €200m, of non-ESIF funds, has been invested in Greater Manchester since the beginning of the current financial period (2014). The future participation of UK in non-ESIF funds, or transnational funding, is crucial to GM because it will allow local organisations to remain active in Europe and internationally. The benefits go beyond the funding, transnational programmes provide opportunities for cross border collaborations, new business ventures, knowledge exchange and capacity building, all elements which will be difficult to replace with national programmes.

3. What does the MFF look like?

The Commission proposes a long-term budget of €1,135bn in commitments (expressed in 2018 prices) over the period from 2021 to 2027, equivalent to 1.11% of the EU27's gross national income (GNI).

The priorities and principles underpinning the proposal are the result of a series of consultations and communications which started over a year ago with the [White Paper on the Future of Europe](#) of 1 March 2017.

The MFF is targeting where there is 'EU Added Value' – where it is better to do things together rather than alone, and where it is of more value to 'pool resources'. There will also be a significant simplification in the rules for governing the different programmes.

The areas covered as priorities for the MFF closely follow the current political priorities:

- an almost **9 fold increase** of investments in **digital transformation and networks** to reach €12bn (complemented by the investment supported by the InvestEU Fund via loans, guarantees and other financial instruments);
- more than **doubling** financing for programmes for **young people** (such as ERASMUS+ with €30bn and the European Solidarity Corps with €1.3bn), including €700m to support Interrail passes for young people;
- almost **tripling** expenditure for **external border management, migration and asylum**, to reach around €33bn, up from the current €13bn, which could fund 10,000 border guards by 2027 for the European Border and Coast Guard Agency;
- increasing investment in **research and innovation** by 50%, with €100bn set aside for the flagship programmes Horizon Europe and Euratom;

- increasing investment in **security** by 40% to reach €4.8bn and creating a €13bn **Defence Fund** of to complement and catalyse national expenditure in research and capability development. Investments needed to facilitate **military mobility** throughout the EU will be funded by €6.5 billion through the Connecting Europe Facility;
- reinforcing funding for **external action** by 26% to reach €120bn, with a specific emphasis on Europe's neighbourhood and preserving a specific (and not pre-allocated) reserve to deal with emerging challenges, notably in the area of stability and migration. In order to complement programmes funded by the EU budget in the area of defence, the High Representative is proposing to create an off-budget **€10.5bn European Peace Facility** to reinforce possible joint engagement in non-EU countries.



The priorities that we believe will be more relevant to Greater Manchester are digital transition, young people and research and innovation.

One other notable novelty of the MFF 2021-27 is the EU's intention to increase its basket of so-called 'own resources' – income that is collected and used at an EU level. This will come from the Emissions Trading Scheme, a Corporate Tax Scheme and a contribution based on non-recycled plastic waste.

The budget is distributed through a number of sector programmes. Annex 1 list all the proposed programmes under each of the political priorities.

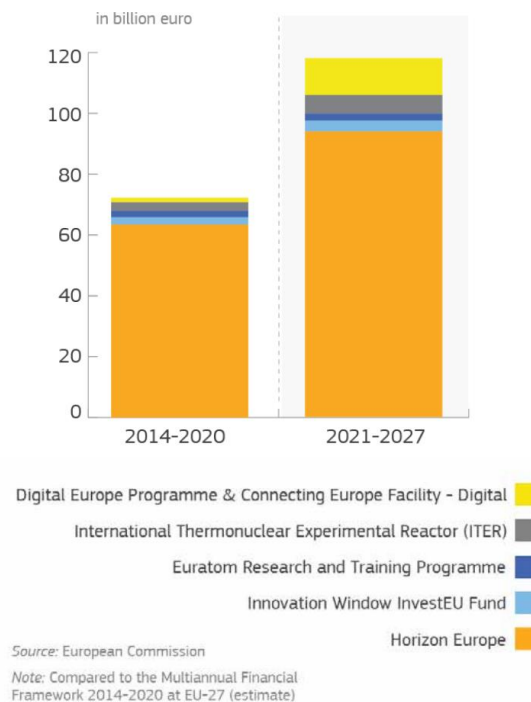
This policy briefing provides a detailed analysis of the three programmes we believe will be more relevant to Greater Manchester:

- **Horizon Europe**
- **Erasmus+**
- **Territorial Cooperation**

4. Horizon Europe 2021-2027

Building on the success of the previous EU research and innovation programmes the Commission is proposing an increased budget for research, innovation and digital of €114.2bn. The majority of the budget will go to Horizon Europe which will be the successor of Horizon 2020.

On 7 June 2018, the European Commission published its proposal for Horizon Europe, proposing a budget of **€94.1bn**, which is some 30% increase from the current funding programme Horizon 2020 (2014-2020).



The general objectives of Horizon Europe are to **strengthen the scientific and technological bases of the Union and foster its global competitiveness and innovation capacity**; to **deliver on the EU's strategic policy priorities and contribute to tackling global challenges, including the Sustainable Development Goals (SDGs) and sustain the EU's socioeconomic model and values.**

These objectives fall under three pillars:

- Open Science
- Global Challenges and Industrial Competitiveness: Health, Inclusive and secured Societies, Digital and Industry, Climate Change and Food and Natural Resources.
- Open Innovation

The proposal also promised to introduce the concept of 'mission', a way to strengthen the innovation impact of projects and include civil society organisations and citizens.

Missions are defined as “ambitious, bold goals to tackle issues that affect our daily lives”. At this stage there is no concrete views on what missions will look like, but stakeholders meetings, and expert groups will be set up.

The proposal also looks at further simplified management and financial reporting of projects in order to enable a wider participation.

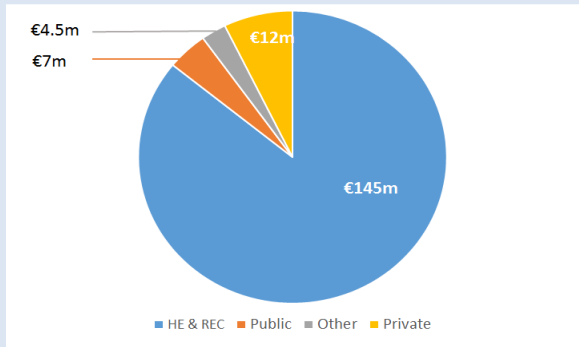
European Innovation Council

It aims to constitute a strategic tool that will support the innovation of market disruption on a European scale, in connection with the national and local levels. On the basis of the instruments that already exist in the rest of the program, it will be implemented through a new panel of more flexible instruments specifically dedicated to this type of activity.

Why is this important to Greater Manchester?

UK is one of the largest beneficiaries of the research and innovation programme, Horizon 2020. Greater Manchester organisations are involved in **293 Horizon 2020 projects** resulting in an investment of **€169m into GM**. This figure is likely to increase by the time the programme ends in 2020. The majority of the funding has gone to research projects delivered by the GM universities, however the public sector, local industry and not for profit organisations are also benefiting from H2020 funding.

Horizon 2020 GM funding split by sector



Organisations receiving Horizon 2020 funds

Universities & Research Inst	6
<i>Salford, Bolton, MMU and UoM, CMUH, UHSM</i>	
Public Organisations	9
<i>Manchester, Oldham, Trafford, Stockport, TfGM, NHS, GMP, GMCA</i>	
Private Organisations	31
<i>Across Manchester, Salford, Bolton, Bury, Stockport, Rochdale and Oldham</i>	
Other not for profit organisations	9

The new Horizon Europe programme will still offer great opportunities to GM organisations in particular in the areas of health innovation, climate change and environment, digital and advanced manufacturing.

Horizon Europe – 2021-2027 Priorities

<p>Pillar I – Open Science (€25,8 billion)</p>	<p>Dedicated to the scientific/research community and the frontier research, fellowships and exchanges for researchers. Continuation of the current Horizon 2020 excellent science pillar.</p>
<p>Pillar II – Global Challenges & Industrial Competitiveness (€52.7 billion)</p>	<p>Dedicated to the broad society (including industry, public administration, civic society). The main objective is to strengthen the impact of research and innovation in developing, supporting and implementing EU policies. The current societal and industrial challenges have been re-group under five policy areas:</p> <ul style="list-style-type: none"> • Health, €7.7bn: Health throughout the life course; Environmental and social health determinants; Non-communicable and rare diseases; Infectious diseases; Tools, technologies and digital solutions for health and care; Health care systems • Inclusive and secure societies, €2.8bn: Areas of intervention: Democracy; Cultural heritage; Social and economic transformations; Disaster-resilient societies; Protection and Security; Cybersecurity • Digital and industry, €15bn: Manufacturing technologies; Digital technologies; Advanced materials; Artificial intelligence and robotics; Next generation internet; High performance computing and Big Data; Circular industries; Low carbon and clean industry; Space • Climate, energy and mobility, €15bn: Areas of intervention: Climate science and solutions; Energy supply; Energy systems and grids; Buildings and industrial facilities in energy transition; Communities and cities; Industrial competitiveness in transport; Clean transport and mobility; Smart mobility; Energy storage. • Food and natural resources, €10bn: Environmental observation; Biodiversity and natural capital; Agriculture, forestry and rural areas; Sea and oceans; Food systems; Bio-based innovation systems; Circular systems. <p>Pillar II will be implemented via calls for proposals and missions.</p>
<p>Pillar III – Open Innovation (€13,5 billion)</p>	<p>Dedicated to ground-breaking innovators (both in public and private sector). The pillar aims to enhance market-creating innovation via newly created European Innovation Council, strengthen the actions of the European institute of Innovation and Technology (EIT), through the introduction of new Knowledge Innovation Communities (KICs) and foster cooperation in European Innovation Ecosystems. The proposal on a European Innovation Ecosystems promised to streamline international, national and local innovation policies programmes to stimulate innovation in public service areas and to provide market opportunities to European innovators. In particular, instruments on Public Procurement on Innovation (PPI) and Observatory of Public Sector Innovation2 could be of relevance to local authorities.</p>

5. Erasmus 2021-2027

The Commission is proposing a budget of **€30bn** for the next Erasmus programme:

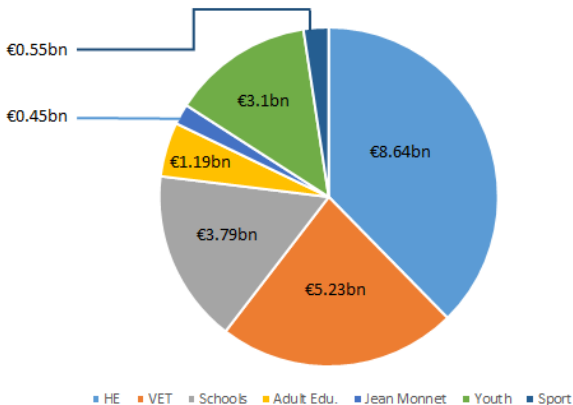
- €25.9bn to education and training;
- €3.1bn to youth and;
- €550m to sport.

The Commission claims it is doubling the budget, but the proposal falls short of the ‘tripling’ originally indicated. On the other hand, the new proposal triples the number of projected participants, up to 12 million.

The new programme is intended to contribute towards the establishment of a European Education Area by 2025, where increasingly, learners will spend time studying in another Member State and educational institutions within the area would recognise ensuing learning outcomes. The proposal promotes learning mobility to consolidate European identity and awareness of the union’s common values.

The new programme proposal adopts a lifelong learning perspective encompassing the sectors of higher education, general education, vocational education, training, adult education, non-formal education, youth and sport. It supports language learning, the development of digital skills and an attention to new knowledge and competencies in future-oriented areas such as climate change, clean energy, artificial intelligence, robotics, data analysis, arts and design.

Erasmus allocation to sectors 2021-27



The proposal also presents a number of actions to make it more inclusive, but some of the onus of achieving this may fall on Member States. Specific benchmarks would monitor the programme’s success in diversifying the targeted public. A new initiative, DiscoverEU, would dedicate €700m to offer informal education opportunities to individuals and groups of eighteen year olds to visit another Member State for the first time.

The new programme would also expand mobility opportunities for vocational education students, staff and apprentices and re-introduce mobility for school pupils and adult learners. On-line platforms would stretch the mobility experience for participants with preparatory and follow-up activities and networking opportunities. Virtual mobility would allow individuals for whom physical travel is difficult for a number of reasons to experience cross-border exchanges and collaboration.

The programme would maintain the same basic structure as the previous Erasmus+ programme with three key actions:

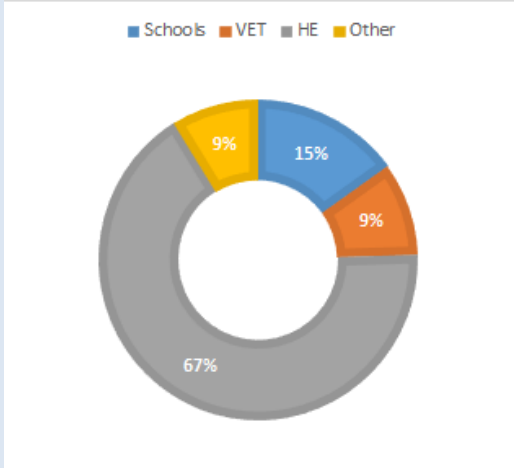
- Key Action 1: mobility,
- Key Action 2: cooperation for innovation and the exchange of practices,
- Key Action 3: policy development.

Sports, which was a new area of action in the 2014-2020 programme, is included in key actions 1 and 3 in the new proposal. This means that sport coaches and staff would also benefit from mobility opportunities to participate in study visits, job shadowing, observation periods or attend training courses and contact-making events.

Why is this important to Greater Manchester?

Since 2014 **€20.38m of Erasmus+ funding has been secured by GM organisations.** The majority of the funding (67%) has gone to student mobility schemes managed by the universities, the remaining funding (33%) has been awarded to other local educational projects run by schools, vocational education and training providers (VET) and other not for profit organisations.

Erasmus+ funding split per sector in GM



GM Organisations receiving Erasmus+ funds

Primary and Secondary Schools	100
Vocational Education & Training Providers	10
Higher Education	4
Other	16

6. European Territorial Cooperation (INTERREG, URBACT, ESPON)

The European Territorial Cooperation (ETC) programmes are part of the European cohesion and structural policy (ERDF). Each programme covers a defined geographical area and it supports transnational collaborations between European regions. Currently Greater Manchester is part of 5 ETC Programmes:

- URBACT, Interreg Europe and ESPON – which are Interregional Programmes covering the whole of the European territory.
- Northwest Europe Interreg – A Transnational Programme covering UK, Germany, North France, Belgium, Netherlands and Luxembourg.
- Atlantic Area Interreg – A Transnational Programme covering regions with an Atlantic coast in UK, Ireland, Portugal, France and Spain.

After Brexit, the UK will not be eligible for ERDF or ESF funding, however it is possible that the UK will choose to stay engaged in ETC programmes. Non EU countries such as Switzerland, Norway or Greenland, are currently part of a number of ETC programmes.

The future ETC programmes will be reshaped under a number of cooperation components:

- Cross-border cooperation between adjacent regions to promote integrated regional development (component 1). The equivalent of current strand A (GM was not eligible for Strand A). There will be fewer programmes under this component partly through merging some current programmes. This component will have a €4.4bn budget.
- Transnational cooperation and maritime cooperation over larger transnational territories (component 2). The equivalent of current strand B. This component will have a €2.65bn budget.
- Outermost regions' cooperation (component 3). This is a new introduction with a €0.27bn.
- Interregional cooperation (component 4). Only limited to ESPON, URBACT and INTERACT. The equivalent of current strand C with a €0.1bn budget.
- Interregional innovation investments through the commercialisation and scaling up of interregional innovation projects (component 5). This is a new introduction with a €0.9bn budget.

The new ETC proposal from the Commission presents a number of radical changes to the structure of the programmes, and also an overall reduced budget of €8.4bn compared to €9.3bn in 2014-2020.

The main novelties introduced by the proposed Regulation for the 2021-2027 period, compared to 2014-2020, include:

- INTERREG Europe is set to disappear under the Commission proposal.

- Urban tools, such as URBACT and the Urban Innovative Actions, will be combined in a single programme. The new European Urban Initiative will provide a more streamlined and coherent approach to capacity building, innovative actions, knowledge and policy development and communication.
- How the geographical areas of the transnational programmes are defined will also change. Article 5 of the proposed regulation states that regions to be supported by the transnational programmes will be regions 'covering contiguous functional areas' taking into account (where applicable) macroregional strategies.
- Regions with matching 'smart specialisation' assets will be given more support to build pan-European clusters in priority sectors such as big data, circular economy, advanced manufacturing or cybersecurity, through the new interregional innovation investment component.
- A reduction of the ERDF co-financing rate for all programmes has been proposed (from up to 85% in 2014-2020 to 70% maximum in the period post-2020).
- The current menu of eleven themes will be replaced by just five: 1) Smarter Europe (innovation, economic transformation – so current TO1-type themes); 2) Green Europe and low-carbon; 3) More Connected Europe (mobility/transport and ICT); 4) Social Europe; 5) Europe Closer to Citizens. Individual programmes will have to apply thematic concentration – they won't be able to cover all themes equally.
- The introduction of specific provisions for small project funds;
- The introduction of a common set of result indicators for Interreg programmes.

Why this is relevant to Greater Manchester?

During this current period GM partners have been involved in **14 ETC projects** representing a ERDF investment of **€7.75m**. URBACT, ESPON and Interreg programmes are the only vehicles supporting cross border collaborations and interregional innovation projects that are not educational or research focused.

Interreg Europe 6 Projects €1.5m Funding	URBACT 2 Projects €500K Funding	NW Europe Interreg 3 Projects €829K Funding
Urban Innovative Actions 1 Project €4.5m Funding	Atlantic Area Interreg 1 Project €100K Funding	ESPON 1 Project €265K Funding

Due to the nature of the programmes the main beneficiaries in GM are the local authorities and the public sector (Manchester City Council, Oldham Council, TfGM and GMCA). Other local stakeholders such as the Manchester Metropolitan University and the Business Growth Hub are also active participants in the programmes.

7. Greater Manchester Strategy and the New EU Programmes

How the 2021-27 EU Programmes could support GMS

	P1: Early Years	P2: Young People	P3: Good Jobs	P4: Thriving Economy	P5: Connectivity	P6: Affordable & Secure Housing	P7: Green & Culture	P8: Strong Communities	P9: Healthy Cities	P10: Age-Friendly Cities
Horizon Europe			■	■	■	■	■		■	■
Erasmus	■	■	■				■	■		
Territorial Cooperation			■	■	■	■	■	■	■	■

19 November 2018
 Greater Manchester Combined Authority
[email](#)

ANNEX 1 - Proposed EU programmes 2021-2027

I. SINGLE MARKET, INNOVATION & DIGITAL	II. COHESION AND VALUES
<p>1. Research and Innovation</p> <ul style="list-style-type: none"> • Horizon Europe • International Thermonuclear Experimental Reactor (ITER) • Euratom Research and Training Programme <p>2. European Strategic Investments</p> <ul style="list-style-type: none"> • InvestEU Fund • Connecting Europe Facility • Digital Europe Programme (inc. Cybersecurity) <p>3. Single Market</p> <ul style="list-style-type: none"> • Single Market Programme (inc. Competitiveness and SMEs – COSME, Food Safety, Statistics, Competition and Administrative Cooperation). • EU Anti-Fraud • Cooperation in the Field of Taxation • Cooperation in the Field of Customs <p>4. Space</p> <ul style="list-style-type: none"> • European Space Programme 	<p>5. Regional Development and Cohesion</p> <ul style="list-style-type: none"> • European Regional Development Fund • Cohesion Fund • Support to the Turkish-Cypriot Community <p>6. Economic and Monetary Union</p> <ul style="list-style-type: none"> • Reform Support programme, inc. the Reform Delivery Tool and Convergence Facility • Protection of the Europe Against Counterfeiting <p>7. Investing in People, Social Cohesion and Values</p> <ul style="list-style-type: none"> • European Social Fund + (inc. integration of migrants and health_ • ERASMUS+ • European Solidarity Corps • Justice, Rights and Values • Creative Europe (inc MEDIA)
III. NATURAL RESOURCES AND ENVIRONMENT	IV. MIGRATION AND BORDER MANAGEMENT
<p>8. Agriculture and Maritime Policy</p> <ul style="list-style-type: none"> • European Agricultural Guarantee Fund • European Agricultural Fund for Rural Development • European Maritime and Fisheries Fund <p>9. Environment and Climate Action</p> <ul style="list-style-type: none"> • Environment and Climate Action (LIFE) 	<p>10. Migration</p> <ul style="list-style-type: none"> • Asylum and Migration Fund <p>11. Border Management</p> <ul style="list-style-type: none"> • Integrated Border Management Fund
V. SECURITY AND DEFENCE	VI. NEIGHBOURHOOD AND THE WORLD
<p>12. Security</p> <ul style="list-style-type: none"> • Internal Security Fund • Nuclear Decommissioning (Lithuania) • Nuclear Safety and Decommissioning <p>13. Defence</p> <ul style="list-style-type: none"> • European Defence Fund • Connecting Europe Facility – Military Mobility • <i>European Peace Facility (with non-EU members)²</i> <p>14. Crisis Response</p> <ul style="list-style-type: none"> • Union Civil Protection Mechanism 	<p>15. External Action</p> <ul style="list-style-type: none"> • Neighbourhood, Development and International Cooperation Instrument • Humanitarian Aid • Common Foreign and Security Policy • Overseas Countries Territories <p>16. Pre-Accession Assistance</p> <ul style="list-style-type: none"> • Pre-accession Assistance

² The European Peace Facility is an off – budget fund outside the Financial Framework.