EUROPEAN COHESION POLICY AND THE UK

EU cohesion policy (or Regional policy) and cohesion funds are in place to reduce the economic disparities between the regions of the European Union (As laid out in Art 174 of the Treaty on the Functioning of the EU). Funding has been aimed at boosting economic growth, buttressing the single market and building infrastructure.

According to Article 174, the EU's actions aim to lead to "the strengthening of its economic, social and territorial cohesion", focussing in particular on those regions that are "the least favoured" in order to reduce disparities in the level of development across the EU.[1]

The funding streams support job creation, competitiveness, economic growth, improved quality of life and sustainable development across the 28 member states of the EU.[2] Although this means that poorer regions are likely to attract more funding, it should be noted that all EU regions are entitled to social and structural funding, although money from the Cohesion fund is restricted.

Name	Description
European Regional Development Fund (ERDF)	Created to redress regional imbalances through development and structural adjustment.
European Social Fund (ESF)	Designed to support integration of the unemployed and disadvantaged into working life, has an increasingly strong emphasis on social inclusion.
Cohesion Fund	Supports large-scale projects in the environment and under TEN-T. It is only available to member states who GNI per capita is >90% of EU average.

Other funds that are mentioned in the treaties include the Globalisation Adjustment Fund, the Solidarity Fund and the Aid for the Most Deprived.

Infrastructure funding has been aimed at increasing competitiveness between the regions, in particular building up European road and rail and air links. Indeed, the 1980s and 1990s saw many landmark achievements in this area. This funding has been complimentary to the TEN-T transport network funding which has supported the Channel tunnel linking Britain and mainland Europe, and the Øresund bridge and tunnel which links Sweden to Denmark, which are both inspiring pieces of engineering. Furthermore, both of these projects illustrate how wealthier countries such as the UK benefit from cohesion policy funding.

Cohesion policy has had huge benefits for those new Member States that are less economically developed. The improvement of road, rail and air links to and from these countries has allowed them to participate fully in the economic activity of the European Union[3]. A good example is Ireland, which has benefited massively from EU cohesion policy with over €900 million in total cohesion funding between 2007 and 2013. Cohesion policy helped to reduce Ireland's infrastructure deficit in comparison to the rest of the EU

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[1] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0047:0199:en:PDF

2 http://ec.europa.eu/regional_policy/index_en.cfm

3 Commission video on linking Eastern and Western Europe http://ec.europa.eu/transport/themes/infrastructure/index_en.htm

and therefore improved its competitiveness. For example, 5 major inter-urban roads were completed as part of 555km of motorways, including the M1/M4 between Dublin and Galway.[4]

However, the funding round that ended on 31st December 2013 brought to a close the current funding priorities and new regulations are now in place, but not completely finalised due to delays in negotiations.

The new programmes are focussed differently. This paper deals with what has happened and what will happen in the next round. It will also highlight the benefits and challenges for the UK in terms of access to the funds and their benefits.

Funding programme 2014-2020

There has been a change in identifying regions eligible for ERDF funding. The inclusion of another category called Transition regions will enable those regions which are improving or slipping in GDP terms to access funding. In the next round of funding between 2014 and 2020, transition regions in the UK will receive up to €2,617,438,010.

Overall allocation (EUR, current prices) 2014-2020[5]

United Kingdom	**2014**	**2015**	**2016**	**2017**
Cohesion fund (excl. CEF)	0	0	0	0
Less developed	320,548,422	326,965,858	333,510,861	340,185,493
Transition	352,059,899	359,108,201	366,296,611	373,627,391
More developed	775,771,218	791,302,294	807,142,102	823,295,628
Outermost and northern sparsely populated regions	0	0	0	0
European Territorial Cooperation				
- cross-border	24,353,566	35,559,504	50,781,225	92,269,185
Trans-national	12,563,990	18,345,125	26,198,004	47,601,617
Special allocation (PEACE)	6,017,304	8,786,078	12,547,077	22,797,963
Total (excl. CEF)	1,491,314,399	1,540,067,060	1,596,475,890	1,699,777,277

United Kingdom	**2018**	**2019**	**2020**	**Total**
Cohesion fund (excl. CEF)	0	0	0	0
Less developed	346,993,502	353,937,533	361,019,901	2,383,161,570
Transition	381,104,661	388,731,324	396,509,923	2,617,438,010
More developed	839,771,946	856,577,455	873,717,757	5,767,578,400
Outermost and northern sparsely populated regions	0	0	0	0
European Territorial Cooperation				
- cross-border	94,114,569	95,996,860	97,916,798	490,991,707
Trans-national	48,553,650	49,524,723	50,515,217	253,302,326
Special allocation (PEACE)	23,253,923	23,719,001	24,193,381	121,314,727

[4] http://ec.europa.eu/regional_policy/sources/docgener/informat/country2009/ie_en.pdf
[5] Letter sent from Walter Deffaa at DG Employment to Ivan Rogers, UKREP, dated 20th December 2013

Total (excl. CEF)	1,733,792,251	1,768,486,896	1,803,872,977	11,633,786,740

In addition, taking into account previous criticisms, cohesion policy is changing to suit the current economic climate. The previous focus on infrastructure is being replaced with a more direct focus on job creation with a particular emphasis on youth unemployment and providing solutions for **NEETS** (young people not in education, employment or training). There will also be a more specific focus on growth, and in particular that of small and medium enterprises (SMEs) who provide the vast majority of private sector employment in Europe. (59.3% of private sector employment in the UK)[6]

Furthermore, within the infrastructure funding that is available (TEN-T; TEN-E and the Connecting Europe Facility) there will be a greater focus on providing access to broadband and other digital networks in order for the EU to remain competitive with the rest of the world, allowing for a more connected continent. For example, the roll-out of broadband in Cornwall "has contributed thousands of jobs to the local economy".[7]

The policies now actively seek to engage with and stimulate the private sector. There is a substantial list of organisations that are being offered partial funding for traineeships and apprenticeships in the UK under the European Social Fund. This is just one of the many streams of funding under the cohesion policy with beneficiaries ranging from local colleges to Toni & Guy's hair dressers. On a larger scale, the policy now fits in with UK government policy of Public Private Partnership Investment.[8]

The funding streams encourage "additionality" which is designed to aid the inclusion of private investment to boost the EU government partnership funding. Ratios differ for different areas based on how much assistance they are deemed to require.

Policies that originally began with some small recognition of environmental protection have been strengthened. The coming years will see a great increase in focus in this area including CO2 reduction and recognition and protection of biodiversity in the regions of the EU.

Total allocations of Cohesion Policy 2014-2020* (million €, 2011 prices)

	Cohesion Fund (excl. CEF)	Less developed regions	Transition regions	Special allocation for outermost and sparsely populated regions	More developed regions	Territorial Cooperation	Total
BE	-	-	957	-	864	230	**2.051**
BG	2.018	4.601	-	-	-	145	**6.764**
CZ	5.553	13.581	-	-	78	297	**19.509**

6 SME statistics http://www.fsb.org.uk/stats

7 Read more: Fibre broadband's economic impact: by the numbers | Broadband | News | PC Pro http://www.pcpro.co.uk/news/broadband/385321/fibre-broadbands-economic-impact-by-the-numbers#ixzz2n9q3NFLF

8 Commission PDF 150 examples of projects co-funded by European Regional Policy http://ec.europa.eu/regional_policy/sources/docgener/presenta/projectbook/dg_regio_project_book_en.pdf

DK	-	-	64	-	229	198	**492**
DE	-	-	8.708	-	7.573	845	**17.125**
EE	951	2.187	-	-	-	48	**3.186**
IE	-	-	-	-	865	148	**1.012**
EL	2.884	6.389	2.095	-	2.296	203	**13.866**
ES	-	1.849	12.142	430	10.035	540	**24.996**
FR	-	3.132	3.908	393	5.834	953	**14.220**
IT	-	20.236	999	-	6.972	994	**29.201**
CY	242	-	-	-	200	29	**471**
LV	1.195	2.729	-	-	-	82	**4.006**
LT	1.815	4.169	-	-	-	99	**6.084**
LU	-	-	-	-	39	18	**56**
HU	5.342	13.387	-	-	414	317	**19.460**
MT	193	-	438	-	-	15	**647**
NL	-	-	-	-	904	341	**1.245**
AT	-	-	65	-	819	225	**1.109**
PL	20.545	45.696	-	-	2.007	613	**68.862**
PT	2.539	14.936	231	103	1.143	107	**19.058**
RO	6.137	13.706	-	-	403	396	**20.643**
SI	794	1.129	-	-	759	55	**2.737**
SK	3.691	8.448	-	-	39	195	**12.374**
FI	-	-	-	271	907	141	**1.319**
SE	-	-	-	184	1.349	299	**1.832**
UK	-	2.115	2.323	-	5.119	757	**10.315**
HR	2.265	5.199	-	-	-	128	**7.593**
interregional cooperation						*500*	***500***
innovative urban actions							***330***
technical assistance							***1.082***
Total	**56.165**	**163.490**	**31.931**	**1.380**	**48.849**	**8.919**	**312.146**

* amounts subject to final adoption of MFF and sectoral legislations

**The youth employment initiative (top up) of EUR 3 billion is not included in the table

*** CEF transfer (EUR 10bn) is excluded from table.[9]

BENEFITS FOR THE UK FROM EU COHESION POLICY AND THE FUNDING IT BRINGS

A significant amount of both ERDF and ESF funding was granted to a number of projects in the UK in the last generation of cohesion funding. For example, £421,000 of ERDF funding was granted to Retrofit South East in Eastleigh, Hampshire to develop a model for low carbon retrofit of social housing.[10] £4.2 million of ESF funding was also granted to Cornwall Council to help integrate unemployed people back into employment.[11]

[9] http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CC0QFjAA&url=http%3A%2F%2Fec.europa.eu%2Fregional_policy%2Fwhat%2Ffuture%2Fxls%2Foverall_table.xls&ei=8qfOUomwJcvKswbGhIC4BA&usg=AFQjCNGmrXIFP8FgVwHnQIBDRkUp5Px4Qg&bvm=bv.59026428,d.Yms

[10] http://www.radian.co.uk/abouts/sustainability/retrofit

[11] http://ec.europa.eu/social/esf_projects/project.cfm?id=92749&project_lang=en&rp=2

There are also huge advantages to be gained locally and nationally from the coordination and cooperation that is driven by European funding. European funding can act as a carrot, has long term aims (7 years) which is often lacking in domestic political situations. This gives a better strategic planning capacity. The rules that underpin the EU funding streams encourage collaborative schemes within the UK as well across the EU.

Under the system that was in place for the funding programme 2007-2013, only regions that had a GDP of 70% or less of the European average were entitled to ERDF funding. This entitled the poorer regions of the UK including Scotland, Wales and Northern Ireland to benefit. It can be argued that the way that the devolved administrations have worked has led to better strategic planning, and helped to utilise the extra benefits of European funding. The issue of long term strategic funding programmes for England is harder to identify given the current fragmented situation with the newly created Local Enterprise Partnerships (LEPs), but the carrot of EU funding does encourage a move towards this.

Although these UK regions have taken the bulk of money, all other regions have received some funding through both ERDF and ESF. Social funding is able to be used most effectively at local levels and pulls in government, regional and private funding very effectively. The added bonus of EU funding often makes the difference on quality and extent of projects.

The break-up of government regional offices in England and the interregnum between the formation and start-up of Local Enterprise Partnerships has meant that both momentum and potential funding has been lost. It seems that there may also be a disparity between UK government objectives and local and European schemes, and thus potential funding is lost in the mismatch. Without a dedicated ministry for European affairs or a single department for strategic planning across England that matches European strategies, there is a shortfall in planning. This may be because 'Cohesion' is not seen as a national policy, and so does not rate the consideration that this European policy affords and supports. But the number of ministries in Whitehall that are involved with Cohesion policy (BIS, DCLG, DEFRA, DECC and DoT) certainly makes the application process and cooperation with the Commission much more complicated.

One of the biggest complaints from applicants about getting EU funding for projects is the bureaucratic nature of the applications and the monitoring of progress and spending. With a central governmental agency in one place this could benefit England with expertise and coordination across the country. Expertise has built up in the devolved administrations of ~Scotland, Wales and Northern Ireland, and there is evidence that this has been of benefit. Certainly this would be a clear benefit to the new LEPs and other agencies as they seek to get extra support from European funding. There are some regional offices and staff located in Brussels who have great experience, but many local councils have cut back on their support for these offices, and are possibly now missing out on attracting better funding that is available through the regional funding streams

Another criticism is that instead of giving money to the EU to claim back, the UK would be better to spend this money directly rather than relay applications to the EU. However there is a body of evidence to show that the European money is giving longer term added value to projects planned and delivered locally. The seven year funding priorities are longer than local and national electoral cycles and are therefore less likely to political changes. This gives security to other investors in match funded projects. For example in some of the Eastern Region's rail projects where European money helped to secure long term

investment. Large cross continental projects such as TEN-T or TENT-E could happen in the UK without a European stimulus, but would be more likely to be longer in negotiation and delivery and to variable standards than the rest of the European networks, as well as at risk of political changes if undertaken by the single member state.

It should also be remembered that when cohesion funding contracts are implemented throughout Europe, UK companies are also bidding and winning contracts to supply everything from cement to JCBs, labour and other services. It is therefore somewhat misleading to measure the benefit of the cohesion policy to the UK solely on the amount of money that is received annually. The vast majority of all Cohesion Policy funding streams are spent within the EU and technical skills and support are most often supplied by "old" Europe.

Furthermore, it should be noted that as cohesion and structural funds help the development and training in the less economically developed regions, they provide opportunities for local people in those countries thus lessening any potential **"push"** factors for migrants moving to Britain and other parts of the 'old' European member states. This reduces internal migration.

The ESF is often spent on small scale, very local projects, and these have great impact on the participants and local communities, but the collation of statistics is often not done nationally in order to quantify the success or otherwise. There are sometimes other costs built in at local, regional or even national levels, often known as 'gold plating' and this adds further confusion. However, the Cohesion policy budget cost the European tax payer €70 Billion for the period between 2007 and 2013 inclusive. A rough calculation puts this at about €20 per EU citizen per annum.

On the whole it is generally accepted by academics that whilst the economic benefits from European Social and Cohesion funding are hard to quantify exactly, they are large. In the 2007 to 2013 funding programme in England, 55,440 jobs were created or safeguarded by 2012 and 9,565 new businesses had been created. Under this programming period, projects managed by DCLG were worth around £2.8 billion.[12] Though not part of the cohesion funding, we know that every pound spent on science through this type of funding results in a net benefit to the UK of £13 pounds.[13]

Given the scope and benefits outlined above we can conclude that it is good value for money and of very great benefit to the UK.

[12] https://www.gov.uk/government/policies/supporting-economic-growth-through-managing-the-european-regional-development-fund
[13] https://twitter.com/BritInfluence/status/405964225711206400/photo/1