Leeds University Undergraduate submissions to the Review of the Balance of Competences

Author name: Maxime Gehrenbeck,

Report Title: To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?

A note on this submission

This submission was made as part of an assessed piece of work for a final year module at the University of Leeds. “Britain and the EU” covers key historical events and themes in the UK’s relationship with the EU including non-membership to accession, debates over sovereignty, Parliamentary scrutiny, party politics and Euroscepticism. The module also explores key political issues (like foreign affairs and economic governance) to examine how European integration has influenced British politics and been influenced by them but does not provide detailed investigation into specific policies.

Students from this module presented work to the House of Lords EU select committee in its discussion of EU enlargement policy in 2013. This year’s cohort has been asked to respond to one of four questions from the Review of the Balance of Competences. These reports were evaluated on the quality of the data collated, the argument and its presentation. These submissions are therefore presented not as expert opinions from practitioners but from an educated public that is both informed and engaged with the broader issues relating to the UK’s relationship with the EU.

Module leader Charlie Dannreuther would like to express his thanks to the FCO Europe team for their cooperation and to the students for their extraordinary efforts in preparing these reports.

Please contact Dr Dannreuther on ipicd@leeds.ac.uk if you have any further queries.

1. Introduction

This report is an attempt to answer the question “To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?” It will try to give a general assessment of this issue, and consequently of the issue on whether the funds would be more beneficial if managed at the national level, mainly by gathering and analysing reports and consultations created by governments or assemblies in the UK. They often draw conclusions from evidence submitted by civil society, companies, and local authorities.

2. The structural funds

There are two European structural funds. The European Regional Development Fund (ERDF) provides “support for the creation of infrastructure and productive job-creating investment”, and the European Social Fund (ESF) tries to integrate unemployed sections of the population into working life (Europa, n.d.). The funds have three main objectives: convergence between regions, regional competitiveness and employment, and European territorial cooperation (European Movement UK 2010). The structural funds for the period of 2014-2020 will be distributed to the European regions as a function of their level of development, giving proportionally more money to less developed regions (GDP < 75% of EU average) and transition regions (GDP from 75 to 90% of EU average) than to more developed regions (European Commission, n.d.). Local or regional authorities are in charge of the selection and the financial management of funded projects, with the approval of the Commission (Department for Business, Innovation & Skills 2013a p.15).

3. Benefits of the structural funds for UK places, companies and workers

For the period 2007-2013, the Department of Business, Innovation and Skills (BIS) estimates that the structural funds have helped create approximately 50,000 jobs and 20,000 businesses, and have supported more than 1,300 researches and technical developments in the UK (BIS 2013b). Authorities from the four regions in charge of the allocation of the funds have provided many reports showing their benefits.

The Scottish Government wrote in a response to the Commission that Scotland has a "long and successful record of using structural funds" (Scottish Government 2008 p.1) which was later confirmed by the Scottish European and External Relations Committee (2012 p.18). These assertions are empirically supported. An example is a study led by Hall Aitken (2012) that showed that ESF funds were very efficient in Scotland in targeting and helping disadvantaged people in the labour market.

In Wales, the WEFO, Welsh European Funding Office (2013) states that 287 projects have been supported since 2007, and that could help provide 23,000 opportunities for businesses and over 620,000 employment and training opportunities. The Guilford Report analysing the impact of the funds for 2007-2013 explains that "the performance of Wales in the use of Structural Funds is already successful" (Guilford 2013 p.33).

Northern Ireland seems to have benefited from the funds as well. The Department of Finance and Personnel (2010) stated that the region has an "increasing prosperity […] measured against average European Union wealth".

Structural funds have also benefited England. By June 2013, the ERDF will have aided in the creation of 12,751 new businesses and about 55,000 new jobs in local areas (Department for Communities and Local Government 2013). Also, an independent case study focused on the regions of Manchester and Newcastle stated that “current ESF delivery is seen as contributing to addressing employability and skills issues” (BSI 2013c p.5).

4. Areas of improvement

Governments, local authorities, companies and civil society nevertheless point toward areas of necessary improvement to increase the benefits of the funds for locations, companies and workers. The most frequently expressed demands are the following:

- a reduction in the difficulty needed to comply with the Commission or the regions’ requirements, including numerical targets (Guilford 2013 p. 27).
- increased freedom for local authorities in the allocation of funds, in particular in England (a complain which was recognised, as from 2014 in England, all the funds will be directly allocated by the Local Enterprise Partnerships (LEP) (Cable 2013))
- a reduction in the administrative burden linked to the managing of the funds (Scottish Government 2008 p.4)
- a better integration of the two funds (BSI 2012 p.13)
- a reduction of the excessive expertise required to access the funds for small businesses (Scottish European and External Relations 2012 p. 8)
- a higher focus on the private sector (FSB Wales 2013 p. 8)

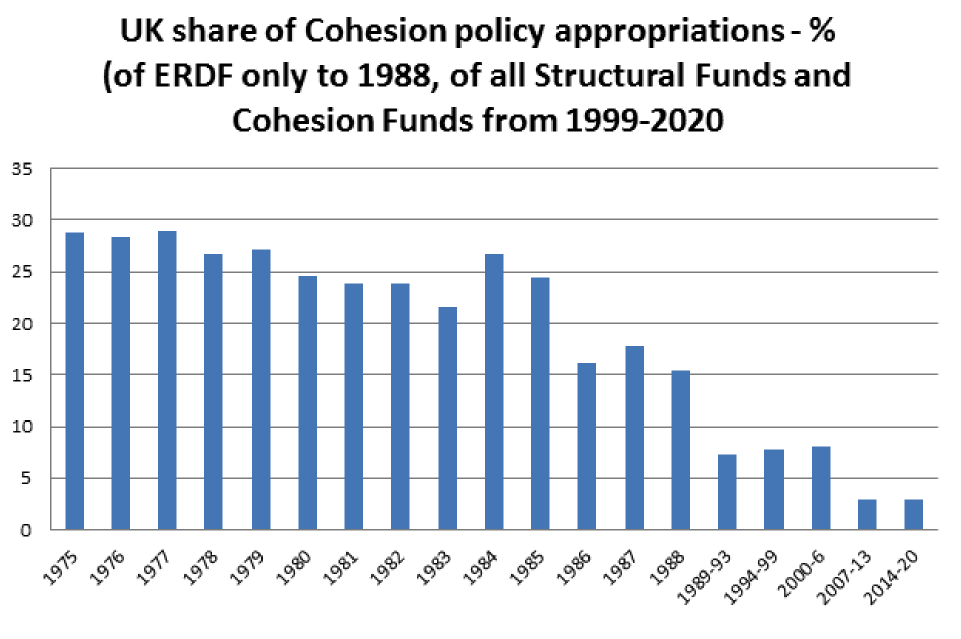
- a more accurate allocation of the funds (an estimated 59% of the funds may have been allocated by error in 2011 according to the European Court of Auditors (2012 p.127))

All these reforms do not criticize the funds in themselves, but ask for a maximisation of their benefits.

5. Would a renationalisation of the funds be beneficial?

- **Structural funds in the UK**

The Commission (2013) statistics show that in 2012, the UK received €1,279.2 million of structural funds out of a total of €38,773 million provided to all Member States. From 2007 to 2013, the UK received 3.1% of the all regional funds (European Union Committee 2008 p.20). This chart shows how the UK's share of the structural and cohesion funds has decreased over time (BIS 2013a p.18)



Comparing the small share of the funds allocated to the UK with the contribution of the UK to the European budget in 2012, which represented 11.61% of the total (HM Treasury 2012 p.12), could lead to negative conclusions about the impact of the structural funds in the UK. Of 37 British regions under the EU's classification system, only two are net beneficiaries of the funds (Open Europe 2012 p.3). It could therefore be more beneficial for UK locations, companies and workers if some of the funds were renationalised.

- **Arguments for a renationalisation**

The think tank Open Europe (2012) made a strong argument for the renationalisation of structural funds dedicated to richer countries of the EU, and thus limiting the funds for use only in countries with a GDP below 90% of the EU average (It should be noted that funds given to poorer regions of the EU are not contested as they benefit UK companies and workers by fostering the development of stronger markets for UK products abroad (CBI 2013 p.12)). Open Europe estimates that 25% of the funds in the UK are redistributed to the region where they were raised, making the European intervention useless. It can also seem senseless that with this system, rich countries give money to other rich countries (Edwards 2012). In 2011, the UK Government supported the following statement: "Cohesion funding should therefore focus on stimulating economic development in Member States where income per capita is far below the EU average" (European Commission 2011 p.2). Open Europe estimates that all UK regions would receive a 45% increase in subsidies with this partial renationalisation, but this figure has been largely contested. A member of the Department for Finance and Personnel of the Northern Ireland Assembly estimated in

2009 that the region would get about the same amount of funds if they were directly administrated by the UK (Committee for Finance and Personnel 2009).

- **The greater benefits of structural funds allocated by the EU**

Several convincing arguments seem to prove that, even though the UK Government could benefit from such a renationalisation, this would not be the case for UK places, companies and workers. In written evidence for the Communities and Local Government Committee of the House of Commons (2012 ev.33-36), Steve Fothergill points to the fact that if the funds were allocated by the government, there would be no guarantee about their future, as different parties could make different decisions. Moreover, even if the UK Government continued administrating funds to the regions, it could not ensure that this money would be used for regional development, because it is a policy where, under the devolution settlement, Westminster cannot impose decisions on regions. In a context of cuts in public expenditure, this increased uncertainty would be damaging for businesses and workers looking for long-term investment and stability. In a report in 2010, the European Union Committee of the House of Lords expressed this: “we do not support withdrawal of the ESF from the UK and other more prosperous Member States, at any rate not without a clear indication of what would follow in its place” (European Union Committee 2010 p.45). Another point is important. The Commission, by fixing conditions on the distribution of funds, and monitoring and assessing their use, ensures that they are allocated to sustainable businesses. Though governments may consider this a way of controlling their policies (Pignal 2010), and companies as an obstacle to obtaining funds, it ultimately helps companies develop in the long-term and creates sustainable jobs. Grahame Guilford noted that “many project sponsors report that they have gained valuable experience in meeting their compliance obligations" (Guilford 2013 p.28). This may explain why organizations representing businesses like CBI (2013) are convinced that the benefits of EU funding are higher than its costs. Trade Unions have been in support of the structural funds as well. Frances O'Grady (2013), TUC General Secretary, recently affirmed that "Europe has historically balanced the interests of free trade, open markets and companies with those of citizens, workers and trade unions". Trade Unions would probably not be satisfied with a renationalisation and consequently uncertainty about the funds. The Funds at the EU level represent a security for both companies and workers.

6. Conclusion

UK places, companies and workers have largely benefited from the European structural funds, which have helped to create infrastructure, businesses and jobs. For the reasons mentioned above, it seems more beneficial to keep the funds at the EU level, as a renationalisation of the funds distributed in the UK would lead to uncertainty about their future.

Bibliography

Aitken, H. 2012. *European Social Fund Participants Survey: Report*. [Online]. [Accessed 17 December 2013]. Available from: http://www.scotland.gov.uk/Resource/0040/00400347.pdf

Cable, V. 2013. *Written ministerial statement to Parliament on allocations from the ERDF and ESF*. [Online]. [Accessed 19 December 2013]. Available from: https://www.gov.uk/government/speeches/european-regional-development-fund-and-european-social-fund-allocations-2014-to-2020

CBI. 2013. *Our Global Future. The business vision for a reformed EU*. [Online]. [Accessed 17 December 2013]. Available from: http://www.cbi.org.uk/media/2451423/our_global_future.pdf

Committee for Finance and Personnel, 2009*. Official Report (Hansard). Barroso Taskforce Report. 4 March 2009*. [Online]. [Accessed 21 December 2013]. Available from: http://archive.niassembly.gov.uk/record/committees2008/FinancePersonnel/090304_Barroso.htm

Communities and Local Government Committee of the House of Commons. 2012. *European Regional Development Fund. Second Report of Session 2012-13.* (HC 81, incorporating HC 1954-i, 2010–12). London: The Stationery Office.

Department for Business, Innovation and Skills. 2012. *Partnership Agreement: Delivery of Structural Funds, Rural Development Funds and Maritime and Fisheries Funds in England*. [Online]. London: BIS. [Accessed 20 December 213]. Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/70075/12-942-partnership-agreement-delivery-of-structural_funds-rural-development-funds-and-maritime-and-fisheries-funds-in-England-government-response-to-informal-consultation.pdf

Department for Business, Innovation & Skills. 2013a. *Call for Evidence: Cohesion Policy Review*. [Online]. London: BSI. [Accessed 14 November 2013]. Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251880/bis-13-1257-balance-of-competences-review-call-for-evidence-cohesion-policy.pdf

Department for Business, Innovation & Skills. 2013b. *Allocation of EU Structural Funding across the UK*. [Online]. [Accessed 22 December 2013]. Available from: https://www.gov.uk/government/news/allocation-of-eu-structural-funding-across-the-uk

Department for Business, Innovation & Skills. 2013c. *Effectiveness of European Social Fund Delivery*. [Online]. London: BSI. [Accessed 22 December 2013]. Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/190771/bis-13-788-effectiveness-of-european-social-fund-delivery.pdf

Department for Communities and Local Government. 2013. *ERDF Programmes: progress and achievements*. [Online]. [Accessed 12 December 2013]. Available from: https://www.gov.uk/erdf-programmes-progress-and-achievements

Department of Finance and Personnel. 2010. *European Funding*. [Online]. [Accessed 21 December 2013]. Available from: http://www.dfpni.gov.uk/index/finance/european-funding.htm

Edwards, A. 2012. Cameron to demand EU budget cuts in bid to recover billions from Brussels after Commons defeat. *Mail Online*. [Online]. 4 November 2012. [Accessed 3 January 2014]. Available from: http://www.dailymail.co.uk/news/article-2227590/Cameron-demand-EU-budget-cuts-bid-recover-billions-Brussels-Commons-defeat.html

Europa. [no date]. *Structural Funds and Cohesion Fund*. [Online]. [Accessed 22 December 2013]. Available from:
http://europa.eu/legislation_summaries/glossary/structural_cohesion_fund_en.htm

European Commission. 2011. *UK Government response to the European Commission's Consultation on the Conclusions of the Fifth Report on Economic and Social Cohesion: February 2011*. [Online]. [Accessed 20 December 2013]. Available from:
http://ec.europa.eu/regional_policy/consultation/5cr/pdf/answers/national/uk_government_contribution_2011_02_08.pdf

European Commission. 2013. *EU expenditure and revenue*. [Online]. [Accessed 10 January 2013]. Available from:
http://ec.europa.eu/budget/figures/interactive/index_en.cfm

European Commission. [no date]. *A Reformed Cohesion Policy for Europe*. [Online]. [Accessed 21 December 2013]. Available from: http://ec.europa.eu/regional_policy/thefunds/funding/data/graphics/cohesionpolicy20142020_full_highres.png

European Court of Auditors. 2012. Annual Report on the Implementation of the Budget. *Official Journal of the European Union*. c344.

European Movement UK. 2010. *The EU's Structural and Cohesion Funds*. [Online]. [Accessed 22 December 2013]. Available from:
http://www.euromove.org.uk/index.php?id=13933

European Union Committee. 2008. *The Future of EU Regional Policy*. (HL Paper 141, 2007-2008). London: The Stationery Office.

European Union Committee. 2010. *Making it work. The European Social Fund. Volume 1: Report*. (HL Paper 92-1, 2009-2010). London: The Stationery Office.

FSB Wales. 2013. *EU Structural Funds 2014-2020. FSB Wales response to Welsh Government*. [Online]. [Accessed 21 December 2013]. Available from: http://wales.gov.uk/docs/det/consultation/130726response70fsben.pdf

Guilford, G. 2013. *Investing in Growth and Jobs: An Independent Review of Arrangements for Implementation of European Structural Funds Programmes 2014 – 2020*. [Online]. [Accessed 18 December 2013]. Available from: http://wales.gov.uk/docs/wefo/publications/130314guilfordreporten.pdf

HM Treasury. 2012. *European Union Finances 2012: statement on the 2012 EU Budget and measures to counter fraud and financial mismanagement*. (Cm. 8405). London: The Stationery Office.

O'Grady, F. 2013. *Revitalising Social Europe*. [Online]. [Accessed 4 January 2013]. Available from: http://www.tuc.org.uk/node/118945

Open Europe. 2012. *OFF TARGET: The case of bringing regional policy back home*. [Online]. London: Open Europe. [Accessed 21 December 2013]. Available from: http://www.openeurope.org.uk/Content/Documents/Pdfs/2012EUstructuralfunds.pdf

Pignal, S. 2010. Europe's hidden billions: Cohesion for a reason. *Financial Times*. [Online]. 2 December 2010. [Accessed 3 January 2014]. Available from: http://www.ft.com/intl/cms/s/0/e594c934-fe52-11df-abac-00144feab49a.html?siteedition=uk

Scottish European and External Relations Committee. 2012. *EU Structural Funds. 5th Report*. (SP Paper 179, session 4, 2012). Edinburgh: Scottish Parliament.

Scottish Government. 2008. *Growing Regions, Growing Europe: European Commission Consultation on the Future of Cohesion Policy: Response by the Scottish Government*. [Online]. Edinburgh: Cabinet Secretary for Finance and Sustainable Growth. [Accessed 22 December 2013]. Available from: http://www.scotland.gov.uk/Resource/Doc/917/0056479.pdf

Welsh European Funding Office. 2013. *Progress of 2007-2013 programmes*. [Online]. [Accessed 2 January 2014]. Available from: http://wefo.wales.gov.uk/programmes/progress/;jsessionid=70AF3EF9D00472761108453B95EE6BDC;jsessionid=6C8EDD58B5A3BD7B7EE2DFDCBA3F7F66?skip=1&lang=en