

EU and Wales: What's at stake during 2011 and 2012?

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As negotiations begin in Brussels for the future of the EU multi-annual budget in 2011, what's at stake for Wales, and what could we lose?

Wales currently receives just under £2 billion of funding (for the period 2007-2013) from the EU structural funds, part of the EU Cohesion Policy, to support economic development and regeneration, as well as over £300 million per annum from the Common Agriculture Policy (CAP), to support Welsh farmers and rural communities.

There is no guarantee that Wales will continue to receive the same level of funding from the EU Budget in the future, as this will be the subject of detailed negotiations during 2011 and 2012 when the EU institutions and national governments will hold at times very difficult discussions over the size, structure and priorities of the future EU Budget post 2014.

How important is this funding to Wales?

Figures from the Welsh Government show a high level of dependency on the CAP in rural Wales, where the single farm payment - the largest element of the CAP budget - accounted for around 80 per cent of all farm income in 2009.

The EU structural funds investment represents a smaller share of the overall public spend in the Welsh economy. For example, in 2011 the budget of approximately £275 million under the two main Welsh programmes is only around 2 per cent of the value of the overall Welsh Government budget of £13.8 billion for 2011-2012. However, if the comparison is limited to the economic development part of the Welsh Government's budget, the importance of the

structural funds investment becomes more apparent, equating to around 17 per cent of the value of the Economy and Transport budget (£1.6 billion).

Other EU funding

In addition to the CAP and the two main regional programmes under the structural funds, there is a plethora of other EU funding programmes that organisations in Wales - including universities, schools, the voluntary sector and businesses - can in theory access. These programmes are also up for review and include:

- the Territorial Co-operation programmes under the Cohesion Policy;
- the Framework Research Programme focused on supporting research excellence across the EU; and
- the Lifelong Learning Programmes, including exchanges between schools, colleges, students, and work placements abroad.

Framework Research Programme

Under the Framework Research Programme, organisations from Wales secured around £40 million during 2000-2006, and have already secured £33 million under the first three years of the 2007-2013 programme. However, unlike CAP and the regional structural funds, there are no pre-set allocations to Wales. To access funding, organisations must participate in a competitive bidding process against other regions and countries in the EU.

Austerity cuts and euro crisis

During the discussions in Brussels there will be considerable pressure to reduce the overall EU Budget after 2014, as national governments seek to limit the amount that they contribute. The ongoing crisis in the Eurozone, and the recently adopted Euro Plus Pact, adds to this pressure as national governments have committed themselves to reducing public deficits and driving forward structural reforms, including labour market and pension reform.

The UK Government - as one of the 'net contributors' to the EU budget - has already noted its intention to seek a real reduction in the overall budget, and has highlighted in particular the need to reform and significantly reduce the share of the budget that goes to the CAP and the EU Cohesion Policy. The UK Government favours reallocating funding towards investing in research, innovation, competitiveness and climate change objectives of the EU.

The positions of the other Member States are also emerging: 23 of the 27 Member States have set out their stall to defend the current CAP budget, including France and Germany, whilst there is also a consensus over the need for a strong EU-wide Cohesion Policy, although this budget line is more vulnerable to cuts when it comes to hard negotiations. This suggests there will be only limited opportunities for new and innovative approaches.

Agreement on the overall EU budget package is expected towards the end of 2012, and subsequently agreement on the individual legislative proposals for the various funding programmes in the first half of 2013. This means the first two years of the Fourth Assembly are likely to see European issues at the forefront of the political agenda.

The EU Budget negotiation process

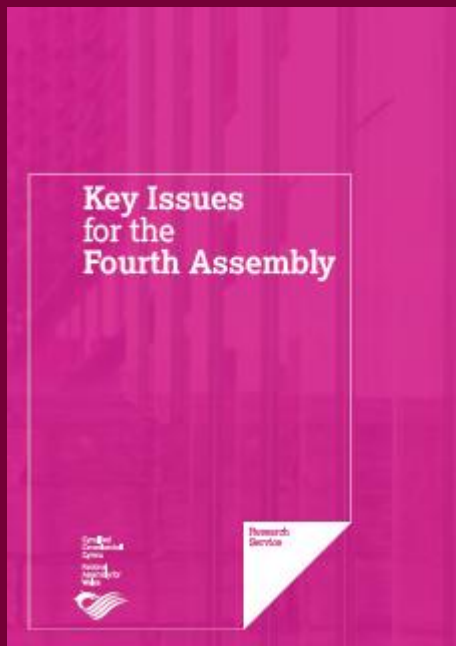
The European Commission is scheduled to publish the proposals for the future multi-annual EU Budget in June 2011.

This will be followed by separate legislative proposals during the second half of 2011 (and in some case into 2012) for each of the main elements of the proposed budget, including the CAP, the future EU Cohesion Policy, the Research and Innovation Framework Programme, potentially a new Climate Change and Renewable Energy programme, and many more.

Each of these will be discussed and debated by the EU institutional triangle - the **European Parliament**, including the Welsh MEPs; the Member States or 'national governments' from the EU in the **Council of Ministers** (and subsequently the **European Council**). The Welsh voice will be represented as part of the UK position, depending on how successful the Welsh Government and other stakeholders are in influencing the UK Government view; and the **European Commission**, acting as a broker seeking to find a compromise that each of the three institutions is satisfied with.

In addition to this the two main consultative bodies – the Committee of the Regions and the Economic and Social Committee – will be asked for their views, and Wales has a direct voice on these through its representatives (including two from the Assembly).

Article taken from Research Service publication



Key Issues for the Fourth Assembly

This document has been specially prepared for Assembly Members by the Research Service. It sets out some of the key issues likely to matter to Members during the Fourth Assembly.

[Key Issues for the Fourth Assembly](#)

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