



National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

European Structural and Cohesion Funds 2007-2013

This paper provides information on the European Structural and Cohesion Funds, their objectives and the programmes for administering them in Wales during the funding period 2007-2013.

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European Structural Funds 2007-2013

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Executive Summary

The Structural and Cohesion Funds are the European Union's main instruments for supporting social and economic restructuring across the EU. They account for over one third of the European Union budget and are used to tackle regional disparities and support regional development.

Key points relating to the Funds in Wales:

- Wales will receive in the region of £1.5 billion from the European Regional Development Fund (ERDF) and the European Social Fund (ESF) for the period 2007-2013.
- Around £1.4 billion of funding will be used to meet the Convergence Objective in West Wales and the Valleys (see map 2 on page 13 for eligible areas).
- East Wales will receive around £93 million to meet the Competitiveness Objective (see map 2 on page 13 for eligible areas).
- Wales will share a pot of £833 million (along with other eligible regions) to meet the Territorial Co-operation Objective.

NB: The currency of monetary figures used throughout this paper interchanges (i.e. some figures will be represented as euros €, whilst other figures will be shown as pounds sterling £). This is based on the reporting of figures by different organisations.

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EU Structural and Cohesion Funds

1 What are EU Structural and Cohesion Funds?

The Structural and Cohesion Funds are the European Union's main instruments for supporting social and economic restructuring across the EU. They account for over one third of the European Union budget and are used to tackle regional disparities and support regional development.

2 The 2007-2013 Structural and Cohesion Funds

The European Council of December 2005 agreed a total Structural and Cohesion Funds budget of €308¹ billion for 2007-2013. As a result of the agreement, the UK will receive Structural Funds receipts amounting to approximately €9.4 billion (2004 prices), for 2007-2013. Of this, Wales is likely to receive in the region of £1.5 billion.

The EU Structural and Cohesion Funds are divided into three separate funds:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund – the UK is not eligible for this fund.

Table 1 shows which of the Funds are available to meet the European Commission's regional objectives in Wales, with the amount available in brackets. The UK does not meet the criteria for the Cohesion Fund (available only where Gross National Income (GNI) per head of a Member State is less than 90% of the EU-27 average). Both the ERDF and the ESF are available to Wales.

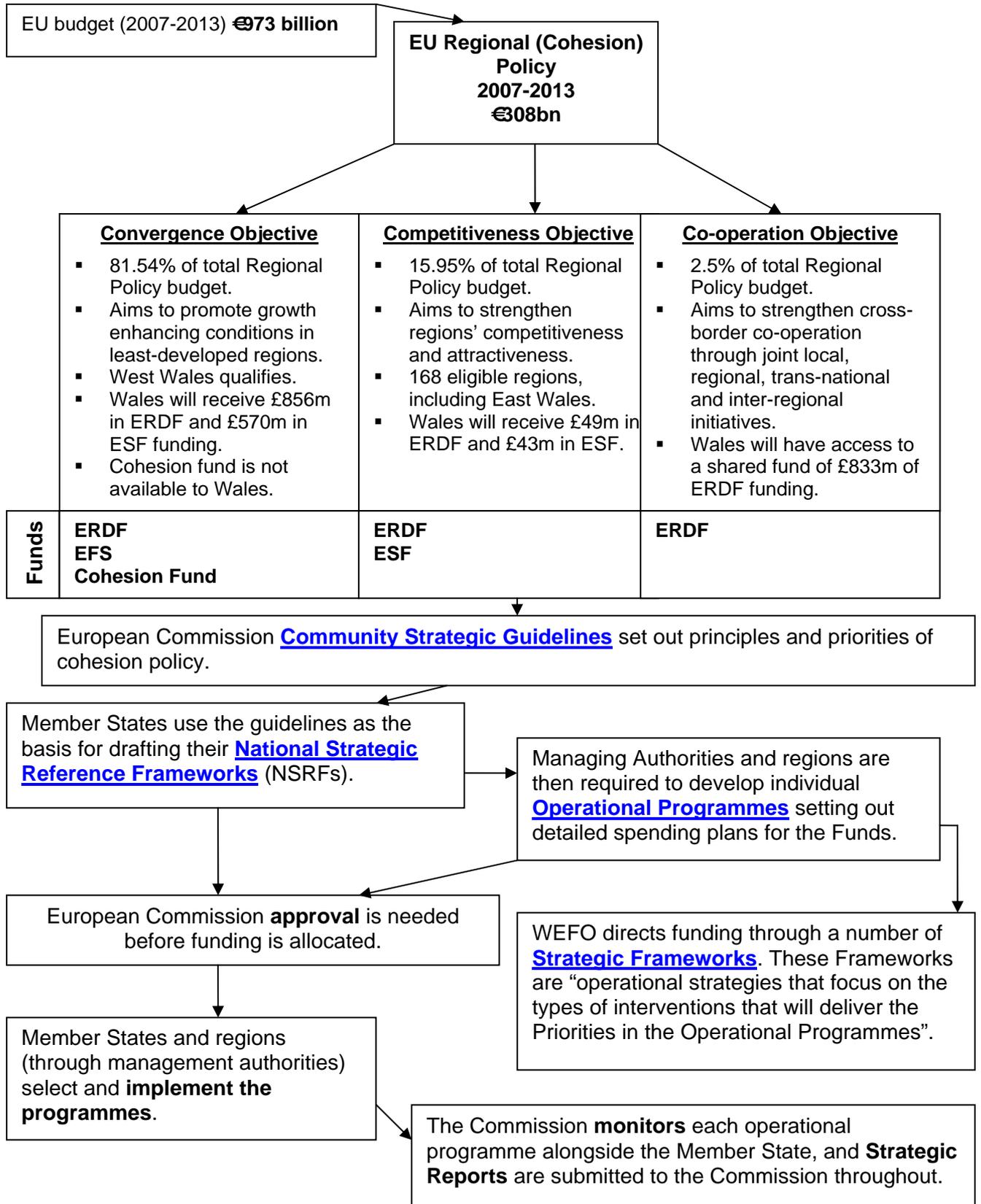
Table 1: Funds available to meet EU Regional objectives in Wales

Commission Objectives	Fund (£ to Wales)		
	ERDF	ESF	Cohesion
Convergence	Yes (£856m)	Yes (£570m)	No (£N/A)
Competitiveness and Employment	Yes (£49m)	Yes (£43m)	No (£N/A)
Territorial Co-operation	Yes (£not known) ²	No (£N/A)	No (£N/A)

¹ This equates to approximately €347.1 billion at current prices.

² £833m is available to support all programmes that Wales is involved in under the Territorial Cooperation Programme. As such, this total is not exclusive to Wales but applies to all countries and regions involved.

3 Overview of the Structural and Cohesion Funds



4 The Funds

4.1 *The European Regional Development Fund (ERDF)*

The ERDF supports programmes which address regional development, economic change, enhanced competitiveness and territorial co-operation throughout the EU. Funding priorities include research, innovation, environmental protection and risk prevention, while infrastructure investment retains an important role, especially in the least-developed regions.

4.2 *The European Social Fund (ESF)*

The ESF focuses on four key areas: increasing adaptability of workers and enterprises; enhancing access to employment and participation in the labour market; reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people; and promoting partnership for reform in the fields of employment and inclusion.

4.3 *The Cohesion Fund*

The Cohesion Fund is available to Member States whose GNI per head is below 90% of the EU average, and supports activities in the fields of the environment and trans-European transport networks. The Cohesion Fund covers the new Member States as well as Greece and Portugal. Spain will be eligible for the Cohesion Fund on a transitional basis.

5 The Objectives³

The European Commission has identified three objectives of the Structural and Cohesion Funds for 2007-2013: Convergence; Regional Competitiveness and Employment, and; Territorial Co-operation.

5.1 *Convergence*

The Convergence Objective aims to promote growth-enhancing conditions and factors for the least-developed Member States and regions. This Objective concerns 17 Member States who have regions where GDP per head is less than 75% of the EU-27 average, and – on a “phasing-out” basis – another 16 regions with a GDP per head only slightly above the threshold, due to the statistical effect of the larger EU.

The amount available to meet the Convergence Objective across the EU is €251 billion, representing 81.5% of the total for Structural and Cohesion funds budget. Of this, €189.6 billion is for the Convergence regions, €12.5 billion is reserved for the “phasing-out” regions and €61.6 billion is for the 15 Member States eligible for the Cohesion Fund.

³ All figures are quoted as 2004 prices.

The UK will receive €2.43 billion for Convergence regions (Cornwall and the Scilly Isles and West Wales and the Valleys), with Wales receiving around £1.4 billion of this. In addition, €158 million will be earmarked for “phasing-out” regions (the Highlands and Islands) in the UK.

5.2 Regional Competitiveness and Employment

Outside the Convergence regions, the Regional Competitiveness and Employment Objective is aimed at strengthening regions' competitiveness and attractiveness, as well as increasing employment. In the EU-27, a total of 168 regions are eligible, including East Wales. Within these, 13 regions represent so-called “phasing-in” areas and are subject to special financial allocations due to their former status as “Objective 1” regions. A total of €49.1 billion will be made available to meet this Objective across the EU (about 16% of the Structural and Cohesion Funds budget), of which €10.4 billion is for the ‘phasing-in’ regions.

The UK will receive €5.36 billion for Regional Competitiveness and Employment regions (this applies to the majority of the UK), with Wales receiving about £93 million. In addition, a total of €881 million is allocated for the UK's “phasing-in” regions (Merseyside and South Yorkshire).

5.3 Territorial Co-operation

The European Territorial Co-operation Objective looks to strengthen cross-border co-operation through joint local, regional, trans-national, and inter-regional co-operation initiatives.

€7.75 billion (2.5 % of the total EU Structural and Cohesion funds budget) is available for this Objective and is split: €5.57 billion for cross-border initiatives; €1.58 billion for trans-national; and €392 million for inter-regional co-operation programmes.

The UK will receive €352 million in cross-border funding and €211 million in trans-national funding. The remaining €77 million, of the UK's €640 million Co-operation Funding, will go towards inter-regional co-operation. This funding, however, will be controlled by the European Commission.

6 Policy Stages⁴

- The Structural and Cohesion Funds budget and the rules for its use are decided by the Council and the European Parliament on the basis of a proposal from the European Commission.
- Each Member State prepares a **National Strategic Reference Framework (NSRF)**, over the course of an ongoing dialogue with the Commission.
- Following agreement between the Commission, Council and European Parliament on the above mentioned proposals, a Member State has five months to send their NSRF to the Commission. That document defines the strategy chosen by the Member State and proposes a list of operational programmes that it hopes to implement. The Commission has three months after receipt of the NSRF to make comments and to request additional information from the Member State.
- The Commission validates certain parts of the NSRF that require a decision, as well as each **Operational Programme (OP)**. The OPs present the priorities of the Member State (and/or regions) as well as the way in which it will lead its programming. An obligation exists however for the countries and the regions concerned by the convergence objective: 60% of expenditure must be allocated to the priorities arising from the EU's strategy for growth and jobs (the Lisbon Strategy). For countries and regions concerned by the Competitiveness and Employment Objective the percentage is 75%. For the 2007-2013 period, around 450 Operational Programmes will be adopted by the European Commission. Economic and social partners as well as civil society bodies participate in the programming and management of the OPs.
- After the Commission has taken a decision on the Operational Programmes, each Member State and its regions then have the task of **implementing the programmes**, i.e. selecting the many projects, monitoring and assessing them. All this work takes place through what are known as management authorities in each country and/or each region. The Assembly Government (through WEFO) is the managing authority in Wales.
- The Commission **commits the expenditure** (to allow the Member State to start the programmes) and pays the certified amount to each Member State.
- The Commission **monitors each Operational Programme** alongside the Member State, and **Strategic reports** are submitted to the Commission by the Member States throughout the 2007-2013 programming period.

⁴ See also Part 9: *Overview of Structural and Cohesion Funds*.

7 Welsh European Funding Office

Structural and Cohesion funding administered through the Welsh European Funding Office (WEFO) will be directed via a number of Strategic Frameworks (SFs)⁵. According to WEFO, Strategic Frameworks are “operational strategies that focus on the types of interventions that will best deliver on the Priorities in the Operational Programmes. The primary purpose of the Strategic Frameworks is to improve the effectiveness of the 2007-2013 structural fund Programmes. They take as their starting point the relevant priorities/themes in the programmes”.

The Strategic Frameworks are planning documents and not financial instruments. WEFO will agree their content and will use them to inform the project selection process. An **All-Wales Programme Monitoring Committee (PMC)** has the broad remit of monitoring the implementation of the Convergence and Regional Competitiveness (ERDF and ESF) programmes in Wales. This includes advising WEFO on the alignment of Strategic Frameworks with the Operational Programmes.

8 Wales Programmes for 2007-2013

Eligibility for structural funds programmes has been determined on the basis of average GDP per head statistics for the period 2000-2002. On this basis the GDP per head of West Wales and the Valleys was under 75% of the EU average and therefore qualified as a full “**Convergence** region”⁶. The whole of East Wales is eligible for **Competitiveness** funding⁷. The Ireland/Wales Cross-Border Programme⁸ is eligible for funding through the **Territorial Co-operation** Objective. Map 1 (page 12) shows UK regional eligibility for structural funds. Map 2 (page 13) shows Convergence and Competitiveness regions in Wales.

The Programmes for delivering Structural Funds in Wales will be based on broad priorities set out in the UK National Strategic Reference Frameworks (NSRFs). The [UK NSRF](#)⁹ was sent to the European Commission for approval on 23 October 2006 and was approved on 30 June 2007. Pages 69-82 of the UK NSRF outline the Structural Funds Priorities in Wales for 2007-2013.

As part of the Commission's new Regulations, managing authorities and regions are required to develop individual Operational Programmes setting out their detailed spending plans for the Funds for the current period. These Programmes were the subject of public consultations, which ran between autumn 2006 and spring 2007.

⁵ Details of the WEFO's Strategic Frameworks can be found on their website: http://www.wefo.wales.gov.uk/sf_static.htm

⁶ West Wales and the Valleys will receive full funding under the Convergence Objective during the 2007-2013 Financial Perspective because it had a GDP per capita below 75% of the EU25 average for the funding period 2000-2002.

⁷ East Wales will be eligible to receive its share of the €6.2 billion of Competitiveness funding allocated to the UK. This funding (about £93m) will be at significantly lower levels than for the Convergence Objective, therefore the scope and level of activity will not be as wide-ranging.

⁸ Comprising the regions; Dublin, Mid-East and South-East Ireland and Gwynedd, Anglesey, Conwy, Denbighshire, Carmarthenshire, Ceredigion and Pembrokeshire.

⁹ UK National Strategic Reference Framework: <http://www.berr.gov.uk/files/file34769.doc>

8.1 Convergence Programmes in Wales 2007-2013

The West Wales and the Valleys region, which encompasses 15 local authority areas¹⁰, has been awarded £1.4 billion in Convergence funding for 2007-2013. Funding is comprised from two Structural Funds, with £856 million through ERDF and £570 million from ESF (see table 1). According to the Welsh Assembly Government, with match funding, total investment through the Convergence programmes will be approximately £3.2 billion in the West Wales and the Valleys region during 2007-2013.

- ERDF Convergence Operational Programme

The Wales ERDF Convergence Operational Programme was formally adopted by the European Commission on 8 August 2007 and launched in Llandudno, Wales, by the First Minister on 5 October 2007.

The Programme has 6 priorities:

1. Building the knowledge based economy
2. Improving Business Competitiveness
3. Developing strategic infrastructure for a modern economy
4. Creating an attractive business environment
5. Building sustainable communities
6. Technical assistance

- ESF Convergence Operational Programme

The Wales ESF Convergence Operational Programme was adopted by the European Commission on 9 August 2007 and was formally launched by the First Minister on 20 September 2007.

The Programme has 5 priorities:

1. Supplying young people with the key skills needed for learning and future employment
2. Increasing employment and tackling economic inactivity
3. Improving skill levels and adaptability of the workforce
4. Improving public services – making the connections
5. Technical assistance

¹⁰ Anglesey, Conwy, Denbighshire, Gwynedd Ceredigion, Carmarthenshire, Pembrokeshire, Swansea, Neath Port Talbot, Bridgend, Rhondda Cynon Taf, Caerphilly, Merthyr Tydfil, Blaenau Gwent and Torfaen. (see Map 2)

8.2 Competitiveness Programmes in Wales 2007-2013

The East Wales region¹¹ has been awarded £93 million in European funding to meet the Regional Competitiveness and Employment Objective for 2007-2013. Around £49 million of ERDF funds will be channelled into programmes which aim to support business growth and social, environmental and economic development, whilst £43 million from the ESF will be used to tackle economic inactivity and increase skills and employment. According to the Welsh Assembly Government, with match funding from the private, public and voluntary sectors, the total investment of the Programmes will be around £230 million.

- ERDF Competitiveness Operational Programme

The ERDF Competitiveness Programme will receive around £49 million and, according to the Assembly Government, coupled with match funding, will be worth around £122 million for the 2007-2013 funding period.

The ERDF Regional Competitiveness and Employment Operational Programme was submitted to the European Commission on 5 June 2007 and legally adopted by the EU Commission on 13 August 2007.

The Programme has 5 priorities:

1. Knowledge and innovation for growth
2. Business competitiveness and growth
3. Tackling climate change
4. Regeneration for growth
5. Technical assistance

- ESF Competitiveness Operational Programme

The European Social Fund (ESF) programme will utilise approximately 47% of the resources from the total Regional Competitiveness and Employment funding. This means a grant contribution of around £43 million and, according to the Welsh Assembly Government, coupled with match funding, a total investment of approximately £107 million for the 2007–2013 funding period.

The Operational Programme was legally adopted by the EU commission on 16 October 2007 and has three main priorities:

The Programme's 3 main priorities are:

1. Increasing employment and tackling economic inactivity
2. Raising skill levels and adaptability of the workforce
3. Technical assistance

¹¹ Flintshire, Wrexham, Powys, Monmouthshire, Newport, Cardiff and the Vale of Glamorgan

8.3 Territorial Co-operation Programmes in Wales 2007-2013

The new Territorial Co-operation (TC) Objective Programmes will consist of three strands; Cross-border, Trans-national and Inter-regional cooperation. Wales will have an involvement in the following four 2007-2013 Territorial Cooperation Programmes:

- A **Cross-Border Co-operation (CBC) Programme** linking the West coast of Wales with the South-East of Ireland (a successor to the 2000-2006 Ireland/Wales INTERREG IIIA Programme).

The aim of this Programme is to support joint public and/or private partnerships between the two regions. It is underpinned by four themes, Innovation and Competitiveness, Skills for Competitiveness and Employment Integration, Climate Change and Sustainable Development and Sustainable Regeneration of Communities.

The Programme was adopted by the Commission on 17 September 2007 and makes €52.7 million available through the ERDF. The first round of project proposals closed on 18 January 2008. A second round is due to be launched in July 2008.

- The **Trans-National Co-operation (TNC) North-West Europe Programme** covering seven EU Member States, the UK (all of Wales is eligible), Ireland, Belgium, Luxembourg and areas of France, Germany and the Netherlands (will succeed the INTERREG IIIB North-West Europe Programme).

The Programme has four operational Priorities;

1. Developing the North-West Europe (NW E) Knowledge Based Economy
2. Sustainable Management of Natural Resources and of Natural and Technological Risks
3. Improving Connectivity in NW E by Promoting Intelligent and Sustainable Transport
4. ICT Solutions and Promoting Strong and Prosperous Communities at the trans-national level.

The total ERDF budget available to support programmes under the TNC North-West Europe Programme is €355m. This fund is available to eligible projects in the TNC North-West Europe area.

- The **Trans-National Co-operation (TNC) Atlantic Area Programme** covering regions on the Atlantic coast in five EU Member States, parts of the UK (all of Wales is eligible), Ireland, Portugal, and parts of France and Spain (will succeed the INTERREG IIIB Atlantic Space Programme).

The Atlantic Area Programme aims to achieve significant progress in trans-national co-operation geared towards cohesive, sustainable and balanced territorial development of the Atlantic Area and its maritime heritage. In particular, it aims to:

1. Promote Entrepreneurial and Trans-national Innovation Networks
2. Protect, Secure and Enhance the Marine and Coastal Environment Sustainability
3. Improve Accessibility and Internal Links
4. Promote Transnational Synergies in Sustainable Urban and Regional Development

The total ERDF budget is €104m. Adopted on 20 September 2007, the first application round ran from 17 March 2008 to 14 May 2008.

- An EU wide **Inter-Regional Co-operation (IRC) Programme** covering the EU27 plus Switzerland and Norway will succeed the INTERREG IIIC Programme.

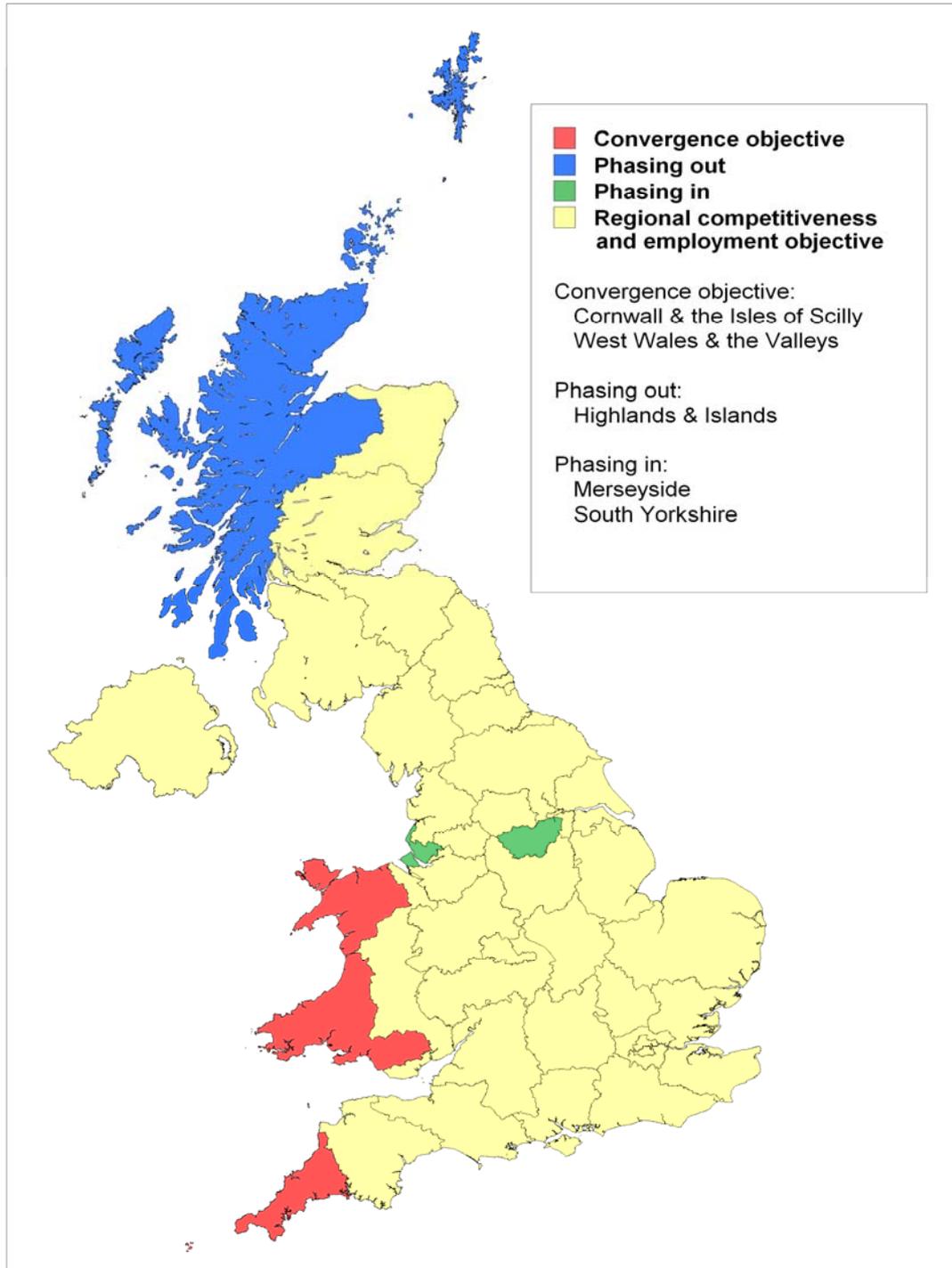
This Programme, which covers the EU-27 and Norway and Switzerland encourages co-operation at the regional and local levels and is aimed at the exchange and transfer of experience and the joint development of approaches and instruments that improve the effectiveness of regional development policies and contribute to economic modernisation.

The Managing Authority is based in Lille, with “information” points in Katowice, Rostock and Valencia. National Contact Points also operate within Member States. The UK Government Department for Communities and Local Government co-ordinates the Programme for the UK. The total ERDF budget for the IRC Programme during 2007-2013 is €321m.



9 Maps

Map 1: UK regional eligibility for structural funds





Map 2: Convergence and Competitiveness Regions in Wales

