

**Report for the European Movement:**  
**The benefits of EU Structural Funds for UK  
regions**

**Policy Economics**  
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## EXECUTIVE SUMMARY

This report has been written by Policy Economics Ltd an independent economics consultancy which was commissioned by the European Movement to consider the benefits of European Structural funds for the UK regions. It considers these benefits in respect of two main issues, the extent to which Structural Funds may have generated additional investment into the UK regions and whether the manner in which Structural Funds were implemented may have in itself fostered additional benefits.

The report follows extensive desk research into the nature and scale of funding and builds upon the conclusions of three consultation meetings with local partners at Bristol, Liverpool and Sheffield. In setting the counterfactual to Structural Funds grants political as well as economic considerations are taken into account.

The main findings of the report are that EU Structural Funds may have fostered additional investment for the UK regions of over £104 bn. Further, whilst the additional benefits of EU Structural Funds arrangements are difficult to quantify, the principles of regional and sub-regional partnership between government agencies and with the private sector which have been fostered by these funding schemes may also have led to significant benefits.

In total Structural Funds allocations (over more than a forty year period) have involved investment of around €230bn or £193bn expressed in today's prices.

According to the European Commission in the current programme period alone (2007 – 2013), the regional competitiveness and employment programmes in the UK have created or safeguarded 55,440 jobs. In England, the total ERDF spending reached £2.8 billion. From 2007 to 2011, nearly 3,800 SME projects received direct investment aid from EU funds, more than 9,700 business start-ups were supported.

Structural Funds have been used to bolster regional economies where parts of the EU have “lagged behind” more prosperous regions. For example funds have been made available in industrial areas suffering from structural decline or rural areas suffering from decline in agricultural revenues. To some extent the origin and use of Structural Funds and a means of regional economic intervention was promoted by UK government practice and negotiation in Brussels. In this respect it is considered that for much of the period of this study it is likely that UK governments would have spent similar sums in the regions.

However, in light of express political priorities against regional policy and financial intervention in areas suffering from economic decline during the period of the Conservative governments of the late 1970s and 1980s we consider it possible that during the funding rounds from 1979- 1999 the UK government may have been reluctant to use similar regional policy instruments.

During this period EU Structural Funds allocations (at current prices) were over €56 bn euros, or £47bn by current exchange rates. When combined with the effects of match funding and additional government expenditure this leads to additional investment during these years of up to €124 bn or £104 bn (expressed in today's money and by current exchange rates). Structural Funds helped to finance the completion of major projects in the regions such as the Lowry centre in Salford and the Eden project in Cornwall.

Feedback from regional partners involved in the implementation of the funds also suggests that they led to significant benefits in relation to greater long term security of funding and promotion of partnership working at local and regional level.

Andy Churchill, CEO of Network for Europe in the Merseyside area has stressed that the long-term perspective of EU funded programmes means that they offer investment safety beyond the more short-term political cycle, helping to create (often cross-border) partnerships, making participants set a comprehensive strategy and affording them the support and oversight of an independent authority like the European Commission.

Elaine Flint, Managing Director of Social Enterprise Works (SEW) in Bristol noted that EU funding has offered programmes like SEW with a sense of continuity, stability and long term security.

At a time of economic austerity, EU spending at the regional level helps create long-term, sustainable employment, making regions more attractive places for private investment and equipping them with the resources to trade across borders and make the most of the Single Market.

Further the long and medium term perspectives provided by the funding mechanisms helped to provide certainty which allowed regional partners to plan ahead and work towards a more strategic regional competitiveness framework. Whilst these benefits are not quantified here they may have been important in stimulating ongoing economic growth and in revitalising major urban centres outside London.

# 1 INTRODUCTION

- 1.1 This report has been written by Policy Economics and was commissioned by the European Movement.

## **The purposes and scope of this report**

- 1.2 The project aims to contribute to the public debate over the impact of the EU membership on growth and jobs in towns and villages in England as well as to draw the attention to the advantages of the EU by demonstrating that the policy-based Community funding played a considerable part in developing and modernizing the country, this research was designed to provide input to discussions organized at regional meetings in different parts of the country.
- 1.3 The report draws upon the outcomes of local events in Bristol and Liverpool and feedback received from stakeholders. It considers the benefits of EU funds for the UK regions and includes regional case studies to demonstrate how specific regions/local communities have benefited from its funding schemes.
- 1.4 Whilst the time scale of the research covers the period of the UK's membership in the European Communities/European Union there is a strong focus on the latest four programming periods between 1989-1993, 1994-1999, 2000-2006 and 2007-2013.

## **Our approach**

- 1.5 Our approach to this study has been to consider the impact of EU Structural Funds against the counterfactual of what would have happened if such funds had not been available to the UK regions.
- 1.6 We acknowledge that the remit of this project is very ambitious and that demonstrating the economic benefits of EU funding in UK regions is a complex exercise which must involve many assumptions. Data gathering is rendered more difficult by overlapping and sometimes apparently contradictory data.
- 1.7 To mitigate this complexity we have, therefore, combined our data gathering and extensive desk research with discussions with experts and practitioners at local and regional level. In doing so we aim both to test our data findings and to understand more about the detailed regional impact of the funds.
- 1.8 Further, we caveat that our findings are intended to provoke discussion and are necessarily conditional upon complex policy assumptions.

## **The origins and development of EU Structural funds**

- 1.9 The Community was established as a customs union with free movement rights for goods, people, services and capital. However, the preamble to the 1957 Treaty of Rome gave a clear indication that one of the reasons for establishing the Community was that Members were: *"Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the difference existing between the various regions and the backwardness of the less favoured regions"*.

- 1.10 In practice, as regional economic disparities – with the exception of southern Italy – were not that great between the six founder Members convergence was not a pressing issue until the expansion of the Community to include Greece, Ireland, Portugal and Spain.
- 1.11 Structural Funds comprise largely of the European Social Fund (ESF), which was established in 1958 to finance training and support to help the unemployed, and the European Regional Development Fund (ERDF) which was established in 1975.
- 1.12 The ERDF was in part a response to British concerns about the fairness of its budget contribution – for the first time gave the Community a significant mechanism for financing regional economic development.<sup>1</sup> Technically the UK's proposal was accepted in 1973 and the operation of the regional fund only started in 1975. During the first 10 years of the ERDF, UK received 24% of the total budget, equivalent to £1653m on 1985 prices for infrastructures and to support industrial sectors.<sup>2</sup>
- 1.13 Structural Funds were designed to be the main pillars of the structural and cohesion policies. They still provide the main funding resources for the old, prosperous Member States - including the UK –, while a separate budget, the Cohesion Fund secures allocations for the economically less developed countries, mainly located in Central and Eastern Europe.
- 1.14 The Structural Funds have undergone several changes in terms of policy directions and volume of funding. Milestones of the progress include the following:
- 1958-1986 – Policy developed to finance training and support to help the unemployed (ESF) and to provide assistance for investment in disadvantaged regions and areas (ERDF);
  - 1987-1999 – A new mechanism was designed to ensure that the newly established Single Market did not lead already disadvantaged areas of the Communities to fall further behind. Resources were concentrated under the Structural Funds on those regions of the EU whose per capita income was 75% or less of the EU average and as from 1994, a further assistance, the Cohesion Fund was established for countries whose per capita GDP is below 90% of the Community average regions;
  - 2000 onwards – Concentrated approach with a reduced number of objectives for the Structural Funds was adopted after 1999. This consolidation reflected concern about the growth of the Structural Funds budgets and the need to adapt to the expansion of the EU to include new Member States with economies with GDP well below the EU average.

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<sup>1</sup>Expert briefing on The EU's Structural and Cohesion Funds - <http://www.euromove.org.uk/index.php?id=13933>

<sup>2</sup> See table1

## **Previous evaluations of the Funds in the UK**

- 1.15 The issue of how far the UK has benefitted from its membership of the European Union is high on the political agenda. Set within this broader political controversy any discussion of the merits of UK structural funds risks being unbalanced by ideological positioning.
- 1.16 Nevertheless, given the scale of the funding which has been made available to relatively poorer regions within the UK, it has been seen as important to assess its effectiveness. In July 2012, the House of Commons adopted a report in relation to the ERDF, in which it expressed its concerns about the difficulty of assessing the value for money of ERDF and recommended that the Government evaluate this issue and report back by summer 2013 on what has been achieved in each region.<sup>3</sup>
- 1.17 In part, monitoring and evaluation is important because the preparation for the 2014-2020 programming period has already started.<sup>4</sup> The European Commission suggested that the negotiations within the European Parliament and the Council should run parallel to the EU budget discussions and recommended the adaptation of the legislative package by the end of 2012 in order to leave enough time to set the final allocations by Member State, and lists of eligible regions by category. A Treasury report in 2003, "A modern regional policy for the UK", suggested that ultimately, one benefit of the funding provided through the Structural Fund programmes is potentially that it highlights the benefits of EU membership in a means recognisable to the 'man on the street'.

## **The structure of this document**

- 1.18 Following this section this document includes the following:
- Section 2 sets out the methodology for this report;
  - Section 3 sets out Structural Funds allocations in the UK;
  - Section 4 considers the impact and contribution of these funds;
- 1.19 Regional case studies are set out at Annex.

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<sup>3</sup> <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/81/8109.htm>

<sup>4</sup> [http://ec.europa.eu/regional\\_policy/what/future/proposals\\_2014\\_2020\\_en.cfm](http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm)

## **2 OUR METHODOLOGY**

### **Introduction**

2.1 In this section we set out our methodology for this study.

### **Methodological challenges**

2.2 Assessing the economic benefits of EU structural funds for the UK regions is difficult due to the following factors:

- Timing issues. EU structural funds programmes have operated on multi-year calendars over periods of quite different wider economic and policy backgrounds;
- Data gaps and duplication. In practice there appears to be overlapping and complex data on the funds allocations and their economic effect, which makes it difficult to consolidate data into one data source.
- Geographical scope. EU structural funds have had benefits across different regions in different ways and at different times, with possible wider impacts and spill over effects;
- Identification of the counterfactual. As described in the following section the complexity and timing of the programmes, alongside changing national economic and policy developments makes it very difficult to identify the counterfactual to them;
- Measurement issues. The requirement for match funding makes it difficult to assess the additional impact of structural funds investment compared to the counterfactual of investment which may or may not have otherwise occurred. Currency fluctuations over different periods offer additional complexity as well as inter-relationships between national, regional and local economic development.

### **Impact Assessment techniques**

2.3 Typically economists would use Impact Assessment (IA) techniques to assess the effects (costs and benefits) of a policy intervention against a counterfactual of it not being applied or of other policy measure taking place instead.

2.4 In this case we have looked to assess the counterfactual to Structural Funds grants in the regions. In particular we consider two main questions:

- Would the investment in the regions through Structural Funds have occurred were Structural funds not available?
- Has the investment in the regions through Structural Funds been made more effectively because of the mechanisms of Structural funding?



## **Key method steps**

2.5 We have based our analysis on:

- Extensive desk research of existing academic and economic sources and programme evaluations;
- Interviews and discussions with practitioners and experts;
- The findings of our roundtable discussions held at key UK regions.

## **The scope of our desk research**

2.6 Our desk research has included the following sources:

- The European Community and its regions 10 years of Community regional policy and of European Regional Development Fund (ERDF), European Commission, 1985
- The impact of structural policies on economic and social cohesion in the Union 1989-99, European Commission 1996
- Results and Perspectives in the UK, Brief summary of the results 1989-93 and perspectives for 1994-2000 on DG REGIO's homepage
- Ex-Post Evaluation of the 1989-1993 Objective 2 programmes, Synthesis Report, prepared by Ernst & Young for the European Commission
- The Structural Funds in 2006, Eighteenth annual report, European Commission

### **3 STRUCTURAL FUNDS ALLOCATIONS FOR THE UK REGIONS**

#### **Introduction**

- 3.1 In this section we set out the Structural Funds allocations for the UK regions.

#### **Allocations from 1975 - 84**

- 3.2 The task of the ERDF is to correct the principal regional imbalances affecting the Community by providing assistance for investment – infrastructure, production of goods and services – in regions and areas. At the outset, the ERDF's allocation was only 275 m ECU for 1975, but over the years, it was significantly increased to 2, 140 m ECU for 1984.
- 3.3 Over the first 10 years of the ERDF operation, the UK received 24% of the total ERDF funding.
- 3.4 During this period, 5521 projects in relation to infrastructure developments and 854 projects in relation to development of industrial services and craft industries have been completed. In general, textile, shipbuilding and steel areas enjoyed the largest share of the funding.
- 3.5 Out of the 2782 m ECU, the main beneficiary, Scotland received 744 m ECU, followed by the North (476 m), Wales (432 m) North-west (340 m), leaving the remaining nearly 690 m for Northern Ireland, Yorkshire Humberside, South-west, West-Midland and East-Midlands. In addition to the regional allocations, 100m had been put aside for multiregional projects.
- 3.6 Allocations from 1975 to 1984 are set out in Table 3.1 overleaf.

**Table 3-1: Structural Funds allocations 1974-1988**

		1975-1978			1979-88		
		ERDF	ESF	Total/Region	ERDF	ESF	Total/Region
North/North East				637.71			637.71
	North East England*	637.71			637.71		
	English Northern Uplands						
North West				77.61			570.25
	North West*	77.61			570.25		
	Merseyside						
	West Cumbria&Furness						
Yorkshire/Humberside				26.83			366.13
	Yorkshire/Humberside*	26.83			366.13		
	South Yorkshire						
East Midlands				3.4			68.08
	East Midlands*	3.4			68.08		
	English Midlands Uplands						
	Lincolnshire						
East Anglia				0			0
	East Anglia						
South West				17.26			213.17
	South West*	17.26			213.17		
	Plymouth						
	Cornwall&Isles of Scilly (inc Devon '89-93)						
West Midlands				0.08			307.97
	West Midlands*	0.08			307.97		
	The Marches						
South East England				0			0
	South East England*						
	Thanet						
Wales				129.43			642.13
	Wales *	129.43			642.13		
	Clwyd						
	Industrial South Wales						
	Dyfed, Gwynedd, Powys						
	East Wales						
	West Wales and the Valleys						
Scotland				159.14			1092.79
	Scotland*	159.14			1092.79		
	Eastern Scotland						
	Fife and Central Scotland						

	Western Scotland						
	Dumfries & Galloway						
	Highlands & Islands						
	Central Scotland/Tayside						
	Grampian						
	Lowlands and Uplands						
	South of Scotland						
Northern Ireland				102.05			422.62
	Northern Ireland	102.05			422.62		
Greater London				0			0
	Greater London						
Gibraltar				0			0
	Gibraltar						
Funding not specified by regions	ESF funding not specified by regions					4333.99	
	Other SF funding not specified by regions						
	Objective2 1997-99						
	Community Initiatives						
	Multiregional				127.33		
TOTAL		1153.51			4448.18	4333.99	8782.17
* until '89 allocations defined only by regions/after '89 rest of the funding not specified by sub regions							

## Allocations from 1989 –1993

- 3.7 In February 1987 in its Communication entitled "The Single Act: a new frontier for Europe", the European Commission mapped out new guidelines for the Community's structural policy.
- 3.8 In February 1988, the European Council committed itself to double the overall budget for the Structural Funds by 1993, for the attainment of a limited number of priority objectives.
- 3.9 As a result of the 1988 reform, the areas eligible for assistance were defined for the first time according to Community-wide criteria, resulting in a map of Assisted areas through the EU: a GDP per capita threshold of 75 percent of the Community average for the Objective 1 areas and (mainly) labour market criteria for Objectives 2 and 5b areas.
- 3.10 The scale of Structural funding is shown in Table 3.2 below.

**Table 3-2: European Structural Funds for 1989-93**

European Structural Funding Budget for 1989-93		
	Total in m ECU	%
Belgium	864	1.20%
Denmark	430	0.60%
Germany	6431	9.00%
Greece	9161	12.80%
Spain	15086	21.20%
France	6942	4.70%
Ireland	4901	4.90%
Italy	11872	16.70%
Luxemburg	77	0.10%
Netherlands	814	1.10%
Portugal	9461	13.20%
United Kingdom	5329	7.50%
Total EU 12	71368	100.00%

- 3.11 Eligible regions for Structural Funds in the UK included regions where GDP per head was low (Objective 1), and those which were declining industrial regions (Objective 2) and rural areas (Objective 5(b)).

- 3.12 In the UK only Northern Ireland had Objective 1 status for this period, receiving around £570 million.<sup>5</sup>
- 3.13 The UK was the greatest beneficiary of Objective 2 allocations<sup>6</sup>. Four regions of the UK accounted for the bulk of this expenditure - North West England (ECU 544 million), South Wales (ECU 504 million), Western Scotland (ECU 423 million) and North East England (ECU 317 million).<sup>7</sup>
- 3.14 Beneficiaries under Objective 5 (b) included the Highlands and Islands, Devon and Cornwall, Dumfries and Galloway, Dyfed and Gwynedd Powys. All were allocated 40m ECU apart from Gwynedd Powys, which received 15 m ECU.
- 3.15 Of the funding as a whole, 47.3% went for human resources, 31.5% for productive environment, 14.0% for infrastructure, 6.9% for environment and physical regeneration and the remaining 0.3% for technical assistance.<sup>8</sup>
- 3.16 In addition to this funding, five Community Initiatives received further support, namely Star (telecommunications), Valoren (renewable energy), Resider (conversion of iron and steel areas) and Renaval (conversion of shipbuilding areas) and Interreg (cross border cooperation). Over the period 1989-9 the UK received 513 m ECU to support projects, and Interreg received 54 m ECU.
- 3.17 Funding for 1989-93 is shown in Table 3.3 overleaf.

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<sup>5</sup> [http://ec.europa.eu/regional\\_policy/country/overmap/uk/lfs3\\_en.htm](http://ec.europa.eu/regional_policy/country/overmap/uk/lfs3_en.htm)

<sup>6</sup> List of objective 2 regions: Clwyd, Eastern Scotland, Fife and Central Scotland, Industrial South Wales, Merseyside, North East England, South, West/Plymouth, West Midlands, Western Scotland, Yorkshire

<sup>7</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/pdf/4\\_full\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/4_full_en.pdf)

<sup>8</sup> UK evaluation....

**Table 3-3: Structural Funds in the UK 1989-93**

Analysis of intervention by objective and source of funding between 1989-1993							
in million ECU, 1996 prices							
Objectives	Structural Funds (SF)			SF allocations for UK -SF-	National expenditure -N-	Private financing -P-	Total spending (SF+N+P)
	ERDF	ESF	Other funds				
Obj 1 - Promoting the development and structural adjustment of the regions whose development is lagging behind (Northern Ireland)	348	315	130	793	572	399	1764
Obj 2 - Converting the regions, frontier regions or parts of regions seriously affected by industrial decline (Clwyd, Eastern Scotland, Fife and Central Scotland, Industrial South Wales, Merseyside, North East England, South West/Plymouth, West Midlands, Western Scotland, Yorkshire)	1516	499	-	2015	2790	1168	5973
Obj 3&4 – Combating long-term unemployment & combating occupational integration of young people (Whole UK)	-	1502		1502	1776	16	3294
Obj 5a - Adjustment of production, processing and marketing structures in agriculture, forestry and fisheries			374	374	796	256	1427
Obj 5b – Promotion of rural development (Devon and Cornwall, Dumfries and Galloway, Dyfed Gwynedd Powys, Highlands and Islands)	97	28	8	132	174	19	325
Total	1961	2344	512	4816	6108	1858	12782
Community Initiatives	384	119	10	513			
General Total	2345	2463	522	5329	6108	1858	13295
Resource: The impact of Structural Policies on Economic and Social Cohesion in the Union 89-99, European Commission, 1996							

## UK allocations from 1994 –1999

- 3.18 After the adoption of the Maastricht Treaty, a second major reform of the Structural Fund regulations took place in 1993.
- 3.19 The Maastricht Treaty strengthened the Community's involvement in regional development, with Economic and Social Cohesion becoming one of the Union's

promoted objectives, with a redefinition of the aims and of the interventions of the Structural Funds and the creation of the Cohesion Fund.

- 3.20 The 1993 reform introduced the principles of additionality, partnership, programming, and concentration as well as broadened both the coverage of the Funds to 51.6 percent of the EU population and significantly increased the budget. Whilst the UK received £3.8 billion between 1989-93, the allocation for 1994-99 amounted to around £10 billion.
- 3.21 The eligible region coverage (in terms of the total UK population) remained around 40%.
- 3.22 However, there was a significant change in the regions qualified for the different objectives.
- 3.23 Two more UK regions were given Objective 1 status: Merseyside, which was previously Objective 2 and the Highlands and Islands, previously Objective 5b. These regions either suffered from the disadvantages of peripherality and/or from the cumulative effects of continuing industrial and economic decline.<sup>9</sup>
- 3.24 The number of areas in the UK containing regions eligible under Objective 2 was increased from 9 to 13 areas<sup>10</sup> for 1994-2000.
- 3.25 In general, these regions were characterised by the decline in manufacturing and coal and steel industries, persistent high unemployment and associated urban deprivation, poor quality premises and infrastructure.
- 3.26 Under Objective 2, assistance was to be targeted to local needs, with priority given to support for SMEs and business development, the upgrading of sites and premises, investment in research and technology, the promotion of tourism and protection of the environment.
- 3.27 Structural funds allocations for 1994-1999 are shown in Table 3.4 overleaf.

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<sup>9</sup> The impact of the Structural Funds on the United Kingdom 1988-1999, European Commission

<sup>10</sup> List of objective 2 regions: Eastern Scotland, East Midlands, Gibraltar, Greater London (East London and the Lee Valley), Industrial South Wales, North East England, North West England (Greater Manchester, Lancashire and Cheshire), Plymouth, Thanet, West Cumbria and, Furness, West Midlands, Western Scotland, Yorkshire and Humberside



**Table 3-4 Structural Funds allocations 1994-99**

Analysis of intervention by objective and source of funding between 1994-1999							
Million ECU, 1994 prices							
Objectives	Structural Funds (SF)			SF allocations for UK -SF-	National expenditure -N-	Private financing -P-	Total spending (SF+N+P)
	ERDF	ESF	Others				
Obj 1 - to promote the development of regions whose development is lagging behind <i>(Highlands and Islands, Merseyside, Northern Ireland)</i>	1332	747	281	<b>2360</b>	1733	1578	5671
Obj 2 (1994-1996) – to.....  <i>(Eastern Scotland, East Midlands, Gibraltar, Greater London (East London and the Lee Valley), Industrial South Wales, North East England, North West England (Greater Manchester, Lancashire and Cheshire), Plymouth, Thanet, West Cumbria and Furness, West Midlands, Western Scotland, Yorkshire and Humberside)</i>	1607	535	-	<b>2142</b>	2603	643	5388
Obj 2- 1997-1999	1829	609	-	<b>2438</b>	2963	732	6133
Obj 3 & 4– to combat long-term unemployment and facilitate the integration working life & to facilitate adoption of workers to industrial changes <i>(Whole UK)</i>	-	3377	-	<b>3377</b>	2334	-	5711
Obj 5a – speeding up the adjustment of agricultural/fisheries structures in the framework of the CAP reform <i>(Whole UK)</i>			275	<b>275</b>	448	243	966
Obj 5b – facilitating the development and structural adjustment of rural areas <i>(Borders Region, Central Scotland / Tayside, Dumfries and Galloway, East Anglia, English Midland Uplands, English Northern Uplands, Grampian, Lincolnshire, South West England, The Marches, Wales)</i>	533	134	151	<b>817</b>	978	258	2004
Total	5300	5402	707	<b>11409</b>	11060	3403	25872
Community Initiatives	-	-	-	<b>1572</b>	972	258	2801
General Total	5300	5402	707	<b>12981</b>	12184*	3518*	28683*
Resource: The impact of Structural Policies on Economic and Social Cohesion in the Union 89-99, European Commission, 1996							
* Taken from the document, total sum incorrect							

- 3.28 Regarding Objective 5b<sup>11</sup>, the supporting budget was almost seven times larger than during the previous period amounting for around £637 million and covering 11% of the total area of UK. Three types of regions were covered: uplands and the least-favoured outlying regions, the lowland affected by the reform of the Common Agricultural Policy and the regions heavily dependent on fisheries. As long as 4 regions belong to this group during the 1989-93 programming period, 7 more joined them in 1994.

## **UK allocations for 2000-2006**

- 3.29 Due to the preparation for the enlargement, the end of the 1994-99 programming period marked the emergence of a new approach to European regional policy.
- 3.30 For the first time in 25 years, the resources allocated to structural and cohesion policies were reduced. The 'Agenda 2000' debate led to an agreement in 1999 which allocated €195 billion (1999 prices) to the Structural Funds in the EU15 Member States, with annual spending declining from €29.4 billion in 2000 to €26.7 billion in 2006. A further €18 billion was allocated to the Cohesion Fund, with €47 billion for the applicant countries of Central and Eastern Europe.<sup>12</sup>
- 3.31 Despite the general decrease at the EU level, the UK benefited from a budgetary allocation of 16 billion EURO for the 2000-2006 period, which represents a ca.20% increase on the budgetary allocation for the 1994-1999 period. UK's share of the EU 15 Structural Fund budget slightly increased from 8.00% (1994- 99) and 7.50% (1998-93) to 8.51% for 2000-2006.
- 3.32 While merging the previous Objectives 2 and 5 as well as 3 and 4, the 1999 reform reduced the number of Structural Funds Objectives from six to three and the number of Community Initiatives from 13 to 4. Objective 1 remained the same, with its aim to help lagging behind regions. As a result of merging the previous objective 2 and 5, the new objective 2 aimed to support the economic and social conversion of areas with structural problems. The ESF funded Objective 3, comprised the former Objectives 3 and 4 funds, were not allocated to designated zones basis but rather were shared by all regions in the EU except for those regions covered by Objective 1.
- 3.33 UK allocations are set out in Table 3.5 overleaf.

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<sup>11</sup> Objective 5b regions: Borders Region, Central Scotland / Tayside, Dumfries and Galloway, East Anglia, English Midland Uplands, English Northern Uplands, Grampian, Lincolnshire, South West England, The Marches, Wales

<sup>12</sup> [http://www.espon.eu/export/sites/default/Documents/Projects/ESPON2006Projects/PolicyImpactProjects/StructuralFundsImpact/2.ir\\_2.2.1.pdf](http://www.espon.eu/export/sites/default/Documents/Projects/ESPON2006Projects/PolicyImpactProjects/StructuralFundsImpact/2.ir_2.2.1.pdf)

### Table 3-5 UK Structural Funds allocations 2000-2006

<b>Analysis of intervention by objective and source of funding between 2000-2006</b>							
<b>Million ECU, 1999 prices</b>							
<b>Objectives</b>	<b>Structural Funds (SF)</b>			<b>SF allocations for UK -SF-</b>	<b>National expenditure  -N-</b>	<b>Private financing  -P-</b>	<b>Total spending  (SF+N+P)</b>
	<b>ERDF</b>	<b>ESF</b>	<b>Others</b>				
<b>Obj 1 - to promote the development of regions whose development is lagging behind</b> <i>(Cornwall and the Isles of Scilly, Merseyside, South Yorkshire, West Wales and the Valleys, Highlands and Islands, Northern Ireland Transitional Support)</i>	<b>3980</b>	<b>1881</b>	<b>453</b>	<b>6314</b>	<b>5471</b>	<b>2921</b>	<b>14707</b>
<b>Obj 2 - four targets:</b> <b>Ares undergoing socio-economic change in the industrial/service sectors</b> <b>- Rural areas</b> <b>- Urban areas</b> <b>- Areas dependent on the fisheries</b> <i>(West Midlands, Yorkshire and the Humber, East Midlands, North East England, North West England, East of England, South East England, London, South West of England, South of Scotland, Eastern Scotland, Western Scotland, East Wales)</i>	<b>4531</b>	<b>527</b>	<b>-</b>	<b>5059</b>	<b>6215</b>	<b>2139</b>	<b>13414</b>
<b>Obj 3 – to support adaptation and modernisation of policies and systems of education training and employment</b> <i>(East Wales, Scotland, England)</i>	<b>-</b>	<b>4948</b>	<b>-</b>	<b>4948</b>	<b>5133</b>	<b>698</b>	<b>10781</b>
<b>Total</b>				<b>16321</b>	<b>16822</b>	<b>5761</b>	<b>-</b>
<b>Community initiatives</b> <i>(EQUAL, LEADER, plus special programmes in West Wrexham, Belfast, Bristol, Burnley, Halifax in Calderdale, Hetton and Murton, Normanton in Derby, Peterborough, Stockwell, Thames Gateway, Clyde)</i>	<b>126</b>	<b>406</b>	<b>114</b>	<b>647</b>	<b>620</b>	<b>88</b>	<b>1357</b>
<b>Obj F – FIG outside obj 1</b>	<b>-</b>	<b>-</b>	<b>99<sup>19</sup></b>	<b>99</b>	<b>52</b>	<b>184</b>	<b>337</b>
<b>General Total</b>				<b>17069</b>	<b>17494</b>	<b>6033</b>	<b>40597</b>

**Resource: Eighteenth annual report, Structural Funds, European Commission, 2006**

- 3.34 As a result of the Enlargement and the restructuring of the Structural Funds, one third of the UK's population was covered by the regions-based Objectives.
- 3.35 There was a positive shift regarding the poorest regions, as 8.6% of the total UK population became eligible for Objective 1 funding, compared with 5.9% for 1994-1999.
- 3.36 In contrast, regarding the new Objective 2 the ceiling was set at 13.836 million inhabitants, equivalent to 23.5% of the total British population. It was decided to focus Community structural assistance more tightly in order to enhance its effectiveness
- 3.37 For the 2000-2006 period, South Yorkshire, West Wales and the Valleys, Cornwall and the Isles of Scilly became eligible for Objective 1 funding and the Merseyside region remained eligible. On the other hand, the Northern Ireland and Highlands and Islands regions, which were eligible for Objective 1 funds during the 1994-1999 period, reached a GDP per capita higher than the Community average. Therefore, as of 1 January 2000, they were no longer eligible for Objective 1, although there was a phasing out of funding.
- 3.38 The focus of the aims was not changed, however. Community support under Objective 2 was targeted mainly on industrial areas, urban areas experiencing difficulties, areas dependent on fisheries and rural areas in decline. Among other things, the Community contribution financed aid for research and innovation, the development of communications to boost economic activity and projects to improve the environment.

## **UK allocations 2007-2013**

- 3.39 The Cohesion Policy has been allocated a budget of EUR 347 billion for the period 2007–13, which is more than a third of the whole of the European budget.
- 3.40 One of the main changes is that the Cohesion Fund no longer functions independently but participates in the Convergence objective, so the same programming and management rules apply to the three funds, namely the Structural funds – ERDF and ESF - and the Cohesion Funds.
- 3.41 Between 2007 and 2013, 2.4 million people, 4.6% of the total UK population are living in Convergence – former objective 1 - regions, with a further 3 million (5%) in Statistical Phasing-in and Phasing-out regions. The remaining 90.4% belong to the Competitiveness regions.
- 3.42 The older EU Member States (the EU15) are facing reductions in spending compared with current levels, reflecting their comparative prosperity and the need to support the economic convergence of the new Member States.

- 3.43 However, the UK will continue to receive substantial funds for its poorest regions under the convergence objective.<sup>13</sup>
- 3.44 The United Kingdom authorities are focused on improving four main sectors: Skills, Research and Development (R&D) - especially in the private sector, Innovation, Entrepreneurship. The UK has made a remarkable shift towards more investment in R&D and Innovation when compared to the previous programming period. Planned investments of some €4.5 billion, nearly 46 % of Structural Funds. Nearly €1.8 billion, 18 % of total Structural Funds, is dedicated to support entrepreneurship and small and medium-sized enterprises (SMEs). Furthermore, more than €1.3 billion, or 12 % of Structural Funds, will be invested in increasing the adaptability of companies and workers.
- 3.45 UK allocations are shown in Table 3.6 overleaf.

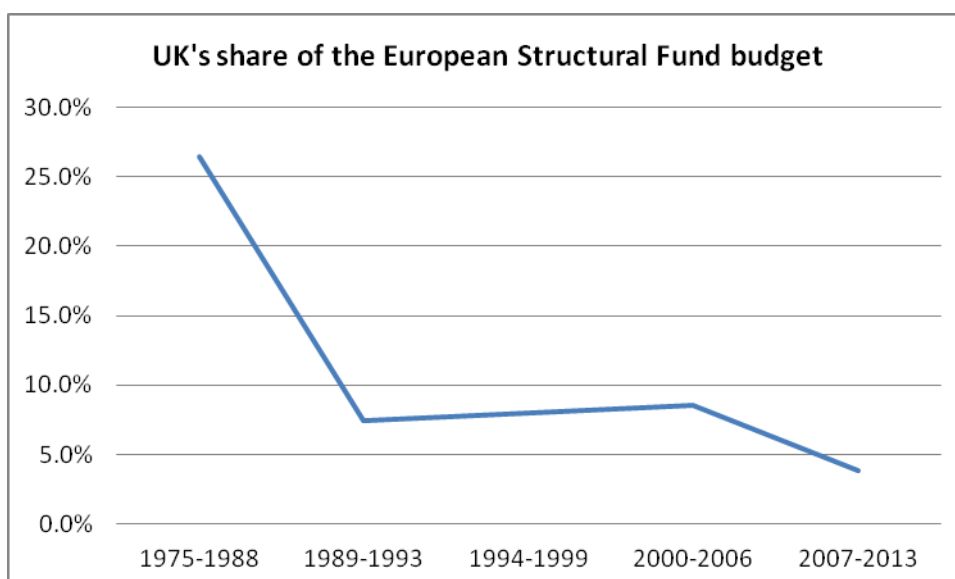
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<sup>13</sup> <http://www.bis.gov.uk/files/file28166.pdf>

**Table 3-6: UK allocations 2007-2013**

Analysis of intervention by objective and source of funding between 2007-2013						
Million EUR, in 2004						
Objectives	Structural Funds (SF)		SF allocations for UK -SF-	National expenditure -N-	Private funding -P-	Total spending (SF+N+P)
	ERDF	ESF				
CONVERGENCE OBJECTIVE - to promote the development of regions whose development is lagging behind <i>(Cornwall and the Isles of Scilly, Highlands and Islands of Scotland, West Wales and the Valleys, Gibraltar)</i>	1830	1082	2912	1863	740	5515
REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE - 4 priorities: - Increasing the adaptability of workers and enterprises - Enhancing the access to employment and increasing participation in the labour market - Reinforcing social inclusion and combating discrimination - Mobilising reforms in the fields of employment and inclusion <i>(Rest of UK)</i>	3585	3392	6979	7220	195	14394
EUROPEAN TERRITORIAL COOPERATION - built on the Community Initiative INTERREG (ended in 2006) - to support cooperation at a the cross border, transnational and interregional levels	722		722			722
<b>Total</b>			<b>10613</b>	<b>9084</b>	<b>937</b>	<b>20635</b>

Resource: European Commission, [http://ec.europa.eu/regional\\_policy/atlas2007/fiche/uk\\_en.pdf](http://ec.europa.eu/regional_policy/atlas2007/fiche/uk_en.pdf)



## **4 ADDITIONAL ECONOMIC BENEFITS FOR THE UK REGIONS**

### **Introduction**

- 4.1 In this section we consider the economic benefits for the UK regions of Structural Funds as compared to the counterfactual.

### **Key issues**

- 4.2 As discussed in Section 2 of this document the key questions of analysis are as follows:
- a) Were Structural Funds grants to the regions additional to grants which would otherwise have been made?
  - b) Were Structural Funds grants better or more effectively spent than would have been the case under national regional policy?

### **A) Structural funds and UK regional policy**

#### **UK regional policy before Structural funds**

- 4.3 The UK is often credited with establishing the first regional policy, with the Special Areas Act (1943) being introduced in response to a three-fold increase in unemployment, providing special support for Western Scotland, South Wales, North-East England and Western Cumberland.
- 4.4 After 1945, following the period of emergency reconstruction of physical infrastructure and production capital, regional concerns gradually moved on to the policy agenda. One reason was an increasing emphasis across Europe on equality issues and questions of distribution. At the same time, the severity of the regional problem increased with moves out of agriculture and downturns in traditional heavy industries resulting in both unemployment in problem regions and significant migratory flows to major urban centres.<sup>14</sup>
- 4.5 In general, as Ray Oakey in his paper about the problems of regional planning explains, the drift of industrial policy from the mid 1930s until 1979, regardless of the political colour of governments, was to use regional development policies that, through incentives in deprived areas and development controls in the South East and West Midlands of England, sought to create regional economic equity.<sup>15</sup>

#### **The scale of Structural funds in the UK**

- 4.6 As shown in the previous Section, the UK's share of the EU Structural Budget was initially very generous, with the UK receiving 24% of the allocation in the early years between 1975 and 1984, resulting in £1.5 billion in 1975 prices. It was then held at

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<sup>14</sup> [http://www.eprc.strath.ac.uk/eprc/documents/PDF\\_files/R46PoliciesandStrategiesforRegionalDevelopment.pdf](http://www.eprc.strath.ac.uk/eprc/documents/PDF_files/R46PoliciesandStrategiesforRegionalDevelopment.pdf)

steady around 8% for more than 15 years between 1989 and 2006, with the UK receiving £3.8 billion between 1989 and 1993, ca £10 billion between 1994-1999 and between 2000-2006.<sup>16</sup>

- 4.7 Original allocations show a slight increase between 1994-1999 and 2000-2006, from 12 981 million ECU to 15 635 million ECU.
- 4.8 However, the £7.3 billion allocations for 2007-13, represent only 3.8% of the total European Structural Funds budget. Regional projects dedicated to stimulate local economic development do not rely only on Structural Funds, but enjoy support from national, regional and local resources.

### **Changing political and economic priorities**

- 4.9 Over the period when Structural Funds have been available the volume and the priorities of the resources made available by the Central and local government and by local partners has varied considerably.
- 4.10 To some extent this has varied depending on the political viewpoint of the governments of the day, with Conservative governments (from 1979-96) in general much less enthusiastic about regional policy and economic intervention through public funding than the Labour governments and Conservative governments which preceded and followed them.
- 4.11 Given this, as a general rule of thumb, we could assume that Structural funds grants would have more likely been spent in any case through government funding on regional development before 1979 and after 1997, but that they may not have been spent at all on the UK regions during the Conservative governments of that period, which to some extent were hostile to the concept of regional policy.

### **Timing issues**

- 4.12 As the Structural Funds are programmed for 7 years periods more discreet changes in the national government or shift in the priorities cannot have an indirect, immediate effect on the implementation of the program. The framework budget which is allocated for objectives in a regional breakdown as well as the main priorities and the applicable administrative rules are agreed by the EU institutions but the actual spending is tailored to local needs. At the beginning of each term, the national government needs to establish the board priorities in National Strategic Reference Framework, and in line with this document, the regions prepare the Regional Operational Programmes.

### **b) Were Structural funds more effective?**

- 4.13 It can be argued that the strategic partnership and match funding requirements of EU Structural funds fostered a more efficient use of regional assistance funds than had

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<sup>15</sup> [http://www.lancs.ac.uk/ias/annualprogramme/regionalism/docs/Oakey\\_paper.pdf](http://www.lancs.ac.uk/ias/annualprogramme/regionalism/docs/Oakey_paper.pdf)

<sup>16</sup> The sums are calculated with the exchange rates at the beginning of the programming periods, as of 1989, 1994 and 2000, since the original allocations were defined in ECU, European Currency Unit which was replaced by the EURO.



previously been the case. Further the targeting of the funds on the poorest regions under an assessment based on objective criteria may have deterred UK authorities from more politically driven approaches.

- 4.14 According to the European Commission, the EU Structural Fund programming approach has had an important impact on the effectiveness of regional policy in the United Kingdom.<sup>17</sup>
- 4.15 The Structural Funds have encouraged a more strategic way of thinking at local and regional level and have provided a more strategic approach to programme management. The EU multi-annual programming approach provides greater continuity and strategic focus.
- 4.16 The multi-annual programming approach of the Structural funds set out the priorities over time. They provide an overall strategy and an associated financial plan that requires common agreement amongst a wide range of partners. In this way the European Community shares risk with the regions.
- 4.17 The additional resources provided by EU Structural Funds has led to more and enhanced projects, leveraging additional private sector funding that might otherwise have not been available.
- 4.18 The Community approach has emphasised the importance of mainstreaming the horizontal themes of the environment, information society and equal opportunities. These areas have received more attention than they might otherwise have done under purely national programmes.
- 4.19 The emphasis on the partnership principle has acted as a catalyst at regional and local level for improved partnership structures and contributed positive effects in terms of capacity building.
- 4.20 Survey results indicate that besides a tendency towards more extended projects (“think big”) Structural Fund programmes have supported genuine innovations in policy and practice. The announcement of programmes (notably for newly designated Objective 1 areas) often led to immediate catalytic effects on the development of the regions.
- 4.21 Although the impact of Structural Fund programmes on the development of more decentralised structures should not be overstated, it is without doubt that the capacity built through previous Structural Fund programmes have contributed to the role and capacities of the devolved administrations, especially in Scotland and Wales. These affects are wide ranging, from extended formal or actual decision capacities of lower levels up to fully administrative functions, such as improved monitoring systems and the lasting effects of the now prevailing evaluation culture.

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<sup>17</sup> “Added value of Community programmes” - European Commission

- 4.22 The UK Government's own evaluation has been more sceptical, but there are some positive points.<sup>18</sup>
- 4.23 Whilst the Structural Funds have demonstrated their capacity to promote new policy approaches in some domains, the contribution of Structural Fund programmes to policy development in the UK appears to have declined over time. The Community Initiatives and the Innovative Actions of the Structural Funds have had a more prominent added value contribution to domestic policy development and still offer potential. However, available evidence does not point to a significant or consistent 'mainstreaming' influence on domestic policy. The relationship between Structural Funds and domestic policy seems to be one of mutual learning.
- 4.24 The most commonly identified effects of the Structural Funds on projects are that additional resources are used to extend the scope or depth of projects or to develop complementary activities. There is evidence that availability of the Structural Funds encourages partners to 'think big' and undertake sub-regional projects that might otherwise not occur. This does not imply added value of the Structural Funds per se, as domestic initiatives could emulate this, but is perceived by some stakeholders to constitute added value.
- 4.25 One area where domestic initiatives would have more difficulty emulating the Structural Funds is the trans-national and cross-border networking of the Community Initiatives and Innovative Actions. This appears to be a potential area of added value for the UK which is largely untapped at present.
- 4.26 Two funding effects which may constitute added value are very noticeable:
- The identification of significant areas or regions as requiring specific assistance, particularly through Objective 1 of the Structural Funds, has influenced the overall approach to regional development in these areas;
  - Where new programmes are announced there is an immediate catalyst effect on the development process.
- 4.27 Evidence on the degree to which the Structural Funds lever in additional resources to designated areas is inconclusive. Structural Fund stakeholders responding to the Internet Survey expressed positive views on leverage. Some mid-term evaluations, most notably those of newly designated Objective 1 areas, also report a leverage effect. On balance, available evidence suggests that there is probably a positive effect, but it is primarily local and regional sources of funds that are mobilised and/or re-distributed to support the implementation of Structural Fund programmes.
- 4.28 The Structural Funds have specifically encouraged the involvement of the community and voluntary sectors in developing strategic responses to development issues. This is seen as a positive feature of programmes. In so far as Structural Funds provide a

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<sup>18</sup> Evaluation of the Added Value and Costs of the European Structural Funds in the UK (report to DTI by ECOTEC, 2003).

means for voluntary and community sector organisations to deliver services that would not otherwise occur a degree of added value is present.

- 4.29 There is evidence that the Structural Funds have stimulated strategic partnership working and, over time, have enhanced capacity for developing strategic responses to regional development problems. However, there is limited evidence that Structural Fund strategic partnerships are adding significant value today.
- 4.30 One manner in which the Structural Funds are able to promote innovative actions or approaches is through introducing an idea or approach that is new to the UK, or one that is not currently prioritised. The Structural Funds have demonstrated their capacity to influence domestic policy and practice in the past, although this is not a universal characteristic of programmes. Examples show that this happens more frequently in the case of Community Initiatives and Innovative Actions.

## **Our approach to quantification**

- 4.31 Given this discussion of A) and B) we take the following approach in quantifying the effects of Structural Funds.
- Structural funds investment specifically for the regions of the UK from 1979-1997 is treated as additional investment and impacts are calculated accordingly;
  - Structural funds investment in the regions of the UK from other periods is not considered to be additional to what would otherwise have occurred but is considered qualitatively;
  - Additional strategic and partnership benefits are considered qualitatively but not measured as additional quantitative benefits.
- 4.32 We consider that this is a conservative assessment, bearing in mind we are not adding in the investments for outside this period or attempting to quantify the additional benefits derived specifically from the approaches undertaken to allocated and spend EU funding.
- 4.33 However, as programming periods do not tie in neatly with this approach we have adopted the following approach to timing.
- Allocations specifically to UK regions are considered from 1979- 1988;
  - Allocations specifically to UK regions are considered from 1989-1993;
  - Allocations specifically to UK regions are considered from 1994-1999.
- 4.34 To reflect the current value of funds we have applied the Treasury discount rates on allocations. This then leaves us with the following results as described in Table 4.1 overleaf. This is shown in Table 4.1 overleaf.

**Table 4.1 Structural funds allocations in current 2013 prices**

Years	Allocations in 2013 prices (Euros m)	National expenditure effects	Private financing	Total
1975-1978	3,845	8,674	-	12,519
1979-1988	20,754	23,403	-	44,157
1989-1993	9,564	10,962	3335	23,861
1994-1999	25,814	23,424	6763	56,001
2000-2006	27,631	28,317	9766	65,714
2007-2013	14,971	12,381	1277	28,629
<b>Total</b>	<b>102,579</b>	<b>107161</b>	<b>21141</b>	<b>230,881</b>

4.35 In total this suggests that Structural Funds allocations have involved investment of around €230bn or £193bn euros.

4.36 This suggests that over the period from 1979- 1999, when the UK government may have been reluctant to use regional policy instruments, EU Structural funds allocations (at current prices) were over €56 bn euros, or £47bn by current exchange rates.

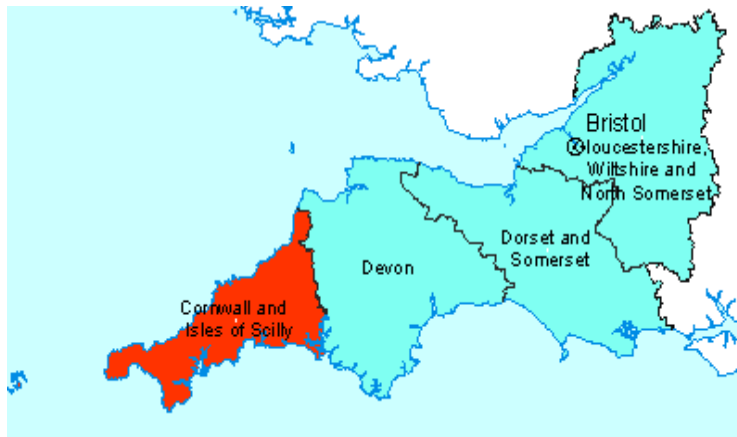
4.37 When combined with the effects of match funding and additional government expenditure this would lead to additional investment during these years of up to €124,019 bn or £104,016 bn by current exchange rates.

### **GDP significance of our results**

4.38 GDP around £1,510,000 bn in 2011. This suggests that total Structural funds investment has been around 12% of last year's UK GDP and that over a 40 year period the investment has been around 0.3% of GDP per year.

## APPENDIX 1: REGIONAL CASE STUDIES

### South West of England



Red: Convergence objective (2007-2013)

Blue: Regional Competitiveness and Employment Objective (2007-2013)

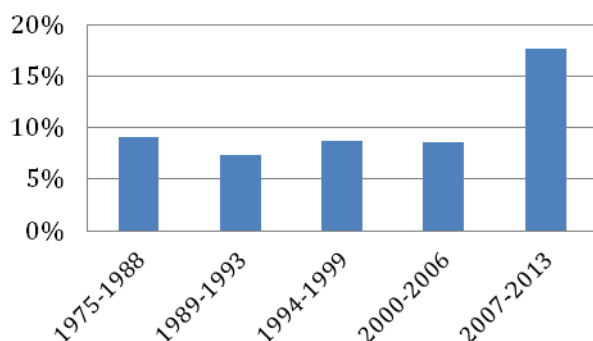
The South West is the **largest of the English regions**, accounting for 15% of England. The region is **predominantly rural**. The proportion of South West residents living in rural areas is the highest of the nine English regions, around 35%. The region's **urban areas act as a key driver of economic growth** in the region. The South West is not one homogeneous economy, there is a **clear east west divide in the region**. Remote rural parts of the South West have experienced slower growth than accessible areas. These areas also have the lowest wages and experience significant levels of seasonal unemployment, partly due to the importance of the agriculture and tourism sectors.

The current South West Competitiveness and Employment Programme has a **single objective to increase the prosperity** of the region through supporting enterprises and individuals to develop ideas and plans which contribute to increased productivity and competitiveness. Priorities are focused on the **support of innovation, R&D, the protection of the region's environmental assets and developing a low carbon economy** as well as on how to **increase employment and enterprise in the region's most disadvantaged communities**.

#### Structural Funds in the region

The **European Regional Development Fund (ERDF)** and the **European Social Fund (ESF)** co-financed projects in the region **from 1975**. The funding was not as significant as in Wales, Scotland, Northern Ireland or in the northern English regions, nevertheless some parts of the region received **considerable amounts of funding** to cope with **lagging behind rural areas and declining industries**.

### South West's share of England's ERDF allocations



From the ERDF, which provides 50-60% of the Structural Funds allocations in the UK and is the main EU resource of regional development projects, the **South West received 7-9%** from England's budget between 1975 and 2006.

The **massive increase in the allocations for the last programming period (2007-2013)** was the result of a political decision at EU level **to provide Europe's poorest, lagging behind regions**, including Cornwall and the Isles of Scilly, with considerably more funding than in the previous years. This part of the South West belongs to **Europe's poorest regions** whose per capita GDP is less than 75% of the EU average and therefore it receives the **highest level of funding under the convergence objective**.

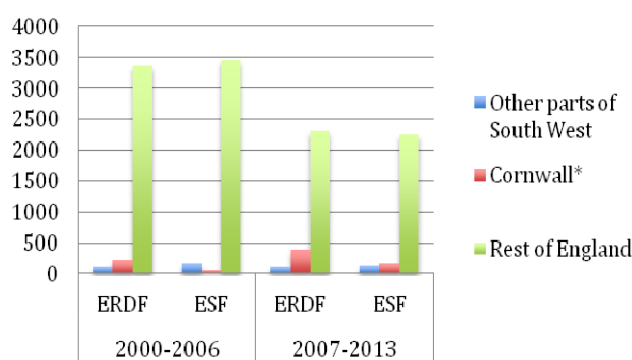
Due to Cornwall and the Isles of Scilly, the **South West is the only region in England that has been qualified to receive convergence support** - in previous terms "objective 1" funding - continuously since 2000. In the 90's this part of the region, along with some parts of Somerset and Devon were entitled to receive funding under the rural, so "called 5b objective". For the time being, apart from the Cornwall area, the region enjoys the **same level of EU funding as other parts of England**.

UK's share of the EU Structural Funds was around 26% in the first decade after joining the European Community and dropped to 7-8% between 1989 and 2006. The 2004 enlargement had a further significant, minus 4 %, impact on the country's allocations from the Cohesion budget, which includes the ERDF, the ESF and the Cohesion Fund that supports mainly the economically disadvantaged regions of the new Member States. Yet, these funds safeguard and increase the level of domestic development spending and encourage forward-looking, multiannual and integrated regional development strategies. An important intangible effect is that these projects make the EU more visible to its citizens.

Despite the overall decrease in the allocations for the UK from 8% of the European Structural Funds budget in 2000-2006 to 4% in 2007-2013, **currently the South West region receives ca. £200 million more than between 2000-2006**.

Between 2007-2013, the main recipient of the funds are **Cornwall and Isles of Scilly with 70%** of the regional allocations but the **rest of the region also gets over £220 million** to spend on co-financing projects under the Regional Competitiveness and Employment Program.

### Structural Funds allocations in the South West in million£



\* Cornwall and Isles of Scilly 2007-2013

Calculation of allocations based on various UK public authority's data from 2000 and 2007.

In recent years, **technology innovation, green industries, regeneration of urban areas and training unemployed people** were the main areas of interventions.

### Highlights of achievements of local and regional projects co-financed by the Structural Funds

The Structural Funds' contribution is relatively tight in relation to the national public spending in the UK – 2% between 2000 and 2006 in the South West, however various reports of the European Commission and the HM Treasury admit that the ERDF and the ESF **delivered tangible net economic gains in terms of jobs and added value**. It has been used to co-finance many high profile projects across the country and

improved the quality of development by acting as a catalyst for regeneration, like the **£6.5 million Regeneration program in the Bristol area between 2000 to-2006.**

<b>Results achieved by ERDF between 2000-2006</b>	<b>SMEs receiving assistance</b>	<b>Enterprise Start-Ups / Business</b>	<b>Refurbished /New Floor space (m2)</b>	<b>Land developed (Ha)</b>	<b>Gross direct new jobs</b>	<b>Gross direct safeguarded jobs</b>	<b>Total Beneficiaries</b>
Objective 1 - development and structural adjustment of regions who's development is lagging behind (Cornwall & Isle of Scilly)	6503	7370	13408	12	14028	15768	37781
Objective 2 - economic and social conversion of areas facing structural difficulties (Parts of Devon, Somerset and the inner urban area of Bristol)	10201	no data	19852	43	3906	6331	12592

Resource: Ex-post evaluation of Cohesion Policy Programmes 2000-2006 financed by the ERDF in objective 1 and 2 regions

The Bristol URBAN II programme between 2000 and 2006 was named the most innovative and exciting URBAN programme in Europe by the Parliament Magazine. It created an innovative approach to the economic, social and environmental regeneration of a deprived area within south Bristol. A case study indicates that the URBAN II was a key driver of change for educational attainment and crime levels in the local area. The programme placed young people aged 10-30 at the centre of the decision-making process, and supported projects with a strong focus on developing opportunities and provision for youth. Amongst the 41 supported projects, ARCHIMEDIA received national and international awards and SPACEMAKERS was also shortlisted for the Community Project of the Year.

Examples of current projects in the Bristol area:

**National Composites Centre** - £9m from ERDF - innovation in the design and rapid manufacture of composites

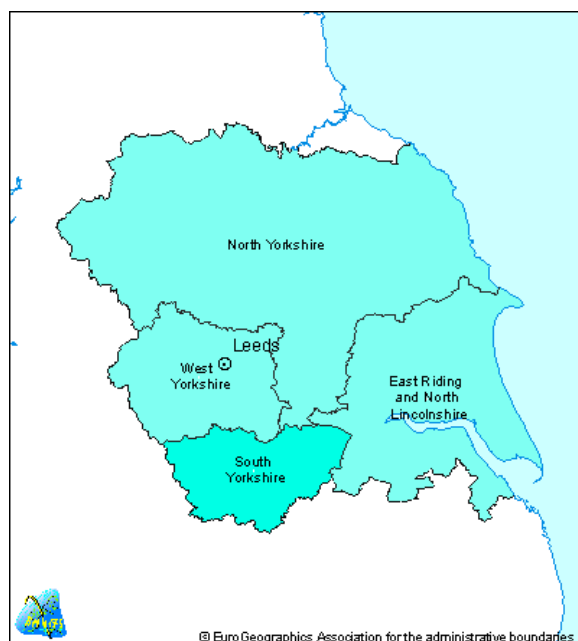
**iNets South West** - £13 m from ERDF – strengthen networks to support innovation

**Outset Bristol** – partly ERDF financed – business workshops, start-up support, enterprise coaching

**Go Green Bristol** - partly ERDF financed – workshops, grants to encourage energy efficiency and greening the environment

**South West Composites Gateway** – partly ERDF financed – courses to teach how to work with composites

## Yorkshire and The Humber – special focus on South Yorkshire



Dark blue: Phasing-in region (2007-2013); Blue: Regional Competitiveness and Employment Objective (2007-2013)

Yorkshire and The Humber has a population of 5.3 million and is **the fifth largest region in England**. The north and east of Yorkshire and The Humber are largely rural, while the south and west are more urban.

South Yorkshire is a metropolitan county of 1.3m people with the size of Greater London lying to the south of the region and containing the urban districts of Barnsley, Doncaster, Rotherham and Sheffield.

The major areas of **concern were agriculture, textiles and clothing, steel and engineering** in the '80s and '90s, as a loss of 94,000 jobs in manufacturing was reported in the early 1980s followed by unemployment rise in primary industries.

Currently, the **Humber and all the sub-regions are below the UK average on per capita GVA**. Compared with Europe, the region and North and West Yorkshire are above the EU25 average, while The Humber and South Yorkshire are below.

In general terms, Yorkshire and Humber **rank second after North West amongst the English regions in receipt of European funding**.

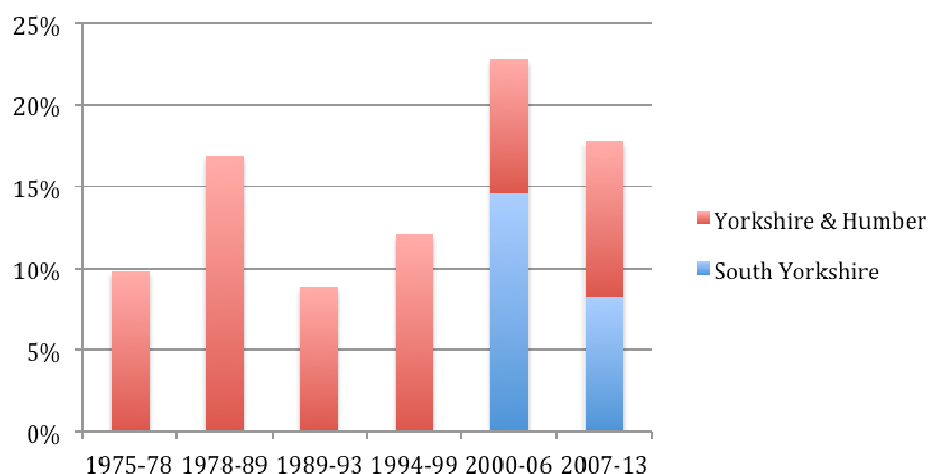
### Volume of the European Regional Development Fund in the region

The Yorkshire and the Humber (YH) has been eligible not only for the European Regional Development Fund (ERDF) but the European Social Fund (ESF) as well since 1975.

As in the early programming periods the ESF allocations were set by horizontal objectives and not by regions, calculating the volume of the Structural Funds back to 40 years is impossible.

However, regional and sub-regional ERDF allocations can indicate the **significant volume of the funding given to the YH compared to other English regions**.

### Yorkshire and Humber region's share of the ERDF allocations for England between 1975-2013



Between **1989-93** some £230 million went to Objective 2 areas (Yorkshire and Humberside steel area, Bradford, Mid-Yorkshire, Hull, Grimsby, Goole) to **restructure declining areas** and additional parts of Yorkshire and Humberside got significant financial help under the European Social Fund and the 5b



objective to **promote rural areas**. During this period, South Yorkshire did not receive ring fenced funding but had a fair share from the regional allocation.

In the **1994-99** programming period the whole YH region was allocated 823million ECUs in **Objective 2 and 5b funds**. As Dr Peter Wells mentions in his research on the mid-term evaluation of the South Yorkshire Objective 1 Program, within the region, the economic decline of **South Yorkshire has been the most severe with the steepest decline observed over the last 20 years**. This follows the continual decline of the steel industry over this period and the closure of nearly all remaining deep pit coal-mining activities. As a result, the **sub-region fell beneath the 75 per cent EU GDP per capita threshold in 1993** and as a consequence received Objective 1 status for the 2000-2006 programming period.

While of The Humber, North Yorkshire and West Yorkshire remained Objective 2 funding area during the **2000-2006** programming period, **South Yorkshire has been an Objective 1** area. This meant that the designated South Yorkshire has been allocated €1.1 billion, the Objective 2 funds areas €463.2 million and Objective 3 around €180m, giving a combined total of €1.64 billion. **South Yorkshire alone received 15% of the total ERDF allocation for English regions**.

In the **2007-2013** programming period, The Yorkshire and The Humber ERDF Regional Competitiveness and Employment Programme involves Community support for Yorkshire and The Humber, with **transitional support for South Yorkshire as a phasing-in region** that qualified for support in 2000-2006. The total budget of the programme is around € 1.17 billion and the Community investment through the **ERDF amounts to € 584 million**.

UK's share of the EU Structural Funds was around 26% in the first decade after joining the European Community and dropped to 7-8% between 1989 and 2006. The 2004 enlargement had a further significant, minus 4 %, impact on the country's allocations from the Cohesion budget, which includes the ERDF, the ESF and the Cohesion Fund that supports mainly the economically disadvantaged regions of the new Member States. Yet, these funds safeguard and increase the level of domestic development spending and encourage forward-looking, multiannual and integrated regional development strategies. An important intangible effect is that these projects make the EU more visible to its citizens.

#### Highlights of achievements of local and regional projects co-financed by the Structural Funds

The Structural Funds' contribution is relatively tight in relation to the national public spending in the UK, however various reports of the European Commission and the HM Treasury admit that the ERDF and the ESF **delivered tangible net economic gains in terms of jobs and added value**. It has been used to co-finance many high profile projects across the country and improved the quality of development by acting as a catalyst for regeneration. The regional Operative Programme aimed to create or safeguard 46 187 new jobs, support the creation of 4072 new businesses, and assist 19192 businesses to become more competitive over the 2007 – 2013 period.

<b>Results achieved by ERDF between 2000-2006</b>	<b>SMEs receiving assistance</b>	<b>Enterprise Start-Ups / Business</b>	<b>Refurbished /New Floor space (m2)</b>	<b>Land developed (Ha)</b>	<b>Gross direct new jobs</b>	<b>Gross direct safeguarded jobs</b>	<b>Total Beneficiaries</b>
Objective 1 - development and structural adjustment of regions who's development is lagging behind ( )	4478	592	10434	4	14263	13782	434719
Objective 2 - economic and social conversion of areas facing structural difficulties (eligible parts of North Yorkshire, West Yorkshire and the Humber)	20575	n.d	10615	86	23621	3735	30536

Resource: Ex-post evaluation of Cohesion Policy Programmes 2000-2006 financed by the ERDF in objective 1 and 2 regions

Some of the current projects in South Yorkshire co-financed by the Structural Funds (with total project value)

- **Mercury Centre** – research centre arises from the global developments in powder-based manufacturing (£5 million)
- **BIG Energy Upgrade Programme** - new approach to energy efficiency to some of the most deprived communities (£15 m)
- **Groundwork** - supports social enterprises and green businesses
- SCN - **Sheffield Community Network** - Advice, Support and Funding to Promote Digital Participation (£ 2.3 m from ERDF)

## North West of England – special focus on Merseyside



Dark blue: Phasing-in region (2007-2013); Blue: Regional Competitiveness and Employment Objective (2007-2013)

The North West region is the **third largest region in the UK in population terms**, with 6.9 million people in mid-2010, despite being the **eighth in terms of area covering 6 % of the total area of the UK**. Over 87% of the population lives in urban areas, contributing to the second highest regional population density in the UK. In 2012, according to the Office of National Statistics, the region contributed **nearly 10 per cent of the UK's GVA**.

The North West is a very diverse region, and its constituent sub-regions and localities are characterised by **widely varying economic prosperity and wealth**. **Merseyside's long-term economic and demographic decline** has been more severe than that of any other metropolitan region in Britain. The region's metropolitan area is dominated by Liverpool, a city that grew rapidly in the nineteenth century as the country's main port. Due to the sharp **decline of the heavy industries** in the last century, the area faced constant fall in employment rate and productivity. This long-term lack of economic competitiveness has led to **state intervention on a scale that is quite exceptional among English regions**.

### Merseyside's regeneration programmes in a nutshell

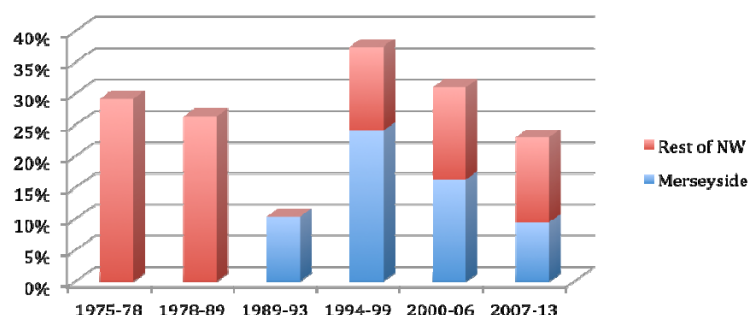
- 60's     **Development Area status** by the UK Government in an effort to attract manufacturing jobs
- 70's     The region became subject to early attempts to develop and implement **urban policy for inner city areas**
- 80's     **Test-bed** for the Government's spatially-targeted **urban policy** initiatives and for **locally-initiated measures**
- 1987    The **European Union intervention came in 1987** when an Integrated Development Operation program was set up to help to rectify the region's structural imbalances by introducing **project support schemes**.
- 1989    When the European Structural Funds were introduced in **1989**, Merseyside was declared an **Objective 2 region, reflecting its condition as a region seriously affected by industrial decline**.
- 1989-1993    Despite the efforts, Merseyside's economy continued to slip to the extent that the GDP per head went below 75% of the EU average by 1993.
- 1994-1999    This meant that the region became eligible for **Objective 1 funding** which brought **significantly higher ERDF and ESF funding for the 1994-1999 period**.
- 2000-2006    The region remained eligible for **Objective 1 funding in the 2000-2006 period as well**, being one of the **economically less developed areas** in UK
- 2007-2013    For 2007 -20013, as part of the arrangements for the **phasing in of former Objective One areas**, the North West Operational Program contains a **ring-fenced ERDF and ESF allocation for Merseyside**.

## Volume of the European Regional Development Fund (ERDF) in the region

The North West (NW) has been eligible not only for ERDF but the European Social Fund (ESF) as well since 1975. As in the early programming periods the ESF allocations were set by horizontal objectives and not by regions, calculating the volume of the Structural Funds back to 40 years is impossible. However, regional and sub-regional ERDF allocations can indicate the **significant volume of the funding given to the NW** compared to other English regions.

In general terms, NW **ranks first amongst the English regions in receipt of European funding.**

**North West region's share of the ERDF allocation for regions in England**



**1975-89:** No specific allocations for Merseyside within the region, but NW as a whole region received around 27% of the ERDF allocations for England. Out of the English regions, only East England received 3-4% more.

**1989-93:** Merseyside was declared an Objective 2 region, reflecting its condition as a region seriously affected by industrial decline. Across the NW, only Merseyside qualified for special “ear marked” funding for these 4 years. The rest of the region received significantly less European funding mainly from the ESF.

**1994-99:** Merseyside became eligible for Objective 1 funding which brought significantly higher ERDF and ESF funding for this period. This meant that Merseyside alone got more funding than all other NW sub-regions combined. Nevertheless, NW was the first beneficiary of ERDF in England receiving 36% of the allocations.

**2000-2006** Merseyside kept its Objective 1 status and due to the general economic growth, as well as the statistical effect of the planned EU enlargement meant that there was a shrinking in eligible areas for 2000-2006, with some part of the region moving into transition status, notably Lancaster and East Lancaster.

**2007-13:** Merseyside became a “phasing-in” region, reflecting its previous access to Objective 1 funding. This means that the **NW was allocated a total of €756m in ERDF** support under the Competitiveness strand of the EU’s Structural Funds, out of which 41% is ring-fenced for Merseyside. **ESF for NW region was ca. €420 m.** out of which 49% is ring-fenced for Merseyside

UK’s share of the EU Structural Funds was around 26% in the first decade after joining the European Community and dropped to 7-8% between 1989 and 2006. The 2004 enlargement had a further significant, minus 4 %, impact on the country’s allocations from the Cohesion budget, which includes the ERDF, the ESF and the Cohesion Fund that supports mainly the economically disadvantaged regions of the new Member States. Yet, these funds safeguard and increase the level of domestic development spending and encourage forward-looking, multiannual and integrated regional development strategies. An important intangible effect is that these projects make the EU more visible to its citizens.

## Highlights of achievements of local and regional projects co-financed by the Structural Funds

The Structural Funds’ contribution is relatively tight in relation to the national public spending in the UK, however various reports of the European Commission and the HM Treasury admit that the ERDF and the ESF **delivered tangible net economic gains in terms of jobs and added value.** It has been used to co-

finance many high profile projects across the country and improved the quality of development by acting as a catalyst for regeneration, like for the **regeneration projects of the docks in Liverpool**.

<b>Results achieved by ERDF between 2000-2006</b>	SMEs receiving assistance	Enterprise Start-Ups / Business	Refurbished /New Floor space (m2)	Land developed (Ha)	Gross direct new jobs	Gross direct safeguarded jobs	Total Beneficiaries
Objective 1 - development and structural adjustment of regions who's development is lagging behind (Merseyside)	10451	3872	200773	97	22333	10279	186652
Objective 2 - economic and social conversion of areas facing structural difficulties (eligible areas in Cumbria, Lancashire, Great Manchester, Cheshire)	11287	2633	n.d	n.d	6746	1196	29065

Resource: Ex-post evaluation of Cohesion Policy Programmes 2000-2006 financed by the ERDF in objective 1 and 2 regions

The three main overall targets of the **North West Competitiveness Operational Program 2007-2013** are

- Support the creation of 26,700 net additional new jobs by 2015
- Support the creation of £1,170m additional annual GVA by 2015.
- Support a 25% reduction in additional CO2 emissions generated by the NWOP

Some of the current projects in Merseyside co-financed by the Structural Funds (with total project value)

- **ACC Liverpool**: flexible venue, the only directly interconnected arena + convention centre in Europe (£164 million)
- Merseyside (**REECH**) Renewables & Energy Efficiency in Community Housing (£7,7 million)
- **Maritime Sector Development Programme** to support productivity, business growth among SMEs (£839,167)
- Major exhibitions of the **National Museums Liverpool** (£3.4m)
- **NEET** - Not Engaged in Employment, Education, Training – to help young people (£844,437)