

European and External Affairs Committee

Date:	29 April 2004
Time:	09:30
Venue:	Committee Rooms 3 & 4, National Assembly Building, Cardiff Bay
Title:	Update on EU Regional Policy, 04-04(p3)

Scenarios for 2007 – 2013 structural funds and impact on Objective 1 funding**Members are asked to note that the figures used are for illustrative purposes only**

1. The third Cohesion Report, published by the European Commission in February 2004, provided some details of how the new Cohesion Funds for 2007-2013 might be allocated across regions, taking account of the enlarged European Union and *on the basis of the Commission's proposals being agreed by member states*. The financial information in this report is consistent with the new financial framework, also published by the Commission in February 2004 under the title: "Building our common Future: Policy challenges and Budgetary means of the Enlarged Union 2007-2013". I undertook at the last Committee meeting to provide some analysis for Members.
2. On the basis of current statistics for 2001 and the average for 1999 to 2001, West Wales and the Valleys falls into the statistical effect category of European NUTS2 regions. This means that GDP per head is below the 75 per cent threshold compared to the average for the existing 15 member states, but above 75 per cent of the average when the 10 acceding countries are included.
3. The Cohesion Report makes special mention of the statistical effect regions. Specifically it states that they should qualify for temporary support with a decreasing allocation under the Convergence objective to facilitate their "phasing out". In line with the proposals made by the Commission, the overall structural funds budget would be €336 billion, which would be 0.46% of EU GDP (or 0.41% if you exclude EAGGF and FIFG spending, which will be outside the structural funds objectives).
4. As noted, the financial resources quoted in the Cohesion Report are consistent with the new financial framework. This sets out an EC budget on commitments averaging 1.26 per cent of EU Gross National Income (GNI). This would be the absolute ceiling on what the Commission was permitted to spend, while within that ceiling, the Commission would endeavour not to spend more than around 1.14% of EU GNI. It is entirely possible that the finally-agreed budget will be limited to a smaller proportion of GNI; at least 6 member states have already called for this. This would clearly have implications for the recommendations set out in the Cohesion Report.
5. The attached table sets out 3 illustrative scenarios. It should be noted that these are not based on any official statements about how statistical effect allocations might be calculated, nor do we have any authoritative information about how a decreased overall budget might be reflected in the structural funds budget.

- a) This is the budget set out in the financial outlook and is consistent with the figures in the Cohesion report. Under this scenario, the statistical effect regions are expected to qualify for a total of €22 billion (in 2004 prices) over the 7 years. By using a largely population-based formula, it can be estimated that West Wales and the Valleys could qualify for around €2 billion (or £1.3 billion).
 - b) This scenario limits the overall EC budget to 1 per cent of GNI. The budgets for Preservation and Management of Natural Resources (largely CAP) and Citizenship, Freedom, Security and Justice have been maintained at the same level as in the financial outlook. The other budget headings and the elements of the Cohesion Funds have been reduced proportionately. Under this scenario, using the same allocation formula assumptions as above, West Wales and the Valleys could qualify for €1.3 billion (or £0.9 billion).
 - c) This scenario is the same as b) but recognises that the large overall reductions relative to the proposals in the Cohesion Report may well not fall equally across the various elements within the structural/cohesion funds allocation. Under this scenario, the statistical effect regions no longer qualify for temporary support over the 2007-2013 period.
6. Of course, there are any number of alternative scenarios with different consequences for the funding available to West Wales and the Valleys. It should also be noted that later GDP estimates across the EU may no longer put West Wales and the Valleys into the statistical effect category, (although this still seems the most likely outcome).

EU budget and implications for West Wales and the Valleys (€billion, total 2007-2013, 2004 prices)

	a	b	c
	EC Budget proposals	Budget at 1% of EU GNI	Budget at 1% of EU GNI
<u>1. Sustainable growth</u>	<u>477.7</u>	<u>311.1</u>	<u>311.1</u>
1a. Competitiveness for growth and employment	132.8	86.5	86.5
1b. Cohesion for growth and employment	344.9	224.6	224.6
Of which: Cohesion funds	336.3	219.0	219.0
Less developed, cohesion fund, statistical effect ¹	262.3	170.8	170.8
Regional competitiveness and employment ²	60.5	39.4	39.4
Territorial cooperation ³	13.5	8.8	8.8
<u>2. Preservation and management of natural resources</u>	<u>404.7</u>	<u>404.7</u>	<u>404.7</u>
Of which : Agriculture - Market related & direct payments	301.1	301.1	301.1
<u>3. Citizenship, freedom, security and justice</u>	<u>18.5</u>	<u>18.5</u>	<u>18.5</u>
<u>4. The EU as a global partner</u>	<u>95.6</u>	<u>62.3</u>	<u>62.3</u>
<u>5. Administration</u>	<u>28.6</u>	<u>18.6</u>	<u>18.6</u>
Total appropriations for commitments	1025.0	815.1	815.1
Total appropriations for payments	928.7	738.5	738.5
Payments as a %age of Gross National Income (average per year)	1.14%	0.91%	0.91%
Commitments as a %age of Gross National Income (average per year)	1.26%	1.00%	1.00%
<u>Statistical Effect regions</u>	<u>22</u>	<u>14</u>	<u>0</u>
<u>West Wales and the Valleys (estimated)</u>	<u>2.0</u>	<u>1.3</u>	<u>0.0</u>

1. Currently Cohesion Fund and Objective 1

2. Currently Objectives 2 and 3

3. Currently Interreg, Urban, Equal, Leader+