

## Allocation of EU Funds 2014-2020

Huckfield comments for Social Enterprises and Third Sector Organisations throughout this note are highlighted in this colour. Please click on highlighted blue links to access documents

Though this posting is accurate at the beginning of November 2012, EU Structural Funds 2014-2020 will be determined by the size of the EU Budget, which is not agreed. On Wednesday 31 October 2012 the House of Commons voted for a reduction in the EU proposed 2014-2020 Budget.

Accordingly, this posting is based entirely on current EU policy documents, UK and Scottish Government sources. For 27 Member States, it is currently proposed that €336bn Structural Funds might be available, including €226bn for investment in jobs and growth.

Page 4 of [draft ERDF Regulation published by the Commission on October 06 2011](#) shows that the EU Commission proposes four basic regional categories, including new "Transition Regions":

#### 4. BUDGETARY IMPLICATION

The Commission's proposal for a Multi-Annual Financial Framework foresees an amount of EUR 376 billion for economic, social and territorial cohesion for the period 2014-2020.

Proposed budget 2014-2020	EUR billion
Convergence regions	162,6
Transition regions	39
Competitiveness regions	53,1
Territorial cooperation	11,7
Cohesion Fund	68,7
Extra allocation for outermost and sparsely populated regions	0,926
Connecting Europe Facility for transport, energy and information and communication technologies (ICT)	40 (with an additional EUR 10 billion ring fenced inside the Cohesion Fund)

*\*All figures in constant 2011 prices*

The Commission's proposal has established, with the aim of enhancing the contribution of the funds in delivering on the headline targets of the Europe 2020 strategy, minimum shares for the European Social Fund (ESF) for each category of regions. The application of the shares result in a minimum overall share for the ESF of 25% of the budget allocated to cohesion policy, i.e. EUR 84 billion. This implies that a maximum of EUR 183,3 billion remains available for the ERDF for the period 2014-2020.

#### 1) LESS DEVELOPED REGIONS

a) Less Developed Regions are those with GDP per capita of less than 75% of the EU27 average. From a Total Budget Allocation of €336bn, for a total population of 119mn these will receive 68.7% of funds or €162.6bn (as shown above), including:

- 75%-85% EU Cofinancing available for wider range of activities
- Safety net of 2/3 of previous allocation for regions moving 'up' and out of this category
- At least 25% total spend must be from European Social Fund
- **44% of ERDF to focus on Research and Innovation and Competitiveness of SMEs**
- **6% of ERDF to focus on Energy Efficiency and Renewable Energy**

b) UK areas are likely to be West Wales and the Valleys, Cornwall and Scilly Isles

## 2) TRANSITION REGIONS

Transition regions are those with a GDP per capita between 75% and 90% of the EU27 average. From a total budget allocation of €336bn, for a total population of 72.4mn these will receive 11.6% or €38.9bn. This category – covering 51 regions – eases the transition of regions which have become more competitive in recent years, but still need targeted support. By 2014, 20 regions are forecast to move out of the current "Convergence" objective for Less Developed Regions.

Less Developed and Transition Regions receive a higher EU contribution. Though the Commission has proposed three categories of Regions, these may still be amended during future negotiations between Member States. Some Member States have questioned the need for Transition Regions.

### a) Transition Regions will receive:

- 60% EU co-financing
- Safety net” of 2/3 of previous allocation for regions moving ‘upwards’ into this category
- At least 40% spend from European Social Fund, of which 70% of each programme must focus on only 4 priorities, with 20% earmarked for tackling social exclusion at national level
- **60% ERDF to focus on Research and Innovation and Competiveness of SMEs**
- **20% ERDF to focus on Energy Efficiency and Renewable Energy**

### b) Based GDP from 2007 to 2009, UK Transition Region areas are likely to include :

- Cumbria
- Devon
- East Yorkshire and North Lincolnshire
- Highlands & Islands
- Lancashire
- Lincolnshire
- Merseyside
- Northern Ireland
- Shropshire and Staffordshire
- South Yorkshire
- Tees Valley and Durham

## 3) MORE DEVELOPED REGIONS

More Developed Regions have GDP per capita greater than the 90% EU27 average. From a total budget allocation of €336bn, for a total population of 307mn, these will receive 15.8% or €53bn, including:

- 50% EU co-financing
- At least 52% spend must be from European Social Fund, of which 80% of each programme must focus on only 4 priorities
- At least 20% ESF to focus on social exclusion at national level
- **60% ERDF to focus on Research and Innovation and Competiveness of SMEs**
- **20% ERDF to focus on Energy Efficiency and Renewable Energy**

Apart from West Wales and the Valleys, Cornwall and Scilly Isles, most UK Areas are likely be in More Developed or Transition Regions. This means that most of Scotland will probably be a De-veloped Region, except Highland and Islands, which will probably be a Transition Region.