VOTE TO LEAVE THE EU

Regional Funding Briefing

Open Europe's recent 2012 briefing on EU regional policy which found that the UK contributed roughly £29.5 billion to the EU's structural and cohesion funds and received only £8.7bn in return. The report was also covered by WalesOnline, which noted that although West Wales was only one of two UK regions that was a net beneficiary from the funds, Wales overall paid £1.65 for every £1 it received back from the funds. (see attached PDF of tables)

EXECUTIVE SUMMARY

- Over the 2007-2013 EU budgetary period, the UK is contributing roughly £29.5bn to the EU's structural and cohesion funds, and getting back around £8.7bn, making it the third largest net loser from the funds, after France and Germany.

- Firstly, it can channel funds away from where they can have the most *comparative* impact, as richer member states already attract investment, which, at worst, can be crowded out by the structural funds.

Secondly, in richer member states, the structural funds mostly serve to redistribute income *within* the same regions. We estimate that of the UK's overall contribution, 70% goes to other member states, only 5% is redistributed across regions, with the remaining 25% being redistributed *within* the same region in which the funds were raised. This begs the question what the added economic value of the structural funds is for Britain.

- **Of the 37 regions in Britain under the EU's classification system, 35 are *net* contributors to the structural funds, with only West Wales and Cornwall net beneficiaries. This means that some relatively poor areas lose out substantially.**
- **For example, we estimate that the West Midlands, which has the lowest disposable income per capita in the UK, pays £3.55 to the structural funds for every £1 it gets back. Merseyside, which has a disposable income of 88% of the UK average, pays in £2.88 for every £1 it gets back. All the regions in the North East pay in more than they get back, as does Northern Ireland (£1.58 for every £1 it gets back). All sub-regions in Scotland are likewise net losers from the structural funds.**

- Some regions that are under the UK average for disposable income per capita pay far higher contribution ratios than those above the average; for example Devon (94% of the average) pays £6.58 for every £1 it gets back, while Herefordshire, Worcestershire and Warwickshire (105% of the average) pays £4.49.

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Off Target: The case for bringing EU regional policy back home

The billions spent by the EU on regional development subsidies have a mixed record when it comes to providing jobs and growth. Wealthier member states can afford to run their own regional policies instead of recycling money between themselves via the EU budget.

Experts: Pawel Swidlicki, Raoul Ruparel, Christopher Howarth, Mats Persson

Talking of our Report

We support the principle of repatriating regional policy funding.

House of Commons Communities and Local Government Committee, 13 July 2012.
Intelligence RSS Feed

REPORT INFLUENCE

- The House of Commons Select Committee for Communities and local Government’s report into the European Regional Development Fund recommended that the government should try to repatriate regional policy-funding.

- In its 2013 ‘Subsidiarity review’, the Dutch government backed Open Europe’s policy proposal. Upon its release, 18 Labour MPs including former cabinet ministers also backed the report’s conclusion in a letter to the Guardian.

€147bn

Save billions by targeting EU regional funds at poorest states

If the EU had targeted regional development funds at the poorest EU states during its 2007-2013 budgetary period, rather than recycling them around the richer states, Open Europe estimates that savings of €147bn could have been made. Source: Open Europe

The structural funds: an effective tool for jobs, growth and convergence?

The structural funds can have a positive impact in individual cases if combined with good public administration and pro-growth policies, as the example of Ireland in the 1990s shows. However, there is no conclusive evidence that the funds in the EU's regional policy have had an overall positive economic effect on Europe's economy. There are still a number of problems with the funds, including an unsatisfactory correlation between funding and results.

Most fundamentally, involving all member states in EU regional spending, irrespective of their relative wealth, is economically irrational. As the Commission itself has admitted, this exercise creates "considerable administrative and opportunity costs." Firstly, it can channel funds away from where they can have the most comparative impact, as richer member states already attract investment, which, at worst, can be crowded out. Secondly, in richer member states, the structural funds mostly serve to redistribute income within the same regions.

EU regional policy: Does Britain get a good deal?

Over the 2007-2013 EU budgetary period, the UK is contributing roughly £29.5bn to the EU's structural and cohesion funds, and getting back around

£8.7bn, making it the third largest net loser from the funds, after France and Germany.

We estimate that of the UK's overall contribution, 70% goes to other member states, only 5% is redistributed across regions, with the remaining 25% being redistributed within the same region in which the funds were raised. This begs the question what the added economic value of the structural funds is for Britain.

Of the 37 regions in Britain under the EU's classification system, 35 are net contributors to the structural funds, with only West Wales and Cornwall net beneficiaries. This means that some relatively poor areas lose out substantially. For example, we estimate that the West Midlands, which has the lowest disposable income per capita in the UK, pays £3.55 to the structural funds for every £1 it gets back. Merseyside, which has a disposable income of 88% of the UK average, pays in £2.88 for every £1 it gets back. All the regions in Scotland, the North East pay in more than they get back, as does Northern Ireland.

In 2003, the then UK Chancellor, Gordon Brown, said that the time was ripe to "bring regional policy back to Britain." However, the Coalition has dropped the previous Labour Government's commitment to devolve regional spending back to the UK and to focus EU structural funds exclusively on the less developed EU member states.

Focusing funding on the least developed member states: a win-win situation

As proposed by the previous Labour Government, limiting the funds to EU member states with income levels at 90% or below the EU average could create a win-win situation. Such a move would instantly make the funds easier to manage and tailor around the needs of the poorest regions in the EU. We estimate that 22 or 23 out of 27 member states would also either pay less or get more out of the EU budget, as the funds would no longer be transferred between richer member states. This option could therefore attract strong political support in many capitals.

If this policy had been adopted for the present EU budgetary period (2007-2013), France would have emerged as the biggest winner from focussing the funds on the poorer states, cutting up to €12.8bn from its net contribution to the EU budget over seven years. The UK comes second, saving up to €5.1bn (£4.2bn) over seven years. Importantly, all new member states except for Cyprus (and Slovenia under one possible scenario) would also save money on their contributions to the EU budget, with Poland gaining the most.

Italy, Spain and Greece would all lose out substantially, but they are already set to get a smaller share of EU subsidies as recent enlargements continue to erode their net receipts. More importantly, to cope with the eurozone crisis, these countries need far more responsive and better-targeted support than is currently being offered by the structural funds.

Devolving regional policy should involve the Coalition promising to ring-fence the £8.7bn that it currently receives via the EU's structural funds for continued regional and regeneration spending around Britain. In addition, it could pledge to re-invest its projected saving of up to £4.2bn under the 90% threshold back into regional development. This would mean that virtually all UK regions would experience a rise in the amount of subsidies they receive. However, the UK must also ensure that it replaces the structural funds with something that works radically better with a focus on results, rather than getting the money out of the door, as is often the case at present.

http://openeurope.org.uk/intelligence/economic-policy-and-trade/eu-regional-policy/

No such thing as EU money. UK is a massive net contributor to the EU. We would be much better off keeping our own money in the UK and deciding ourselves how best to spend it . The EU's energy policy has helped push up energy prices, and make our steel industry uncompetitive in the global market, and on Tuesday in the EP, they are voting to hobble the British competitative port system in order to save the bloated expensive EU system.

UK taxpayers are the big loosers as EU hands over 325 BN euro on Cohesion funds

UKIP MEP Gerard Batten said about this Cohesion Fund vote today

"There is no such thing as EU money, it is taxpayers' money. It is British taxpayers, as well as those from Germany and France who are the big losers in this vote today..

UK taxpayers will make a huge contributions to cohesion funding which goes to poorer states in Eastern Europe but get little in return.
In the last funding period, the UK gave £29.5 billion to the EU's structural and cohesion funds, and got back around £8.7 billion. This was a very poor deal.
Even Wales, which people think in a beneficiary, overall paid £1.65 for every £1 it received back from the funds. Cohesion funds constitute 34% of the EU spending budget.
As we are now talking about 325 billion euro over the next seven years, this should concentrate peoples' minds on the exorbitant cost of EU membership."

Open Europe calculated how for every £1 we get in Wales from EU we have spent £1.65 (2012 report link no longer working)

Germany, France and the UK: 'Net losers'

As negotiations move on, voices are being raised among the net contributing countries to make a better use of the regional funding.

In January 2012 Open Europe, a British eurosceptic think tank, published an analysis of how much the UK receives back from its EU regional funding contribution.

"Over the 2007-2013 EU budgetary period, the UK is contributing roughly £29.5 billion to the EU's structural and cohesion funds, and getting back around £8.7 billion, making it the third largest net loser from the funds, after France and Germany," the report says.

Some relatively poor areas in Britain lose out substantially. "The West Midlands, which has the lowest disposable income per capita in the UK, pays £3.55 to the structural funds for every £1 it gets back. Merseyside, which has a disposable income of 88% of the UK average, pays in £2.88 for every £1 it gets back".

The report's conclusions were unequivocal. The British government, its said, should "seek to bring regional policy back to the UK." "The economic, social and democratic arguments clearly point in favour of this policy direction," said Pawel Swidlicki, author of the report.

The report was also covered by *WalesOnline*, which noted that although West Wales was only one of two UK regions that was a net beneficiary from the funds, Wales overall paid £1.65 for every £1 it received back from the funds.
EurActiv
http://www.openeurope.org.uk/Content/Documents/Pdfs/2012EUstructuralfunds.pdf