



## UK entitled to over €13bn regional funding if it remains in the EU

### Headline messages

- **If the UK remained in the European Union, the CPMR estimates that it would be entitled to over 13 billion euros of regional development funding** (under the EU Cohesion Policy) for the 2021-2027 period<sup>1</sup> from the European Union.
- This would represent **a significant increase compared to the current period** covering 2014 to 2020. (The UK allocation for Cohesion Policy for 2014-2020 is 10.6 billion euros).
- Such an increase can largely be explained by the fact that **many areas of the UK are falling behind the EU average** in terms of regional prosperity. The **worsening level of regional disparities in the UK** in recent years also plays a large part in explaining the significant differences in aid intensity (e.g funds per capita) from Cohesion Policy from one area to another, as forecast by the CPMR.
- **The share of funding earmarked for regions considered as ‘less developed regions’ in the UK would rise from about EUR 2.7bn from the current period (2014 – 2020) to EUR 4.4bn** in the next programming period (from 2021 to 2027). The two regions classed as ‘less developed regions’ in the current period - Cornwall and the Isles of Scilly and West Wales and the Valleys - would stand to receive a significant share of the UK allocation of Cohesion Policy.

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<sup>1</sup> On the basis of the allocation methodology for European and Structural and Investment Funds (Annex XXII of the CPR) as proposed by the European Commission in June 2018 and provided that there are no changes to the allocation methodology as a result of the UK being a member of the EU again

## 1. The exercise: working out a Cohesion Policy allocation for the UK

The Conference of Peripheral Maritime Regions (CPMR) General Secretariat carried out a projection of the theoretical share of European Regional Development Fund and European Social Fund funding for the United Kingdom for the 2021-2027 period if it were to remain a member of the European Union.

The CPMR is a European organisation representing the interests of 160 regions from 25 countries from the European Union and beyond. The [UK Members of the CPMR](#) include the Welsh Government, several local authorities in Scotland, and Cornwall Council and Southend-on-Sea Borough Council in England.

It carried out this exercise in the context of the uncertainty of Brexit, and it forms part of a broader body of work carried out by the CPMR on Cohesion Policy funding mechanisms to understand the impact of the negotiations for the benefits of its Members.

The first results of this exercise were published in January 2019. This updated report is based on updated statistical data released throughout 2019<sup>2</sup>.

This work is based on the allocation methodology for ERDF and ESF for the post-2020 period published on 29 May 2018 by the European Commission ([Annex XXII of the Common Provisions Regulation - CPR](#)), whilst taking into account updated statistical data published by EUROSTAT (the EU statistical office).

The exercise is based on the following assumptions:

- The UK remains a member of the European Union and thus the EU budget proposal is calculated on the basis of 28 EU Member States.
- Agreement on the 2021-2027 EU Budget (and Cohesion Policy therefore) by Member States in the Council is based on updated statistical data provided by EUROSTAT, as is customary for negotiations over the Multiannual Financial Framework (MFF)
- There is a margin for error of +/- 5% due to the complexity of the allocation methodology of Cohesion Policy. This does not affect the conclusions reached in this analysis.

## 2. Cohesion Policy: the basics

### 2.1 Cohesion policy, ESI funds, and the programming cycle

- Each EU Member State receives a share of Cohesion Policy, the EU's investment and territorial development policy, which runs on a seven-year basis. These shares are calculated by the European Commission.

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<sup>2</sup> Statistics used to calculate Member States allocations under Cohesion Policy are periodically updated by EUROSTAT. A notable change worth highlighting is the publication of regional GDP data for 2017 in March earlier this year, with consequences both for the eligibility of regions under the different categories and for the financial amounts for less developed and transition regions.

- The Commission made a proposal to reform Cohesion Policy on 29 June 2018. Pending agreement from the European Parliament and the Council, regional development programmes supported by Cohesion Policy should start on 1 January 2021.
- The total proposed budget for Cohesion Policy is about 330 billion euros (from 2021 to 2027 for the next programming period).
- The legislative proposal for Cohesion policy for the post-2020 period is under negotiation at the moment as part of the discussion on the 2021 – 2027 EU budget, known as the Multiannual Financial Framework. This means that the national Cohesion Policy shares proposed by the European Commission will be arduously negotiated in the months to come and are likely to evolve depending on the outcome of talks between Member States.

## **2.2 The mechanics of Cohesion Policy funds distribution**

- Cohesion policy shares are calculated on the basis of a complex methodology which relies on national and regional data from each of the EU Member States (Annex XXII CPR). These shares are calculated by the European Commission.
- Regional Gross Domestic Product (regional GDP) is the most significant criteria when it comes to determining the Member State shares of Cohesion Policy.
- Regional GDP is used to determine eligibility according to three categories: regions with a regional GDP of less than 75% of the EU average are considered as Less Developed Regions; Transition Regions are regions with a regional GDP between 75% and 100% of the EU average; and those regions with an average regional GDP of over 100% are classed as More Developed Regions. The Less Developed Regions receive the highest share of Cohesion Policy funding.
- Regional GDP accounts for about 81% of the distribution formula. A variety of other indicators are also used based on social, economic and - to a lesser extent - territorial characteristics of European regions.
- The distribution formula calculates financial allocations for each region of the European Union<sup>3</sup>. These are added together to work out the total financial envelope due to each EU Member State. The proposed allocations per Member State for the 2021-2027 Cohesion Policy were made public by the European Commission on 29 June 2018 (see Annex).
- Member States are responsible for developing investment strategies in partnership with local/regional bodies and the European Commission that set out how the Cohesion Policy funds will be spent over the 7 years of the budgetary period (these are called Operational Programmes).

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<sup>3</sup> The European Commission methodology relies on the NUTS 2 level. The financial amounts are regional level calculated by the Commission are never published by the European Commission.

- Member States are not obliged to set operational programmes at regional level. However, the allocation of funding should respect the three categories of regions (e.g: areas considered as ‘less developed regions’ will receive more funding per inhabitant than ‘transition’ or ‘more developed regions’).
- In practice, this means that each EU Member State receives ‘pots’ of funding for the start of the programming period to be allocated within the country:
  - An allocation for all regions considered as ‘more developed regions’
  - An allocation for all regions considered as ‘transition regions’
  - An allocation for all regions considered as ‘less developed regions’
  - An allocation for funding under European Territorial Cooperation (ETC) which is used to support INTERREG programmes with neighbouring countries
  - If eligible, an allocation for all regions considered as outermost regions or northern sparsely populated areas
- The European Commission does not proscribe the apportionment of funding to each region in each 'pot'. Rather, individual Member States have discretion to decide the level of funding to each region within each pot.

### **2.3 The situation in the UK**

- The European Commission has never communicated the amount of funding the UK would be entitled to as a full member of the European Union for the 2021-2027 from Cohesion policy.
- The UK currently benefits from about 10.6bn euros of Cohesion policy funding (in current prices) for 2014-2020. It is estimated the UK has benefitted from 66 billion pounds of EU funding from Cohesion Policy since the birth of the ERDF in 1975.
- In terms of funding per inhabitant, the areas in the UK considered as Less Developed Regions (Cornwall and the Isles of Scilly, and West Wales and the Valleys for the 2014 – 2020 period) currently receive the largest financial support from the EU.
- The UK Government is currently considering how regional policy in the UK may be addressed when EU policy no longer applies. The UK Government's proposed future policy is called the UK Shared Prosperity Fund and the UK Conservative Party has pledged for a continuation of the levels of funding currently provided to UK regions via Cohesion Policy following Brexit<sup>4</sup>. However, for the moment, there is little detail on the mechanism, governance and value of this new fund.

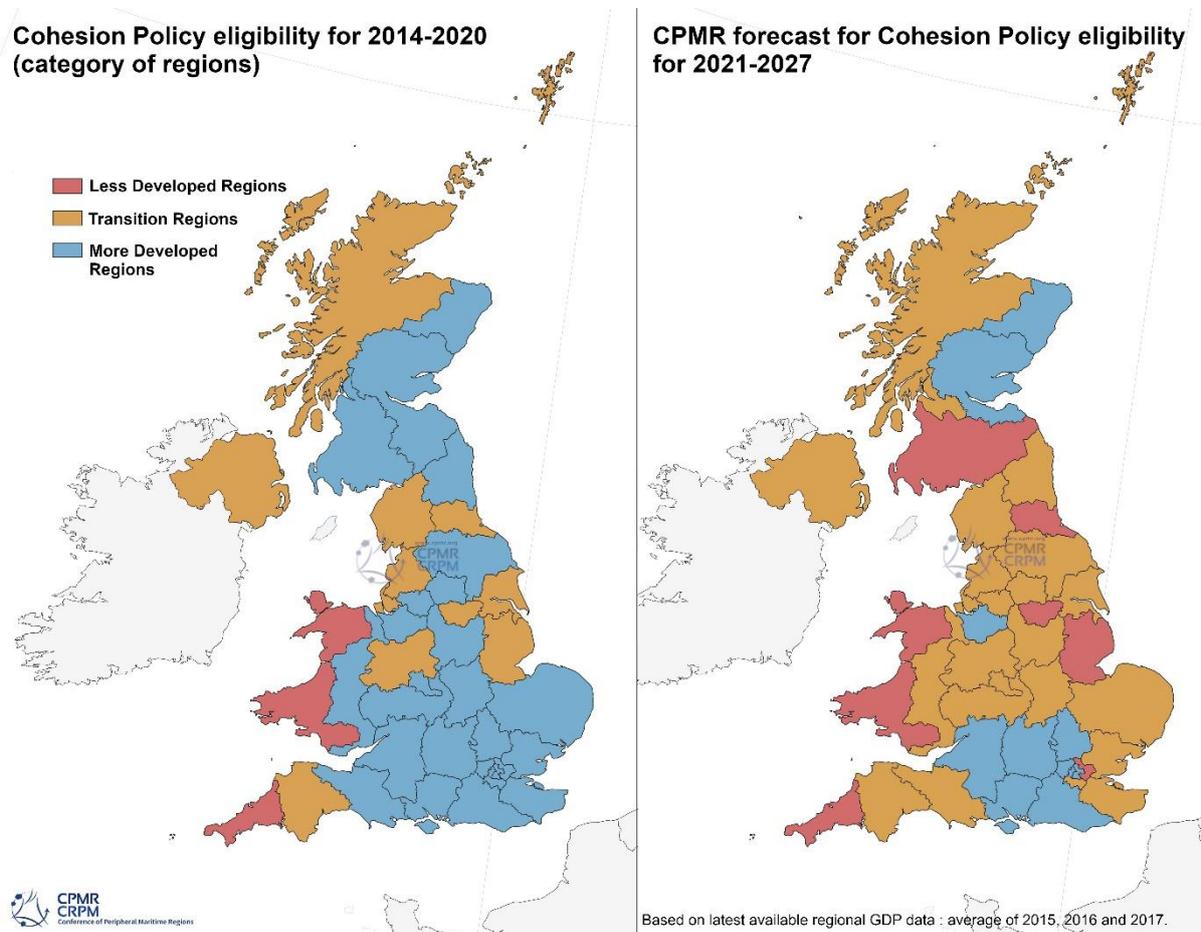
## **3. Projections from the CPMR**

### **3.1 Regional eligibility for UK regions**

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<sup>4</sup> See [Conservative Party Manifesto](#) published in 2017

The share of the UK allocation for Cohesion policy is largely determined by the levels of regional prosperity of its regions<sup>5</sup> compared to the EU average, as mentioned above.



Map 1 – Comparison of Cohesion Policy regional eligibility in the UK: 2014-2020 vs 2021-2027

The map on the left above shows the eligibility of UK regions for the 2014 – 2020 period. There are two Less Developed Regions (Cornwall & Isles of Scilly, West Wales and the Valleys), and 11 Transition Regions, whilst the remainder are considered as More Developed Regions.

The CPMR projection of Cohesion Policy eligibility for 2021 – 2027 in the UK, on the right, reveals that there would be seven Less Developed Regions, 23 Transition Regions, and 11 More Developed Regions.

Such a projection confirms the following:

- **many areas in the UK are falling behind the EU average<sup>6</sup>.**
- **regional inequalities in the UK remain strikingly high.** As shown by the graph below produced by the CPMR based on Eurostat data, the difference between Inner London West, the richest NUTS II region in the UK with a regional GDP average of 623,7% of the EU average, and Southern Scotland, the UK's poorest region with a regional GDP of 63,7% of the EU average, is particularly striking and a unique case in Europe.

<sup>5</sup> There are 40 NUTS II regions currently in the UK

<sup>6</sup> The European Commission proposal for the 2021-2027 period suggests modifying the threshold for transition regions eligibility to include all regions between 75% of the EU average and 100% of the EU average.

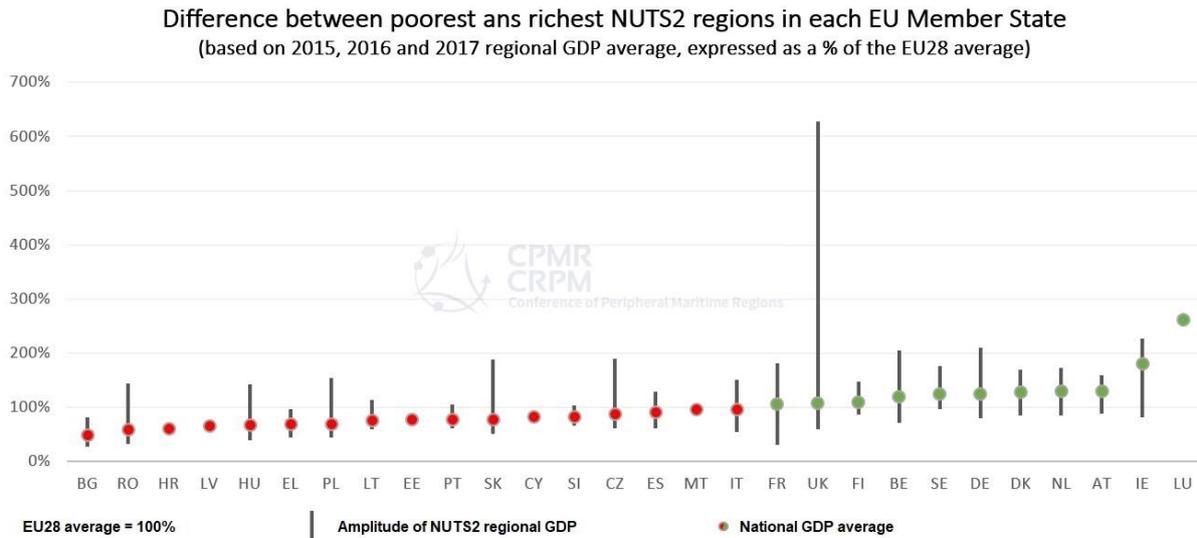


Chart 1 – Difference between poorest and richest region in each EU Member State

### 3.2 The distribution of Cohesion funding across the UK territory

Taking into account the (theoretical) Cohesion Policy eligibility of UK regions for the post-2020 period, and applying the different steps of the allocation methodology as spelt out in Annex XXII of the CPR proposal, the CPMR General Secretariat came up with estimates for theoretical allocations for UK regions (ERDF and ESF+), including a financial amount for the UK's share of European Territorial Cooperation.

		"Investment for growth and jobs" (2018 prices)			Total
		Less Developed Regions	Transition	More Developed Regions	
	2014-2020	2 690 000 €	2 592 000 €	5 711 000 €	10 993 000 €
	2021-2027	4 435 000 €	7 109 000 €	1 028 000 €	12 572 000 €
<i>No capping article 11</i>		4 899 000 €	7 781 000 €	1 136 000 €	13 816 000 €

Table 1 – Comparison of funding allocations for less, more developed and transition regions between 2014 – 2020 and 2021-2027 (CPMR forecast)

The above table compares funding allocations for less, more developed and transition regions in the UK available for the 2014 – 2020 period with projections made by the CPMR if the UK remained in the EU and therefore entitled to funding under Cohesion Policy.

The UK would also be entitled to an additional allocation under European Territorial Cooperation (ETC). The UK allocation for ETC for 2014 – 2020 is EUR 858 million. **The CPMR forecasts that the UK would be entitled to EUR 698 million for 2021 – 2027<sup>7</sup> for European Territorial Cooperation.**

<sup>7</sup> Calculating a financial amount for ETC for the UK is challenging because of the lack of availability of an exhaustive list of NUTS3 regions and population concerned by component 1 of the ETC

**Important remarks:**

- **Funding for regions classed as less developed regions would jump from EUR 2.7bn to EUR 4.4bn**, and that funding earmarked for transition regions would rise from EUR 2.6bn to around EUR 7bn. As the allocation methodology for Cohesion Policy funding applies to the whole of the European Union, it is worth stressing that a higher number of regions in the less developed regions and transition regions categories compared to 2014-2020 (as is the case in the UK) translates to substantially more funding being available for regions in that category.
- For both funding pots, the rise in funding can be explained by the high number of regions dropping down a category from the 2014 – 2020 period, and to a lesser extent, a NUTS classification change in Scotland (Southern Scotland would become a less developed regions).
- The above table also shows that a theoretical UK allocation for Cohesion Policy for the 2021 – 2027 would be subject to a ‘capping’ provision, as per the allocation methodology which limits the maximum amount of funding a Member State can receive as 108% of its 2014 – 2020 allocation (article 11 of Annex XXII of the Common Provision Regulation). ‘Capped’ financial amounts for each of the categories of regions are included, but we have also calculated amounts without taking the 108% ‘capping’ provision into account. **Without such a provision, the total funding under Cohesion policy for the UK would be 13.8 billion euros** (not including the separate and additional allocation for European Territorial Cooperation).
- It is worth stressing again that the UK government would be responsible for distributing funding from each of the funding pots (more, less developed and transition regions allocations) across the regions in that funding pot.

**ANNEX – Member States allocations for Cohesion Policy for 2021 – 2027 (Commission proposal May 2018)**

	2018 prices	Current prices
BE	2 443 732 247	2 754 198 305
BG	8 929 511 492	10 081 635 710
CZ	17 848 116 938	20 115 646 252
DK	573 517 899	646 380 972
DE	15 688 212 843	17 681 335 291
EE	2 914 906 456	3 285 233 245
IE	1 087 980 532	1 226 203 951
EL	19 239 335 692	21 696 841 512
ES	34 004 950 482	38 325 138 562
FR	16 022 440 880	18 058 025 615
HR	8 767 737 011	9 888 093 817
IT	38 564 071 866	43 463 477 430
CY	877 368 784	988 834 854
LV	4 262 268 627	4 812 229 539
LT	5 642 442 504	6 359 291 448
LU	64 879 682	73 122 377
HU	17 933 628 471	20 247 570 927
MT	596 961 418	672 802 893
NL	1 441 843 260	1 625 023 473
AT	1 279 708 248	1 442 289 880
PL	64 396 905 118	72 724 130 923
PT	21 171 877 482	23 861 676 803
RO	27 203 590 880	30 765 592 532
SI	3 073 103 392	3 463 528 447
SK	11 779 580 537	13 304 565 383
FI	1 604 638 379	1 808 501 037
SE	2 141 077 508	2 413 092 535



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**The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.**

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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