

UNITED KINGDOM NATIONAL STRATEGIC REFERENCE FRAMEWORK

EU STRUCTURAL FUNDS PROGRAMMES: 2007-2013

TECHNICAL ANNEX

INTRODUCTION

On 23 October 2006, the Government published the UK's National Strategic Reference Framework for EU Structural Funds Programmes, setting out the UK's high-level priorities for Structural Funds spending from 2007 to 2013.

Under the EU Structural Funds Regulations for 2007-2013, the Government must provide with the National Framework a list of future Structural Funds Operational Programmes for the UK, indicative annual allocations of funding for each Programme, and information to demonstrate compliance with the principle of additionality.

This technical annex provides these indicative funding allocations and information regarding additionality. The European Commission is required to make a decision on the indicative allocations of funding to each Programme and the information on additionality.

LIST OF OPERATIONAL PROGRAMMES

England

- One ERDF Regional Competitiveness and Employment Programme for the North West (including the phasing -in sub-region of Merseyside);
- One ERDF Regional Competitiveness and Employment Programme for the North East;
- One ERDF Regional Competitiveness and Employment Programme for Yorkshire and Humberside (including the phasing-in sub-region of South Yorkshire);
- One ERDF Regional Competitiveness and Employment Programme for the East of England;
- One ERDF Regional Competitiveness and Employment Programme for the East Midlands;
- One ERDF Regional Competitiveness and Employment Programme for the West Midlands;

- One ERDF Regional Competitiveness and Employment Programme for the South East;
- One ERDF Regional Competitiveness and Employment Programme for London;
- One ERDF Regional Competitiveness and Employment Programme for the South West (excluding the Convergence sub-region of Cornwall and the Isles of Scilly);
- One ERDF Convergence Programme for the sub-region of Cornwall and the Isles of Scilly;
- One ESF Convergence and Regional Competitiveness and Employment Programme for England (including the Convergence sub-region of Cornwall and the Isles of Scilly, and the phasing-in sub-regions of Merseyside and South Yorkshire).

Scotland

- One ERDF Regional Competitiveness and Employment Programme for the Lowlands and Uplands of Scotland;
- One ESF Regional Competitiveness and Employment Programme for the Lowlands and Uplands of Scotland;
- One ERDF phasing out Convergence Programme for the Highlands and Islands of Scotland;
- One ESF phasing out Convergence Programme for the Highlands and Islands of Scotland.

Wales

- One ERDF Regional Competitiveness and Employment Programme for East Wales;
- One ESF Regional Competitiveness and Employment Programme for East Wales;
- One ERDF Convergence Programme for West Wales and the Valleys;
- One ESF Convergence Programme for West Wales and the Valleys.

Northern Ireland

- One ERDF Regional Competitiveness and Employment Programme for Northern Ireland

- One ESF Regional Competitiveness and Employment Competitiveness Programme for Northern Ireland

Gibraltar

- One ERDF Regional Competitiveness and Employment Programme for Gibraltar;
- Gibraltar will also participate in England’s national ESF Programme.

INDICATIVE ANNUAL ALLOCATIONS TO EACH PROGRAMME

ENGLAND	2007	2008	2009	2010	2011	2012	2013	Total
ERDF Competitiveness Programme for the North West (including Merseyside)	147.775	127.993	108.212	88.430	68.648	68.648	68.648	678.356
ERDF Competitiveness Programme for the North East	47.621	47.621	47.621	47.621	47.621	47.621	47.621	333.348
ERDF Competitiveness Programme for Yorkshire and Humberside (including South Yorkshire)	119.732	102.317	84.902	67.488	50.073	50.073	50.073	524.658
ERDF Competitiveness Programme for the East of England	14.069	14.069	14.069	14.069	14.069	14.069	14.069	98.483
ERDF Competitiveness Programme for the East Midlands	34.033	34.033	34.033	34.033	34.033	34.033	34.033	238.230
ERDF Competitiveness Programme for the West Midlands	50.689	50.689	50.689	50.689	50.689	50.689	50.689	354.821
ERDF Competitiveness	3.005	3.005	3.005	3.005	3.005	3.005	3.005	21.034

Programme for the South East								
ERDF Competitiveness Programme for London	23.055	23.055	23.055	23.055	23.055	23.055	23.055	161.386
ERDF Competitiveness Programme for the South West (excluding the Convergence sub-region of Cornwall and the Isles of Scilly)	15.801	15.801	15.801	15.801	15.801	15.801	15.801	110.606
ERDF Convergence Programme for the Cornwall and the Isles of Scilly.	57.994	57.994	57.994	57.994	57.994	57.994	57.994	405.960
ESF Convergence and Regional Competitiveness and Employment programme for England	456.771	431.973	407.176	382.378	357.581	357.581	357.581	2,751.041

SCOTLAND	2007	2008	2009	2010	2011	2012	2013	Total
ERDF Competitiveness Programme for the Lowlands and Uplands of Scotland	47.654	47.654	47.654	47.654	47.654	47.654	47.654	333.578
ESF Competitiveness Programme for the Lowlands and Uplands of Scotland	34.213	34.213	34.213	34.213	34.213	34.213	34.213	239.494
ERDF phasing out Convergence Programme for the Highlands and Islands of Scotland	26.819	22.885	18.950	15.016	11.082	7.147	3.213	105.112
ESF phasing out	13.410	11.442	9.475	7.508	5.541	3.574	1.606	52.556

Convergence Programme for the Highlands and Islands of Scotland								
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WALES	2007	2008	2009	2010	2011	2012	2013	Total
ERDF Competitiveness Programme for East Wales	9.184	9.184	9.184	9.184	9.184	9.184	9.184	64.285
ESF Competitiveness Programme for East Wales	8.061	8.061	8.061	8.061	8.061	8.061	8.061	56.428
ERDF Convergence Programme for West Wales and the Valleys	158.556	158.556	158.556	158.556	158.556	158.556	158.556	1,109.892
ESF Convergence Programme for West Wales and the Valleys	105.704	105.704	105.704	105.704	105.704	105.704	105.704	739.928

NORTHERN IRELAND	2007	2008	2009	2010	2011	2012	2013	Total
ERDF Competitiveness Programme for Northern Ireland	38.892	38.892	38.892	38.892	38.892	38.892	38.892	272.246
ESF Competitiveness Programme for Northern Ireland	21.013	21.013	21.013	21.013	21.013	21.013	21.013	147.090

GIBRALTAR	2007	2008	2009	2010	2011	2012	2013	Total
ERDF Competitiveness Programme for Gibraltar	0.735	0.735	0.735	0.735	0.735	0.735	0.735	5.147

All amounts are in millions of Euros at 2004 prices. These allocations will be up-rated in due course to current prices for each year of the 2007-2013 programming period.

INDICATIVE REGIONAL ALLOCATIONS

Merseyside and South Yorkshire will receive ring-fenced funding within the North West and Yorkshire and Humberside ERDF Competitiveness Programmes. The indicative regional breakdowns for these two programmes are given below.

ERDF IN ENGLAND	2007	2008	2009	2010	2011	2012	2013	Total
ERDF Competitiveness allocations for the North West (excluding Merseyside)	56.769	56.769	56.769	56.769	56.769	56.769	56.769	397.386
ERDF Competitiveness allocations for Merseyside	91.006	71.224	51.442	31.661	11.879	11.879	11.879	280.969
ERDF Competitiveness allocations for Yorkshire and Humberside (excluding South Yorkshire)	39.616	39.616	39.616	39.616	39.616	39.616	39.616	277.309
ERDF Competitiveness allocations for South Yorkshire	80.116	62.701	45.287	27.872	10.458	10.458	10.458	247.349

Cornwall and the Isles of Scilly, South Yorkshire and Merseyside will receive ring-fenced funding within the England ESF Programme. The Government has also decided the allocations of Competitiveness funding for other regions within the Programme. The indicative regional breakdowns for the England ESF Programme are given below. A small amount of money will be top-sliced from the Regional Competitiveness and Employment ESF allocations for national technical assistance activity.

ESF IN ENGLAND	2007	2008	2009	2010	2011	2012	2013	Total
ESF Competitiveness allocations for the North West (excluding Merseyside)	42.613	42.613	42.613	42.613	42.613	42.613	42.613	298.292
ESF Competitiveness allocations for Merseyside	60.670	47.483	34.295	21.107	7.919	7.919	7.919	187.313
ESF Competitiveness allocations for the North East	30.242	30.242	30.242	30.242	30.242	30.242	30.242	211.696

ESF Competitiveness allocations for Yorkshire and Humberside (excluding South Yorkshire)	27.249	27.249	27.249	27.249	27.249	27.249	27.249	190.744
ESF Competitiveness allocations for South Yorkshire	53.411	41.801	30.191	18.581	6.972	6.972	6.972	164.899
ESF Competitiveness allocations for the East of England	29.187	29.187	29.187	29.187	29.187	29.187	29.187	204.312
ESF Competitiveness allocations for the East Midlands	31.439	31.439	31.439	31.439	31.439	31.439	31.439	220.076
ESF Competitiveness allocations for the West Midlands	47.199	47.199	47.199	47.199	47.199	47.199	47.199	330.391
ESF Competitiveness allocations for the South East	28.999	28.999	28.999	28.999	28.999	28.999	28.999	202.990
ESF Competitiveness allocations for London	62.214	62.214	62.214	62.214	62.214	62.214	62.214	435.497
ESF Competitiveness allocations for the South West (excluding the Convergence sub-region of Cornwall and the Isles of Scilly)	18.267	18.267	18.267	18.267	18.267	18.267	18.267	127.866
ESF Convergence allocations for Cornwall and the Isles of Scilly	24.855	24.855	24.855	24.855	24.855	24.855	24.855	173.983
ESF Competitiveness allocations for Gibraltar	0.426	0.426	0.426	0.426	0.426	0.426	0.426	2.983

All amounts are in millions of Euros at 2004 prices. These allocations will be up-rated in due course to current prices for each year of the 2007-2013 programming period.

INFORMATION ON ADDITIONALITY

The additionality principle established in the EU Structural Funds General Regulation states that contributions from the Structural Funds shall not replace public or equivalent structural expenditure by a Member State. For regions covered by the Convergence objective, the Commission and the Member State must determine the level of public or equivalent structural expenditure that the Member State shall maintain in all the regions concerned during the programming period. This section contains the information required for ex ante verification of compliance with the additionality principle.

1. Executive Summary.

Based on actual outturns and latest estimates of public expenditure, national eligible spend in 2007-2013 is forecast to average €3417 million per year compared with €126 million per year. Additionality is therefore respected at this ex-ante stage.

	2007-13 € million	2004-05 € million	Change %
1.1 Annual average reference level of national eligible spending and its % increase/decrease:	3,417	3,126	9.3%
1.2 Amount of EU Funding	215	269	
Amount of National co-financing	72	262	
1.3 Eligible Expenditure (EU & National) by Category:			
1. Basic infrastructure	26.9%	29.5%	
2. Human Resources	53.2%	50.2%	
3. Productive Investment	19.8%	20.1%	
4. Other	0.1%	0.2%	
Total	100.0%	100.0%	
1.4 EU Funding:			
1. Basic infrastructure	17.8%	17.5%	
2. Human Resources	46.6%	38.6%	
3. Productive Investment	34.4%	43.0%	
4. Other	1.2%	0.9%	
Total	100.0%	100.0%	

2. The process of additionality verification.

As in previous programming periods, the Additionality table has been constructed by identifying the applicable lines of public expenditure held within the public expenditure database of HM Treasury. These budget lines have then been adjusted to 2006 prices, using UK GDP deflators and converted to euro using the exchange rate £1 = 1.461 euro. Figures by measure for Columns 10 and 11 of the Additionality table are not yet available as the financial tables of the Operational Programmes are still being discussed

and agreed with partnerships. For Column 10, measure information has been based on that for the 2000-05 period. For Column 11, the co-financing rate as set out in Annex III of Regulation 1083/2006 has been used as a working assumption.

3. The evolution of the macroeconomic situation and main macroeconomic indicators.

3.1. Recent evolution of macroeconomic conditions.

The 2006 budget summary states that the UK economy was affected by sustained rises in oil prices, weak euro area demand and a subdued housing market through 2005. In previous decades these factors would have risked being accompanied by recession. By contrast, the Government's macroeconomic framework has continued to deliver unprecedented macroeconomic stability with low and stable inflation, and GDP now having grown for 56 consecutive quarters. GDP growth has gradually increased momentum through the latter stages of 2005 and into 2006, and the economy remains well-placed for continued solid growth.

Unexpected rises in oil prices have dampened real income growth for both consumers and companies outside the oil sector. Evidence of higher than expected inflation and GDP growing at below-trend rates is consistent with higher oil prices imparting a negative supply-side shock to the economy. Moreover, recent increases in oil prices also adversely affected demand in the UK's main export market, the EU.

Despite the ongoing dampening effects of higher oil prices, still subdued average earnings growth, and households continuing to consolidate their finances, private consumption growth picked up through the course of 2005 and into 2006. Business investment has risen by 1.75% in both the first and second quarter of this year and stands 4.75% higher than a year earlier.

Global risks will continue to have a key bearing on UK economic prospects.

3.2. Main macroeconomic indicators.

This section is not relevant for the UK, since it applies only to Member States wholly or largely covered by the Convergence Objective.

3.3 The expected impact of Structural Funds expenditure in the UK from 2007 to 2013 on the macroeconomic context and indicators.

The direct macroeconomic effects of Structural Funds expenditure in the UK from 2007 to 2013 are likely to be modest given the volume of spending relative to the size of the UK economy as whole (over a trillion pounds per year). However, there are likely to be other dynamic effects from improved efficiency and productivity arising from spending projects. Quantifying these effects with precisions is however very difficult and uncertain.

4. Tables for the Additionality Assessment

The following table illustrates past and estimated future national and EU public or equivalent structural expenditure for the Convergence regions. Since expenditure in the UK is functionally rather than geographically attributed, the figures are based on per capita estimates. In accordance with Article 15 of Regulation 1083/2006, additionality will be verified for the sum of the United Kingdom's Convergence areas.

Financial table summarising public or other equivalent structural expenditure in Convergence regions

Total United Kingdom

million euro, 2006 prices

	Annual average 2000-05						Annual average 2007-13					
	Total eligible public exp	of which: public enterprises	SPD		Not EU co-financed	Total exc EU Col 2 less Col 4	Total eligible public exp	of which: public enterprises	SPD		Not EU co-financed	Total exc EU Col 8 less Col 10
			EU	National					EU	National		
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Basic infrastructure	1000.7		47.1	52.8		953.6	988.7		38.4	12.8		950.3
Transport	197.3		27.7	35.0		169.6	189.7		22.5	7.5		167.2
Telecommunications (capital)	59.5		6.6	5.6		52.9	21.2		5.8	2.0		15.4
Energy (capital)	40.3		1.3	1.4		38.7	34.4		0.5	0.2		33.9
Environment & water (capital)	210.9		11.6	10.8		199.3	250.4		9.5	3.2		240.8
Health (capital)	492.7					492.7	492.7					492.7
2. Human Resources	1705.6		104.0	96.4		1601.6	1953.5		100.4	33.4		1853.1
Education	881.7		61.6	58.6		820.2	907.3		62.9	21.0		844.4
Training	783.8		25.9	25.6		757.9	1004.3		21.0	6.9		983.3
RTD (R&D)	40.1		16.6	12.2		23.5	41.9		16.5	5.5		25.4
3. Productive Investment	682.7		115.8	110.7		566.9	725.8		74.1	24.5		651.8
Industry	407.0		101.1	90.8		305.9	425.4		58.0	19.4		367.4
Services												
Tourism	275.7		14.7	19.9		261.0	300.5		15.4	5.1		285.1

5. Conclusions.

As for the previous programming periods, on current estimates Additionality has been respected.

Methodological annex

This will be supplied directly to the Commission's services.