Abstract: This report provides the Committee with background to the recently released European Commission Third Cohesion Report, which outlines the Commission proposals for Regional Policy between 2007 – 2013.

1 RECOMMENDATION

1.1 It is recommended that the Committee note the summary of the conclusions of the European Commissions Third Cohesion Report, “Convergence, Competitiveness and Co-operation” given in this report.

2 INTRODUCTION

2.1 The Committee is referred to Article 27 of the Minute of the meeting of the Infrastructure Services Committee on 22 January which records that the Committee noted the latest statement to Parliament by the Secretary of State for Trade & Industry on the subject of the EU Structural and Cohesion Funds. The Committee is also referred to Article 29 of the Minute of the meeting of the Infrastructure Services Committee on 12 June 2003 which records that the Committee approved the terms of a draft response to the dti consultative document “A Modern Regional Strategy for the United Kingdom”.

3 CONCLUSIONS OF THE THIRD COHESION REPORT

3.1 The conclusion of the European Commission’s Third Cohesion Report “Convergence, Competitiveness and Co-operation” can be summarised as follows. The actual Regulation governing the future programmes should be published in the summer 2004. Around 30% of the total EU budget has been earmarked for cohesion policy over the seven years from 2007 to 2013.

3.2 Convergence (future objective 1 type programme)

- It is proposed that circa 78% of the Cohesion budget of approximately €49 billion per annum will go towards this strand.

- Regions whose GDP (Gross Domestic Product) remain below 75% of the EU average will qualify (only Cornwall will qualify in the UK).

- Regions that no longer qualify due to the “statistical effect” of enlargement will receive substantial transitional funding ranging from 85% of the current Objective 1 programme to around 60% by 2013. Based on 2001 GDP figures three regions in the UK – West Wales and the valleys, Merseyside and Highlands & Islands would qualify for this statistical effect status.
The convergence priority will cease to operate once regions have developed and is a less permanent proposal than the "competitiveness and employment" stand.

3.3 Competitiveness and Employment (future objective 2/3)

- Circa 18% of the cohesion budget is proposed to be allocated to this strand.
- All non-coverage regions will be eligible for this priority which will have a regional and national component, each taking half of the budget. Member States will be left to decide whether they want to zone areas for such support or not.
- Three action priorities are planned for the **Regional Component** funded from European Regional Development Fund.
  - innovation and the new economy;
  - the environment and risk prevention; and
  - accessibility and services of general interest
- The **National Component** will be funded by the European Social Fund; the three priorities will be:
  - Increasing the adaptability of workers and enterprise by investing in skills, and in-company training and by supporting the development of lifelong learning strategies;
  - Attracting more people to employment and preventing early exit from the labour market through active agency policies and measures to support the participation of women;
  - Increasing the employment potential of people who face greater difficulties in accessing the labour market e.g. people with disabilities, ethnic minorities and migrants.
- In terms of distributing these funds there will be emphasis in phasing in of regions emerging out of Objective 1 (those which have shown genuine improvement in their GDP levels) as well as for those with lasting natural handicaps. Guiding criteria for distribution will be based on a mixture of GDP per capita, unemployment and population diversity.

3.4 European Territorial Co-operation (New Interreg)

- Circa 4% of the Cohesion budget is proposed for this strand which represents a substantial increase (figures given for this vary from 40% increase to doubling of budget).
- Cross-border programmes can include maritime borders if the Member States propose such improvements (this would benefit the UK).
- Transnational programmes (Interreg IIIb) will be modified following examination of the effectiveness of the current 13 areas of transitional co-operation (of which the North Sea Commission is one).
3.5 The Rural and Urban Dimension

- Interventions under the competitiveness strand can equally apply in urban or rural areas according to what best fits with the regions’ seven-year strategy. However certain themes are more likely to have urban or rural dimensions e.g. D G Regio expect that funding under the third regional theme “accessibility and services of general interest” will largely focus on rural areas.

- There will be an “Urban +” strand as a feature of all programmes, management of which is likely to be delegated to a number of cities. It will be a mainstream programme with at least 10% of the budget dedicated. The Commission sees three dimensions to urban policy:
  - Cities as motors of regional development;
  - The urban-rural relationship; and
  - Concentrated inner-city social deprivation.

- All Rural Development Programmes will be grouped within a single funding programme under the second pillar of the Common Agricultural Policy (Rural Development Regulations etc). The Leader programme will be integrated into mainstream programming.

4 IMPLICATIONS FOR ANGUS

4.1 It is too early to judge what the implications of these proposals will be for Angus as a lot will depend on the approach adopted by the UK Government in terms of the apparent flexibilities in implementation. The European Parliament rapporteur’s response to the EC proposals suggests that the UK stance regarding renationalisation of cohesion policy “is now firmly off the agenda” but this remains to be seen.

4.2 The bulk of the Cohesion budget (circa 78%) is proposed to be targeted at Convergence. Angus will not have access to this programme. Angus will, in principle be able to bid into the Competitiveness and Employment Programme (circa 18% of cohesion budget) as all non-objective 1 regions would, in principle, be eligible but it will be up to each Member State to decide whether or not they want to zone at either NUTS I or II level (Scotland or the East of Scotland European Partnership areas). The advantage of the system of zoning eligible and ineligible areas as currently exists in Angus (e.g. transitional, eligible and non eligible areas) is that you know that eligible projects within qualifying areas are likely to attract funding. The zoning boundaries are however largely arbitrary, result in geographic discrepancies in funding and are a nightmare to administer. If zoning is not adopted, competition for funds will presumably be pan Scotland (excluding the Highlands & Islands if it qualifies for convergence funding) and based on particular criteria.

4.3 The success of Angus accessing European funds would therefore be dependent on the criteria adopted. What will be important to the Council and other potential Angus applicants’ ability to access funds in a non-zoned environment will be the accuracy and accessibility of information pertinent to the criteria adopted, as competition for funds is likely to be fierce.
5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications associated directly with this report.

6 HUMAN RIGHTS IMPLICATIONS

6.1 There are no Human Rights implications arising from this report.

7 CONSULTATION

7.1 The Directors of Finance and Law & Administration have been consulted in the preparation of this report.

8 CONCLUSION

8.1 The ability to attract European funding for projects in Angus is likely to be reduced significantly post 2006. Nevertheless it appears that dependent on the approach adopted by the UK Government funding could still be attracted. It will therefore be important to influence policy to the benefit of Angus wherever possible.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

DV/NP/MM

26 April 2004

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