WP1: Synthesis report

Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)

Task 3 Country report
United Kingdom

September 2016

September 2016
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EUROPEAN COMMISSION

Directorate-General for Regional and Urban Policy
Directorate B – Policy
Unit B.2 Evaluation and European Semester

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European Commission
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WP1: Synthesis report
(contract number 2014CE16BAT016)

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Luxembourg: Publications Office of the European Union, 2016
ISBN [number]
doi:[number]

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List of abbreviations

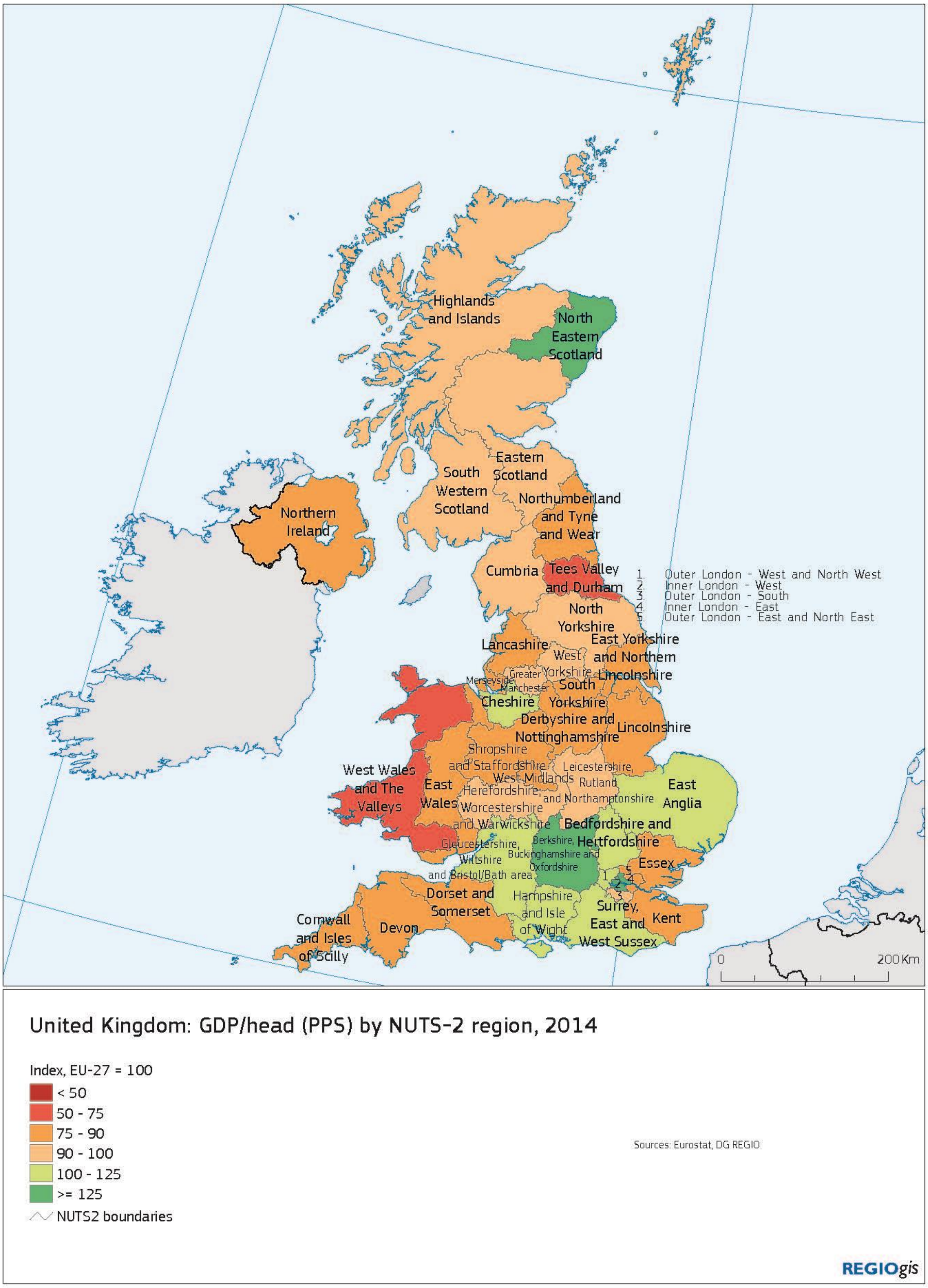
AIR	Annual Implementation Report
ERDF	European Regional Development Fund
EU	European Union
GDP	Gross Domestic Product
GDFCF	Gross Domestic Fixed Capital Formation
MA	Managing Authority
MC	Management Committee
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Territorial Units for Statistics
OP	Operational Programme
R&D	Research and Development
RTD	Research and Technological Development
SME	Small Medium Enterprise
TEN-T	Trans-European Transport Network

List of programmes and link to beneficiaries of ERDF and Cohesion Fund support

CCI	Name of OP	Link beneficiaries	Number of projects
2007UK161PO001	OP Highlands and Islands of Scotland	http://www.gov.scot/Topics/Business-Industry/support/17404/StructuralFunds2007-201/17404	117
2007UK161PO002	OP West Wales and the Valleys	http://wefo.wales.gov.uk/programmes/progress/searchprojects/?lang=en	143
2007UK161PO003	OP Cornwall and the Isles of Scilly	https://www.gov.uk/erdf-programmes-progress-and-achievements	170
2007UK162PO001	OP Lowlands and Uplands of Scotland	http://www.gov.scot/Topics/Business-Industry/support/17404/StructuralFunds2007-201	226
2007UK162PO002	OP South East England	https://www.gov.uk/erdf-programmes-progress-and-achievements	32
2007UK162PO003	OP Northern Ireland	http://www.eugrants-successes.org/	n.a
2007UK162PO004	OP East of England	https://www.gov.uk/erdf-programmes-progress-and-achievements	61
2007UK162PO005	OP North East England	https://www.gov.uk/erdf-programmes-progress-and-achievements	164
2007UK162PO006	OP London England	http://www.london.gov.uk/priorities/business-economy/championing-london/london-and-european-structural-funds/european-regional-development-fund/erdf-projects	103
2007UK162PO007	OP West Midlands England	https://www.gov.uk/erdf-programmes-progress-and-achievements	227
2007UK162PO008	OP North West England	https://www.gov.uk/erdf-programmes-progress-and-achievements	258
2007UK162PO009	OP Yorkshire and Humberside England	https://www.gov.uk/erdf-programmes-progress-and-achievements	137
2007UK162PO010	OP East Midlands England	https://www.gov.uk/erdf-programmes-progress-and-achievements	264
2007UK162PO011	OP South West England	https://www.gov.uk/erdf-programmes-progress-and-achievements	89
2007UK162PO012	OP East Wales	http://wefo.wales.gov.uk/programmes/progress/searchprojects/?lang=en	28
2007UK162PO013	OP Gibraltar	http://www.eufunding.gi/beneficiaries.html	n.a

Note: The web links above are to websites of the respective Managing Authorities who, under the rules governing the 2007-2013 programmes were required to publish the names of the beneficiaries of the funding allocated. The number of projects supported has been estimated on the basis of the information published on the website at the time when the data were downloaded. In the meantime the data concerned may have been updated. It may also be that the data have been moved to another part of the website, in which case the link may not work. If this is the case, those who wish to locate the data concerned will need to go to main OP website, as indicated by the beginning part of the link and search from there.

Map 1 United Kingdom and NUTS 2 regions, GDP/head (PPS), 2014



Preliminary note

The purpose of the country reports is to provide for each Member State a short guide to the findings of the ex post evaluation of Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out. It is based on information produced by Task 1 and Task 2 of WP1 and on the country specific findings from the various WPs that form the ex post evaluation. These are listed below with an indication in brackets of the case studies carried out in the Member State concerned.

WP0 – Data

WP1 – Synthesis

WP2 – SMEs, innovation and ICT

WP3 – Venture capital, loan funds (case study OP North East of England)

WP4 – Large entreprises

WP5 – Transport

WP6 – Environnent

WP8 – Energy efficiency (country report United Kingdom – case study OP London)

WP9 - Culture and tourism

WP10 – Urban development and social infrastructure

WP11[1] – European Territorial Cooperation (case studies Interreg IVA France (Channel)-England, Northern Ireland, the- Border region of Ireland and the Western Coast of Scotland and Atlantic Area programme)

WP12 – Delivery system WP13 – Geography of expenditure

WP14 – Impact modelling

[1] The findings from WP11 – European Territorial Cooperation are summarised in a separate report as part of Task 3 of WP1.

Executive summary

The economic and financial crisis had a major impact on the UK economy with a turn-around from an average annual growth rate of nearly 3% to a decline of over 2% a year over the period 2007-2009. This reversal led to a fall in employment and an increase in unemployment from just over 5% of the labour force in 2007 to 8% in 2011. From 2009 onwards, however, growth was relatively sustained and by 2014, the rate was similar to that before the recession struck and unemployment had fallen back to its pre-crisis level.

The public sector deficit, which increased to 11% of GDP in 2009, has proved more difficult to reduce despite fairly continuous fiscal consolidation since then. In 2015, it was still over 4% of GDP and government debt was around 90% of GDP.

Regional disparities in the UK remained pronounced and persistent over the 2007-2013 period, with a general reduction in GDP per head in all regions over the recession years. The difference in GDP per head between Convergence regions on average and Competitiveness and Employment ones was much the same in 2014 as in 2007, though the gap between London and the rest of the country, the major disparity, widened further between these years.

In total, support from the ERDF amounted to EUR 5.4 billion over the period, equivalent to 1% of Government capital expenditure and the funding averaged around EUR 12.4 per head per year. The implementation rate of programmes, as reflected in payments of the ERDF in relation to the total funding available, was relatively constant over the programming period and it appears that all the funding had been spent by the end of 2015, as required.

The major share of funding went to support of Innovation and RTD and investment in enterprises, though there were some differences between regions. Competitiveness regions allocated more funding to enterprise support and innovation, while Convergence ones allocated more to investment in Transport, energy and ICT. There was some shift of funding over the period from RTDI and innovation to more general support of enterprise investment as well as to support of broadband, energy and roads.

Overall, by the end of 2014, the interventions supported are reported to have led directly to the creation of over 152 000 jobs, over 29 000 of them in SMEs and around 3 800 in research. These were the result in part of the support to almost 1 800 RTD projects and over 7 300 cooperation projects between enterprises and research institutes, while over 52 700 businesses were helped to start up.

The additional investment supported is estimated to have increased GDP in the UK in 2015 by 0.1% over and above what it would been in the absence of the policy, even allowing for the contribution made by the UK to its financing. It is further estimated that GDP will be 0.2% higher in 2023 as a result of the investment concerned.

1. The policy context and background

1.1. Macroeconomic situation

The economic and financial crisis had a major impact on the UK economy. Growth of close to 3% a year over the period 2000-2007 was transformed into a decline in GDP of over 2% a year between 2007 and 2009 (Table 1). From 2010, onwards, however, growth was sustained at a higher rate than the EU average in most years.

The effect of the recession was to reduce employment and to push up unemployment, which rose from just over 5% of the labour force in 2007 to 8% in 2011. From then on, the employment rate increased to above its pre-crisis level and by 2015 unemployment had fallen back to the rate it was in 2007.

Table 1 GDP growth, employment and unemployment, United Kingdom and the EU, 2000-2015

	2000-07	2007-09	2009-11	2011-13	2013-14	*2014-15*
GDP growth			*(Annual average % pa)*			
UK	2.8	-2.3	1.8	1.7	2.9	2.3
EU average	2.3	-2.0	1.9	-0.1	1.4	1.9
	2000	**2007**	**2009**	**2011**	**2013**	**2015**
Employment rate (% 20-64)						
UK	73.9	75.2	73.9	73.5	74.8	76.9
EU average	66.5	69.8	68.9	68.6	68.4	70.1
Unemployment rate (% lab force)						
UK	5.6	5.3	7.5	8.0	7.5	5.3
EU average	9.2	7.2	8.9	9.6	10.8	9.3

Source: Eurostat, National accounts and Labour Force Survey

The public sector deficit has proved more difficult to reduce than unemployment The deficit increased sharply (from 3% of GDP to close to 11%) between 2007 and 2009 as the economy went into recession and as expansionary measures were taken to moderate the decline in GDP (Table 2). Despite almost continuous fiscal restraint from 2010 on, which reduced the deficit, it was still over 4% of GDP in 2015. Persistent deficits gave rise to rising public sector debt which doubled relative to GDP between 2007 and 2015, from 43.5% to 89%. Cutbacks in public investment were a prominent part of successive fiscal consolidation packages, especially at the local and regional level, which made it difficult for Managing Authorities to secure the necessary co-funding to carry out Cohesion policy programmes.

Table 2 Government budget balance, accumulated debt and investment, United Kingdom and the EU, 2000-2015

	2000	2007	2009	2011	2013	2015
Public sector balance			*(% GDP)*			
UK	1.2	-3.0	-10.7	-7.7	-5.6	-4.4
EU average	0.0	-0.9	-6.7	-4.5	-3.3	-2.4
Public sector debt						
UK	38.9	43.5	65.7	81.8	86.2	89.2
EU average	60.6	57.9	73.1	81.1	85.5	85.2
General Govt investment						
UK	1.8	2.6	3.4	3.0	2.6	2.7
EU average	2.9	3.2	3.7	3.3	3.0	2.9

Source: Eurostat Government financial accounts

1.2. Regional Disparities

Regional disparities remain a significant and persistent feature of the UK economy. Not only is there a clear north-south divide, which dates back to before the process of de-industrialisation in the 1970s and 1980s and which has its roots in the decline of basic industries, such as textiles, in particular, though also of coal mining and steel production, but there is the added divided between the city of London and the rest of the economy.

Although there was a slight narrowing of the disparity in GDP per head between the lagging regions and the others over the 2000-2006 period, there was a widening of the disparity between London and the rest of the country (see County folder for the UK). Over the 2007-2013 period, all regions were affected by the crisis, in most cases to much the same extent. The difference in GDP per head between the Convergence regions and the Competitiveness ones, therefore, was much the same in 2014 as it was in 2007. There was, however, a continuing widening of the difference in this respect between London and the other UK regions taken together.

Although the employment rate fell in all regions over the 2007-recession, in all of them the rate was higher in 2015 at the end of the period than in 2007. The increase was largest in Convergence regions than in Competitiveness ones, suggesting that since GDP growth was no higher, labour productivity increased by less in the former (or average working time declined by more, perhaps because of an increase in part-time working[2]). Unemployment, however, was higher in 2015 in the Convergence regions than it was in 2007 (by almost 1 percentage point), whereas in the Competitiveness ones it was the same, implying an increase in labour force participation in the former relative to the latter (perhaps due to people looking to increase their household income)[3].

2. Main features of Cohesion Policy implementation

2.1. Nature and scale of Cohesion Policy in the country

The UK National Strategic Reference Framework (NSRF) for the period 2007-2013 set out three overarching priorities: 1) promoting research, knowledge transfer and commercialisation of new products and services, as well as encouraging entrepreneurship and supporting SMEs (Enterprise and Innovation); 2) building a skilled and adaptable workforce, and supporting employment opportunities for all (Skills and Employment); and 3) encouraging innovation to support sustainability, ensuring sustainable development and promoting social and economic cohesion in local economies (Environment and Community Sustainability). The allocation of the ERDF across the UK (and associated matching-funding) broadly reflects the nature of the main economic issues and the extent to which economic restructuring is taking place.

Overall, EUR 5.42 billion was available from the ERDF at the beginning of the period. This was reduced slightly to EUR 5.39 billion by the end of the period as result of de-commitments (because of a failure to comply with the n+2 rule, stipulating that tranches of funding need to be spent within two-years), equivalent to just over 1% of total government capital expenditure over the period or just over EUR 12 per head of population per year (Table 3). In Convergence regions (which include the Scottish Phasing-out region of Highlands and Islands), funding per head was significantly larger than this and over 10 times larger than in Competitiveness regions.

[2] This would have had the effect of sharing the available work across more people, a tendency which is evident in some countries when growth is slow.

[3] Note that it is not possible from the employment and unemployment figures to say much about labour market conditions in London since a large proportion of the people working there are commuters from outside, while the employment and unemployment figure indicate the labour market situation for people living in London only.

Table 3 ERDF and national co-financing for the 2007-2013 period in the United Kingdom, initial (2007) and last (April 2016)

	2007				2016			
	EU funding	National public funding	National private funding	Total	EU funding	National public funding	National private funding	Total
EUR million								
Convergence	1 830.3	1 278.9	542.8	3 652.0	1 830.3	1 149.3	350.2	3 329.7
Competitiveness	3 585.7	3 671.5	179.6	7 436.8	3 556.6	3 146.9	771.7	7 475.1
Total	5 416.0	4 950.4	722.4	11 088.8	5 386.9	4 296.1	1 121.9	10 804.8
Change, 2007-2014								
Convergence					-	*-129.7*	*-192.6*	*-322.3*
Competitiveness					*-29.2*	*-524.6*	*592.1*	*38.3*
Total					*-29.2*	*-654.3*	*399.5*	*-284.0*
% GDP	0.04	0.04	0.01	0.08	0.04	0.03	0.01	0.08
% Govt. capital expend	1.0	0.9	0.1	2.0	1.0	0.8	0.2	2.0
Per head (EUR) pa	12.5	11.4	1.7	25.6	12.4	9.9	2.6	24.9
of which:								
Convergence	90.8	63.5	26.9	181.2	90.8	57.0	17.4	165.2
Competitiveness	8.7	8.9	0.4	18.0	8.6	7.6	1.9	18.1
EU15								
% GDP	*0.13*	*0.09*	*0.01*	*0.24*	*0.13*	*0.06*	*0.01*	*0.21*
% Govt. capital expend	*3.1*	*2.0*	*0.3*	*5.5*	*3.1*	*1.4*	*0.3*	*4.8*
Per head (EUR) pa	*40.7*	*26.4*	*4.3*	*71.4*	*40.5*	*18.2*	*4.3*	*63.0*
of which:								
Convergence	*145.3*	*74.8*	*9.6*	*229.7*	*145.3*	*41.6*	*8.7*	*195.6*
Competitiveness	*16.1*	*15.0*	*3.1*	*34.1*	*15.9*	*12.6*	*3.2*	*31.8*

Note: EU funding relates to decided amounts as agreed in 2007 and as at 14 April 2016. The figures for % GDP and % Govt. capital expenditure relate to funding for the period as % of GDP and Govt. capital expenditure aggregated over the years 2007-2013. Govt. capital expend is the sum of General Government gross fixed capital formation and capital transfers. The EU15 figures are the total for the EU15 countries for comparison.

Convergence and Competitiveness categories for EU15 include the Phasing-out and Phasing-in regions, respectively. For the UK, the Phasing-out region of Highland and Islands is included in the Convergence category, while two Phasing-in regions, Merseyside and South Yorkshire, are included in the Competitiveness category.

Source: DG Regional and Urban Policy, Inforegio database and Eurostat, national accounts and Government statistics

The three main ERDF policy objectives were pursued through 16 Regional Operational Programmes (OPs) (one for each region at NUTS1 level). Nearly a third (32%)of the funding went to the three OPs under the Convergence Objective (over 23% of the total ERDF budget, or EUR 1 250 million, going to ‘West Wales and the Valleys’). The remaining funds went to the 13 OPs under the Regional Competitiveness and Employment Objective.

2.2. Division of funding between policy areas and changes over the period

There was a difference in the division of funding between policy areas between Convergence and Competitiveness regions (Table 4). In particular, in both type of regions Enterprise support, innovation’ and RTD and ‘Transport, energy, ICT’ received the largest share of funding. In Competitiveness regions, however, nearly two third of funding was allocated to support of enterprise and, more especially, innovation and RTD and only a relatively small share to transport, energy and ICT, while in Convergence regions funding was almost evenly distributed between the two broad categories.

Table 4 Division of ERDF financing for the 2007-2013 period in the UK by broad category

	Convergence		Competitiveness	
	EUR mn	% total	EUR mn	% total
1.Enterprise support, innovation	671.3	36.7	2 251.7	63.3
2.Transport, energy, ICT	718.6	39.3	668.1	18.8
3.Environmental	193.1	10.6	212.3	6.0
4.Social, culture+territorial dimension	215.1	11.7	320.1	9.0
5.Human capital - Labour market	7.0	0.4	25.9	0.7
6.Technical assistance, capacity building	25.2	1.4	78.4	2.2
Total	1 830.3	100.0	3 556.6	100.0

Note: Division of decided amounts of funding as at 14 April 2016. Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.
Source: DG Regional and Urban Policy, Inforegio database

In more detail, across the UK as a whole, a third of the total funding went to innovation and RTD, 21% was allocated to investment projects in enterprises and to promote entrepreneurship and 10% to transport. The remaining resources were set aside for urban development and tourism (the 'territorial dimension' in the table), the environment and energy and, to a lesser extent, broadband (Table 5)[4].

Table 5 Division of financial resources in the United Kingdom for 2007-2013 period by category, initial (2007) and last (April 2016) and shift between categories

	EUR million					% Total	
Category	2007	2016	Added	Deducted	Net shift	2007	2016
1.Innovation & RTD	2 224.2	1 795.0	339.9	-769.1	-429.1	41.1	33.3
2.Entrepreneurship	559.0	462.6	108.8	-205.3	-96.5	10.3	8.6
3.Other investment in enterprise	442.7	665.4	251.5	-28.8	222.7	8.2	12.4
4.ICT for citizens & business	313.1	301.6	42.9	-54.4	-11.5	5.8	5.6
5.Environment	350.2	405.4	118.1	-62.9	55.2	6.5	7.5
6.Energy	280.6	330.8	108.9	-58.6	50.3	5.2	6.1
7.Broadband	85.5	266.3	180.8	-	180.8	1.6	4.9
8.Road	59.0	253.1	197.3	-3.3	194.0	1.1	4.7
9.Rail	62.9	65.4	2.5	-	2.5	1.2	1.2
10.Other transport	246.4	169.5	46.6	-123.5	-76.9	4.5	3.1
11.Human capital	4.0	4.0	-	-	-	0.1	0.1
12.Labour market	48.3	28.9	1.5	-20.9	-19.4	0.9	0.5
13.Culture & social infrastructure	71.1	73.3	15.5	-13.4	2.1	1.3	1.4
14.Social Inclusion	41.0	10.1	-	-31.0	-31.0	0.8	0.2
15.Territorial Dimension	456.2	451.8	41.1	-45.4	-4.3	8.4	8.4
16.Capacity Building	2.0	2.0	-	-	-	-	-
17.Technical Assistance	169.8	101.6	0.8	-68.9	-68.1	3.1	1.9
Total	**5 416.0**	**5 386.9**	**1 456.3**	**-1 485.4**	**-29.2**	**100.0**	**100.0**

Note: 'Added' is the sum of additions made to resources in OPs where there was a net increase in the funding going to the category. 'Deducted' is the sum of deductions made to resources in OPs where there was a net reduction in funding. 'Social inclusion' includes measures to assist disadvantaged groups and migrants. 'Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.
Source: DG Regional and Urban Policy, Inforegio database, April 2016

Over the programming period, there were significant shifts between policy areas. Funding was shifted away from Innovation and RTD, as well as Entrepreneurship to

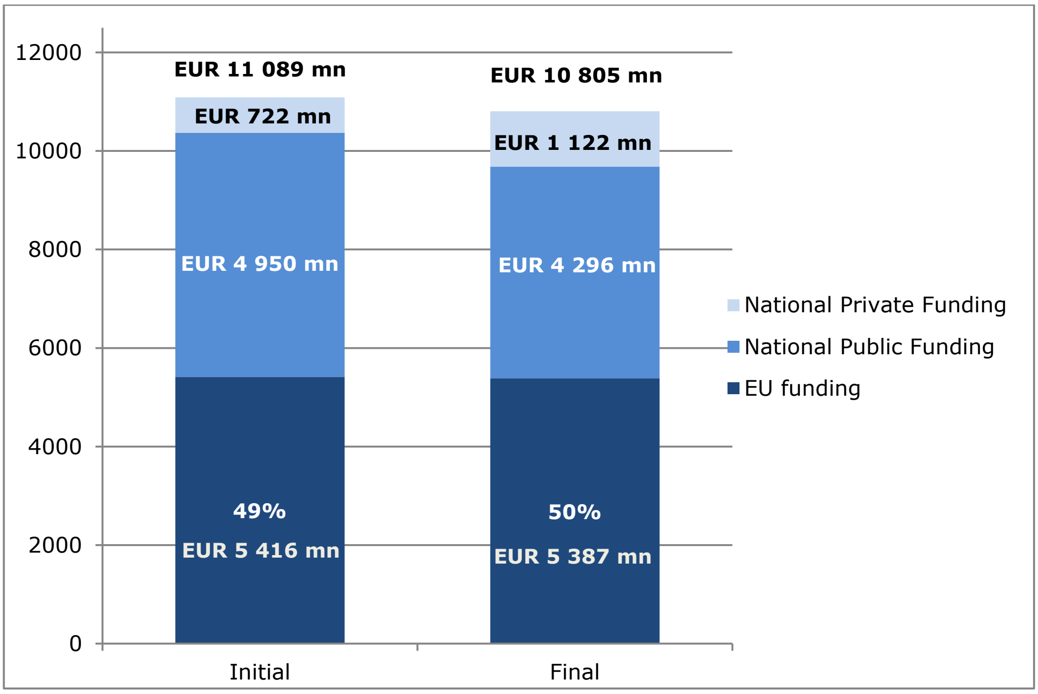
[4] The 17 categories shown in the table are aggregations of the more detailed 87 categories into which expenditure was divided in the period for reporting purposes.

Other investment in enterprises (i.e. other than for innovation and RTD), broadband, energy and roads. These shifts reflected to a large extent the effect of the recession on the ability to absorb funding as well as some revision of priorities in response to the constraints on public finances.

2.3. Policy implementation

The total funding for Cohesion policy programmes in the UK over the period amounted to EUR 10.8 billion around EUR 280 million less than initially estimated This is mainly due to a reduction in the contribution coming from the government (- EUR 654 million) which was partly compensated by increased private sector funding (+ EUR 400 million). This reflects an increase in the EU co-financing rate which was made in order to reduce the national co-financing rate and therefore the amount of funding that the UK needed to find for projects to go ahead. The purpose was to relieve pressure on public finances. The overall effect was to reduce the overall funding available for programme expenditure. In addition, the ERDF amount was also reduced slightly because of de-commitments (in particular one programme, the South-East England OP lost over 10% of its funding).

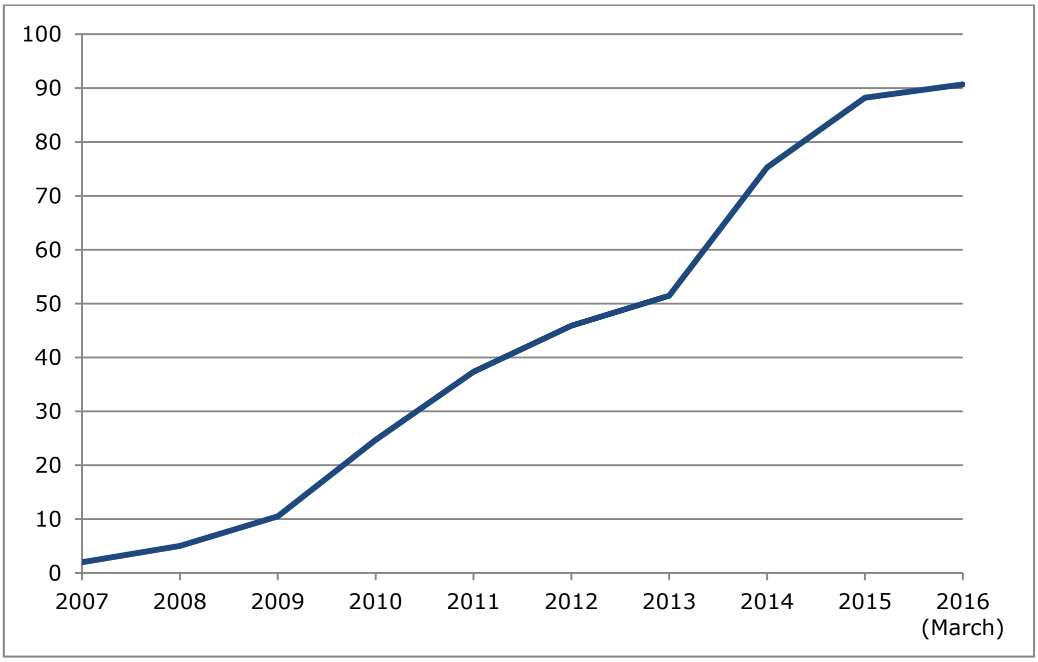
Figure 1 Total funding going to expenditure on Cohesion policy programmes for the 2007-2013 period, initial planned amount and final amount (EUR mn)



Source: DG Regional Policy financial data, 14 April 2016

As in most countries, the of implementation of programmes started slowly because of an overlap with the end of the previous programming period. This is reflected in the low rate of payments from the ERDF relative to the total funding available in 2007-2009 (Figure 2). From 2009, the rate of implementation picked up and it increased further from 2013, at the end of which, 7 years into the period, only half the available funding had been spent. By the end of March 2016, payments from the ERDF amounted to 91% of the total available for the period. Given the lag between expenditure on the ground and payments being claimed and made and the fact that 5% of funding is held back until expenditure is approved, it is likely that all the funding was spent by the end of 2015, in line with the regulations.

Figure 2 Time profile of payments from the ERDF to the United Kingdom for the 2007-2013 period (% of total funding available)



Source: DG Regional Policy financial data, end-March 2016

2.4. Delivery system (WP12)

An evaluation of the management and implementation of Cohesion policy over the 2007-2013 period was carried out by WP12[5]. Given the administrative structure in the UK which reflects a less hierarchical and less rigid culture compared to other Member States, the decision-making process and the implementation of Cohesion policy was flexible and quick in overall terms. As regards project selection, the UK made use of specific bodies, such as public or quasi-public specialist agencies or state-owned banks, which provided the necessary experience, resources and knowledge to organise calls for proposals and project selection. In addition, the introduction of the Simplified Cost Options (SCOs), a tool aimed at simplifying the delivery system, allowed administrative costs to be reduced.

3. The outcome of Cohesion Policy programmes – main findings from the ex post evaluation

The main findings summarised here come from the evaluations carried out under the Work Packages (WPs) of the ex-post evaluation exercise. These covered in detail the following policy areas:

- Support to SMEs – increasing research and innovation in SMEs and SME development (WP2);
- Financial instruments for enterprises (WP3);
- Support to large enterprises (WP4);
- Transport (WP5);
- Environment (WP6);
- Energy efficiency in public and residential buildings (WP8);
- Culture and tourism (WP9);

[5] The WP12 report is published at http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1?.

- Urban development and social infrastructure (WP10);
- European Territorial Cooperation (WP11);
- Delivery system (WP12);
- Geography of expenditure (WP13);
- The impact of cohesion policy 2007-2013: model simulations with Quest III and Rhomolo (WP14).

All of these are relevant for the UK except the evaluation of large enterprises (WP4) which was limited to those countries which allocated significant amounts of funding to large enterprises, which was not the case for the UK. The evaluation of ETC (WP11), it should be noted, is the subject of a separate report. The findings of WP12 were outlined above, while the estimates produced by WP13 on the allocation of funding and of expenditure between regions are not considered here[6].

3.1. Enterprise support, R&D and innovation (WP2, WP3 and WP4)

A total amount of EUR 2.9 billion, or 54% of the total ERDF made available to r the UK, went to this broad policy area. The majority of the funding was invested in RTD and innovation (just over 60%), while the rest went to promote entrepreneurship and support other investment in enterprises (i.e. other than on innovation and RTD).

Altogether, by the end of 2014, support had been given to 1 798 RTD projects together with 7 341 projects supporting cooperation between enterprises and research institutes. The support helped 52 759 new businesses to start up and co-financed 2 344 SME projects. Overall, 152 219 jobs were reported to have been created, of which 3 877 were in research (see Table 6 at the end of this section).

SME support, R&D and innovation (WP2)

Over the programming period, despite the economic and financial crisis, total expenditure on R&D increased from 1.8% of GDP in 2007 to 2% in 2013, keeping expenditure in the UK above the EU28 average (1.7% in 2007 and 1.8% in 2013).

Business support was a major priority in respect of the use of the ERDF in the UK over the 2007-2013 period. The share of funding for this amounted to almost half of the total and the support directly or indirectly provided to SMEs represented nearly a quarter of the total.

The prevalent form of support at least in those OPs with a large share of funding devoted to business support (e.g. West Wales and the Valleys) were (repayable) Financial instruments, loans and equities, rather than (non-repayable) grants.

Financial Instruments for enterprises (WP3)

The UK experience in using Financial Instruments (FIs) for enterprise support is extensive, having co-financed FIs in ERDF programmes since the 1994-1999 period. Over the 2007-2013 period, the overall support to FIs amounted to EUR 1.1 billion, including national co-financing. Of this, EUR 489 million came from the ERDF, 9% of the overall ERDF allocated to the UK. By the end of 2014, the majority of the funding allocated (84%) had been paid into the respective funds and 72% had reached final recipients[7].

FIs were adopted in all the UK ERDF OP (except the Gibraltar OP) with the aim of improving SME access to finance (some support was made available specifically for micro enterprises, while large enterprises were excluded). Overall, 7 Holding Funds

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[6] They are available at: http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1.
[7] Fourth Progress Report in financing and implementing financial engineering instruments, DG REGIO, September 2015.

and 48 specific funds were co-financed. The Holding funds were established as independent, private sector, non-for-profit organisations to oversee the delivery of funds (with the exception of the Holding Fund in Wales which was managed by a public entity). On the other hand, specific funds were managed by both private fund managers and public bodies.

FIs took the form of loans (including micro-finance) and equities (guarantee funds were not used). Loan schemes were aimed at compensating for the lack of credit available to SMEs from commercial banks. Individual amounts ranged between EUR 1 400 to EUR 7 million with a repayment period between 3 and 7 years. Equities were introduced primarily to fill the gaps in the early stages of firm development and to support regionally-significant sectors or risky investments.

Evidence from the UK case study carried out indicates that the current cost per gross job created by FIs is considerably higher than originally estimated (the sector specific funds, such as the Creative Content Fund proved, in particular, to be less cost efficient than expected). The actual cost per gross job created by FIs, however, is in the same range as for grants (See Box).

North-East England case study[8]

FIs constitute an important component of the OP, accounting for over 20% of the ERDF total allocation. Two funds were supported: a JEREMIE holding fund, the Finance for Business North-East (FBNE), with a total financial availability of EUR 136 million (35% from the ERDF); and a pilot fund for the commercial creative sector, the Creative Content Fund (CCF), with financial resources of EUR 5.22 million (50% from the ERDF). Both funds used a combination of public (ERDF) and private (European Investment Bank) funding and were managed by private sector companies. FBNE included 7 specific funds, covering all stages in the development cycle, in addition to a microloan fund. The CCF supported enterprises in the commercial creative sector, predominantly through mezzanine finance, equities and loans matched by private investors.

The overall purpose of the funds was to stimulate the establishment and expansion of businesses with growth potential The study showed that FBNE met the latent demand in the North-East for finance, attracting a high level of demand. It also showed that the fund had performed well against its output target and had achieved consistent outcomes by the end of December 2014. Although the amount of funding returned (EUR 32.5 million) is much below expectations (EUR 193.8 million), the FBNE is considered to have performed well in relation to the number of SMEs supported (688, of which 44% were new start-ups) and new jobs created (1 953), with a 90% survival rate of firms created after 12 months. Overall the FBNE is expected to generate returns of EUR 191.2 million by 2020.

Despite most of the initial targets being met, the evidence suggests for both FIs and grant schemes a lower cost efficiency compared to the target values. With regard to the FBNE, the net cost per gross job created is estimated at EUR 42 160 as against EUR 1 690 initially planned. Part of the reason for this is the large number of overlapping funds in the FBNE which entailed high management and administration costs, so reducing its cost effectiveness.

3.2. Transport (WP5)

The funding allocated to transport amounted to EUR 488 million, or 9% of the total ERDF. Nearly half of this was invested in roads, a third in other transport and the rest in rail. Over the 2007-2013 period, there was a significant increase of funding to transport and in particular to investment in roads (of over four times the initial amount). This was mainly allocated to motorway construction on the TEN-T, multimodal transport and railways in the West Wales and the Valleys OP. Just over a third of the total funding for transport was allocated to three major projects.

Up to the end of 2014, the ERDF co-financed the construction of 13 km of new roads, 7 km of which were part of the TEN-T, and the modernisation of 11 km of existing roads. It also helped to construct of 2 km of railway lines which were part of the TEN-T and to modernise a further 2 km.

[8] The report can be consulted here: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp3_final_en.pdf.

3.3. Environmental infrastructure (WP6)

Over the 2 period, EUR 405 million was invested in environmental projects, 7.5% of the total funding available. Of this, only EUR 36.5 million was invested in waste management and nothing in water supply or wastewater treatment, the focus of the evaluation conducted by WP6. The small amount allocated to environmental infrastructure reflects the high level of UK compliance with EU Directives in these areas.

3.4. Energy efficiency in public and residential buildings (WP8)

The resources of the ERDF going to support of energy efficiency, co-generation and energy management amounted to EUR 221 million or just 4% of the total. The energy efficiency of public and residential buildings, the focus of the WP8 evaluation, is included in this (see Box for an example). In total, 153 projects were carried out, mainly co-financed by grants, though to a minor extent by loans. ERDF support in this policy area had a very minor role compared with national funding.

London OP case study[9]

The initial allocation to the priority theme "energy efficiency, co-generation and energy management" in the London OP was of EUR 18.2 million, which was subsequently increased to EUR 34.2 million. The support to energy efficiency of public and residential buildings at first not included in the OP, was added later when the projects targeted struggled to find sufficient funding. The rationale for the investment in energy efficiency was to reduce CO_2 emissions and energy consumption, as well as to create new market opportunities for businesses.

A layered governance structure was put in place which performed successfully. It was based on loan funding from the London Green Fund (LGF), a JESSICA fund managed directly by the European Investment Bank (EIB). Within the LGF, two specific funds were created to manage investment for energy efficiency in buildings, namely the London Energy Efficiency Fund (LEEF) for public sector buildings, decentralised energy and district heating schemes and the Green Social Housing Fund (GSHF) for social housing. In addition, the investment concerned was closely integrated the London's regional strategy for the reduction of CO_2 emissions.

Compared to other FIs for green infrastructure available in London, LEEF and GSHF had the advantage of being affordable and flexible. For example, LEEF provided loans of up to 10 years with an interest rate starting at 1.5% with different options for drawdown and repayment; while GSHF loans were granted for up to 30 years.

By the end of 2014, the LGF had invested EUR 139 million in 15 projects with a combined total value of EUR 948 million. Forecasts indicated that this would lead to the reduction of 215 000 tonnes of CO_2 emissions per year.

In terms of management, the set-up of the LGF using the JESSICA model has been identified as an example of good practice. The use of loans to support energy efficiency in buildings helped to ensure that projects were carefully planned and only those financially sustainable, i.e. for which the savings from future energy bills were at least as much as the loan repayment, were selected.

3.5. Culture and tourism (WP9)

Investment in culture and tourism was not a priority in the UK over the period. Only 7 programmes provided support for this, mostly in Scotland, Wales and North-West England, with only 4 OPs investing more than EUR 15 million. Overall, EUR 222.4 million, or 4% of the total ERDF allocation for the UK, was earmarked for these two policy areas. The large majority of the funding (EUR 184.3 million, or 83% of the total) went to investments in tourism, with particular regards to measures aimed at promoting natural assets (EUR 75.1 million, or 41% of the total for tourism) and the development of the natural heritage (EUR 48 million or 27% of the total for tourism). In particular, support went to investment in private initiatives aimed at innovating

[9] The report can be consulted here as separate annex to final report: http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1.

tourism by launching new products or services, as in the case of North-West England. Some EUR 38 million went to support investment in culture, while a small amount (EUR 0.6 million) was provided for individual hotels and restaurants. The typical form of support was non-repayable grants, though loans, interest subsidies and guarantees were used in some cases.

According to the survey of MAs, the main reason for providing support for culture and tourism in the UK was to promote regional economic diversification, in particular, through the support of marketing activities and investment in cultural and natural assets, as well as economic and environmental sustainability. (As an example of territorial marketing, integrated measures were co-financed in North-West England to promote strategic events and to improve the attractiveness of urban centres, such as Liverpool. On the other hand, the Northern Ireland OP focused support on the diversification of declining industrial areas by investing in infrastructure to improve accessibility and by triggering investment in the development of the area, through information centres, websites and advertisements.)

Overall in the UK, 462 full-time equivalents jobs were reported as being created in tourism over the period as a result of the support provided.

3.6. Urban development and social infrastructure (WP10)

EUR 412 million of the ERDF went to investment in urban development and social infrastructure, 8% of the overall amount available. Most of this was in Convergence regions. The majority of funding (86%) was allocated to support of integrated urban development, while the remainder went on to education establishments.

Four UK OPs were included among the 115 OPs allocating over EUR 22 million to these policy areas which were covered by the WP10 evaluation. Three of these were in Convergence regions and one in a Competitiveness region[10]. In the Convergence regions the funding was allocated either primarily or exclusively to urban development projects (mostly in West Wales and the Valleys) while the remainder went to education buildings and equipment (13% of the total ERDF support to the two policy areas). In the Competitiveness region of Yorkshire and Humberside, resources were allocated to urban development, mainly in rural areas.

Evidence on achievements, however, is scarce. The only core indicator reported by the MAs relates to land rehabilitated, which amounted to 1 square km at the end of 2014.

3.7. ETC (WP11)

The UK was involved in 6 programmes financed under the Cross-border Cooperation strand of the ETC Objective. These were, respectively, with Ireland, France, Belgium, the Netherlands Spain and Portugal. The ETC-funded programmes are the subject of a separate report.

3.8. Impact on GDP (WP14)

In the UK, investment supported by Cohesion and rural development policies over the 2007-2013 period amounted to only around 0.05% of GDP a year over the period. Nevertheless, the additional investment generated by the policies – not necessarily in the UK but in other parts of the EU - is estimated to have increased GDP in 2015 by around 0.1% above the level it would have been in the absence of the funding provided. This is even after taking explicit account of the contribution made by the UK to the financing of the policies [11]. It is further estimated that in 2023, long after the

[10] Convergence regions: West Wales and the Valleys: Cornwall and the Isles of Scilly: Highland and Islands (Scotland). Competitiveness region: Yorkshire and Humberside England.

[11] Estimates by the Quest model, a new-Keynesian dynamic general equilibrium model in kind widely used in economic policy research, developed by DG Economic and Financial Affairs to assess the effects of policies. See The impact of Cohesion Policy 2007-2013: model simulations with Quest III, WP14a, final report,

funding came to an end, GDP will be 0.2% higher as a result of the investment concerned.

3.9. Overview of achievements

Table 6 summarises the values if the core indicators reported by UK MAs over the period up to the end of 2014. All of these have been mentioned in the above sections. It should be emphasised, however, that since not all MAs report all of the core indicators, and in some cases, only a minority, the figures tend to understate achievements, perhaps substantially. In addition, the data reported relate to the situation at the end of 2014, one year before the official end of the period in terms of the expenditure which could be financed, so that they also understate achievements over the programming period because of this.

Table 6 Values of core indicators for ERDF co-financed programmes in the United Kingdom for 2007-2013 period, as at end-2014

Core Indicator Code	Core indicator name	Value up to end-2014
0	Aggregate Jobs	152 219
1	Jobs created	150 339
4	Number of RTD projects	1 798
5	Number of cooperation projects enterprises-research institutes	7 341
6	Number of research jobs created	3 877
7	Number of direct investment aid projects to SMEs	2 344
8	Number of start-ups supported	52 759
9	Number of Jobs created in SMEs (gross, full time equivalent)	29 124
14	km of new roads	13
15	km of new TEN-T roads	7
16	km of reconstructed roads	11
17	km of new railroads	2
18	km of TEN-T railroads	2
19	km of reconstructed railroads	2
29	Area rehabilitated (km2)	1
35	Number of jobs created in tourism	462

Note: The figures in the table are those reported by MAs in Annual Implementation Reports. Core indicators for which no data were reported by the Member State are not included. The aggregate jobs indicator is based on an examination by the Commission of all gross job creation reported for each priority axis and is regarded as the most accurate figure for the total number of gross jobs directly created as a result of funding. It tends to be higher than the sum of the figures reported by MAs for the core indicators relating to jobs created because in many cases MAs fail to report anything for these indicators.' Source: Annual Implementation Reports, 2014 and DG Regional Policy post-processing of these, August 2016

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp14a_final_report_en.pdf.

[Catalogue number]

doi: number

Publications Office