

European and External Affairs Committee

Date:	11 November 2004
Time:	9.00 to 12.10
Venue:	National Assembly Building
Title:	Review of Regional Aid Guidelines: Alternative Assisted Area Map Scenarios

Purpose

At the meeting of the European and External Affairs Committee held on 14 October 2004, the First Minister agreed to provide an analysis of the potential impact, upon Wales, of the various mapping options currently under consideration for the Assisted Areas Map.

Summary

1. The current Regional Aid Guidelines, which terminate on 31 December 2006, produced an Assisted Areas map for Wales which includes both Article 87(3)a (Tier 1) and Article 87(3)c (Tier 2) areas. Higher maximum aid intensities are permissible in the Article Tier 1 areas. Map 1 attached shows the current Assisted Areas.
2. The Commission is proposing that, post 2006, NUTS 2 areas with GDP per head below 75% of the EU 25 average would qualify for Tier 1 status. NUTS 2 areas with GDP per head above 75% of the EU 25 average, but below 75% of the EU 15 average, would qualify for Tier 2 status subject to transitional arrangements.
3. Under Commission proposals, West Wales and the Valleys (WWV) would retain Assisted Area status, but as a Tier 2 area, subject to transitional arrangements that would result in declining maximum aid intensities over the period up to 2013. Map 2 shows the Assisted Areas in Wales that Commission proposals would produce. It will be noted that WWV would be the only designated Assisted Area in Wales.
4. Table 1 below provides the latest available GDP per head data for Wales, broken down into NUTS 2 and NUTS 3 areas, relative to the averages for EU15 and EU25. It should be noted that this data will be updated, before the Commission concludes its review process, and therefore the position may change.

- **Table 1: GDP per head relative to EU averages, 2001**

	EU15=100	EU25=100
Wales	83.0	91.1
West Wales and the Valleys	69.6	76.4
Isle of Anglesey	58.0	63.6
Gwynedd	67.5	74.0
Conwy and Denbighshire	64.0	70.1
South West Wales	67.5	74.0
Central Valleys	66.9	73.3
Gwent Valleys	63.8	69.9
Bridgend and Neath Port Talbot	78.7	86.3
Swansea	84.5	92.6
East Wales	106.7	117.1
Monmouthshire and Newport	109.4	119.9
Cardiff and Vale of Glamorgan	121.4	133.1
Flintshire and Wrexham	97.3	106.7
Powys	73.4	80.5

Source: Eurostat

5. The recent UK response to the Commission proposals suggest that a range of alternative criteria could be used to target aid more effectively at areas of greatest need. However, due to a court ruling at the time of the last review, it is a requirement that Tier 1 areas must be mapped on a consistent basis across the EU. This limits the alternative options that can be considered for Tier 1 regions to either NUTS 2 or NUTS 3 areas. The UK has therefore suggested that consideration should be given to the benefit of using NUTS 3 areas as the basis for Tier 1 areas. Map 3 illustrates the potential impact upon Wales of basing Tier 1 regions upon NUTS 3 areas and keeping the eligibility criteria the same as under the Commission's proposals: areas with GDP per head below 75% of the EU 25 average. On this basis it will be noted that, on current data, the NUTS 3 areas that make up WWV, with the exception of Swansea and Bridgend and Neath Port Talbot, would qualify as Tier 1 areas.

6. The UK has also suggested a range of possible mapping options through which to improve the targeting of aid at the Tier 2 level. These options are all based upon

the use of NUTS 3 areas as the core building block with one exception. This exceptional proposal would involve Member States being allowed to determine their own Tier 2 areas under guidelines set by the Commission: the process used to determine current Tier 2 areas.

7. The UK has illustrated how a range of eligibility criteria could be applied to NUTS 3 areas to produce different outcomes in terms of Member State population coverage of Tier 2 areas. The implications for Wales are broadly the same under each scenario: Map 4 illustrates the potential impact upon Wales of mapping Tier 2 areas at the NUTS 3 level. Again, this uses the Commission's criterion: areas with GDP per head above 75% of the EU25 average but below 75% of the EU15 average. It will be noted that one clear benefit under this approach is that, on the basis of current data, the NUTS 3 area of Powys could become a Tier 2 area.
8. It will be noted from the table above that GDP per head in the Swansea and Bridgend and Neath Port Talbot NUTS 3 areas is currently above 75% of both the EU 15 and EU 25 averages. This means that in order for these two NUTS 3 areas to qualify as an Assisted Area under alternative proposals to those made by the Commission, there would need to be transitional arrangements for ex Tier 1 areas. This is a feature of the Commission's current proposal: both economic growth areas and areas classified as subject to statistical effect are the subject of such transitional arrangements.

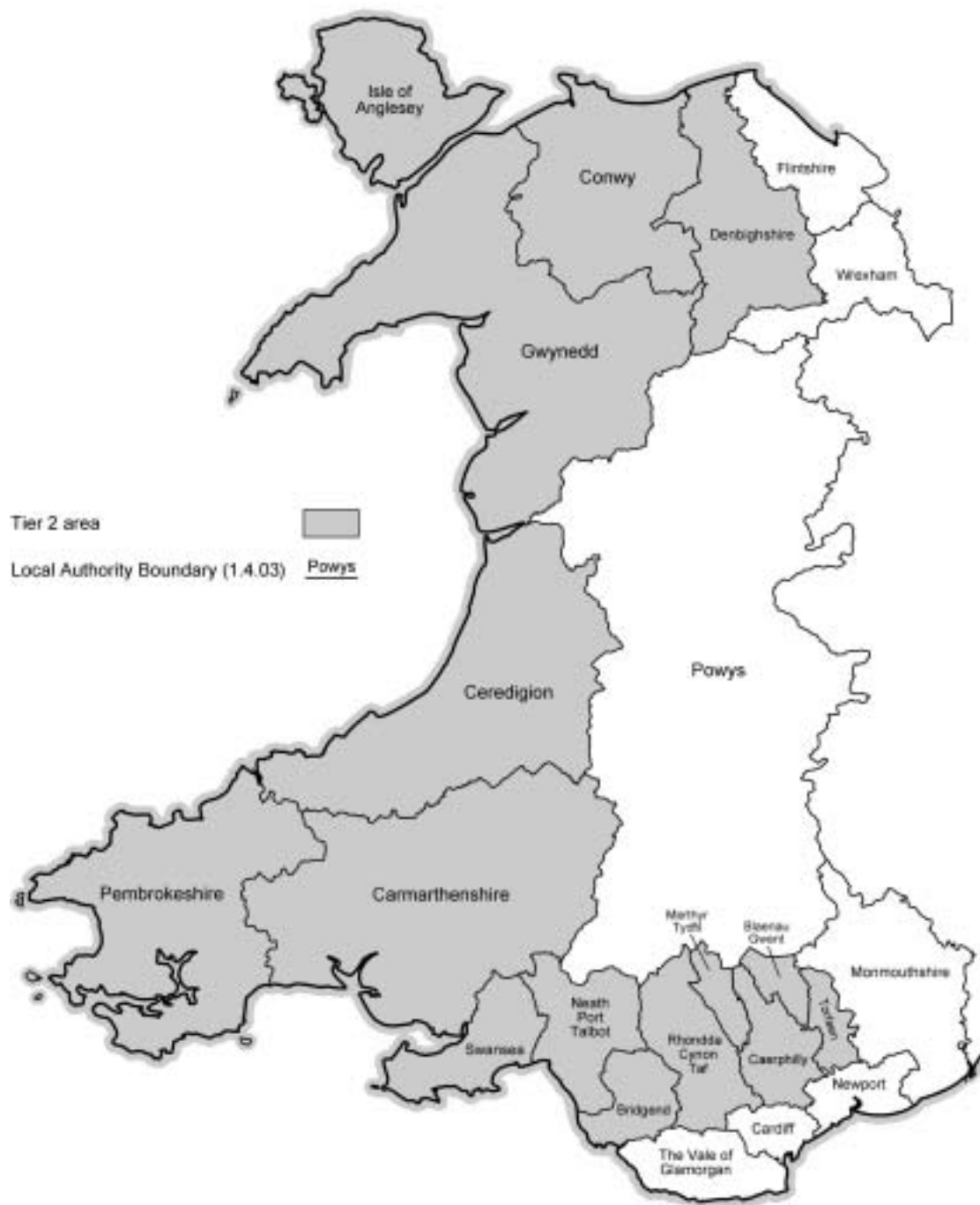
STATEMENT OF INFORMATION



The European Commission is engaged in a consultation exercise with Member States upon its proposals for reforming the Regional Aid Guidelines post 2006. The implications for the Assisted Areas Map in Wales of both the Commission's proposals and of alternative mapping scenarios are highlighted in this report.

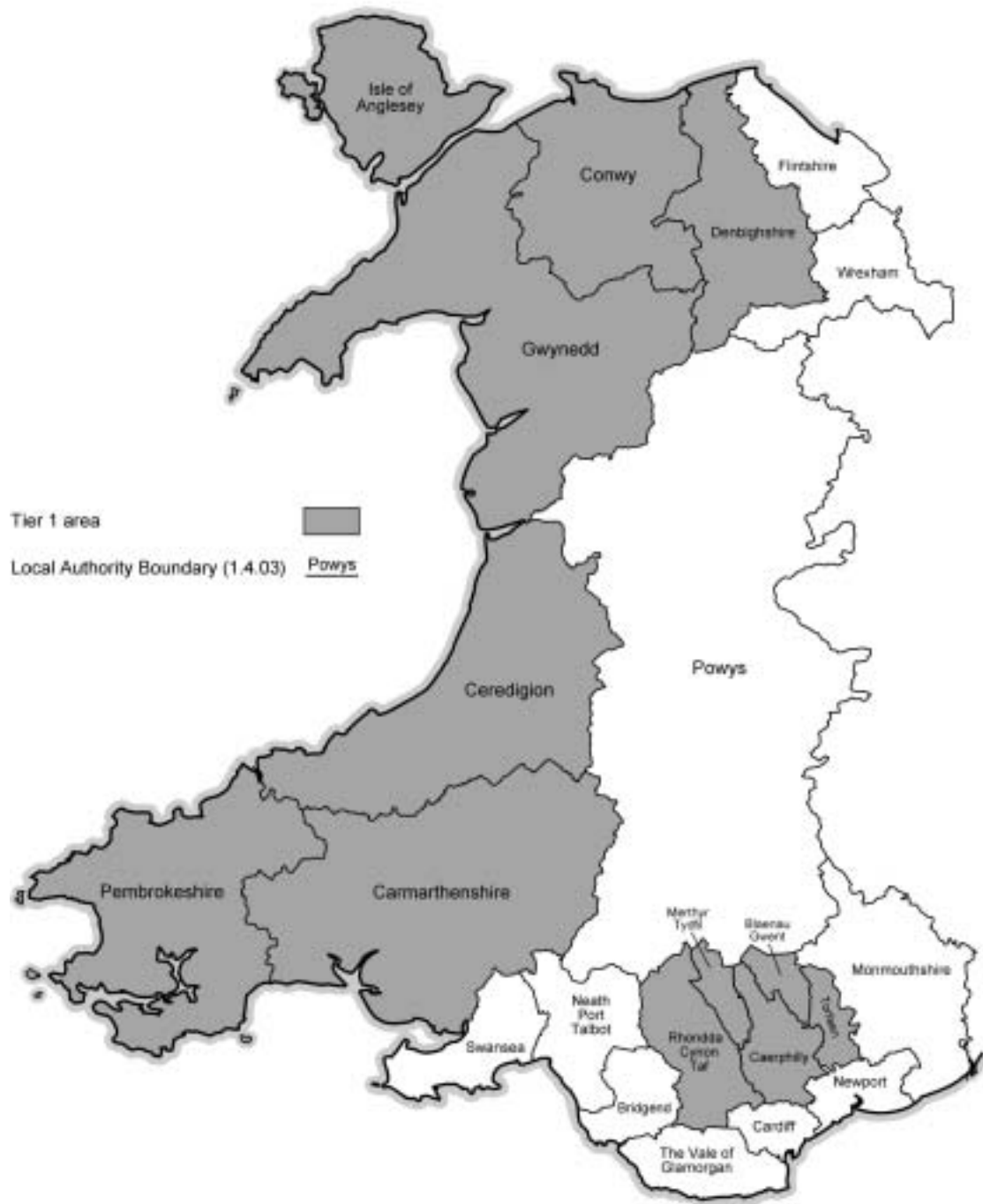
Map 2

European Commission Proposal



Map 3

Alternative Proposal for Tier 1 : NUTS III



Map 4 Alternative Proposal for Tier 1 & Tier 2 : NUTS III

