

Mark Drakeford AM/AC  
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref MA/P/MD/0550/17  
Ein cyf/Our

David Rees AM  
Chair of External Affairs  
and Additional Legislation Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

22 February 2017

Dear David,

I am writing in response to the request made at the External Affairs and Additional Legislation Committee meeting I attended on 23 January for further information on the commitment of EU funds.

I agreed to provide a breakdown of EU funding investments made to date across the current EU programmes managed by the Welsh Government.

The details are as follows:

Structural Funds 2014-2020: Commitment by Programme

Programme	£ Millions					
	Allocation		Committed		Share of allocation	
	Total	EU Grant	Total	EU Grant	Total	EU Grant
West Wales and the Valleys ERDF	1,562	1,029	1,126	603	72%	59%
East Wales ERDF	348	174	234	107	67%	62%
West Wales and the Valleys ESF	922	686	802	514	87%	75%
East Wales ESF	353	174	337	99	95%	57%
<b>Total</b>	<b>3,184</b>	<b>2,062</b>	<b>2,500</b>	<b>1,324</b>	<b>78%</b>	<b>64%</b>

Source: WEFO, 15/01/2017

<sup>1</sup> Based on a conversion rate of £1:€1.17

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## Ireland Wales programme 2014–2020

The Ireland Wales programme is also progressing well. As of end of January 2017, we have invested €40 million of EU funds, representing 50.4% of the total EU funding allocation.

## Rural Development Programme 2014–2020

Finally, under the Rural Development Programme, £394 million of EU funds has been invested in schemes worth over £547 million (57% of the programme).

### **Future funding**

I would also like to take this opportunity to clarify a point I made to the Committee regarding a guarantee of future funding from the UK Treasury beyond 2020 to meet Wales' economic needs. I noted at the meeting that even if Wales had not qualified for the next round of Structural Funds, by the UK being part of the EU, Wales would have been eligible for transitional funding. I suggested that, in the current round, that would have produced 70% of the previous round's allocation.

To put this into context, although negotiations are not yet fully underway to determine the policy and distribution of EU Cohesion Funding post 2020, should GDP per capita be again used as the main qualification criteria, it is highly likely that West Wales and the Valleys would again qualify for the highest level of Structural Funds and Assisted Area coverage rather than any transitional funding. This is due to the UK as a whole growing slower than poorer EU Member States and its relative position declining as a consequence. In addition, East Wales would probably have continued to receive funding, which although at a lower level, could still bring the total for Wales to around existing levels.

At the very least, the West Wales and the Valleys region would have qualified for Structural Fund support as a 'transitional region' which under 2014–2020 programme regulations attracts some 60% of the funding available to less developed regions. Combined with a similar East Wales allocation to that under the current programming period, this would see Wales attract some 67% of its current allocation.

However, EU funding allocations are made to Member States and in the UK are subject to further discussions with UK Government before final allocations are made to devolved administrations. Since 2007 this has resulted in all nations of the UK having the same proportional allocation of overall funding to the UK and maintaining this would be a reasonable expectation for post-2020 given broadly similar needs existing.

In summary, therefore, Wales could reasonably expect to receive between 67% and 100% of its current Structural Funds allocation post 2020 and probably more towards the higher end of this range. I hope this explanation is helpful to the Committee in carrying out its further work on the future of Regional Policy.

*Best wishes,*

*Mark*

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