

20 December 2005

## The EU budget: a historic missed opportunity

### Executive Summary

During the summer Tony Blair set out the case for a radical transformation of the EU budget to focus spending on innovation and growth. But this vision has been abandoned: the EU budget will continue along the same lines as before. The new EU budget deal means Britain will pay more, but the CAP and the rest of the budget will go unreformed. The UK, as President of the EU has missed a historic opportunity to reform the EU.

The EU budget is **unfair** because there is almost no link between spending and need, and **ineffective** because the EU continues to waste money on farm subsidies and failing “structural” policies which do nothing to prepare the EU economy for the 21<sup>st</sup> century.

The UK has been particularly badly hit by Tony Blair’s failure to fight for his own reforming vision. Under the new deal, the UK’s net contribution to the EU will increase by £2.5 billion, and UK citizens will receive less back in EU spending than citizens in any other EU member state.

Tony Blair has agreed that the UK will increase its net payments to the EU by two thirds. However an ICM poll by Open Europe this month showed that 56% of people in the UK believe we should pay less to the EU, and 36% believe that we should not pay more into the EU than we get out.

### (1) The new EU budget: 10 key points

1. **UK paying in 6 billion a year more than it gets out.** Over the last four years the UK has been paying 3.5 billion pounds a year more into the EU than it gets back in EU spending. Under the new deal, the UK will pay the EU an average 10.5 billion pounds a year (even after the reduced rebate), get back 4.5 billion pounds a year in EU spending, and therefore pay an average net contribution of 6 billion pounds a year over the 2006-2013 period. That’s an increase of 2.5 billion pounds a year which will be met from public service cuts in the UK.

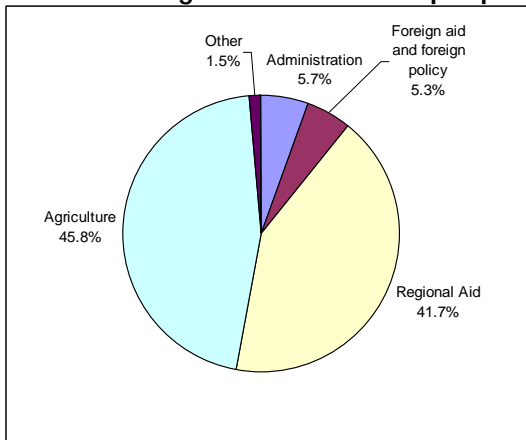
2. **Britain spending £75 billion in total.** While much attention has been focused on the UK's *net* payments to the EU (i.e. how much more the UK pays in than it gets back in EU spending) the UK's *gross* contribution to the EU is at least as important because much EU spending is ineffective and a lot of money is absorbed in bureaucracy before being sent back to the UK. The UK's total gross contribution to the EU will be around £75 billion over the new period.
3. **UK still paying 20% more than France.** Over the period, Britain will pay in 20 percent more than France (42.3 billion pounds, compared with France's 35.3 billion), even though our economy is only 6 percent bigger.
4. **Britain to get less EU spending per head than any other member state.** The UK will also receive less back in EU funds per head than any of the other EU member states - half of what France will receive and a quarter of what Ireland will get. Last year the UK was 20<sup>th</sup> out of 25 member states in terms of spending per head. Under the new deal Britain will be 27<sup>th</sup> out of an enlarged EU of 27 members.
5. **EU budget: still spending on rich countries.** Absurdly, Luxembourg, the richest country in the EU, will receive the most in EU spending per person, followed by Belgium and Greece. In absolute terms France will go from being the second largest recipient of funds after Spain to being the largest recipient. Ireland, the second richest country in the EU, will take more money out of the budget than it puts in.
6. **£34 billion spent on administration alone.** The EU's administration costs alone will rise 28% in real terms, from 4.06 billion pounds in 2004 to 5.21 billion in 2013. In fact the budget for bureaucracy has been increased by a further billion euros just since the UK's first proposal two weeks ago - as a last minute sweetener for Belgium and Luxembourg to secure a deal. Total admin spending will now be 50.3bn euros or 34.1 billion pounds over the period - the equivalent of about 3% of Britain's GDP.
7. **CAP budget up by 12%.** Not only has the CAP not been reformed - as has been widely reported, but farm spending is actually to increase substantially. Spending on the CAP is to increase from 49.3 billion euros in 2004 to 55 billion in 2007. In real terms the CAP budget has increased from 330 billion euros over the last seven-year budget to 371 billion over 2007-13. CAP spending will also account for a bigger share of the new (larger) EU budget than it does currently (from 42.6% last year to 43% on average over the 2007-13 total).

8. **One-off window of opportunity for reform missed.** The Government argues that it scored a diplomatic victory because there will be a "review" of EU spending in 2008. But the French government has already made it clear that they will still veto any cuts in the CAP. In fact it will be even more difficult to achieve reform of the CAP than it is now. At the moment the new member states only get a third of the CAP funds they are entitled to, and overall pay a billion euros more into the CAP than they receive back from it. But as the spending is phased up to the full amount they will become net beneficiaries from CAP and so there will be more countries with an interest in opposing reform.
9. **The Government also failed to secure reform of the regional funds,** despite Gordon Brown's previous argument that such spending should be returned to the control of member states to avoid waste and mismanagement. In 2003 Brown wrote that, "When the economic and social, as well as democratic, arguments on structural funds now and for the future so clearly favour subsidiarity in action, there is no better place to start than by bringing regional policy back to Britain." (Times, 6 March 2003) However spending on such "structural funds" will now be increased without any reform.
10. **Phasing-in of rebate cuts will put UK in weak position next time round.** The cuts in the UK rebate are to be compressed into the last years of the seven year budget. The UK will not give up the rebate in 2007 and 2008, but will then give up 20% in 2009, 70% in 2010, and 100% of the funds it has agreed to give up in 2011 - 2013. The *Financial Times* noted this week that this back-loading of the rebate will make it tactically difficult for the UK to reduce its payments in seven years' time: "after 2013, the annual cash deduction of £2bn for that year will be locked in for all future years. It is unlikely the UK could renegotiate a more advantageous position after that date."

## (2) The case for change

All the main aspects of the EU budget are failing. During the summer Tony Blair set out the case for a radical transformation of the EU budget to focus spending on innovation and growth. But this vision has been abandoned in favour of a continuation of the failing status quo, under which the huge majority of funds will continue to be spent on the CAP and the failing structural funds.

## The EU budget in 2007 - UK proposal



### (i) The CAP: *hits consumers, taxpayers & developing countries - but hasn't helped farmers.*

- **The cost of the CAP.** The Treasury stated in its 2004 budget report that: "The CAP is estimated to cost EU taxpayers and consumers around \$100 billion a year through subsidies and high food prices. The poorest, who spend the greatest proportion of their income on food, are hit hardest by an implicit tax on food of around 26 percent. Even after the benefits for farmers are taken into account, the cost to the UK economy has been estimated at some 0.5 percent of GDP."
- **The opportunity cost is even bigger.** A study by Oxford Economic Forecasting for Open Europe found that transferring funds currently spent on the CAP to spending on scientific research and development could boost the EU economy by over 1% of GDP or €120 billion. The UK could benefit to the tune of £12 billion.
- **CAP hurts the developing world.** The unreformed CAP has become the main obstacle to a successful world trade round. A World Bank study found that removing barriers to agricultural trade alone would benefit developing countries by \$54 billion.
- **The CAP has failed farmers too.** Farmers' incomes have been subject to extreme volatility and have been falling overall. Farm incomes have fallen 50% since 1995. The bottom 50% of farmers get only 2.6% of the CAP funds spent in Britain while the top 10% take more than two thirds. Indeed, the top 100 individuals and firms absorb around a quarter of all CAP spending.

### (ii) Structural funds: *spent on the wrong things in the wrong places & choked by bureaucracy*

- **Even Gordon Brown has called for such spending to be returned to member states' responsibility.** The Treasury has admitted that, "It is not clear that the use of Structural Funds adds significant value in comparison to domestic initiatives."<sup>1</sup>
- **Off target.** Because of the way that funds are distributed, funds are not available to some of the poorest areas, but are available to areas which are not badly off. Objective One funding, for instance, which makes up two thirds of the allocation of the structural funds, is only available in those EU (NUTS level 2) regions where GDP per capita is lower than 75% of the EU average. These criteria obviously do not allow for inter-regional disparities, and some regions find they lose their eligibility for funding despite still having some very poor areas within them. There are also fundamental problems with the EU measurement of wealth which is based on output not incomes - which can make poor areas look rich and vice versa.
- **Bureaucratic loss.** Having two sets of bureaucracy - a national one and an EU one - dealing with regional spending means twice the administrative expense and poor coordination.
- **Too inflexible.** The structural funds are undermined by restrictive rules about what they can be spent on. Gordon Brown has said that, "There are many things that we want to do to encourage local skills and research and development, and local businesses, but we're not able to do because of the existing rules." (BBC, 6 March 2003)

### (3) Background - how much the EU budget has cost

- Taking account of inflation, in today's money (£ 2004) the UK's contribution to the EU from 1973 to 2003 would have been £238 billion without the rebate, and was £181 billion even with the rebate. Over the period the UK paid in £75.6 billion more into the EU than it received back in EU spending. Nor is the EU budget well spent. Figures (only available since 1994), show that over £64 billion of EU funds have been spent, but then not signed off by the EU's own accountants - the Court of Auditors.
- The EU budget cannot be allowed to continue to fail. Even the European Commission-funded [Sapir report](#) acknowledged that the EU budget is no longer conducted on a rational basis. Tony Blair has made a major mistake in agreeing to pour more money into an unreformed EU. The UK has missed a historic opportunity to use its net contribution as a lever to transform the EU budget and put it on a more rational footing.

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<sup>1</sup> A Modern Regional Policy for the United Kingdom, March 2003.

## (1) The proposed EU budget: unfair, unreformed and ineffective

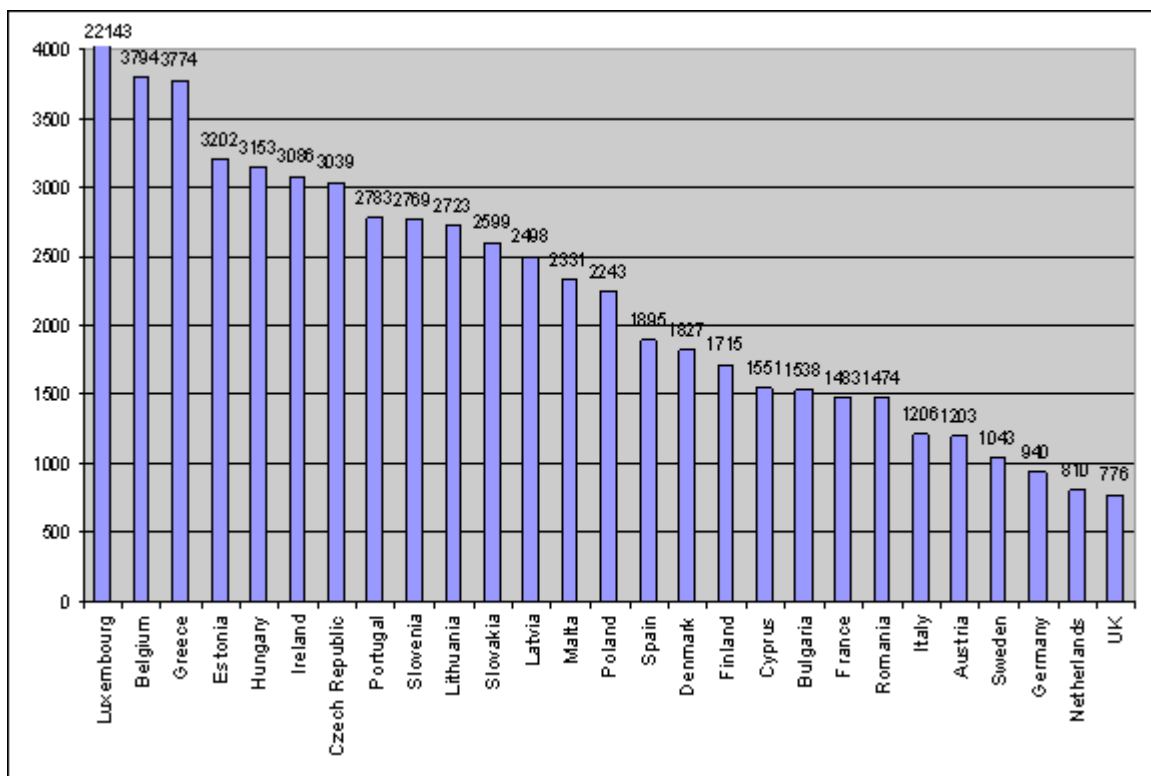
### i) UK to get less EU spending than any other member state - France will still get most EU spending

Attention so far has focussed on the fact that the UK will be paying more into the EU; the Government has not published information on how much the UK will be getting out of the budget. However, leaked negotiating documents seen by Open Europe reveal that the UK will receive less EU funding per head than any other member state.

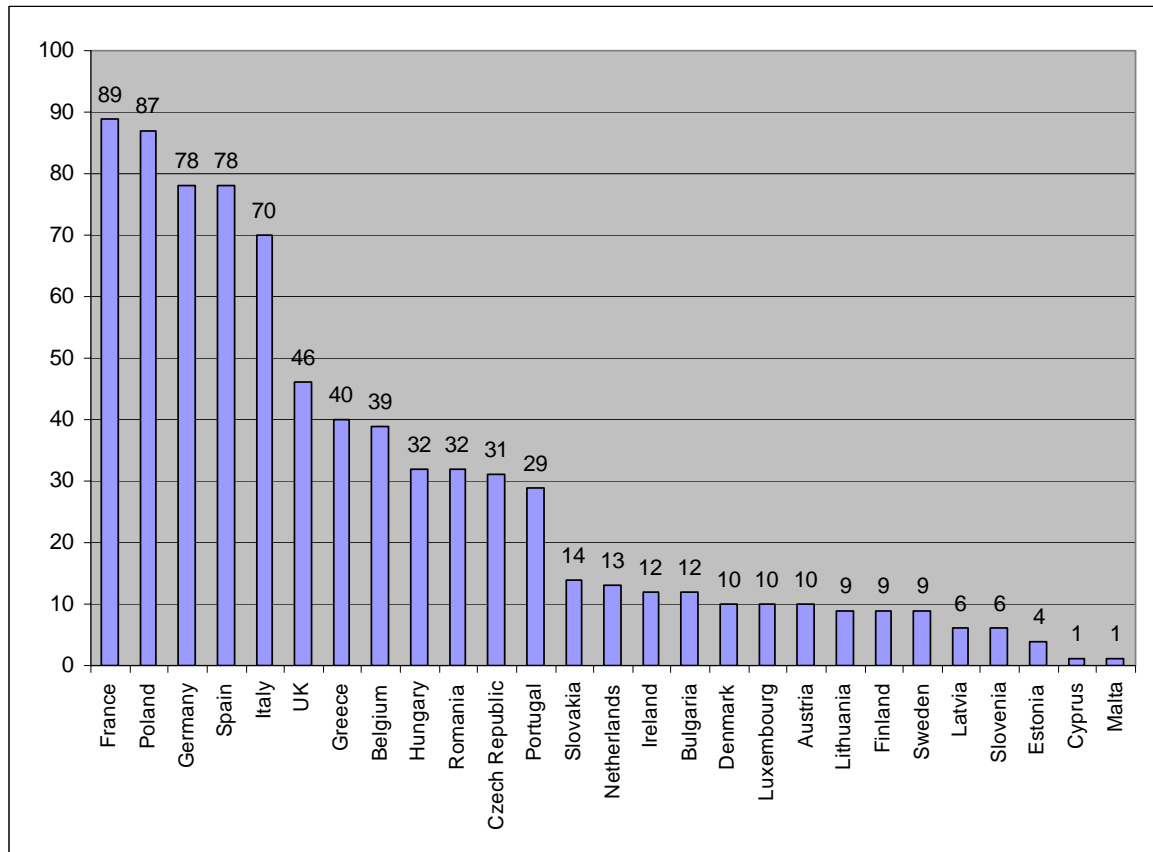
Britain will receive only €770 per person in EU spending. This is half as much as France (€1480) and a quarter as much as Ireland (€3090). Absurdly, the richest country in the EU - Luxembourg - will get more than €22,000 per person because it benefits from having EU agencies based there.

Per head, the top three recipients of EU funds will continue to be old member states - Luxembourg, Belgium and Greece. France will continue to be the largest recipient of EU funds of any member state in absolute terms. France will receive €89 billion from the EU over the six year period, compared to €46 billion for the UK.

### EU spending per capita 2006-2013 (€) (5 December proposal)



## EU spending 2006-13 (€ billion) (5 December proposal)



### ii) The EU's net payments to the EU will increase by two thirds UK to pay over €110 billion into EU over seven years

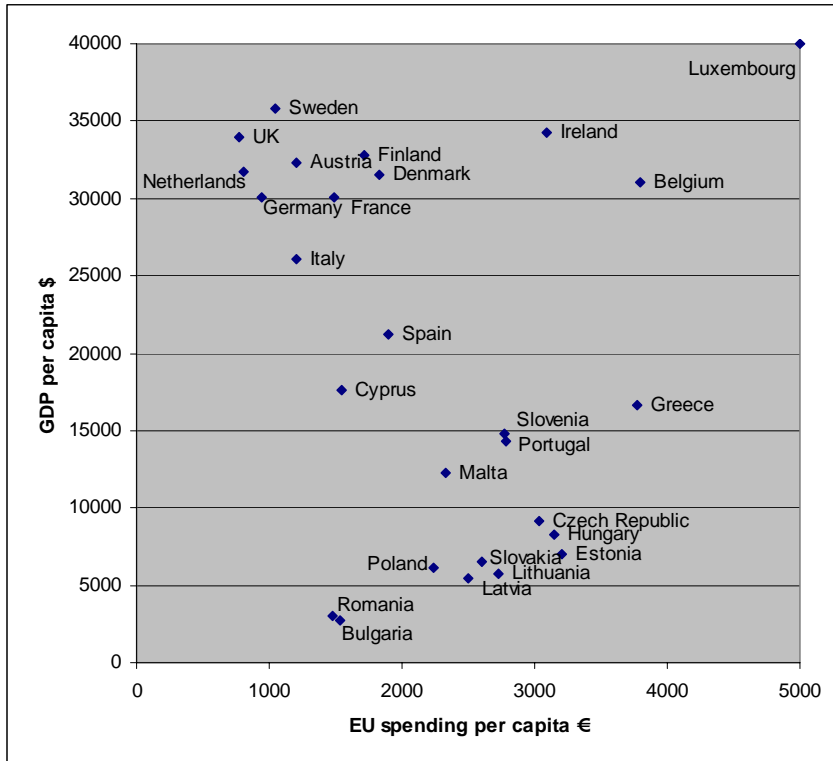
Under the last budget the UK paid €39 billion more into the EU than it received back. (Jack Straw briefing, 5 December)

But while attention focuses on the net payment, the gross payment into the EU budget is probably a more important figure - as much of the EU's spending is unproductive (e.g. the CAP, structural funds and high admin costs).

Under the new agreed EU budget for 2007-13, the UK will pay £10.5 billion (€15.75bn) a year into the EU and receive back £4.5 billion (€6.75bn). This will mean a net contribution to the EU of £6 billion (€9bn) per year, an increase from the average £3.5 billion per year paid in the last four years. The overall EU budget will be £862.3bn (€1293.45 billion). The UK's contribution represents £42.3 billion (€62.6bn) over the seven-year budget period. In comparison, France will contribute £35.3 billion (€62.6bn), 20% less than Britain.

(iii) How the budget takes from the poor and gives to the rich

### Almost no correlation between EU spending and wealth



(Source: UK budget proposal & World Bank *World Development indicators*)

The UK's proposed EU budget still operates in an unfair and irrational way, with little link between spending and need. Absurdly, rich countries like Ireland and Belgium are net takers from the budget, while Cyprus - with a GDP per head half their level - is to be a net contributor.

Tony Blair has argued that the UK needs to pay more to help poorer eastern member states. But the best way to help the new member states would be to bring an end to the CAP - which takes three times more money away from the new member states than the UK rebate does. This is because the new members currently get only 30% of the CAP funds that they are, in theory, entitled to, but still have to pay in the full amount that is expected given the size of their GDP.

In total last year the new member states paid just under a billion more euros to pay for the CAP that they received back from it. (€834 million) This is nearly three times more than they "paid" towards the UK rebate.

The biggest beneficiaries of getting rid of the CAP would be new member states Estonia, Cyprus and Hungary - who would gain about 0.3 % of GDP if it were abolished.

## (2) The case for reform

### The EU budget isn't working - the case for reform

The vast majority of the EU budget is taken up by agricultural spending (44% in 2005) - even though it accounts for less than 4% of EU GDP - and regional aid - the so-called structural and cohesion funds (36% of the EU budget in 2005). During talks about the EU budget there is often an emphasis on the UK's net contribution, which overlooks the fact that much of what the UK gets back from the EU is unproductive. There needs to be some serious scrutiny about how the current EU budget is actually being spent.

#### i) The Common Agricultural Policy (CAP)

##### Cost of the CAP

The cost of the CAP is not just the taxes required to fund payments to farmers, but also the overall effect on the economy of lost trade, lower competition and other economic distortions.

The Treasury stated in its 2004 budget report that, "The Common Agricultural Policy (CAP) is estimated to cost EU taxpayers and consumers around \$100 billion a year through subsidies and high food prices. The poorest, who spend the greatest proportion of their income on food, are hit hardest by an implicit tax on food of around 26 percent. Even after the benefits for farmers are taken into account, the cost to the UK economy has been estimated at some 0.5 percent of GDP."

The World Bank has estimated that as well as the \$50 billion a year the EU spends directly on agricultural support policies, there is also a knock-on cost to EU consumers of artificially high food prices of \$63 billion annually, and the cost to the developing world through lost trade is around \$20 billion a year.

The independent Consumers Association, *Which?*, has calculated that the CAP has inflated the cost of food in the EU to around the highest prices in the world. It costs the average family of four an extra £20 a week in higher food prices, equivalent to more than an extra £1000 per year for each family's food bill.

A report commissioned by Open Europe from leading economists Oxford Economic Forecasting finds that if funds from the CAP were redeployed to better uses, such as research and development, then the gains could be even

larger, with growth boosted by just under 1% of UK GDP and 1.2% of EU15 GDP. This translates as £12 billion for the UK and €120 billion for the EU15.

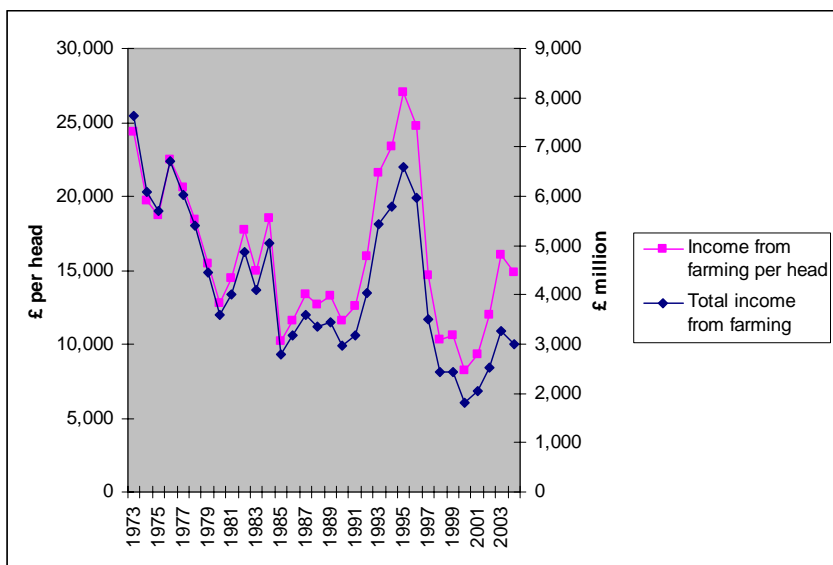
The same research also looked at the net benefit of abolishing the CAP and also trade barriers. It found that the average household of four would be £1,500 a year better off.

### The CAP doesn't work for farmers

A report from DEFRA in 2003 found that farmers' incomes were "50 per cent below the peak in 1995." It also states that "the long term trend in aggregate income has been downwards." One of the main objectives of the CAP was to "ensure a fair standard of living for the agricultural community... by increasing the individual earnings of persons engaged in agriculture." It is clear from the statistics that the CAP has failed to meet this objective. Not only has it failed to raise the living standards of farm workers, it has actually reduced their incomes and thus their quality of life.

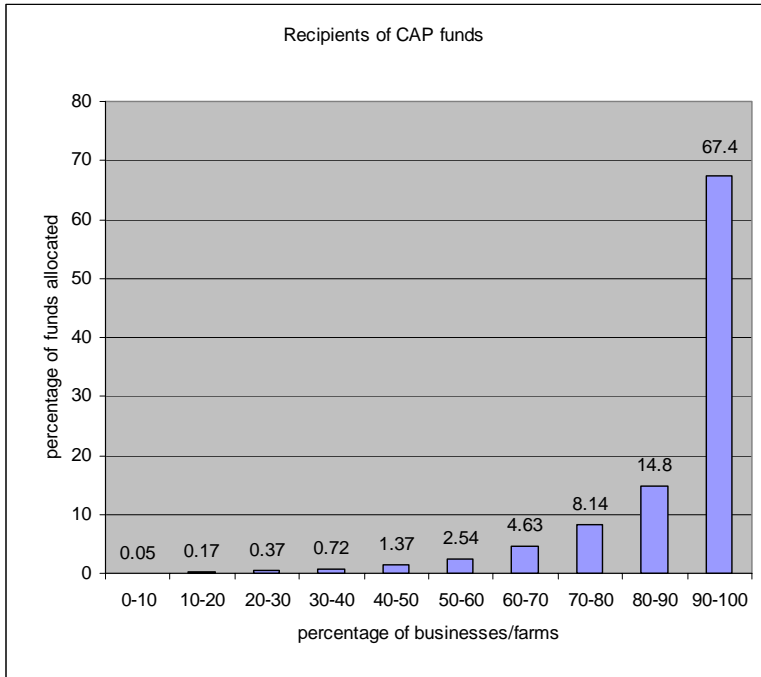
The figures speak for themselves: in 2003, 28.5% of UK farms had a net income of less than zero. This is even after excluding those farms which were forced to cull their livestock due to foot-and-mouth. 47.8% of UK farmers' cash incomes were less than £20,000 per year. The CAP has also led to an increase in the amount of paperwork farmers have to do. This over-bureaucratisation of a traditionally manual industry has led to a fall in the share of the profit farmers receive from the sale of their goods. As the DEFRA report notes, "Another reason for retail food prices to rise ahead of farm gate prices is additional regulation beyond the farm gate."

### Under the CAP farmers' incomes are volatile and falling

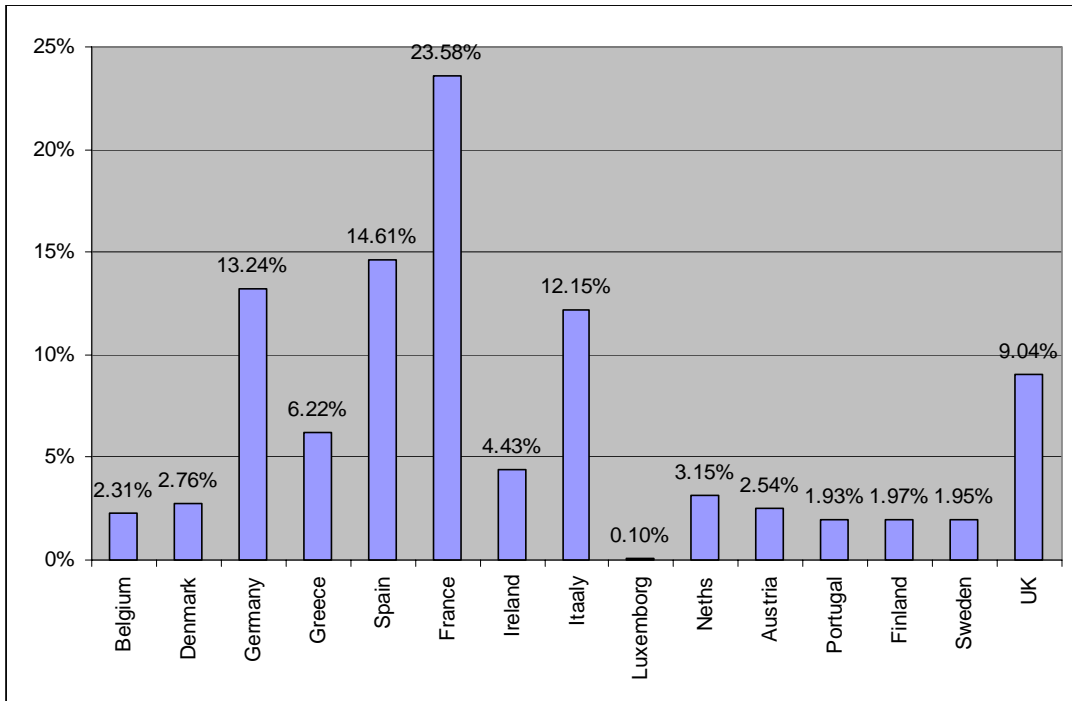


A breakdown of EU agricultural payments received by UK farms and businesses in 2003/2004 reveals that most farmers actually receive very little indeed. The overwhelming majority of CAP payments (67.4 percent) in the UK go to the top ten percent of farms and businesses, leaving the bottom 50 percent of farmers with a share of only 2.6% of the £2.38 billion allocated to the UK.

The EU makes payments to over 100,000 different farms and companies. Of this 100,000 the top 100 individual recipients (the top 0.1%) received more than 23% of the total.



% of CAP spending by country



Source: Commission report on Allocation of 2003 EU Operating Expenditure by Member State

The CAP currently transfers money away from the poorer eastern member states to some of the EU's richest members, including Ireland and France. If the CAP were abolished and the funds currently spent on it were returned to the member states in proportion to their contributions, the biggest beneficiaries would be Estonia, Cyprus and Hungary, which would benefit to the tune of about 0.3% of their GDP.

The CAP costs the new member states far more than the UK rebate does. For example, last year Hungary paid €200m more into the EU budget to finance the CAP than it received back in agriculture spending. This is four times bigger than Hungary's contribution to the UK rebate, which was about €50m last year. For the 10 member states as a whole, their losses from the CAP were 2.8 times as big as their 'payments' to the British rebate.

## ii) The Structural Funds

For the period 2000-2006, the Agenda 2000 package allocated a total of €213 billion to 'Cohesion Policy', made up of the Structural Funds (90%) and the Cohesion Funds.<sup>2</sup> Adding in the €22 billion earmarked for new Member States in the period 2004-2006, the total cohesion effort comes to €236 billion for the

<sup>2</sup> The Cohesion Fund was set up with the mission to enable some Member States to join the final phase of the EMU as quickly as possible

[http://www.europe2020.org/en/section\\_region/011203.htm](http://www.europe2020.org/en/section_region/011203.htm)

whole period. The policy is a complex system of regional and national funding aiming to improve economic development and promote convergence across EU member states and regions. However, it is not clear how effective the structural funds have actually been in delivering their aims.

- The Treasury has admitted that, "It is not clear that the use of Structural Funds adds significant value in comparison to domestic initiatives."<sup>3</sup>
- In a study of the impact of structural funds in Objective 1 regions - which make up over two thirds of the structural funds - in delivering their aim of "reducing disparities between the levels of development of the various regions"<sup>4</sup>, Rodríguez-Pose and Fratesi (2003)<sup>5</sup> find that "despite the concentration of development funds on infrastructure and, to a lesser extent, on business support, the returns to commitments on these axes are not significant. Support to agriculture has short-term positive effects on growth, but these wane quickly, and only investment in education and human capital - which only represents about one eighth of the total commitments - has medium-term positive and significant returns... Unfortunately the objective given to the Structural Funds by European legislators goes well beyond the genesis of growth and the prevention of divergence and includes the delivery of greater economic cohesion and convergence. On this ambitious count, the results of the analysis underscore that the EU is not only still far away from its aim of greater economic and social cohesion, but also that the doubts about the capacity of the development funds allocated to lagging regions in Europe to deliver sustainable economic growth and to reduce the gap between the European core and the periphery seem to be well founded."
- Stephen Crabb, MP for Preseli Pembrokeshire, which currently receives Objective 1 funding told the Commons, "I am more than a little sceptical of the long-term success of EU structural funds in closing the wealth gap between regions. The targets for the EU cohesion and structural funds have consistently not been met". (25 May 2005)
- David O'Sullivan, Secretary-General of the European Commission, told the Lords EU Scrutiny Committee,<sup>6</sup> "When I worked on the European Social Fund, I regularly went to Copenhagen, The Hague, or to Bonn as it then was. What we contributed represented 5 per cent of their training budget, and the Social Fund representative would say, "Mr O'Sullivan, this is very nice. You take our taxpayers' money; we send it to Brussels;

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<sup>3</sup> A Modern Regional Policy for the United Kingdom, March 2003.

<sup>4</sup> Article 158 TEC

<sup>5</sup> Between Development and Social Policies: the impact of Structural Funds in Objective One regions <http://www.ucm.es/info/econeuro/documentos/documentos/dt282003.pdf>

<sup>6</sup> <http://www.publications.parliament.uk/pa/ld200405/ldselect/ldecom/62/62.pdf>

you take off 10 per cent for your salary; you send it back to us, tied up with all kinds of strings about how we can spend it. Wouldn't it be much simpler just to leave it with us?" I understand the argument but I think that, in spite of that view, there is another view: that this money has brought with it additional benefits which are not simply quantified in terms of the cash transfer; they are quantified in terms of the participating in a common policymaking; in contacts across frontiers; in policy contacts between policymakers; where having some money at the heart of it, as a lubricant of the policy, was important—and I think that there was value added." However the Lords concluded, "We are not persuaded by the view of the Commission that they are better placed than Member State governments to lead regional development projects."

- Professor John Bachtler from the University of Strathclyde told the Lords Committee that "The effectiveness of Structural Funds is not easy to quantify given the wide range of interventions, the inadequacy of monitoring indicators and poor data quality... As the Swedish and UK contributions to the reform debate point out, while there has been some convergence between EU countries in recent years, disparities between regions have increased.... it has been suggested that EU cohesion policy may have even inhibited convergence by undermining labour mobility and structural reform. The UK government has argued that, notwithstanding some good aspects of the EU cohesion policy, the policy priorities of the Structural Funds (or the way that they are interpreted) are too inflexible and that they distort national policy spending objectives by requiring co-financing of measures or projects that are not necessarily the preferred options of Member State authorities. A common complaint of many Member States is that the implementation of the Structural Funds is highly complex and bureaucratic and that the administrative costs are disproportionate to the volume of assistance received."

Indeed, administration and bureaucracy has hampered the impact of the funds:

- Bachtler and Taylor (2003) carried out research on national and regional authorities in member states and found that the benefits of the Structural Funds "have been severely tested by the complex and costly administrative requirements of the current programming period... The administrative burden associated with the funds is of universal concern and is perceived to have increased significantly in the 2000-2006 period." They also found, "The current approach to zoning (of Objective 2) has often produced fragmented maps which militate against a coherent approach to economic development and create additional

administrative pressures for the management and monitoring of programmes.”<sup>7</sup>

- The East Midlands Development Agency told the Lords EU Scrutiny Committee: “The time is long overdue for a real review and reform of the EU mechanisms that support regional development. Effective delivery on the ground is severely hampered by a plethora of different funding streams, inconsistent timescales, innumerable strategies or funding frameworks and complex centralised bureaucratic administration.”
- Cumbria County Council told the Lords Scrutiny Committee that, “It should perhaps be noted that the UK government has cited “excessive bureaucracy” as one of the drawbacks of EU structural fund programmes. In our experience, a proportion of this bureaucracy originates from Whitehall sources, through the process of “gold-plating” that over-complicates many EU programmes and directives.”

There has also been criticism over the criteria used to assess whether or not regions are eligible for funds, and how these funds are then used. Objective One funding, for instance, which makes up two thirds of the allocation of the structural funds, is only available in those EU (NUTS level 2) regions where GDP per capita is lower than 75% of the EU average. These criteria obviously do not allow for inter-regional disparities, and regions can find they lose their eligibility for funding despite still having some very needy areas within them.

- Cameron and Muellbauer(1999) look at the UK regional accounts system used to calculate whether or not regions are eligible for funding and conclude that its “historical unreliability” means that some of the poorest areas in the UK could have missed out on millions of pounds of EU funding in the period before 2000. They note that “United Kingdom Regional Accounts data on income from employment and hence personal income and gross domestic product per head for the last 20 years give a misleading picture of the development of regional differentials.” They argue that had 'West Wales and the Valleys' been eligible for 1994-1999, with a population of approximately 1.5m, it might have expected EU funding to the tune of around £130m.”
- Because the Commission and the eligible regions/actors are the main decision factors according and implementing these funds, and the role of the central government is minimum, they give the Commission the possibility to import its objectives and implemented models in the

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<sup>7</sup>[http://db.formez.it/ArchivioNews.nsf/0/527bfa437faf0676c1256e28004ea021/\\$FILE/IQ\\_Net\\_Added\\_Value.pdf](http://db.formez.it/ArchivioNews.nsf/0/527bfa437faf0676c1256e28004ea021/$FILE/IQ_Net_Added_Value.pdf)

member states and empower financially the regions. The state can be bypassed to a large extent by both actors.<sup>8</sup>

- The structural funds cannot currently be used for social housing projects, because of an earlier insistence by EU Housing Ministers that housing policy should be subject to subsidiarity.<sup>9</sup> The UK budget proposal sets out an ambiguous aim to correct this. Stephens (1999) noted that “Arguably, the current asymmetry between allowing European funds to be used to attract physical capital, but excluding housing as a key aspect of enhancing human capital, is itself a breach of subsidiarity.” He showed how the system leads to “welfare waste” - the opportunity costs that arise from the restrictions on the use of funds which may lead to their use on projects that do not maximise welfare. He wrote that these problems are compounded by the principle of ‘additionality’ which requires European funding to be ‘matched’ by national resources.

The UK has only recently ended its opposition to the structural funds being used in the Eastern member states for housing regeneration projects. This month John Prescott signed up to a deal brokered by EU Commissioner Danūta Hubner to see the funding pot bolstered by private finance from the European Investment Bank.<sup>10</sup>

- The Lords report also found much frustration among witnesses over the inflexibility brought by the pre-allocation of resources for a seven-year period, particularly in agriculture: “We believe that the current and proposed allocation of resources to agricultural policies is disproportionate. We also consider the agreement endorsed by the European Council in October 2002 to fix agricultural support payments from 2007 to 2013 to be highly regrettable. We recommend that the Council should never again seek to pre-empt negotiations on the Financial Perspective in this way.”

One of the main problems of assessing the value of the Structural Funds is a lack of information about how the funds are actually spent.

- EU Anti-fraud Commissioner Sim Kallas has acknowledged this, saying, “There is a lack of information on the distribution of EU structural development funds. Information to the general public is often provided

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<sup>8</sup> [http://www.europe2020.org/en/section\\_region/011203.htm](http://www.europe2020.org/en/section_region/011203.htm)

<sup>9</sup> Mark Stephens (1999)

<sup>10</sup> Inside Housing, 9 December 2005

<http://www.insidehousing.co.uk/default.aspx?contentid=6563a773-261f-429e-bab5-3e185465ff20&newsid=1447021>

simply by erecting billboards at the sites of projects. Nobody monitors the quality of the information.”<sup>11</sup>

- In its anti-fraud report 2004<sup>12</sup> the European Commission reported an overall increase in the number of irregularities, and their financial impact, reported in the Structural (and Cohesion) Funds in 2004, due to an increase in the cases of irregularities in the area of the ERDF. The financial impact of the irregularities notified represented around 2% of the structural and cohesion fund appropriations (€35.665 million). Fraud accounted for 20% of the irregularities, with the most affected being the European Social Fund.

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[http://www.europeanaffairs.org/current\\_issue/2005\\_winter\\_spring/2005\\_winter\\_spring\\_03.php4](http://www.europeanaffairs.org/current_issue/2005_winter_spring/2005_winter_spring_03.php4)

<sup>12</sup> See also for other areas in the EU budget where irregularities and fraud occurred.  
[http://europa.eu.int/comm/anti\\_fraud/reports/commission/2004/en.pdf](http://europa.eu.int/comm/anti_fraud/reports/commission/2004/en.pdf)