

QuickGuide

EU Match funding 2007-2013

Introduction

Match funding is the co-financing from public or private sectors towards activities and projects receiving European funding. In Wales much of the focus of match funding is towards the Structural Funds programmes¹, in particular the Convergence and Regional Competitiveness Programmes, and the Territorial Co-operation Programmes. However, it is also relevant to activities financed through the Rural Development Plan, and to the host of EU programmes managed centrally by the Commission in Brussels or by agencies contracted to act on behalf of the Commission, which are located in Brussels or in the Member States themselves (as “national agencies” in the case of the education and training programmes).

EU added value and commitment

In most cases activities financed through European funding require co-financing, be it by Member States through national sources of finance, by local / regional public authorities, or through private sources of funding. European funding is viewed as providing a “leverage” effect, adding value to existing sources of finance available in Member States, to deliver the goals and policies of the EU. In practice this translates into maximum grant rates or financing rates from the European fund towards specific activities. These “intervention rates” vary from Programme to Programme, and must comply with the relevant State Aid rules, to ensure that activities respect EU competition law.

Structural Funds Programmes and Wales

Table 1²: EU Structural Funds Programmes and Wales 2007-2013

Programmes	ERDF		Match-funding:				ESF		Match-funding:			
	Public	Private	Public	Private	Total	%	Public	Private	Total	%		
Convergence West Wales & Valleys	€1,250.4m	47%	€898.1m	€542.8m	€1,440.9m	54%	€333.6m	56%	€467.8m	€198.9m	€666.7m	44%
Competitiveness & Employment East Wales	€72.5m	40%	€85.3m	€22.7m	€108.0m	60%	€63.6m	40%	€78.5m	€16.2m	€94.7m	60%
Cross Border Co-operation: Ireland-Wales	€52.7m	75%	€17.6m		€17.6m	25%						
Transnational Co-operation: North West Europe	€355.4m	51%	€341.2m		€341.2m	49%						
Transnational Co-operation: Atlantic Area	€104.1m	66%	€54.7m		€54.7m	35%						
Interreg 4C	€321.3m	79%	€83.8m		€83.8m	21%						

Note: For the two Transnational Co-operation programmes (Atlantic Area and North West Europe) there are national allocations of ERDF to the UK, to finance UK partners participating in successful projects. For the Interreg 4C programme the budget is not broken down by Member State, meaning there is effectively an open market place for the total budget available under this programme.

¹ [Quick Guide on European Structural Funds](#) can be read for background information on this topic.

² Based on information taken from the Wales European Funding Office (WEFO) web-site <http://www.wefo.wales.gov.uk/>

Table 1 summarises the breakdown across the programmes, including the main Territorial Co-operation Programmes that Wales can also potentially benefit from. Wales has been allocated approximately €4.5 bn under the new Convergence and Regional Competitiveness Objectives of the Cohesion Policy for 2007-2013, of which €2.22bn comes from European funding (€1.32bn ERDF and €900m ESF). This means around €2.3bn must be realised through match funding to maximise the funding available.

Sources of match funding

There is a variety of sources and the Welsh European Funding Office (WEFO)³ provides extensive lists of potential match funding sources. Traditionally these sources are grouped into public and private match funders, and the €2.3bn combined match funding target for the Convergence and Regional Competitiveness programmes in Wales, breaks down as:

- **Public match funding: €1,529.7m** includes funding from Welsh Assembly, local government, and all organisations that receive over 50% of their core funding from public finances, such as non-governmental organisations, universities, charities and voluntary sector organisations.
- **Private match funding: €780.6m** includes funding from businesses or organisation falling outside the definition of public status, e.g. limited companies, co operatives, partnerships and self-employed people.

The Welsh government has established a **Targeted Match Fund**⁴ (TMF) to provide central match funding to the Structural Funds programmes in Wales for 2007–2013, including the Territorial Co-operation programmes. This replaces the Pathways to Prosperity fund (P2P) that supported the Structural Funds Programmes 2000 - 2006.

The TMF is a fund of last resort, meaning applicants are required to show that all efforts have been made to secure match funding from other sources before TMF is approached. An overall allocation of £350m for the period provides capital and revenue funding to organisations from all sectors to support eligible activities under the various programmes. There is no indicative allocation between the different programmes or for different themed activities, although there is a split between capital and revenue, with the bulk of the fund going to capital (£260m). An indicative profile of funding over the period is provided.

Table 2: Yearly split between capital and revenue funding

£m								
Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Capital	20	25	30	33	41	54	57	260
Revenue	10	10	10	12	14	16	18	90
Total	30	35	40	45	55	70	75	350

³ WEFO, [A-Z of match funding sources](#) [on 28 June 2009]

⁴ WEFO, [Targeted Match Fund, Guidance to applicants for Territorial Co-Operation Programmes](#) [on 28 June 2009]

The £350m would account for around 28%⁵ of the total public match funding of the two programmes, although this pot is also available to match fund participation of Welsh organisations in the Territorial Co-operation programmes. The bulk of public match funding required (over 70%) needs to be generated from other sources of public funding.

Types of match funding

Match funding can come in two forms, **actual** and **in kind** match funding. Actual match funding is normally understood to mean cash payments and, (other than depreciation charges), describes a cash contribution from an organisation. The Welsh Assembly's Targeted Match Funding would be an example of such a contribution. There has been some confusion in the past over the categorisation of staff costs, where an organisation second a permanent member of staff onto a project, and covers the costs of them as a match funding contribution. The European Commission views such costs as "actual" match funding commitments, rather than "in kind".

"In kind" match funding refers to services or products provided by an organisation or individual towards delivery of a project. Such services would incur a measurable actual cost to the supplier and it is this actual cost that would be counted as the "in kind" match funding provided. Examples would include, rent for premises payable by the match funder; administration costs undertaken by a third party or; volunteers' time.

Unpaid volunteer work is eligible as match funding in kind, subject to certain conditions. The value of volunteer time is based on the theoretical cost of the tasks performed by the volunteer for that project. For staff costs to be used as match funding they must be accurately recorded showing the amount of time staff have spent on the project⁶.

Rural development plan

The Rural Development Regulation requires Member States to co-finance the European funding provided through the European Agricultural Fund for Rural Development (EAFRD) at source. The regulation sets out the maximum rates of EAFRD in terms of a percentage of public expenditure in the region. Higher rates apply for Convergence regions, and different thresholds also apply for activities supported under Axes 2 compared to Axes 1, 3 and 4. There is also a minimum threshold at axis level, namely that at least 20% of all public expenditure under each axis must be financed by the EAFRD.

For individual measures or activities supported under the programme, there will be maximum grant rates in terms of overall public expenditure (the combined national and European funding) that can go towards financing individual support measures or activities. In such cases the remaining cost of the activity or measure must be financed through private sources. This is largely in order to respect State Aid rules or to ensure beneficiaries demonstrate commitment towards the actions supported. The financial breakdown for the Rural Development Plan for Wales is shown in table 3. In addition to the detailed public expenditure, the Rural Development Plan for Wales also includes projected private sector expenditure of approximately €346m⁷.

⁵ Using an exchange rate of approximately €1.25=£1

⁶ WEFO, *Guidance note, In-Kind Costs and Match Funding*, February 2007 [on 28 June 2009]

⁷ Welsh Assembly Government, *Rural Development Plan for Wales, Section 6: Financing Plan*, p74, 2008 [on 28 June 2008]

Table 3: Overall Programme Summary 2007-2013

Axis	Funding Source	In EUR				In Sterling	
		Public Expenditure	% Public Expenditure	EAFRD Contribution	% EAFRD (ex old VM)	Public Expenditure	EAFRD Contribution
Axis 1	EAFRD	76,799,336		38,399,668		52,223,548	26,111,774
	EAFRD - Convergence	28,715,115		21,536,336		19,526,278	14,644,708
	New Voluntary Modulation	16,396,771		9,018,224		11,149,804	6,132,392
	State Aid Top Ups	9,646,785		0		6,559,814	0
	Total	131,558,007	11.2%	68,954,228	18.3%	89,459,445	46,888,875
Axis 2	EAFRD	381,926,223		99,300,818		259,709,832	67,524,556
	EAFRD - Convergence	208,525,058		54,216,515		141,797,039	36,867,230
	New Voluntary Modulation	131,174,142		72,145,778		89,198,416	49,059,129
	State Aid Top Ups	102,973,279		0		70,021,830	0
	Old Voluntary Modulations	49,117,646		24,558,823		33,399,999	16,700,000
Total	873,716,348	74.7%	250,221,934	59.9%	594,127,116	170,150,915	
Axis 3	EAFRD	57,525,628		28,762,814		39,117,427	19,558,714
	EAFRD - Convergence	20,020,355		15,015,266		13,613,841	10,210,381
	New Voluntary Modulation	16,396,771		9,018,224		11,149,804	6,132,392
	State Aid Top Ups	16,701,595		0		11,357,084	0
	Total	110,644,349	9.5%	52,796,304	14.0%	75,238,156	35,901,487
Axis 4	EAFRD	30,176,418		16,597,030		20,519,964	11,285,980
	EAFRD - Convergence	16,455,936		9,050,765		11,190,037	6,154,520
	New Voluntary Modulation	0		0		0	0
	Total	46,632,354	4.0%	25,647,795	6.8%	31,710,001	17,440,500
Technical Assistance	EAFRD	7,352,938	0.6%	3,676,469	1.0%	4,999,998	2,499,999
Total		1,169,903,996	100.0%	401,296,730	100.0%	795,534,716	272,881,776

Source: [Rural Development Plan for Wales](#), Section 6: Financing Plan [page 69]⁸:

Other European Funding Programmes

Structural Funds and the Common Agricultural Policy will account for the bulk of EU spending for the 2007-2013 period. However, there is a plethora of other EU funding programmes available to organisations within Wales and the rest of Europe to apply to, which support delivery of the EU's other policy goals. Examples of the larger programmes are, the [Seventh Framework Research Programme \(FP7\)](#), (€54.5bn European funding), the [Competitiveness & Innovation Programme \(CIP\)](#) (€3.6bn), the [Lifelong Learning Programme](#), (€7bn) and [LIFE+](#): (€2.1bn). Examples of smaller programmes would include [Culture 2007](#), (budget of €408m) and [DAPHNE III](#), (€117m).

Applicants to these programmes would be required to provide some level of co-financing, much in the same way for Structural Funds Programmes, although the rules and requirements vary from programme to programme.

Further information

For further information on aspects of European Structural Funding, please contact Matthew Griffiths, Members' Research Service (Matthew.Griffiths@Wales.GSI.Gov.UK)

For further information on the topics below, double click on the links.

Welsh Assembly Government [Rural Development Plan for Wales 2007-13](#)

Quick Guide on [European Structural Funds](#)

⁸ The source document has a discrepancy in the Total Public Expenditure (in Sterling) figure. All other values are converted €1:£0.68 but the total figure is not. Summing the subtotals shows that £88,970 is missing from the contributing categories.