

**European Union Programme for Cross
Border Territorial Co-Operation
(Interreg IV)**

CONSULTATION RESPONSE

By

James H Allister QC MEP

Introduction

We welcome the opportunity to once again comment on the European Union Programme for Cross Border Territorial Co-operation (Interreg IV). It is in our view vital that these valuable resources are strategically targeted to ensure maximum benefit to Northern Ireland, the border region of the Irish Republic and Scotland, whose inclusion in the latest stage of the programme we welcome most enthusiastically.

To this end, in our previous submissions we highlighted the importance of two important themes, which were:

- (1) Resources being allocated with a stronger economic focus than has been the case up until now, in order to deal with the serious problems of the Northern Ireland economy (lack of R&D expenditure, high public sector dependency etc.) – our concerns in this area were outlined in our response to the consultation on the Northern Ireland Chapter on the National Strategic Reference Framework (Annex A)
- (2) The development of strong tourism links between Northern Ireland and Scotland, as outlined in our paper “Working together for a Common Good – the Prospects for East west co-operation”.

Question 1: What are your views on the description of the region and the main evaluation findings and lessons from the previous programme as presented in this section of the Operational Programme?

Firstly, we welcome (paragraph 1) the inclusion of Scotland in the new programme: this is something, which we have sought for a very considerable time. Northern Ireland and Scotland have well-established and documented links. In the realm of culture and the arts it is clear that the revival in Ulster-Scots is reflective of a new and ever expanding consciousness of the closeness of our relationship.

In the economic sphere, our shared economic experiences also make the case for stronger co-operation through the Interreg programme. In “Working Together for a Common Good”, we highlighted issues such as the decline of ship-building and textiles, lack of transportation infrastructure and underdeveloped tourism opportunities in some sectors as shared economic handicaps. We welcome the fact that this has been acknowledged by the inclusion of Scotland in the programme.

The presentation of the region as outlined in the consultation document is similar to that which we outlined in our previous responses on this issue and as such we are pleased that common ground exists between ourselves and the Managing Authority on what exactly the problems facing the region are.

Specifically, we are pleased that the Managing Authority has identified the problems surrounding Productivity and Growth for the region (Paragraph 6, section 1) and hope that the new programme structures will be fully utilised to address these problems. With regard to the section on sectoral employment, we are pleased to note that Northern Ireland and Scotland’s continued over-dependence on the public sector as a means of providing employment is acknowledged. The diminution of this public sector dependency will be the key economic challenge facing Northern Ireland in the years ahead and as such should be a principle priority of the programme over the next six years.

The section relating to education raises an interesting proposition, namely that the knowledge gap between the programme region and the rest of the United Kingdom/Irish Republic is beginning to close. While we acknowledge that this is indeed the case, we feel that the programme can have a role to play in accelerating the pace of that closure of the gap, through increasing the availability of training opportunities to enable young people to gain access to third level education.

We welcome the fact that tourism has been identified as an area needing attention during the programme's operation. Indeed we feel that this area presents us with a massive opportunity for the programme to have an extremely positive impact in terms of improving tourism infrastructure and more successfully facilitating the development of the tourism industry, specifically through the Ulster-Scots axis.

In the section relating to alternative/renewable energy development, we support fully the identification of wind and wave energy as an area needing focus and development in the future. We believe that these forms of renewable energy should be a specific priority as significant investment has already been made in the biomass energy sector.

Paragraph 7 relates to the evaluation results of previous Interreg programmes. Pertaining to the culture established under previous programmes of a "joint identification of need" and the development of projects subsequently, we want to see this culture develop further. There exists a range of common problems affecting the eligible area, which through joint action and partnership can be identified and targeted. Where such a course of action is demonstrably to the betterment of both partner states we support it.

In relation to the contribution to broader national and European Union objectives, we concur with the analysis that Interreg helped towards the attainment of both the Gothenburg and Lisbon agendas. We have argued that in future programmes the attainment of the Lisbon agenda whereby low productivity and economic stagnation are targeted through EU initiatives should be to the forefront. That remains our position.

Paragraph 8 relates to the lessons, which can be learnt from previous stages of the programme. We agree with the lessons, which have been highlighted and hopefully will be addressed in the latest stage of the programme. Specifically we are pleased that the importance of an early commencement to the programme has been identified. In order to avoid the headlong rush to meet N+2 spending targets and to achieve a truly strategic approach to the programme, whereby maximum benefit to the region can be accrued, it is vital that the programme commences as early as possible.

Question 2: What are your views on the overall objective and strategic objectives of the programme? Is it the correct focus for the Interreg programme?

The overall programme objective is:

“supporting strategic cross-border co-operation for a more prosperous region and improving access to services to enhance the quality of life”

We are supportive of this statement as the overall objective of the programme, although we would like a specific reference included to the constituent parts of the region in order to highlight the new inclusion of Scotland in the programme. We would also like to see included a specific reference to the strong economic focus of the new Interreg programme. Therefore we propose that the overall programme objective should be:

“supporting strategic co-operation between Northern Ireland, Western Scotland and the border region of Ireland for a more prosperous region, a stronger diverse economy and improving access to services to enhance the quality of life”

The strategic objectives of the programme are ones, which we support, namely the diversification and development of the economy by encouraging innovation and competitiveness in enterprise and business development and the promotion of tourism (Co-operation For a More Prosperous Cross Border Region Priority).

We are supportive of the improvement of access to services in the region and are prepared to support the development of cross-border initiatives in this area where it is proven to be of mutual benefit to all those in the region (Co-operation for a Sustainable Cross-Border Region Priority). We wish to place on record our long-standing position that cross-border co-operation where it is to the mutual benefit of Northern Ireland and the Republic and has no political strings attached is to be welcomed. This can be the case in this programme and as such welcome the focus outlined in the two strategic objectives, believing them to be the correct ones for the next stage of Interreg programme.

Question 3: What are your views on the Programme's approach to the three cross cutting themes and the development of strategic projects?

We are supportive of the cross cutting themes as outlined in the consultation document, namely – Equality, Sustainable Development, Partnership and Impact on Poverty. We are particularly pleased that the importance of sustainable development will be at the core of the programme in relation to project selection criteria.

Paragraphs 14 – 16 detail the project selection criteria; we support the contents of paragraphs, 14 and 15 which relate to the standards by which projects are to be judged. We are pleased that efficiency and effectiveness will be two important criteria and we look forward to hearing just how projects will be judged against these criteria when the full operational programme is published.

Paragraph 16 relates to the types of projects that will be funded. The paragraph states that two types of projects will be funded namely: Ireland/Northern Ireland and Ireland/Northern Ireland/ Scotland. We are disappointed that EC regulations disallow the creation of a third type of project i.e. Northern Ireland/Scotland, but hope that as the programme unfolds, projects with a strong Northern Ireland/Scotland element to them will be supported by the managing authority.

In relation to the development of strategic projects as a part of the programme, we welcome this innovation. The problems identified in the description of the region will only start to be tackled if a genuinely strategic approach is taken. In earlier submissions we have highlighted the type of strategic engagement that we wish to see commence and are pleased to see that the strategic approach which we have supported will form a key element of the programme. Our position has always been one of focus not froth as we have witnessed too many precious EU resources wasted in the past in transitory and ephemeral projects, which have little or no impact once EU funding of such ends. Strategic interventions aimed at improving our transport infrastructure, developing our tourism industry and increasing our R&D output have our support.

Question 4: What are your views on the content of each priority?

In relation to Priority 1, we are pleased that the creation of “a more diverse and dynamic economy” and the development of a tourism sector that “will attract domestic and overseas visitors” form the totality of the priority. These two key areas are ones that we have repeatedly highlighted as requiring support and development.

Priority 2 envisages the development of collaborative approaches in relation to service delivery and the development of infrastructure in border areas in relation to issues such as telecommunications, transport, energy, waste and utilities and the environment. We support these priorities and hope that the Infrastructure element of the priority will be given special focus as it has the greatest potential for improving people’s lives on an everyday basis.

At this point in the discussion we feel it is important to highlight the issue of additionality. The positive impact that the programme can have will be severely undermined if a state of additionality is not achieved. Previous programmes have been subject to government grab whereby domestic priorities have been funded from EU revenue. This must not be allowed to happen or the potential of the programme will be lost.

Question 5: What are your views on the indicative budget proposals? These are presented as a potential range of budgets. In your view what is the correct balance between the two main priorities?

Paragraph 20 details the indicative budget proposals. It states that priority 1 is to have an estimated budget of EUR60 - 105million, whereas Priority 2 is to have an indicative budget of EUR75 – 115million. Given our strong emphasis in previous consultation responses on the importance in the economy and in the development of tourism in Northern Ireland, we would call for a re-calibration of this budget. Accordingly we propose that Priority 1 should be allocated EUR75 – 105 million as its budget, whilst Priority 2 should receive an allocation of EUR60 – 115 million.

The development of a strong, diverse and thriving economy should be at the core of this programme and we believe the re-allocation of resources proposed above would be reflective of such a state of affairs.

Question 6: What are your views on the proposed implementation arrangements for the Interreg programme?

Previous European Programmes have been characterised by excessive Technical Assistance and an overbearing bureaucratic framework. We therefore welcome the fact that in this stage of the programme there will not be a proliferation of funding bodies for applicants to deal with. Furthermore we welcome the fact that the Technical Assistance budget stands at EUR11.5million, which represents a significant downturn, both in percentage and monetary terms from previous programmes.

We support the implementation arrangements outlined in Paragraph 24 of the consultation documents as we believe that they are in-keeping with the aim of strategic project selection and delivery and will help to provide focus.

In relation to Paragraph 25, which deals with the Steering Committees to be established, we have one issue of concern – their composition. It has consistently been our view that the under-representation of political representatives on various monitoring committees should be brought to an end. Local people on the ground know what their areas need and can bring a dynamic and fresh approach, which civil servants or vested interests in the voluntary or community sector sometimes cannot. Accordingly we would expect to see a plurality of political representatives, drawn from across the region on these steering committees.

Conclusion

We are broadly supportive of the approach outlined in the consultation document. We are especially pleased that the implementation arrangements are to be streamlined as this will help to provide focus and better delivery. In relation to the priorities we are pleased that the issues, which we have highlighted in previous consultation responses are to be given special attention in this latest stage of the programme and believe that if additionality can be guaranteed then the programme should have a very positive impact, especially in the area of formulating and delivering strategic projects.

Finally, we believe that the economy should be given special focus because of the major economic handicaps outlined in the description of the region, hence our proposed re-calibration of funding for the two priorities

Annex A

**Northern Ireland Chapter National Strategic Reference Framework for Future
Structural Funds**

Response by James H Allister QC MEP

Structural Funds -

Maximising the Benefits

**Consultation on Draft National Strategic Reference
Framework for Future Structural Funds Programmes
(2007 – 2013)**

Response prepared by the office of Jim Allister MEP

1.0 Background – Strengths and Weaknesses of the Northern Ireland Economy.

1.1 An Improving Situation?

Recognition needs to be given to the improvements in NI Economy over the past ten years, with financial input from the EU. Advances in the economy have taken place GDP growth levels, manufacturing output (albeit sporadically) and employment levels.

1.2 Structural Difficulties

However this is not the complete picture. There remain structural difficulties and challenges to be overcome. These will not be changed by a continuation of existing strategies or a simple development of them. Underlying structural weaknesses must be tackled. These are:

- An underdeveloped private sector;
- over dependence on the public sector;
- low levels of business formation and R&D spend;
- low levels of labour market participation; and
- high levels of long-term unemployment and uneven sub-regional growth.

Taking these in turn, they can be further developed:

1.2.1 An underdeveloped private sector

- Of Northern Ireland's 53,770 VAT-registered businesses, 31 per cent are agricultural and 89 per cent employ fewer than 10 people
- Only 200 businesses have more than 200 employees and a mere 65 employ more than 500 workers.
- The overwhelming number of large private-sector employers are overseas-owned
- Around two-thirds of all manufacturing workers are employed by overseas-owned companies
- NI has the lowest average private sector wages amongst the 12 UK regions at 83% of the UK average.

1.2.2 Overdependence on public sector

- NI public sector equates to 61% of GDP, compared to UK's 42% and ROI's 27% while public sector wages are 103% of UK average
- Public sector, retail and hospitality account for 64% of all jobs, with the public sector employing 1 in 3 of all workers and 60% of all females in employment
- Per-capita employment in today's NI public sector is more than that of any Russian state at the break-up of the Soviet Union

- Government sponsored retail-based regeneration strategies create retail developments that depend on continued high public sector wages

1.2.3 Low R& D and business formation

- NI has second-lowest level of business formation of the 12 UK regions
- NI has the lowest level of business growth amongst the 12 UK regions
- NI has amongst the world's lowest % of GDP invested in R&D
- Public investment in NI R&D is 41% of UK average
- Overseas-owned manufacturing firms account for 60% of NI R&D spend and 10 FDI firms account for 50% of exports
- Private sector wages are 83% of UK average and falling relative to the rest of the UK

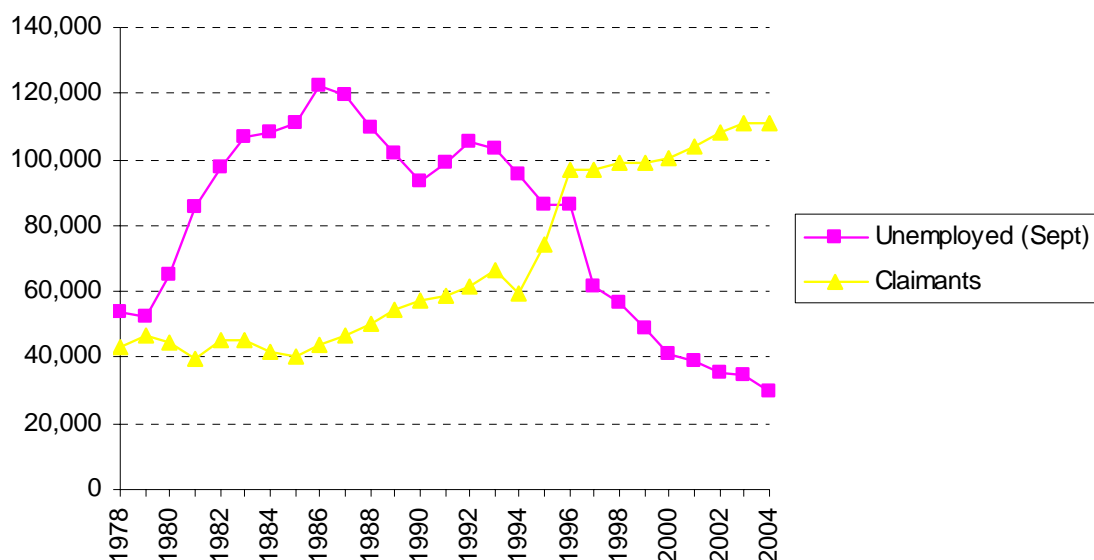
1.2.4 Low labour market participation

- Over 530,000 people (41% of working-age population) are not economically active
- There are worrying underlying trends: Since 1978:
 - Unemployment fell by 24,100 - 45%
 - Employees in employment rose by 171,690 - 33%
 - Incapacity benefit claimants rose by 67,753 - 156%
- The rise in incapacity claimants is almost three times the total fall in unemployment

1.2.5 High long term unemployed and uneven sub regional growth

- NI has the highest level of long-term and youth unemployment amongst the 12 UK regions
- Some wards in Belfast and Londonderry have amongst the highest levels of deprivation in Europe
- Falling unemployment masks alarming rise in benefit claimants (See Table 1 below)

Table 1: Unemployment and Incapacity claimants from 1978 – 2004 (September)



1.3 Further Issues of Concern

1.3.1 Demographic Considerations

- The working age population will increase by 40,400 this decade
- NI is one of the few EU member states with a growing population
- We need 4,400 net new jobs annually to stand still
- The current influx of migrant workers, while providing labour for the lower paid jobs, provides little benefit to the local economy in terms of the jobs supported or the money left behind locally.

1.3.2 Employed Profile

- 720,000 workers (excl 10,000 on training schemes), support a total population of 1.7m people
- Only 577,000 workers are full-time,
- 159,000 (22%) are part-time
- 116,000 (15%) are self-employed
- Of a working-age population (16+) of 1.312m, 536,000 (41%) are economically inactive, but only 36,000 (12%) are seeking employment.
- Such levels of inactivity lead to the conclusion that a culture of “worklessness” or “work shyness” has been created and sustained.

1.3.3 Job Creation Targets

- Participation level (the percentage of the working age population in employment) is at a record low
- To meet today’s average UK participation levels by 2015 means creating an additional 68,400 jobs
- We need 40,400 additional jobs for the growing population by 2015.
- Collectively, 108,800 jobs must be created by 2015 to raise the participation rate to the UK average and to accommodate growth in the working age population
- PLUS- anticipated decline in manufacturing (20,000), agri and other sectors (12,000) over the same period raises the target to 140,800 – a daunting task!

1.3.4 Regional Comparisons UK

Strengths

Indicator	Regional rank (out of 12)
Employment growth (1995-2004)	1
Change in claimant unemployment (1999-2005)	1
Business survival rate (2003)	3
Percent of school leavers with qualifications (2000/01)	1

Weaknesses

Indicator	Regional rank (out of 12)
Percent of long-term unemployed, excluding youth (Apr 2005)	12
Business formation rate (2003)	11
Percent of working age with 2+ A-levels (2002)	11
GVA per head (2002)	11
Activity rates (Apr 05)	12
Share of private sector employment (2003)	12
Average earnings (2004)	12
Percent of short term unemployed (Apr 2005)	7

In summary, while the economic condition of Northern Ireland has improved, this has been substantially driven by expansion in the public sector. Northern Ireland's GDP per capita is still amongst the lowest in the UK, at under £11,000 per head of population. This is comparable to Wales and the North East of England. (Source ONS)

2.0 A Framework for Northern Ireland

The consultation indicates a total of 9.4 billion euro in UK Structural Funds in the period 2007 -2013, of which 2.6 billion will be set aside for convergence funding in the poorest regions, which currently exclude Northern Ireland. 6.2 billion Euro is available for Competitiveness Enhancement and it is here that Northern Ireland, being the least competitive of UK regions must be allocated generous funding (not less than

1 billion Euro) to target GDP growth and reduce the numbers of those economically inactive in the region. (We will also comment on the opportunities arising from the 0.6 billion which is available for Transnational Cooperation.)

The exclusion of Northern Ireland from access to convergence funds, while it still remains amongst the poorest performing regions in the UK is a bizarre outcome. However, if funding from the convergence funds are not available, the very least we would expect is that priority and weighting should be given to the region in allocation of the Competitiveness Enhancement funding.

Our approach corresponds exactly with the purpose of EU cohesion policy, which aims to reduce economic, social and territorial disparities and the Commission's three draft guidelines:

- 1) Enhancing the attractiveness of member states, regions and cities by improving accessibility, ensuring adequate quality and level of services and preserving their environmental potential
- 2) Encouraging innovation and entrepreneurship and growth of the knowledge economy including new information and communication technologies
- 3) Creating more and better jobs by attracting more people into employment, improving the adaptability of workers and enterprises and increasing investment in human capital.

In support of the requirements of the "Framework" we have set out the strengths and weaknesses of the Northern Ireland economy at the commencement of this paper. In light of these we believe that the Northern Ireland allocation of funding for Competitiveness Enhancement should, at a minimum be, 1 billion Euro.

2.1 Competitiveness Enhancement

We support the proposal that Northern Ireland should have a single ERDF Competitiveness programme and a single ESF programme. In addition it is imperative that the single programmes are delivered through the government departments with primary responsibility, namely the Department of Enterprise Trade and Investment and the Department of Education and Learning and or their successor/s and that allocated funds be additional to their existing budgets.

We are generally supportive of an equal split of funding between ERDF and ESF. In relation to the allocation of ESF funds we would re-emphasise and support the objective of (para39) "every nation and region fulfils its economic potential, that all parts of the country share in rising prosperity and that economic disparities between nations and regions are identified and addressed." It is essential that the highest level of cooperation be achieved between the UK regions to ensure that best practice is achieved and that regions learn from each other on the effectiveness of particular measures. We would suggest that a regular scheduled programme of meetings of key officials, and ministers, be established to maximize this networking and sharing of best practice.

Given that Northern Ireland, Scotland and Greater Merseyside have the highest levels of subvention from the United Kingdom exchequer, in recognition of their historic economic difficulties and the decline in heavy industry, we believe that a coordinated approach between these regions of the United Kingdom is essential. By coordinating activity in the “Mersey/Clyde and Lagan Triangle”, focus will be achieved and a greater return can be achieved on every Euro spent.

We further welcome the content of paragraph 40 and would reiterate the points made at 1.2.4 and 1.2.5 above as evidence of the stubborn nature of these problems in Northern Ireland.

In relation to the distribution of ERDF funds (Q7) we believe that since the target is improved competitiveness, then strength of emphasis should be on GDP/GVA performance, relative to the rest of the UK, and the numbers employed in the private sector, relative to the public sector. These are the fundamental measures of economic success. Emphasis should also be given to the levels of R&D spend within the region.

Measurement of ESF spend must be focused on the economically inactive as a key priority, with levels of skills and qualifications in the workforce providing a further focus.

We note that the Northern Ireland Administration will be considering the appropriate mechanisms for delivery of the Structural Funds Programmes in our region and would expect to be part of that ongoing consultation process. (para 48). As previously stated the primary responsibility for allocation of funds must lie with the departments responsible for the Economic Vision for Northern Ireland and the Labour Market in Northern Ireland. (Para 60 Q14). Funds allocated must be additional to existing departmental budgets.

Our response to these issues is in line with the priorities set out in the “Structural Funds in Northern Ireland” section of the document (paragraphs 207 – 240). We would, however, like to see definitive targets in each of the impact areas outlining how the European funding will make a difference in impacting the areas identified as in need of improvement. Given that the amount of money is limited, we believe that the priority areas for spend, and measurement, should be GDP/GVA enhancement, R&D spend, economically inactive population reduction and skill levels within the workforce.

2.2 Transnational Cooperation

In relation to the opportunities presented by the 0.6 billion Euro we support the concept of enhanced East/West cooperation using this funding, and in particular projects which will enhance the cooperation between Scotland and Northern Ireland. This corresponds with the views of the Scottish Executive.

In this category, improvements to the road and rail links to the ferry terminals linking Northern Ireland and Scotland, and through to the West and North/West of the Province, would be a priority.

Similarly on matters related to tourism, which has suffered greatly as a result of the 35 years of conflict, we would suggest the following:

- Giants Causeway and Fingal's Cave joint interpretation and promotion.
- Shipbuilding Heritage incorporating the Titanic Project and the Clyde shipbuilding heritage.
- Reinvigoration of the west by support of projects focused on St. Angelo Airport, Enniskillen.
- Harbour improvements, including at Kilkeel port, as part of the NI/Scotland fishing and leisure ports axis.

Many of these issues, and others, have already been addressed in my document "Working Together for a Common Good" (copy attached).

In relation to Peace III, we have already commented in the document, "Shaping Peace III, Making it Better", (copy attached). Additionally it is imperative that not all funding is directed to large scale projects, but that funding is made available to build community capacity, where it currently does not exist. There is, consequently, merit in a joint departmental (DSD and DETI) special measure for Community Development specifically targeted to put in place development workers for low capacity areas/communities.

In establishing rules for Cross Border and Cross Community elements of Peace III it is essential that good projects in the east of the Province are not disadvantaged by arbitrary and unrealistic Cross Border requirements. Projects in Belfast and the North East of Northern Ireland, must not be disadvantaged by unnecessary and discriminatory cross border requirements.

SEUPB could also be usefully tasked with investigating other Interreg type Programmes to link to other member states to the benefit of the development of Northern Ireland.

3.0 Conclusion

The key to making EU funding have a real impact on Northern Ireland is honest delivery of additionality. Article 11 of EC 1260/1999 stipulates that EU funds must achieve genuine economic impact and therefore should not replace domestic funds. This is the essence of additionality and is likely to continue to be a requirement of the successor regulation which will govern expenditure in 2007-2013. Northern Ireland's eligibility for EU funding has been used to garner such funding into the UK Exchequer, thereby reducing the UK-wide tax revenue and borrowing which is then necessary. This does not deliver true additionality and is not how EU funding should be deployed. When at the same time HMG talk about a large annual subvention to Northern Ireland, with no mention that the UK as a whole has benefited from Northern Ireland's ability to attract EU funding for the UK, then a very wrong and misleading impression is created.

We strongly contend that given the poor economic performance of the region and the structural problems of the economy, additionality of EU funds must be transparently delivered.